



ORIGINAL RESEARCH PAPER

Agricultural Economics

AGRICULTURE SECTOR EXPENDITURE OF UNION AND STATES SINCE 1990S: TRENDS AND PATTERNS IN ABSOLUTE VALUES

KEY WORDS: Agriculture sector, Absolute expenditure, Five Year Plan

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ABSTRACT

Analysis of trends, patterns and composition of Agriculture expenditure of Union government and state governments has utmost importance as it helps us to assess the importance of the sector in the overall budgetary framework of an economy. This study deals with trends and patterns of Agriculture sector expenditure since 1990s. Timeline of the study is three decades of post liberalisation. The study has used single variable of Absolute expenditure to examine the trends in Agriculture sector expenditure. Simple tools like percentages, Average annual growth rate and Compound annual growth rate are used for analysis.

INTRODUCTION

Agriculture And Economic Development

Development economists use four measures to examine the role and importance of a sector in an economy i.e., The contribution of that sector to the National Income, Role of that sector in the generation of employment or sustenance of livelihood, the nature and role of that sector in the context of international trade- that is its share in the level of export earnings and Finally its level of linkage with other sectors or in other terms contribution of that sector to other sectors.

When we consider these above four criteria's to assess the importance of Agricultural sector in independent India, it is obvious that agriculture has lost its shine in terms of contribution to GDP and export earnings but not as the source of employment or livelihood. After nearly seven decades of development experience, three decades of Neo liberal regime, skyrocketing growth of service sector, still more than half of workforce of Indian population engaged in agriculture. Occupational distribution is still heavily skewed towards agriculture. It is widely accepted that small positive change in the agricultural sector can have large impact on poverty reduction through multiplier effect.

Relationship between and Agriculture and Economic growth or the impact of Agriculture growth on economic growth has been discussed extensively in the development literature since many decades. Theoretical and empirical evidence with respect to this causality signifies the importance of this life supporting sector in the economies of developing nations.

Agriculture And Allied Sector Expenditure From The Perspective Of Budgetary Expenditure

This section deals with theoretical and methodological classification related to the computation of expenditure related to Agriculture and allied sector of both Union and State Governments. To map expenditure related to Agriculture and allied activities, the study has considered Jha and Acharya (2009) and Patnaik (2003) but with greater degree of divergence. Jha and Acharya (2009) combine various subheads of Agriculture and rural development components to coin the broad sector Rural Economy (RE) and Patnaik (2003) defined Rural development in terms of Plan outlays on Agriculture, rural development, infrastructure, Flood control, special area programme and village and small scale industry. Here we are careful to note that Patnaik (2009) classification of 'Rural development' is broad and includes agriculture.

Union Government Agriculture And Allied Sector Expenditure (UGASE)

The Present study considers both traditional expenditure items related to this sector along with other heads mentioned

below which are more oriented towards Agriculture Economy of the nation.

1. Rural development – Consists of Anti-poverty programmes and MGNREGS in the recent decades
2. Fertilizer subsidy – Constitutes major proportion of Urea subsidy
3. Irrigation – Inclusive of Major, medium and Minor irrigation

The rationale is as follows: These expenditure items are extremely oriented towards Agriculture economy and can be considered as part of Agriculture expenditure of Union government.

Hence these expenditures are considered and discussed in the calculation of UGASE

State Government Agriculture And Allied Sector Expenditure (SGASE)

State Finance- A study of Budgets consists of the following major heads of expenditure in the overall expenditure outlay on Agriculture and allied sectors

- 1) Agriculture and allied activities
- 2) Rural development
- 3) Special area Programmes
- 4) Irrigation and Flood control

Considering the above aspects Social sector expenditure of state governments is inclusive of reorganised aspects of Revenue expenditure, Capital outlay, loans and Advances

Aggregate Agriculture and allied sector expenditure (AASE) is simple summation of UGASE and SGASE

Objective Of The Study

- To examine the trends and Patterns in Social sector expenditure of Union and State governments from absolute perspective

Data Sources

This study is purely based on secondary data obtained from multitude of official sources like Indian Public Finance statistics by Ministry of Finance, Expenditure profile of Union Budget documents, EPW Research foundation time series data and State Finances: A study of Budgets by Reserve Bank of India

Trends And Patterns In Absolute Level Of Expenditure

Economists differs regarding the significance and implications of analysing time series absolute values in the study of economic variables. Absolute values do have the normal tendency to have increasing pattern as they are not deflated with Price rise and may provide misplaced results and conclusions. Irrespective of this, absolute nominal values

still provides the direction and magnitude of movement of variables in the long run.

