Indian Economy · GS - III

The public expenditure management is a challenge to the Government of India in context of budget making during the post liberalization period. Clarify it.

EXAM YEAR	PAPER	SUBJECT
2019	GS - III	Indian Economy

MARKS	WORD LIMIT
15	~250 words

Answer Hint

Fiscal discipline; expenditure prioritisation; subsidy burden; capital expenditure; fiscal deficit; outcome budgeting; transparency; Centre–State coordination

Model Answer

Introduction

Public expenditure management involves planning, allocating, implementing and monitoring government spending to achieve economic and social objectives. Since the 1991 liberalisation reforms, India has faced changing expenditure priorities alongside demands for fiscal discipline and inclusive growth.

Major Challenges

1. Balancing Competing Priorities

The government must finance infrastructure, defence, education, health, social protection and rural development within limited fiscal resources.

2. Subsidies and Committed Expenditure

Interest payments, pensions, salaries and subsidies constrain the fiscal space available for productive investment. Poor targeting can also lead to leakages.

3. Fiscal Deficit and Debt Management

Excessive borrowing raises future repayment obligations and can crowd out private investment. Yet sharp expenditure cuts may weaken demand and social welfare.

4. Quality of Expenditure

Budget allocations do not always translate into effective outcomes because of delays, weak implementation capacity, cost overruns and inadequate monitoring.

5. Economic Volatility

Global financial shocks, commodity-price changes and economic slowdowns can reduce revenues while increasing expenditure requirements.

6. Centre–State Coordination

Shared responsibilities and differences in fiscal capacity complicate the financing and delivery of public services.

7. Transparency and Accountability

Fragmented data, weak evaluation and limited outcome measurement can reduce the efficiency of public spending.

Reform Measures

- Adopt credible medium-term fiscal frameworks and realistic revenue estimates.
- Protect productive capital expenditure and essential social spending.
- Improve subsidy targeting through transparent, accountable delivery systems.
- Strengthen outcome budgeting, social audits and independent programme evaluation.
- Use digital public financial management systems to track expenditure.
- Improve tax administration and coordination between the Centre and States.

Conclusion

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Effective expenditure management requires more than controlling the fiscal deficit. It must maximise public value, protect vulnerable groups and ensure that every rupee spent generates measurable economic and social benefits.

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