The Budget Blueprint

Purpose of the project:

To understand and analyze how the government allocates resources across various sectors over time, and how these allocations reflect national priorities, economic goals, and fiscal management practices.

Tools used for this project:

- Excel
- SQL
- Python
- Power BI

For this project, I gathered data from *indiabudget.gov.in*. After analyzing the data, I created dashboards focusing on *Sector Prioritization, Sector Analysis, Sector Trend Analysis, and Fiscal Deficit Trend.*

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Dashboards
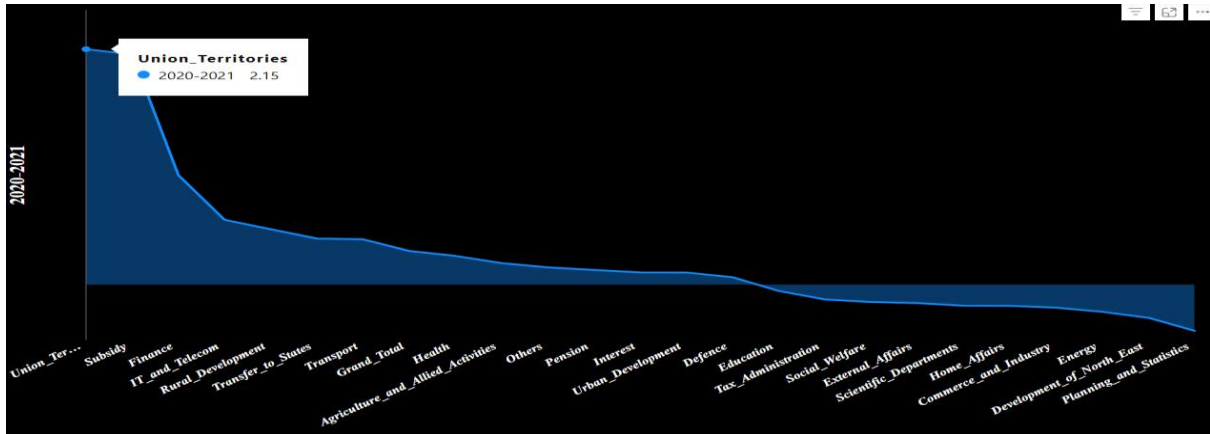
<u>Dashboards:</u>

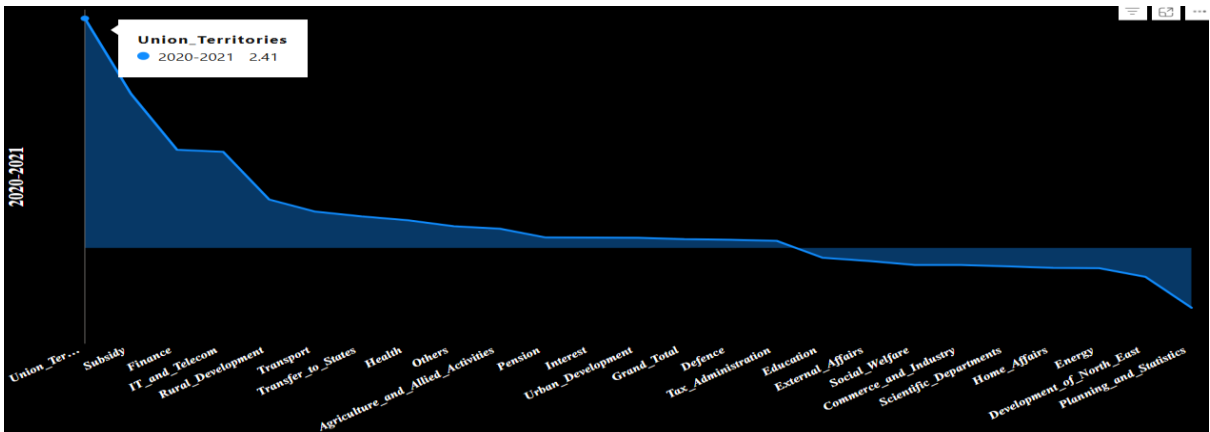# Sector Trend Analysis

- 2020-2021

Actuals:

Estimates:

<u>Analysis:</u>

The government's projected spending on **Union Territories** versus the actual expenditure in the same sector.

