



# Analysis of India's Rural Development Budgetary Implementations

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## **Author's contribution**

The sole author designed, analyzed, interpreted and prepared the manuscript.

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## **ABSTRACT**

Government expenditure patterns have changed tremendously over the last few years, especially in developing countries like India. Many studies found a positive relationship between government spending and rural development and poverty reduction and thereby economic growth. For a country like India, whose proportion of the rural population is about 70 per cent, governments' efforts in the form of its expenditure toward rural development are vital. It is also essential to analyze the relative contribution of various expenditures to rural development and reduce the poverty of rural people. The purpose of this paper is to review and analyze the head-wise budgetary and actual expenditure on the various centrally sponsored scheme for rural development of India.

**Keywords:** Rural development; centrally sponsored programmes; budgetary allocation; economic growth.

## **1. INTRODUCTION**

Government expenditure patterns have changed intensely over the last few decades, especially in developing countries like India. Several studies

of the relationship between government expenditure and economic growth [1,2,3,4,5,6,7]. Barro [3] tried to endogenize government spending in his growth model formally and analyze the relationship between the size of

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government and rates of growth and saving. Some of these studies have explicitly looked at the link between government spending and agricultural expansion, rural development and poverty reduction. These studies show positive economic growth, rural development and poverty reduction effects from public expenditure [4,8,9,10,11]. All these studies found a positive relationship between government spending and the development of the concerned sector. Thus, it is essential to evaluate trends in the levels and composition of government spending and to assess the causes of change over time.

For a country like India, whose proportion of the rural population is about 70 per cent, governments' efforts in the form of its expenditure toward rural development are vital. It is also essential to analyze the relative contribution of various expenditures to rural development and reduce the poverty of rural people. For the government, the annual budget and budgetary expenditure is an influential fiscal policy lever in how much, where and how it spends to make a difference to rural lives. The purpose of this paper is to review and analyze the head-wise budgetary and actual expenditure on India's various centrally sponsored scheme for rural development.

## **2. MAHATMA NATIONAL RURAL EMPLOYMENT GUARANTEE ACT**

The National Rural Employment Guarantee Act (NREGA) was got presidential assent on September 5 2005, expressing the consensus of the State to use fiscal and legal instruments to address the challenges of unemployment and poverty [12]. The MGNREGA achieves twin objectives of rural development and employment [13]. These two objectives are landmarks and milestones which enhance human resources for inclusive growth. Finance forms the most critical input for every programme implementation to grow and survive. Though the Act has been passed and implemented, the issue that remains pertinent is the implications of such a large and open-ended commitment for managing the revenue and fiscal deficits, especially in the context of the obligations under the Fiscal Responsibility and Budget Management Act. Before formalizing the Act, government agencies estimated that full coverage of MGNREGS would cost ₹.400 billion (about US\$ 9-10 billion), which was about 1 per cent of GDP. Some empirical assessments suggest that MGNREGS could help reduce rural poverty to 23 per cent during the lean season, an annual cost of 1.7 per cent of

GDP [14]. Other based on simple average minimum wage aggregates of all states estimated the national annual cost to be 1.3 per cent of GDP; and a case was made that MGNREGS will be sensitive to prevailing minimum wages in respective states [15].

The lack of budget funds constrained earlier wage employment programmes that sought to guarantee, and so instead of a legal guarantee, assurances alone could be offered. It is possible that the confidence of the government to commit funds was inspired by a higher growth rate of the economy. Still, the significant point here is that even when the economy slowed down due to the global meltdown, the budgetary support to MGNREGS did not decline. The government of India releases the fund through budgetary policies for financing and implementation of this programme.

The total budgetary and actual expenditure of MGNREGS from 2011-12 to 2021-22 were given in the Table: 1. The budgetary allocation of funds for this scheme reflects a steady increase from 11300 crores in 2006-07 to 40000 crores in 2010-11. However, in the following years, the budgetary allocation has come down up to 2016-16, which, of course, will adversely affect the implementation of the MGNREGS. In 2016-17, total budgetary expenditure to the ministry of rural development was a total of ₹.96,727 crore. Nearly half of this (48000 crores) went to MGNREGS. Despite its initial criticism of the scheme, the NDA has kept increasing allocations to this scheme. The total budgeted expenditure increased from ₹34000 crores in 2014-15 to ₹60000 crores in 2019-20. For the financial year 2021-22, ₹ 73,000 crores have been allocated, although greater than Rs' original allocation. Sixty-one thousand five hundred crores for 2020-21 is 34.5 per cent lower than the revised estimate of ₹1,11,500 crores. Although budgetary allocation in the financial year 2021-22 is the highest, it appears inadequate by considering persistent unemployment crisis, especially during a pandemic.

