

Budgetary Allocations in Kerala: Trend and Pattern

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Abstract

The government uses the budget as a tool to regulate the entire economy. The government's socioeconomic priorities are always in line with budget guidelines. Budget analysis would shed light on government policies in a number of areas, most notably health and education. Every allocation affects people in different ways. Their current skill set determines these effects. Budgetary allocations will not benefit those who lack the requisite skills. This implies that depending on their current capacities, budgets have different effects on class, community, and gender. This necessitates identifying current plans, initiatives, and policies to determine whether or not they align with these priorities. To understand the trend and pattern of budgetary allocations, secondary data is used. We look at budgetary records from 1957–1958 to 2025–2026. The budget document, demand for grants is examined to ascertain each head's portion of the total budgetary allotments. The proportion assigned to each head is calculated by dividing the allocation by the total budgetary allocation. Budget estimates are used to calculate the allocations. The allocation trend is downward even though the distribution pattern stayed mostly unchanged. The top four allocation categories—pension and miscellaneous, education, compensation and assignment, and health—show this declining tendency. The allocation to welfare and social security was the only area where the opposite trend was evident.

INTRODUCTION

Budgetary allocations of a state has its roots in history, cultural, political, economic and institutional factors that a state had in the past. To understand government agendas, resource allocations, and their socioeconomic ramifications, historical trends and contemporary patterns were examined. Policymakers, stakeholders, and researchers can find areas of underinvestment and improve fiscal transparency and accountability by evaluating allocations. This thorough analysis will form the basis for the development of evidence-based policies. It will guarantee fair distribution and appropriate resource allocation to successfully meet societal needs. The objective of this paper is to examine pattern and trend of budgetary allocations of Kerala budget.

Literature Review

Budgets have both microeconomic and macroeconomic implications for the economy. Economists, consumers, and taxpayers are all concerned in how a government's budget affects individuals, society, and the economy. The budget is the most important fiscal document dealing to socioeconomic problems and programmes for the future year, including the government's recommended steps for their resolution and implementation. A budget is a statement of the government's financial plan. The budget is the instrument by which the government exerts control over the whole economy. Budget recommendations

are always consistent with the government's socio-economic priorities. Budget analysis would provide insights into government policy in a variety of areas, particularly education and health. All allocations have a varied influence on people. These impacts are determined by their existing skills. People who lack the necessary competences will not profit from budget allocations. This means that budgets have a varying impact on class, community, and gender based on their existing capacities. This demands the identification of existing policies, programs, and plans to establish whether or not they match these priorities (Nishanthi, 2020).

Public policy touches the life of every individual. Government uses several instruments to influence the living and to raise the standard of living of the people. Budget is one among them. Although budget is the financial statement of the government it reflects the views of the government and policy priorities. In all developing countries budget is regarded as a means and a way to uplift the lives of the underprivileged people. India has been using budget as an instrument for

Achieving the government's strategic aims and objectives depends heavily on a robust budget allocation system, which calls for a number of practical procedures or platforms to manage relationships and accommodate various role players. Every platform serves as the foundation for starting the subsequent phase and is characterised in terms of better results. Budget preparation, internal controls, accounting, internal and external audits, procurement, monitoring, and reporting procedures are all included in the spending section of the budget cycle (Witt & Müller, 2014). With a focus on public financial management capability, accountability, and responsiveness, the budget allocation system fosters good governance by highlighting the relationships between different role actors in the various components.

(World Bank Report, 2008). The approach allows for group decision-making, accountability, and citizen expression of preferences. The budget allocation system provides for operational efficiency in the use of resources, fiscal transparency, strategic prioritisation in the composition of expenditures with the budget as a fundamental instrument to achieve government programs, and overall fiscal discipline.

Participating actively in the budgetary process aids in the efficient distribution of county resources. One important factor influencing the budgetary allocation process is the institutional framework's structure. The completion of specific projects and procedures will be accelerated by the use of contemporary appraisal approaches. Budget reviews have a significant positive impact on the financial allocation process. The country's local service delivery is made more effective and efficient through budget review. Regular financial reviews will make the process more efficient by identifying areas that require specific attention (Dr. Reshma Mahato Rajarshi Janak University,)

Budgeting is the decision on the level of expenditures and on the repartition of resources among organizational subunits and can be conceived as a critical organizational process, which is closely related to key choices concerning strategic priorities and to resources acquisition strategies. (Lepori, Benedetto & Usher, John & Montauti, Martina, 2013)

Kerala's public finances suffer from persistently high levels of fiscal and revenue deficits, low levels of public investment in capital projects, increased use of borrowed money to pay for revenue expenditures, mounting debt liabilities, a heavier burden of interest payments, and declining efforts to raise revenue on their own (Hashik Madakkara, 2023).

