

1. "Discuss the evolution of the budgeting process in India. How have recent technological advancements and policy reforms impacted the efficiency and transparency of budget preparation and execution?"

The budgeting process in India refers to the formulation, presentation, and execution of the Union Budget, which outlines the government's revenue and expenditure for a financial year. It plays a crucial role in economic planning, governance, and fiscal management.

Impact of Budgetary allocations for Irrigation-Benefit

Evolution of the Budgeting Process in India

- **Colonial Foundations:** The roots of India's budgeting system trace back to the colonial era, with the establishment of the Finance Department in 1843 to oversee governmental financial affairs. The first formal budget was introduced in 1860, marking the beginning of structured financial planning and legislative approval processes.
- **Post-Independence Reforms:**
 - ✓ **1959-60 Structural Change:** The Union Budget for 1959-60 introduced a significant reform by consolidating Plan and Non-Plan expenditures into a single budget estimate. This move aimed to streamline the budgeting process and provide a clearer picture of the government's financial priorities.
 - ✓ **Post-Liberalization (1991-Present):** Economic reforms led to a shift from a state-controlled economy to market-driven policies, emphasizing fiscal discipline and efficiency.
 - ✓ **2017 Railway Budget Merger:** In 2017, the separate Railway Budget was merged with the Union Budget, simplifying the budgeting process and eliminating the need for a distinct presentation.

Recent technological advancements and policy reforms have significantly enhanced the efficiency and transparency of India's budget preparation and execution processes.

Technological Advancements:

- **National Data and Analytics Platform (NDAP):** Launched by NITI Aayog, NDAP provides streamlined access to diverse datasets from across India's administrative landscape. This platform enables policymakers and stakeholders to search, merge, visualize, and download datasets, facilitating data-driven decision-making in budget formulation.
- **Digital Infrastructure Initiatives:** The Ministry of Electronics and Information Technology (MeitY) has implemented several landmark policy reforms and technological initiatives, reinforcing India's position as a leader in digital governance and innovation. These initiatives have improved data governance, collection, processing, and management, thereby enhancing the accuracy and efficiency of budget-related data handling.

Policy Reforms:

- **Economic Policy Framework:** The Union Budget 2024-25 introduced a comprehensive Economic Policy Framework aimed at increasing productivity and market efficiency. This framework guides the nation's development and reflects a strategic approach to fiscal management, ensuring that budgetary allocations are aligned with economic priorities.
- **Focus on Emerging Technologies:** Recognizing the transformative potential of technologies like artificial intelligence (AI), the government has launched initiatives to bolster AI infrastructure and public sector applications. For instance, the "India AI Mission" received an investment of \$1.25 billion to enhance AI capabilities, reflecting the government's commitment to integrating advanced technologies into various sectors, including budgetary processes.

The evolution of India's budgeting process reflects a continuous effort to adapt to the nation's changing economic landscape. The integration of modern technologies and the implementation of strategic policy reforms have significantly bolstered the efficiency and transparency of budget preparation and execution, aligning financial governance with contemporary needs.

2. "Examine the role of the Finance Commission in ensuring equitable distribution of resources between the Centre and states. How have the recommendations of the latest commission addressed the emerging challenges of federal finance?"

The Finance Commission of India plays a pivotal role in maintaining fiscal federalism by ensuring an equitable distribution of financial resources between the Centre and the states. Constituted every five years under Article 280 of the Indian Constitution, the Commission assesses the financial relations and prescribes a formula for the devolution of taxes and grants-in-aid.

Role in Equitable Resource Distribution

The Finance Commission addresses both vertical and horizontal imbalances:

- **Vertical Imbalance:** This pertains to the disproportionate revenue-raising capacities and expenditure responsibilities between the Centre and the states. The Commission recommends the share of central taxes to be allocated to the states, thereby enhancing their fiscal autonomy.
- **Horizontal Imbalance:** This involves disparities among states in terms of revenue generation and developmental needs. The Commission formulates a distribution mechanism based on factors such as population, area, economic backwardness, and fiscal discipline to ensure a balanced allocation of resources.

15th Finance Commission's Recommendations

The 15th Finance Commission, chaired by N.K. Singh, was constituted in November 2017 and submitted its report for the period 2021-26. Key recommendations include:

- **Vertical Devolution:** The Commission recommended that 41% of the divisible tax pool be devolved to the states, a slight reduction from the previous 42% due to the creation of the Union Territories of Jammu & Kashmir and Ladakh.
- **Horizontal Devolution:** The allocation among states is based on a formula considering:
 - ✓ 45% weight to income distance
 - ✓ 15% to population (2011 census)
 - ✓ 15% to area
 - ✓ 10% to forest and ecology
 - ✓ 12.5% to demographic performance
 - ✓ 2.5% to tax effort

This formula aims to balance equity and efficiency, rewarding states for demographic management and tax efforts.

Addressing Emerging Challenges

The 15th Finance Commission introduced several measures to tackle contemporary fiscal challenges:

- **Revenue Deficit Grants:** To assist states with revenue deficits, the Commission recommended grants totalling ₹2.94 lakh crore over five years.
- **Local Body Grants:** An allocation of ₹4.36 lakh crore was proposed to empower local governments, with a focus on improving basic services and infrastructure.
- **Disaster Risk Management:** Recognizing the increasing frequency of natural disasters, the Commission recommended setting up a National Disaster Risk Management Fund and State Disaster Risk Management Funds, allocating ₹1.6 lakh crore for disaster management.
- **Sector-Specific Grants:** To address sectoral needs, the Commission proposed grants for areas like health, education, and agriculture, aiming to reduce disparities and promote balanced development.
- For example, in response to the financial distress of state-owned power distribution companies (DISCOMs), the central government is considering a financial bailout to ensure sector stability amid rising power demand. This initiative underscores the ongoing efforts to address fiscal challenges at the state level and maintain uninterrupted power supply.

The Finance Commission's role in equitable resource distribution is crucial for maintaining India's fiscal federalism. The 15th Finance Commission's recommendations have been instrumental in addressing emerging challenges, promoting balanced development, and ensuring financial stability across states.