## **3. RURAL HOUSING SCHEME (RHS)**

The government is making all efforts to bring down the housing shortage in the country's rural areas, and the size of the scheme has increased substantially in recent years. The rural housing scheme is implemented in all the districts of the division as per the guidelines of IAY. As

**Table 1. Budgeted versus actual expenditure on MGNREGS (₹ crore)**

Year	Budgeted	Actuals	Percentage of Budgeted
2011-12	40,000	29,212	73
2012-13	33,000	30,273	92
2013-14	33,000	32,992	100
2014-15	34,000	32,977	97
2015-16	34,699	37,341	108
2016-17	38,500	48,215	125
2017-18	48,000	55,166	115
2018-19	55,000	61,815	112
2019-20	60,000	71,687	118
2020-21	61,500	1,11,500	181
2021-22	73,000	-	

Source: Union Budgets from 2010-11 to 2021-22; PRS

construction of houses for the rural poor is a significant activity of asset creation in rural areas and contributes substantially towards the concept of Bharat Nirman, this has been included as one of the six components of the 'Bharat Nirman' Programme [16].

The total budgetary, actual expenditure and percentage of actual expenditure against budgetary on rural housing scheme from 2011-12 to 2019-20 is given in the Table: 2. The budgetary outlay for rural housing was enhanced from ₹.1991 crore in 2001-02 with a physical target of construction of 12.94 lakh houses to ₹.8996 crore in 2010-11 for construction of 30.10 lakh houses. It may also be mentioned that since 2014-15, the pace of housing works have been considerably accelerated, which includes the erstwhile scheme of Indira Awas Yojana. The budgetary allocation increased to ₹. 23000 crore during 2017-18, and thereafter there is a slight reduction in allocation. In the financial year 20-21 and 21-22, a total allocation of Rs 19,500 cr was made available as budgetary support.

#### 4. PRADHAN MANTRI GRAM SADAK YOJANA

The Pradhan Mantri Gram Sadak Yojana (PMGSY) was launched on December 25 2000, as a hundred per cent Centrally Sponsored Scheme with the objective of the PMGSY is to provide connectivity to all the eligible unconnected habitations of more than 500 persons in the rural areas by good quality all-weather roads [17]. The Ministry of Rural Development is running the scheme. The first

phase focuses on new construction and up-gradation of roads, and the second phase focuses on the up-gradation of existing roads based on their economic potential.

PMGSY budgetary allocations increased sharply post 2005 when the scheme was included in the government of India's flagship 'Bharat Nirman' programme. Between 2004-05 and 2010-11, allocations increased from ₹.2219 crore to ₹.19,886 crore. Allocations, however, fell sharply from 2013-14 onwards. In 2014-15, allocations rose again, and in 2017-18 budget estimates, ₹.19000 crore was allocated to PMGSY. This allocation remains unchanged from 2016-17 to 2019-20. But, Since 2017-18, there has been significant underutilization of funds. Probably, this may be the reason to decrease allocation to Rs 15,000 crore under the scheme in 2021-22,

#### 5. NATIONAL SOCIAL ASSISTANCE PROGRAMME (NSAP)

The government of India introduced on August 15, 1995, the National Social Assistance Programme (NSAP) as a fully funded centrally sponsored scheme targeting the destitute, defined as any person who has little or no regular means of subsistence from their own source of income or through financial support from family members or other sources, to be identified by the States and UTs, with the objective of providing a basic level of financial support. The NSAP at present includes five sub-themes as its components, namely Indira Gandhi National Old Age Pension Scheme (IGNOAPS), Indira Gandhi

**Table 2. Budgeted versus actual expenditure on rural housing scheme (₹ crore)**

Year	Budgeted	Actuals	Percentage of Budgeted
2010-11	8,996	10,337	115
2011-12	8,996	9,872	110
2012-13	9,966	7,868	79
2013-14	13,666	12,981	95
2014-15	16,000	11,106	69
2015-16	10,025	10,116	101
2016-17	15,000	16,071	107
2017-18	23,000	22,572	98
2018-19	21,000	19,308	92
2019-20	19,000	18,475	97
2020-21	19,500	-	-
2021-22	19,500	-	-

Source: Union Budgets from 2010-11 to 2021-22; PRS.

**Table 3. Expenditure under Pradhan Mantri Gram Sadak Yojana (₹ crore)**

Year	Budgeted	Actuals	Percentage of Budgeted
2012-13	24,000	8,387	35
2013-14	21,700	13,095	60
2014-15	14,391	14,188	99
2015-16	14,291	18,290	128
2016-17	19,000	17,923	94
2017-18	19,000	16,862	89
2018-19	19,000	15,414	81
2019-20	19,000	14,070	74
2020-21	19,500	13,706	70
2021-22	15,000	-	-

Source: Union Budgets from 2010-11 to 2021-22; PRS

National Widow Pension Scheme (IGNWPS), Indira Gandhi National Disability Pension Scheme (IGNDPS), National Family Benefit Scheme (NFBS) and Annapurna Scheme [18].