Table-1 Growth Of Agriculture And Allied Sector Expenditure In Absolute Terms: Union And States (1991-92 to 2021-22)

Year	UGASE (In crores)	AGR (in %)	SGASE (In Crores)	AGR (in %)	AASE (In Crores)	AGR (in %)
1991-92	9397.21		17193.59		26590.8	
1992-93	10092.76	7.40%	20702.35	20.41%	30795.11	15.81%
1993-94	9720.97	-3.68%	26530.23	28.15%	36251.2	17.72%
1994-95	13005.38	33.79%	23498.23	-11.43%	36503.61	0.70%
1995-96	15422.9	18.59%	31653.1	34.70%	47076	28.96%
1996-97	15365.63	-0.37%	34650.76	9.47%	50016.39	6.25%
1997-98	18108.61	17.85%	39350.56	13.56%	57459.17	14.88%
1998-99	20301.75	12.11%	45346.22	15.24%	65647.97	14.25%
1999-00	22561.89	11.13%	50175.66	10.65%	72737.55	10.80%
2000-01	22556.05	-0.03%	51310.89	2.26%	73866.94	1.55%
2001-02	23470.15	4.05%	52560.55	2.44%	76030.7	2.93%
2002-03	27598.09	17.59%	55779.05	6.12%	83377.14	9.66%
2003-04	29630.7	7.37%	60529.7	8.52%	90160.4	8.14%
2004-05	32801.19	10.70%	72795.22	20.26%	105596.4	17.12%
2005-06	44002.34	34.15%	83460.39	14.65%	127462.7	20.71%
2006-07	57214.01	30.02%	99751.89	19.52%	156965.9	23.15%
2007-08	77102.84	34.76%	119275.2	19.57%	196378.1	25.11%
2008-09	143008.87	85.48%	144130.2	20.84%	287139	46.22%
2009-10	157674.15	10.25%	155825.4	8.11%	313499.6	9.18%
2010-11	177624.57	12.65%	169342.1	8.67%	346966.7	10.68%
2011-12	177734.28	0.06%	188488.5	11.31%	366222.8	5.55%
2012-13	170786.56	-3.91%	218169.5	15.75%	388956.1	6.21%
2013-14	176619.24	3.42%	234577.8	7.52%	411197	5.72%
2014-15	125534.74	-28.92%	320726.2	36.72%	446261	8.53%
2015-16	142034.05	13.14%	355942.5	10.98%	497976.5	11.59%
2016-17	167739.47	18.10%	406582.3	14.23%	574321.8	15.33%
2017-18	187453.68	11.75%	464806.2	14.32%	652259.8	13.57%
2018-19	209750.94	11.89%	509102.8	9.53%	718853.7	10.21%
2019-20	283978.61	35.39%	498197.6	-2.14%	782176.2	8.81%
2020-21	394714.54	38.99%	647413.9	29.95%	1042128	33.23%
2021-22	449454.19	13.87%	672015	3.80%	1121469	7.61%

Source:

1. Indian Public Finance Statistics, Department of Economic affairs, Ministry of Finance, Various issues
2. State Finances: A Study of Budgets, Reserve Bank of India, Various issues
3. Expenditure Profile, Volume 1, Union Budget Documents, Various issues
4. Percentages are calculated by author

Table -1 deals with Absolute growth of Agriculture and allied sector expenditure of Union and State Governments from individualistic and combined perspective. Annual Growth rates and Average growth rates of Five years corresponding simultaneously with Five year Plan Period is used to measure the change and Decade wise change has been used to measure the change in the long run.

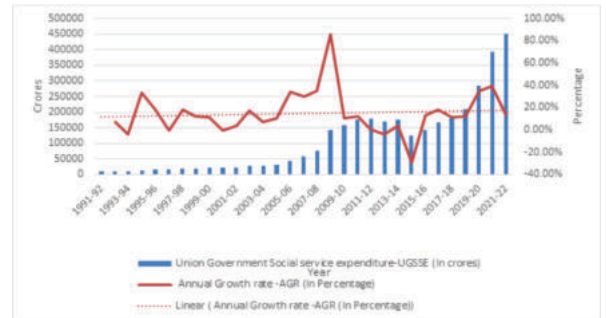


Figure-1: Growth Of Agriculture Expenditure In Absolute Terms: Union Government (1991-92 to 2021-22)

Union Government expenditure on Agriculture and allied sector was nearly 9397.21 crore rupees in the fiscal year of 1991-92 and increased to the level of 449454.19 crore rupees in the year of 2021-22. It rose to the seminal level of 1 lakh crore, 2 lakh crore, and 3 lakh crore rupee in the fiscal years of 2008-09, 2018-19 and 2020-21 respectively. As can be observed from Figure-1 five fiscal years of 1993-94, 1996-97, 2000-01, 2012-13 and 2014-15 has witnessed negative growth rate which was extremely worrying. Year 2008-09 witness the gigantic growth rate of nearly 85.48% and recent years of 2019-20, 2020-21 and 2021-22 shows increase of more than thirty percent. Average annual Growth rate of three decades is 15.25 % which can be considered as modest.