<u>Reason:</u>

1. One of the most significant changes in India's political landscape in 2019 was the <u>abrogation of Article 370</u>, which granted special status to Jammu and Kashmir. This decision led to the reorganization of J&K into two Union Territories: Jammu & Kashmir (with a legislative assembly) and Ladakh (without a legislative assembly).
2. The 2020 budget focused on subsidies primarily as a response to the economic crisis caused by the <u>COVID-19 pandemic</u>. The government sought to provide relief to the poor and vulnerable by enhancing food, energy, and agricultural subsidies, alongside expanding social welfare schemes.

- 2021-2022

Actuals:
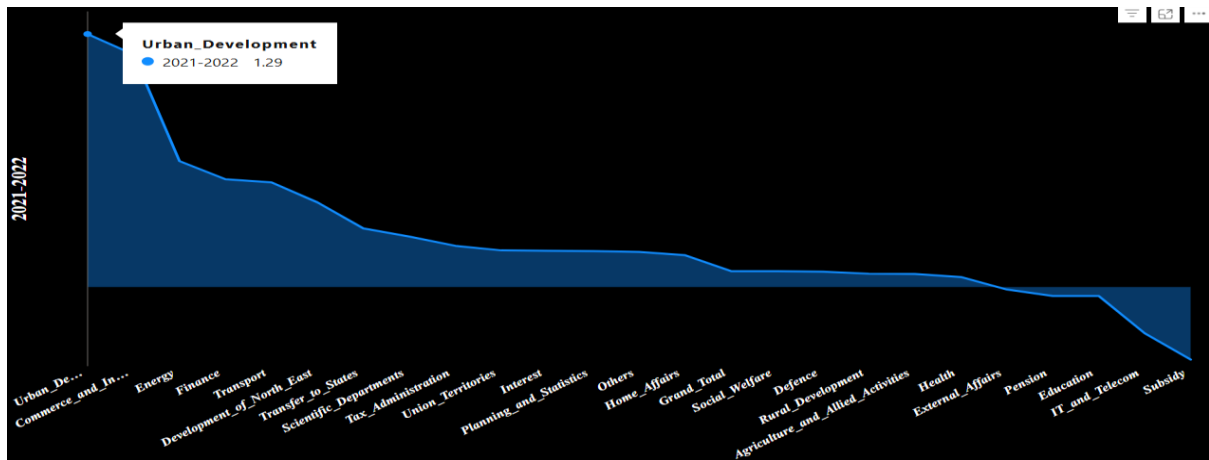
Estimates:

<u>Analysis</u>:

The government estimated spending on **Planning and Statistics** but spent on **Urban Development.**

<u>Reason</u>**:**

The reason why the Indian government in 2021-22 ended up spending more on Urban Development than initially estimated for Planning and Statistics can largely be attributed to the post-pandemic recovery of urban centers, the increased need for infrastructure, and the urgent challenges faced by cities during the pandemic. While planning and statistics are essential for long-term growth, urban development was seen as an immediate priority for the economic recovery, public health, and social stability of urban areas, which required substantial financial resources. Therefore, the shift in expenditure priorities reflected the government's response to pressing urban needs and a focus on rebuilding and modernizing cities to support future growth.

- 2022-2023

Actuals:

IT_and_Telecom
● 2022-2023   3.46

Estimates:

IT_and_Telecom
● 2022-2023   1.58

Analysis:

The government's projected spending on **IT and Telecom** versus the actual expenditure in the same sector.
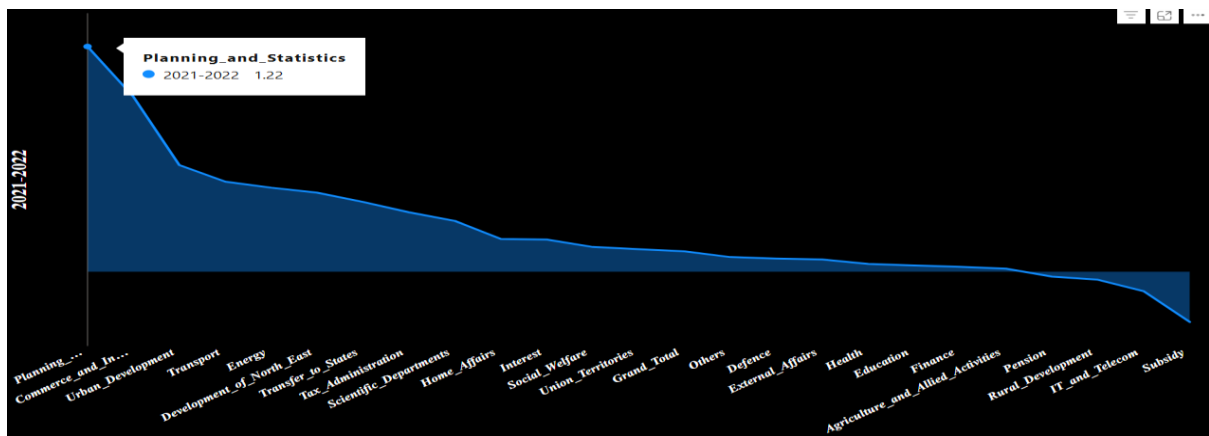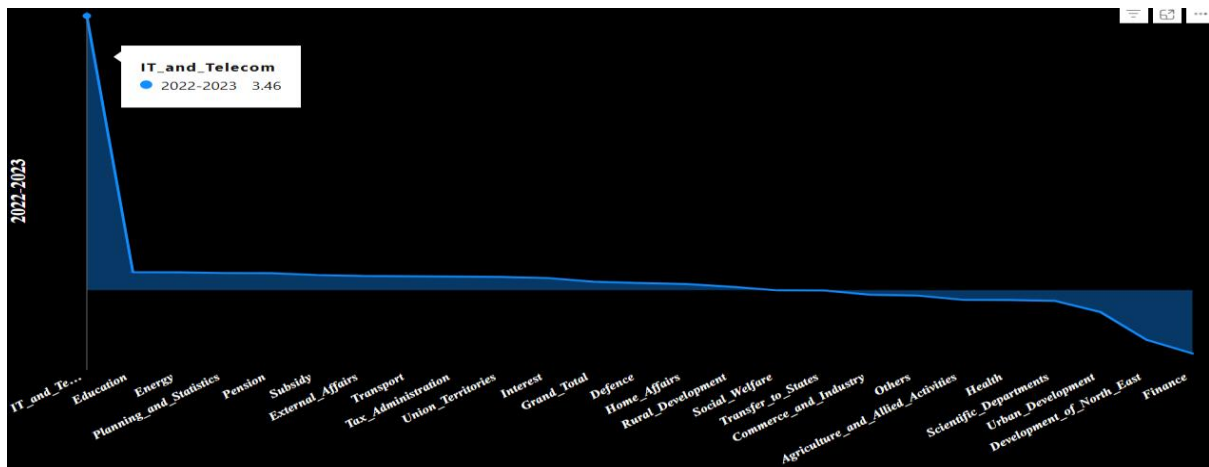
Reason:

- The post-pandemic need for digital education infrastructure, including online learning platforms, teacher training, and digital tools, which led the government to prioritize education.
- The ongoing Digital India initiative (5G Rollout), which continued to drive investments in IT and telecom infrastructure to ensure digital connectivity and support economic growth.
- The government's focus on addressing skills gaps and developing a future-ready workforce through education, particularly in digital and technical fields, in line with long-term economic recovery goals.