From the year 2007, the scheme was expanded to cover all eligible persons Below Poverty Line (BPL). The scheme for old aged persons was renamed as Indira Gandhi National Old Age Pension Scheme (IGNOAPS). NSAP was expanded in 2009 to cover more vulnerable groups below the poverty line. In February 2009, the Government of India approved pensions to widows below the poverty line in the age group of 40-64 years. This scheme was named Indira Gandhi National Widow Pension Scheme (IGNWPS). It also approved pension to persons suffering from severe or multiple disabilities in 18-64 years. This scheme was named Indira Gandhi National Disability Pension Scheme (IGNDPS).

The financial commitment towards meeting the 100 per cent requirement of the scheme by the Central Government is continuously increased over the period time. Table. 4 shows the maximum budget was allocated over the past seven years for NSAP. The budgetary expenditure towards NSAP was ₹.8447 crore during 2012-13 and increased to the highest budgetary allocation of ₹. 10635 during 2014-15. For the year 2018-19, an amount of ₹.9975 crore has been allocated to schemes, which is 38 per cent more than the budget allocation of 2014-15.

The govt. actual expenditure to States/Uts on the scheme was ₹.6912 crore during 2012-13, which increased to ₹.9200 crores. As against budgetary expenditure, actual expenditure increased from 82 per cent during 2012-13 to 100 per cent during 2019-20. In 2021-22, the scheme has been allocated Rs 9,200 crore. It shows that financial performance and utilization of the funds improved much as compared to other centrally sponsored programmes.

**Table 4. Expenditure under NSAP (₹ crore)**

Year	Budgeted	Actuals	Percentage of Budgeted
2012-13	8,447	6,912	82
2013-14	9,615	8,534	89
2014-15	10,635	7,087	67
2015-16	9,082	8,616	95
2016-17	9,500	8,854	93
2017-18	9,500	8,694	92
2018-19	9,975	8,418	84
2019-20	9,200	9,200	100
2020-21	9196.92	42617	463%
2021-22	9200	-	-

Source: Union Budgets from 2010-11 to 2021-22; PRS.

**Table 5. Expenditure under NRLM (₹ crore)**

Year	Budgeted	Actuals	Percentage of Budgeted
2012-13	3,915	2,195	56
2013-14	4,000	2,022	51
2014-15	4,000	1,413	35
2015-16	2,705	2,514	93
2016-17	3,000	3,157	105
2017-18	4,500	4,327	96
2018-19	5,750	5,783	101
2019-20	9,024	9,024	100
2020-21	9,210	9210	100
2021-22	13,677	-	-

Source: Union Budgets from 2010-11 to 2021-22; PRS

## 6. NATIONAL RURAL HEALTH MISSION (NRHM)

The National Rural Health Mission (NRHM) was launched on April 12 2005, to provide accessible, affordable and quality primary health care to the rural and poor population, especially the vulnerable groups that had been historically underserved by the health system yet shoulder a large proportion of the burden of disease. Since the introduction of the NRHM, the central funds released by the Indian government for the scheme have been significant. The NRHM places special emphasis on 18 high focus states that have been identified as having particularly poor health indicators and health infrastructure [19].

In 2011, the NRHM accounted for 54 per cent of the central government's total health budget [20]. NRHM is the largest component of the National

Health Mission (NHM), accounting for 79 per cent of total NHM allocations in the financial year 2015-16. Since the financial year 2014-15, budget documents have stopped reporting NRHM allocations separately. From 2005 to 2011, the central government released ₹52,832 crores for the NRHM, of which ₹38,420 crores was spent. NRHM Trends in budgetary allocation, actual expenditure and percentage of actual against budgetary expenditure from 2012-13 to 2021-22 are given in Table 5. Over the period of time, budgetary expenditure allocation is improved from ₹3915 crores to ₹13677 crores in the financial year 2021-22.

## 7. CONCLUSION

Budgetary allocation for programs like MGNREGS, Rural Housing Scheme and NSAP should be increased so as meet the actual expenditure on these programs. However, other schemes need the proper utilization

available fund for achieving the objectives of concerned programs. Although budgetary allocations for various centrally sponsored schemes increased much, further need for increased budgetary allocation for these programs boosts income and thereby demands of rural people. India currently has the highest rate of unemployment and food inflation, which lead to the impoverishment of poor people, especially from rural areas. Along with observing trends in budgetary allocation and actual expenditure, there is a need to better understand and evaluate the effects of these schemes in rural areas.

### COMPETING INTERESTS

Author has declared that no competing interests exist.

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