Kerala is no exception to trend and its public finances suffers from continued high levels of fiscal and revenue deficits, low levels of public spending on capital works, utilisation of borrowed funds more to fund revenue expenditure, mounting debt liabilities, higher interest payment burden and falling own

revenue mobilisation efforts (State Finance of Kerala Performance, Challenges and the Way Ahead, 2017).

Enhancement of expenditure on two areas, education and health, is essential for sustaining the Kerala Model of Development. It is found that the State is not able to adequately mobilize resources for the development of infrastructure, public services and public utilities. The capital outlay as percentage of capital expenditure on irrigation; agriculture and allied services; industries, labour and employment and public works are declining in Kerala. Investment and asset creation in these areas are infrastructural investments and hence they have to be constantly stepped up to accelerate the growth rate of the state economy. Proper management of expenditure is required for attaining fiscal stability and sustainability for the state of Kerala (Abraham, Nithin, 2021).

Research Gap

Literatures shows that no studies has been conducted to understand trend and pattern of Kerala's budgetary allocations so far.

Objectives of the Study

This study is conducted to understand the trend and pattern of Kerala's Budgetary allocations

Methodology

Secondary data is utilised to comprehend the trend and pattern of budgetary allocations. Budgetary records from 1957–58 to 2025–2026 are examined. To determine each head's share in the overall budgetary allocations, demand for grant is perused. By dividing the allocation by the overall budgetary allocation, the percentage portion allotted to each head is determined. The allocations are determined using budget estimates.

An Overview of the Budgetary Allocations before the Formation of the Kerala Sate

Policies of the Government are always influenced by historical, cultural, political, economic and institutional factors. The nature of political regime also affects the scope and allocation of public resources for social progress. Present policies of the government of Kerala are the continuation of what Maharajas and Maharanis were followed in the past. The rulers of Cochin and Travancore princely states realised the importance of investment in human capital. They gave importance to education, especially importance of girl's education, and health care development. Statistical data from the princely states of Travancore and Cochin became part of Kerala state, shows that the relationship between public expenditure and its effects on economic growth had been identified by its rulers very earlier. The rulers realised at that time itself that Kerala's achievements in the sphere of health would have been impossible without female literacy and without an enlightened social attitude towards the survival of girl children and women. The primacy accorded to health and education in Kerala goes back at least to the enlightened policies of some of the Maharajas and Maharanis of the princely states of Travancore and Cochin in the 19th Century. It was reinforced by the work of the missionaries in establishing schools, orphanages and hospitals especially for the poor and low cast people (Zachariah and Sooryamoorthy, 1994, Ramachandran, 1997). There are so many factors contributed to the social development. A political leadership committed to extending vital social services to the entire population and strong action by the public sector in the provision of health and services. The state intervention is an important factor that led

to the social development. The state assumed responsibility for the provision of certain services which are critical to the social development. It is the overall social policy and pattern of public expenditure that are responsible for supreme social performance. By the mid 1890s, Travancore Government claimed that 40% of the school age population was attending school (Jeffery 1987). Data indicate that high levels of expenditure existed in the princely state of Travancore and Cochin on health and education from 1920s.

Table.1

Percentage share of Health and Education in Travancore and Cochin from 1867-68 to 1942 -43

Year	Share of education(%)		Share of health(%)	
	Travancore	Cochin	Travancore	Cochin
1867-68 to 1869-70	1.9	0.9	n/a	n/a
1870-79	2.7	1.5	1.8	n/a
1880-89	3.4	2.8	1.5	1.7
1890-99	4.6	4.2	3.2	2.6
1900-09	6.3	4.2	4.1	3.4
1910-19	11.1	10.9	4.0	7.9
1920-29	18.3	16.5	4.5	5.4
1930-39	19.8	18.1	5.3	6.3
1940-41 to 1942-43	16.1	17.3	4.6	6.9

Each figure is an unweighted average of the corresponding figures for the relevant individual years. For Cochin, expenditure on health ‘represents annual disbursements under the head ‘Medical, vaccination, sanitation, and conservancy’ (this first appeared as a separate category in the Cochin reports in 1887-88). For Travancore, expenditure on ‘health’ has been obtained by aggregation over the relevant heads.