- 2023-2024

Actuals:
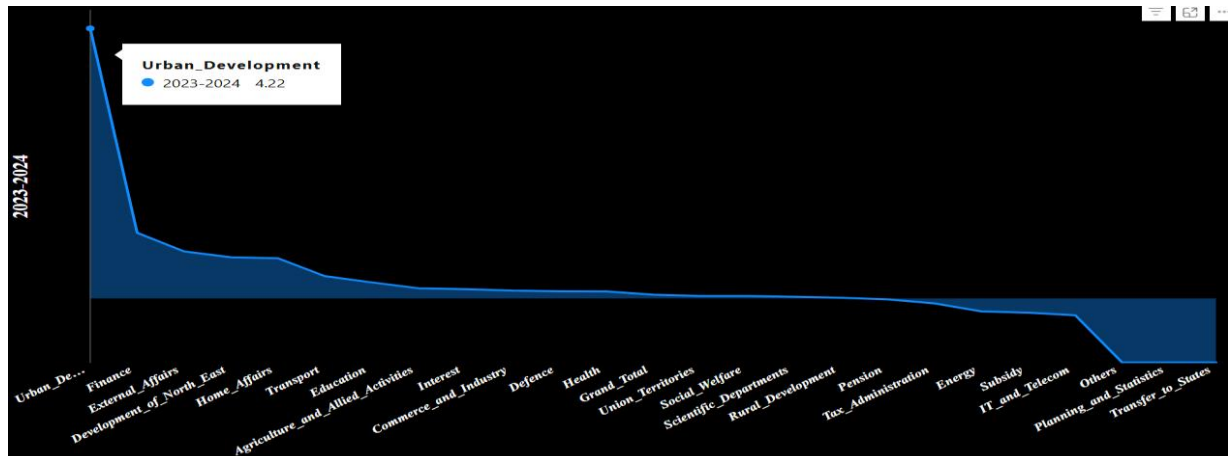
Estimates:
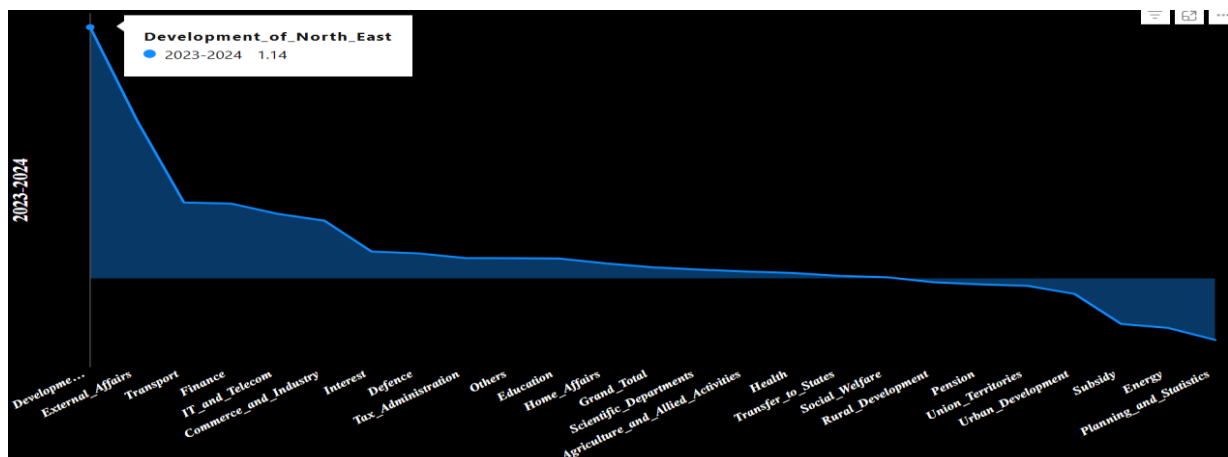
<u>Analysis</u>:

The government estimated spending on **Development of North-east** but spent on **Urban Development.**
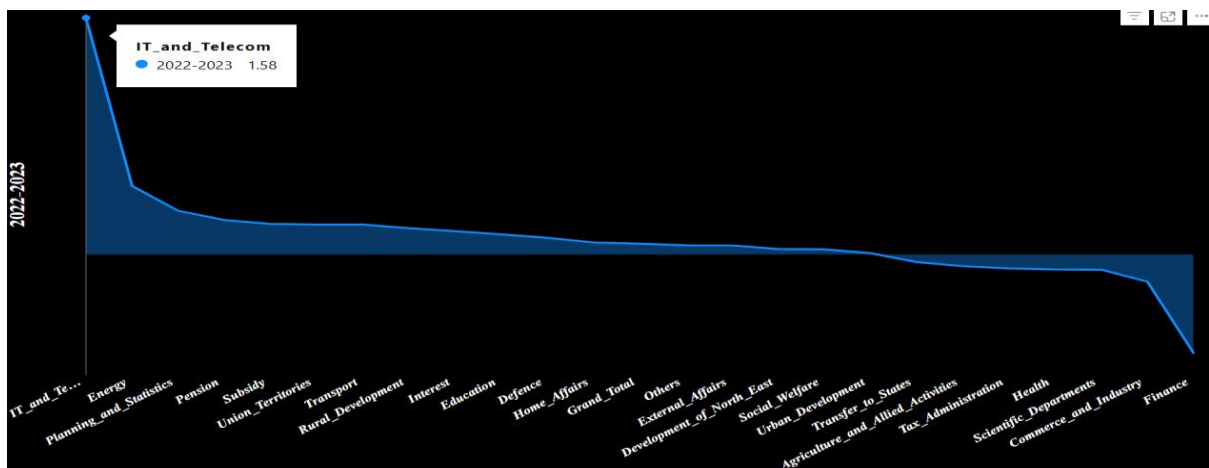
<u>Reason</u>:

1. The post-pandemic recovery of urban areas and the need for urgent infrastructure development in cities.
2. The strategic importance of ensuring financial stability and providing fiscal reforms to support the overall economy.
3. The government's focus is on improving urban infrastructure, housing, and mobility to address challenges in rapidly urbanizing areas.
4. Political considerations and electoral priorities might have also played a role in directing more resources toward urban development.
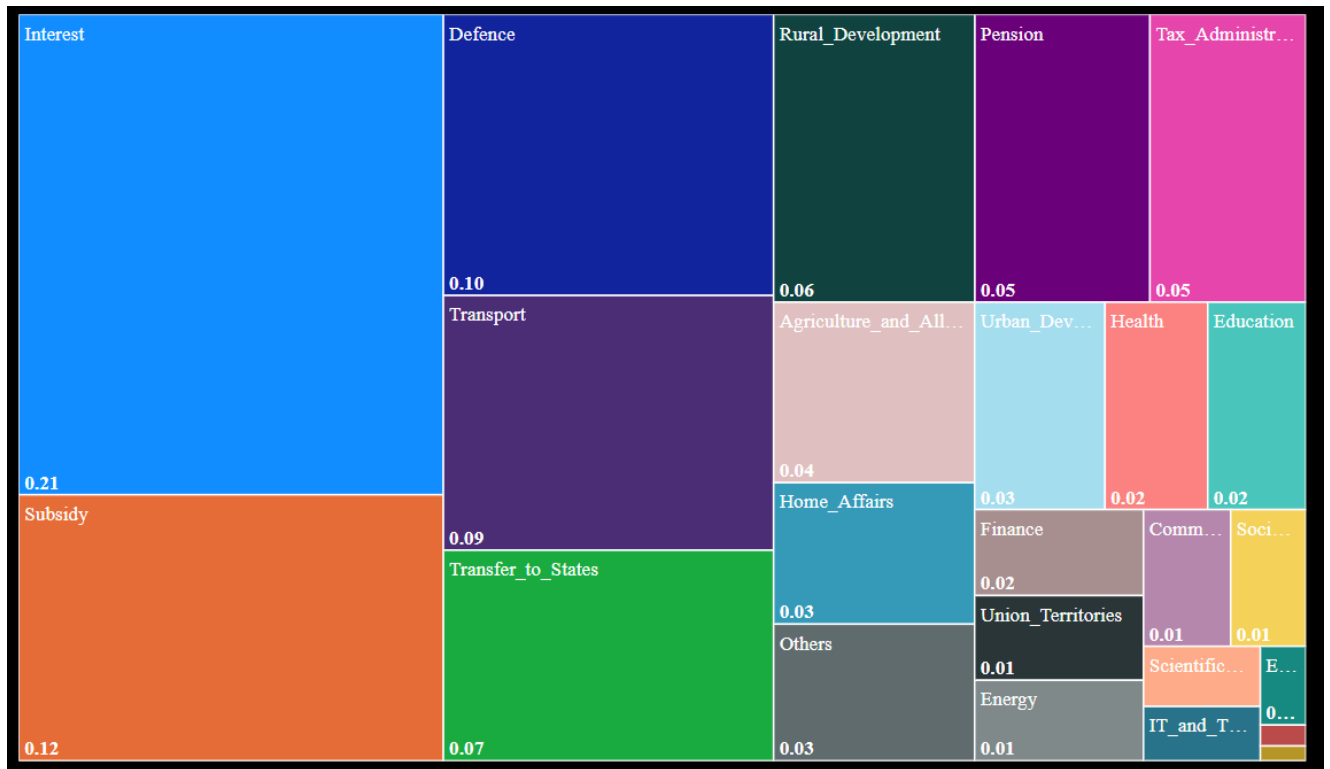
Sectoral Prioritization

- 2019-2020

Treemap for 2019-2020:

- Interest — 0.23
- Defence — 0.12
  - **Geopolitical Concerns and National Security:** In 2019, **India** faced increasing geopolitical tensions, particularly with its neighboring country, **Pakistan**, and ongoing challenges with **China** along the LAC (Line of Actual Control).
  - **Political Considerations:** The **2019 Budget** came ahead of **general elections**. As national security was a critical topic in the political discourse, particularly after incidents like the **Pulwama attack** (2019) and the subsequent **Balakot** airstrike, defense spending and focus were elevated as a matter of national priority.
- Subsidy — 0.09
- Pension — 0.07
- Tax_Administration — 0.06
- Transport — 0.06
- Transfer_to_States — 0.06
- Rural_Developm... — 0.05
- Home_Affairs — 0.04
- Agriculture_and_Allied... — 0.04
- Education — 0.03
- Others — 0.03
- Health — 0.02
- Urban_Devel... — 0.02
- Scientific_De... — 0.01
- Commerce_a... — 0.01
- Socia... — 0.02
- IT_... — 0.01
- Ext... — 0.01
- Energy — 0.02
- Fi... — 0.01
- Un... — 0.01