Figure 2: Growth Of Agriculture Sector Expenditure In Absolute Terms: State Governments (1991-92 to 2021-22)

In the same period State Governments absolute expenditure on Social and community service was relatively higher than Union government. SGASE was nearly 17193.59 crore rupees in the year of 1991-92. It breaches the important milestone of one lakh crore, two Lakh crore, three lakh crore, four lakh crore and Six lakh crore in the years of 2007-08, 2012-13, 2014-15, 2016-17 and 2020-21 respectively. Figure-2 shows Millennium years of 2001-02 and 2002-03 saw significantly lower allocation of less than 3% and the fiscal year of 2014-15 saw the maximum growth rate of nearly 34%. It is interesting to note that Covid Pandemic year of 2020-21 has shown 29% Annual growth rate which leads to the increase of SGASE to 672015 Crore rupees. Irrespective of this huge optical increase if we consider the average annual growth rate it is

just 13.46 percent and it is less than Average annual Growth rate of Union Government.

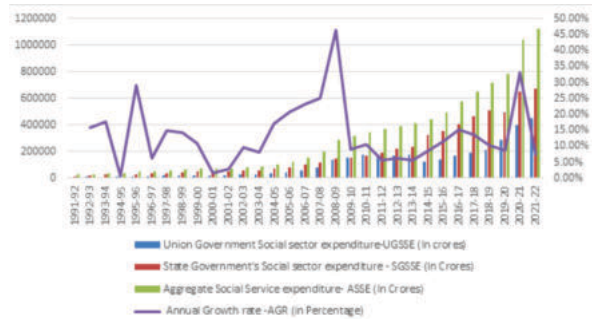


Figure 3: Growth Of Agriculture Sector Expenditure In Absolute Terms: Union And States (1991-92 to 2021-22)

Figure 3 shows the growth rate of combined expenditure of Union government and State Governments i.e., Public expenditure in Agriculture sector termed as AASE in India increased from 26590.8 crore rupees to 1121469 Crore rupees in the three decades of Post liberalisation period with average growth rate of 13.67% almost similar to the growth rate of SGASE.

Table 2: Growth Of Agriculture Sector Expenditure In Absolute Terms: Union And States (Five Year Period)

Year	UGAS E (In crore s)	Av GR (In %)	CA GR (In %)	SGAS E (In Crore s)	Av GR (In %)	CAGR (In %)	AASE (In Crore s)	AvGR (In %)	CAGR (In %)
1992-97	12721.53		11.08%	27406.93		13.74%	40128.46		12.89%
1997-02	21399.69	68.22%	6.70%	47748.78	74.22%	7.50%	69148.47	72.32%	7.25%
2002-07	38249.27	78.74%	29.28%	74463.25	55.95%	20.93%	112712.5	63.00%	17.14%
2007-12	14662.89	283.35%	23.22%	15541.23	108.71%	12.12%	30204.2	167.97%	16.86%
2012-17	15654.28	6.76%	-0.45%	30719.97	97.67%	16.84%	46374.25	53.54%	10.23%
2017-22	30507.04	94.88%	24.44%	55830.71	81.74%	9.65%	86337.75	86.18%	14.51%

Considering Five year period, UGASE average growth rate is 68.22%, 78.74%, 283.35% 6.76% and 94.88% for the 25 Years. But the compound annual growth rate provides true picture of change as it shows only the increase of 11.08% ,6.70% 29.28% 23.22% -0.45% and 24.44% in the same period. It is disturbing to note that during the period of twelfth five year plan CAGR of UGASE is negative. Considering the massive rise in the population and emergence of youth in the same period we can safely say the increase in the absolute size of Agriculture and allied sector expenditure is relatively weak.

CONCLUSION

From the above analysis one can easily infer that absolute expenditure of both union and State Governments increase in the post reforms. But considering the size of the population and price rise this increase can be considered relatively modest than satisfactory. Time Series deflated with wholesale price index may provide the true direction of these values. Irrespective of these variations nearly fifteen percent of growth rate may provide the new critical benchmark for future governments in both Union and State level

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