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***Public Policy & Administration in India***

**TOPIC: Significance of Budget: Budget as tool of Socio-Economic Policy**

The budget is central to administration. The scope and nature of the entire governmental operation is determined by the allocation of appropriations to the various big programmes such as education, communication, defence etc. In this way, budget today has become one of the primary tools of financial as well as developmental administration. Budget is considered not only a primary tool of financial administration but also a master financial plan of the government. It has now become a very powerful instrument of social and economic policy. It plays a vital role in the economy of a state. The primary objectives of policies and plans in the budget are the rapid economic growth and social justice. General objectives of a Government budget impacts the society at three levels-

1. It promotes aggregate fiscal discipline through controlled expenditure, given the quantum of revenues;
2. Resources of the country are allocated on the basis of social priorities, and
3. It contains effective and efficient programmes for delivery of goods and services to achieve its targets and goals.

The following points would obviously reveal that the budget has become an instrument of social and economic policy:

1. **Economic growth:**
2. One of the prime objectives of budget is to promote rapid and balanced economic growth so as to improve living standard of the people.
3. Economic growth implies a sustained increase in real GDP of the economy, i.e., a sustained increase in volume of goods and services. People’s welfare is the main guide of such economic growth and budget is used as a means for promotion of welfare objectives.
4. **Economic stability:**
5. Government budget is used to prevent business fluctuations of inflation or deflation to achieve the objective of economic stability.
6. The Government aims to control the different phases of business fluctuations through its budgetary policy.
7. Policies of surplus budget during inflation and deficit budget during deflation helps to maintain economic stability.
8. **Price control**:
9. Government budget can bring prices level under control through taxes, subsidies and expenditure.
10. When there is inflation as there is rise in prices, government can reduce its expenditure.
11. Similarly, when there is depression, Government can reduce or cut taxes and grant subsidies to control prices.
12. **Savings and investment:**
13. The growth rate of a country depends on rate of saving and investment. For this purpose, budgetary policy aims to mobilize sufficient resources for investment in the public sector.
14. Budgetary policies of a Government endeavor to mobilize enough resources for investments in the public sector.
15. The Government makes various provisions in the budget to raise overall rate of savings and investments in the economy.
16. To encourage investment, Government can give tax concession, subsidies etc. to the producers and discourage the production of harmful consumption goods like liquor, and cigarettes etc. through heavy taxes and encourage the use of essential products by providing subsidies. This has both economic as well as social implications of budget.
17. In this way, the Government brings in several provisions in the budget to increase the overall rate of savings and investments in the economy.
18. **Reducing regional disparities:**
19. The Government budget aims to reduce regional disparities.
20. This is done through its efficient system of taxation and expenditure policy.
21. The Government achieves this by encouraging and setting up of production units in economically unprogressive and backward regions. This helps in reducing regional economic imbalances.
22. **Reducing inequalities in income and wealth:**
23. Economic inequality is an inherent part of every economic system.
24. Government aims to narrow down such inequalities of income and misdistribution of wealth, through its budgetary policy.
25. Government aims to influence distribution of income by imposing taxes on the rich and spending more on the welfare of the poor.
26. It reduces income of the rich and raise standard of living of the poor, thus reducing inequalities in the distribution of income.
27. **Reduction of poverty and unemployment:**
28. Budget contains policies to eradicate poverty and unemployment by creating employment opportunities and providing highest social benefits to the poor people.
29. Budget has its social welfare objectives. For example, in India it is tried through budget that every Indian should be able to meet his fundamental needs like food, clothing, and housing along with decent health care and educational facilities.
30. Expenditure policy as manifested in the budget may help in removing poverty.
31. Budget can open new avenues of employment at the time when there is acute unemployment problem.
32. **Management of public enterprises:**
33. There are large numbers of public sector industries which are established and managed for social welfare of the public.
34. Budget is prepared with the objective of making various provisions for managing such public enterprises and providing financial helps for the welfare of the people.
35. Budgetary policy of the Government helps to control public enterprises.

**9. Reallocation of resources:**

1. Government endeavors to reallocate the resources in line with the economic and social goals of the country through its budgetary policy.
2. It helps to distribute resources of the country on the basis of social priorities.
3. Budget comprises efficient and productive programmes to deliver goods and services and achieve targeted goals.
4. If the private sector does not take interest in producing some goods and services, the government can directly jump into production.

To sum up, a study of the above points shows that in modern states budget has tremendous economic and social implications. It is a device of influencing of country’s economy and sign of welfare state are reflected in the budget with its heavy outlay on the social services. A budget is a tool that transfers a general idea into a productive, action-oriented, and inspirational goal. It provides a benchmark to evaluate success or failure in achieving goals and provides suitable improving measures.

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