- 2020-2021

Treemap for 2020-2021:

- Subsidy — 0.20
- Interest — 0.19
- Defence — 0.10
- Transport — 0.06
- Rural_Development — 0.06
- Transfer_to_States — 0.06
- Pension — 0.06
- Tax_Administration — 0.04
- Agriculture_and_... — 0.04
- Home_Aff... — 0.03
- Others — 0.03
- Education — 0.02
- Health — 0.02
- Union_... — 0.01
- Urban_... — 0.01
- Socia... — 0.01
- Finance — 0.01
- Energy — 0.01
- Sci... — 0.01
- IT_and_T... — 0.01
- Com... — 0.01
- Ex... — 0.00

- 2021-2022

- 2022-2023

- 2023-2024

- 2024-2025

- 2025-2026

Key Observations:

1. Major Allocations:

    o   **Interest Payments** consistently had the highest allocation, increasing from **23% in 2019-20 to 24% in 2023-24**.

    o   **Subsidies** peaked at **20% in 2020-21** but then declined to **9% in 2023-24**.

    o   **Defence spending** remained steady at **10% since 2020-21**, after being **12% in 2019-20**.

2. Increasing Trends:

    o   **Interest payments** increased from **23% to 24%**.

    o   **Transport spending** peaked at **12% in 2023-24**, significantly higher than previous years (~6-9%).

    o   **IT and Telecom** increased to **3% in 2022-23** but fell to **2% in 2023-24**.

3. Declining Trends:

    o   **Subsidies** saw a sharp drop after 2020-21, from **20% to 9%**.

    o   **Education, Energy, and Finance allocations** remained relatively low, fluctuating between **0-3%**.

4. Stable or Minor Changes:

- o **Pension** stayed within **5-7%** range.

- o **Health, Home Affairs, and External Affairs** remained mostly between **1-2%**.

- o **Tax Administration and Social Welfare** saw minor variations but no significant shifts.

Conclusion:

- The government has **prioritized debt servicing (Interest Payments) and Defence spending** over the years.

- **Subsidy allocations were significantly cut post-2020-21**, possibly indicating policy changes.

- **Infrastructure spending on Transport increased notably in 2023-24**, suggesting a shift towards development projects.

Sector Analysis
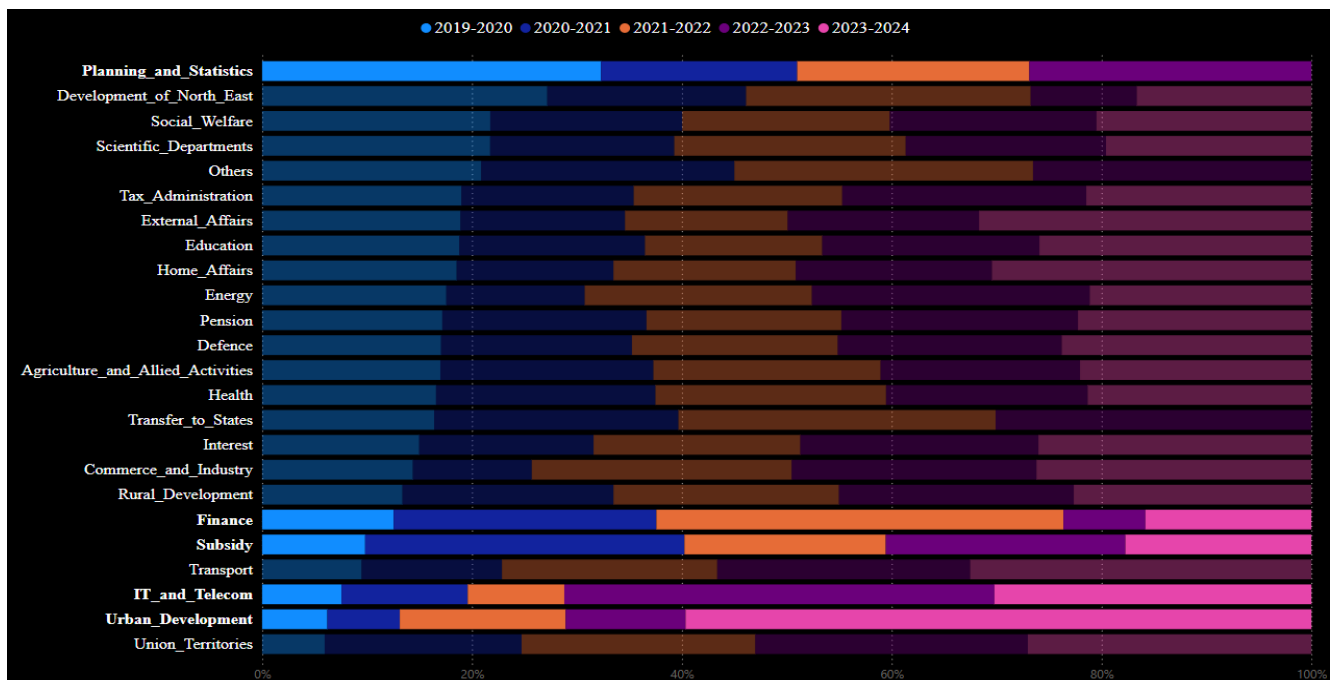
- 2019-2020:

Over the years, the **Planning and Statistics** sector recorded its highest expenditure in 2019-2020.

Reason:

1. **Post-Demonetization Impact:** After the demonetization policy in 2016, the government may have used the year 2019 to assess the long-term economic consequences and to plan for a recovery phase. This involved extensive planning and analysis, requiring statistical evaluations to assess how different sectors were recovering and what interventions were necessary.
2. **Election Year Preparation (2020):** Given that the general elections were held in 2019, the government may have focused on economic and social data analysis to evaluate progress in different sectors and prepare for electoral promises. The expenditure in Planning and Statistics could have been aimed at creating data reports and indicators that highlighted the success of government programs and facilitated the political discourse ahead of the elections.

- 2020-2021:

Over the years, the **Subsidy** sector recorded its highest expenditure in 2020-2021.

<u>Reason:</u>

Overall, the government's focus on subsidies in 2020 was a direct response to the pandemic's economic fallout, and these interventions were critical in ensuring economic stability, addressing health crises, and maintaining social welfare during an exceptionally challenging year.

- 2021-2022:

Over the years, the **Finance** sector recorded its highest expenditure in 2021-2022.

<u>Reason:</u>

1. **Stimulus and economic recovery packages:** Allocating funds for subsidized loans, interest subsidies, and credit guarantees to support businesses and industries.
2. **Increased borrowing and fiscal management:** Funding essential welfare schemes and stimulus programs through government borrowing and debt management.
3. **Social welfare programs:** Ensuring continuous support through direct transfers, food subsidies, and healthcare expenditures.
4. **Healthcare funding**: Massive allocations to the COVID-19 vaccination drive and medical infrastructure.
5. **Energy and fuel subsidies**: Managing fuel price stabilization and ensuring energy affordability for the population.
6. **Tax and revenue mobilization**: Focusing on tax reforms and improving revenue generation to support increased expenditures.

- 2022-2023:

Over the years, the **IT and Telecom** sector recorded its highest expenditure in 2022-2023.

<u>Reason:</u>

1. Accelerated digital transformation in response to the pandemic and increased reliance on remote services like work from home, digital education, and telemedicine.
2. Focus on broadband expansion, especially in rural areas, and upgrades to 4G and 5G infrastructure.

- 2023-2024:

Over the years, the **Urban development** sector recorded its highest expenditure in 2023-2024.

<u>Reason:</u>

The significant contribution in the Urban Development sector in 2023 reflects the government's commitment to building modern, sustainable, and livable cities while addressing the challenges of rapid urbanization and improving the quality of life for urban populations.

Fiscal deficit Trend
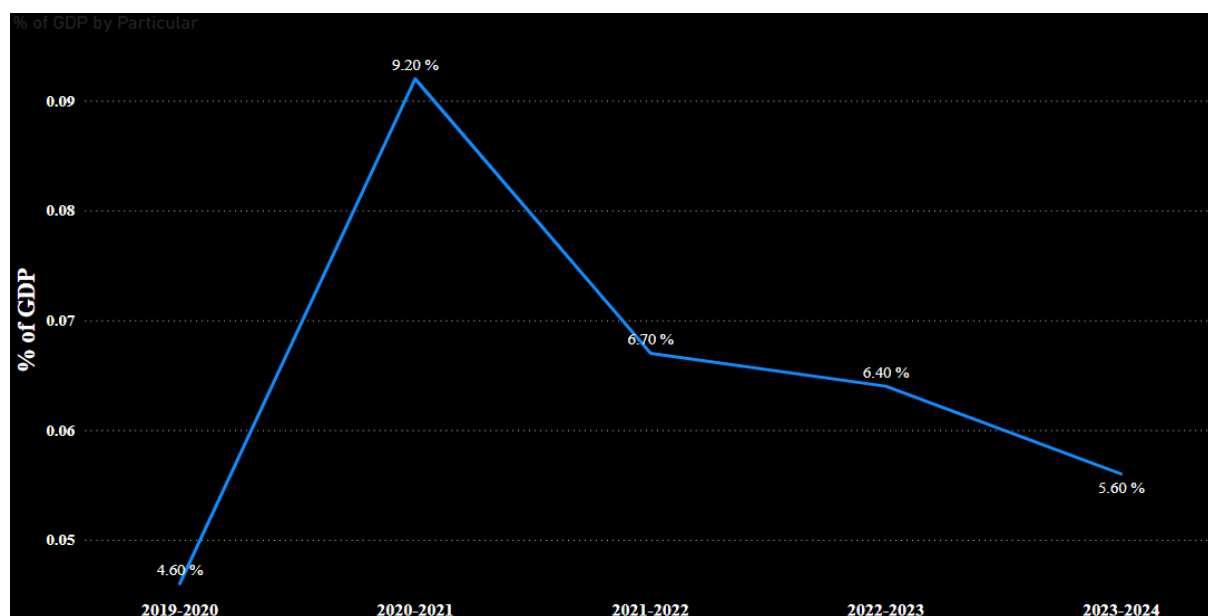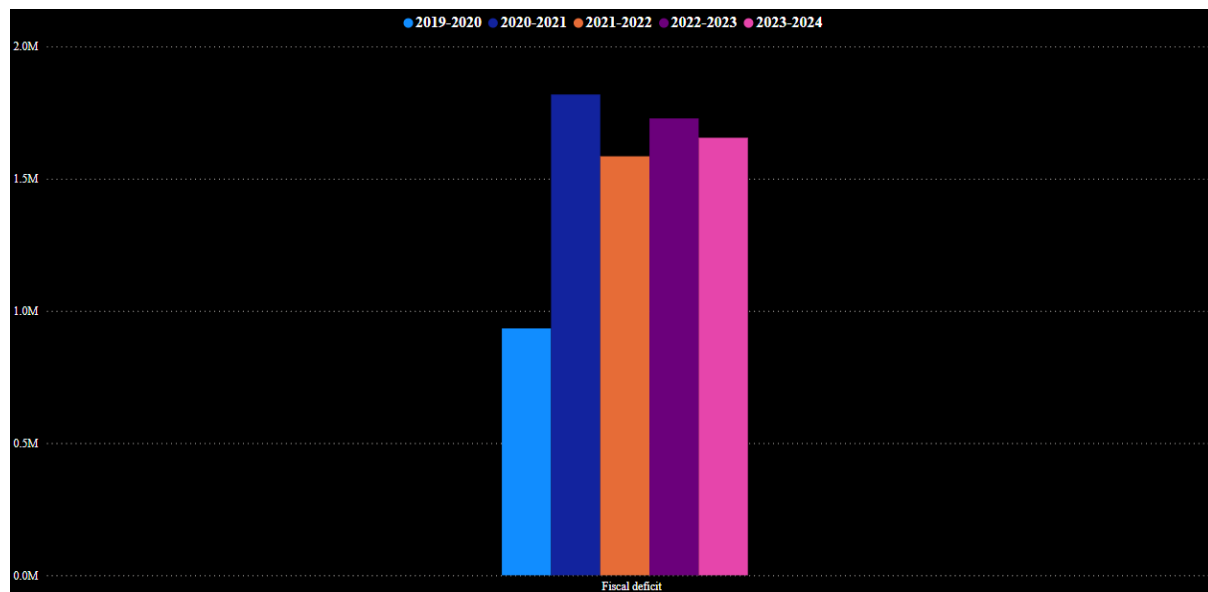
- A high fiscal deficit as a percentage of GDP means the government is borrowing a larger portion of its economic output. This could increase national debt levels.

- If this ratio is high, it could indicate that the government is heavily dependent on borrowing, which might not be sustainable in the long run.

- A lower percentage suggests that the government is keeping its spending in check relative to the economy's total size. It is more likely to be financially stable and less reliant on external debt.

- 5.60% (2023): This means that the government's fiscal deficit is 5% of the country's total economic output. The government is borrowing an amount equivalent to 5% of GDP to finance its expenditure beyond its revenue.