For Travancore, expenditures on education from 1864-65 to 1902-03 were presented under the heading ‘Education, Science and Art’; these are the figures in the table. In subsequent years, disbursements on education are given separately.

Source: Calculated from Government of Travancore, Reports of the Administration of Travancore, various issues; and Government of Cochin, Reports of the Administration of Cochin, various issues.

Source: Ramachandran ,V.K.,2000.

Budgetary allocations of Kerala after the formation of the State

Kerala was created on November 1st, 1956, a long time after Indian independence on August 15th, 1947. Malabar, Cochin, and Travancore were its three separate provinces before that. The Kerala government approved the States Reorganisation Act of 1956, which created the state of Kerala. Travancore-Cochin State, Madras state's Malabar district, and South Canara's Kasargod were combined for the establishment. Kerala, which is currently divided into 14 districts. On June 7, 1957, Sri C. Achutha Menon, Kerala's Finance Minister at the time, presented the first state budget for the fiscal year 1957–1958, when Sri E.M.S. Namboothiripad served as Chief Minister. With a total of 13 budget presentations, the late K.M. Mani holds the record for the most in the Kerala Assembly. On January 15, 2021, T.M. Thomas Isaac gave the longest budget speech, which lasted three hours and seventeen minutes. On March 28, 1987, then-Chief Minister E.K. Nayanar gave the briefest address, which lasted

about six minutes. Due to the installation of President's Rule in the state, the Lok Sabha passed Kerala's budget three times (1965–66, 1966–67, and 1982–83). In order to promote public involvement in planning, the annual planning and budgeting cycle incorporating local self-governments (Panchayati Raj system) was implemented in 1996. Significant fiscal issues have been present in recent years, with discussions centred on the management of public debt, the lowering of the central tax share, and the state's borrowing restrictions. The Fiscal Responsibility Act, which was introduced in 2003, established the government's obligation to maintain fiscal stability and prudence through the gradual elimination of revenue deficits, sustainable debt management that is consistent with fiscal stability, and increased transparency in the government's fiscal operations. In Kerala, gender budgeting began at the local government level (LSGs) in 1998 with the Women Component Plan (WCP) and was adopted at the state level in 2008–09. The Child Budget was formally established with a separate declaration in the 2010–11 budget. The Ninth Five-Year Plan (1997-2002) has explicit child-focused objectives. The 2024–2025 Budget, which was presented in February 2024, included Kerala's first-ever stand-alone "Environment Budget" as a separate document, incorporating green initiatives into its financial planning. Although plans for it were previously discussed, the Chief Minister announced it for the 2023–2024 year. Following similar themed publications like Gender Budgets, this was a major step towards putting environmental concerns at the centre of fiscal policy. Along with other subject publications like the Gender and Child Budget and the Environment Budget, the Finance Department released a "Citizen's Guide to Budget" in 2025 as part of a shift towards openness and public involvement. Additionally, the state's first paperless budget was created in 2022–2023. The Legislative Assembly of Kerala had budgets from different Finance Ministers since the state's founding.

Decadal Averages of Budgetary Allocations

The decadal averages of budgetary allocations on education and health are depicted in the Table 2. Education and health are the two areas where increased allocations had been in Kerala from the period of Maharanis and maharajas. Governments of post- formation period of Kerala also followed the same policy of the rulers of early kingdoms. They realised the importance of education and health care in economic development and their positive externalities and continued what the rulers had followed. Increased public expenditure along with certain other factors resulted in what the women have achieved in the area of life expectancy, age at the time of marriage, infant mortality etc. Eventhough there are so many other factors for what women have achieved, the role increased public expenditure is not all a small one. The governments of Kerala in the post-formation period continued this increased expenditure on education and health. This could be understood from the following table.

Table. 2

Decadal Average of Budgetary Allocations towards Education and Health for the Period 1957-58 to 2025-26

Year	BE on Education (Decadal average)	BE on Health (Decadal average)
1957-1958 to 1966 -1967	17.73	6.16
1967-1968 to 1976-1977	20.79	7.33
1077-1978 to 1986-1987	22.02	9.12
1987-1988 to 1996-1997	20.28	5.78

1997-1998 to 2006-2007	16.70	4.37
2007-2008 to 2016-2017	15.01	4.39
2017-2018 to 2025-2026	9.97	4.23

Source: Budget Documents, GoK. Values are in Percentages

The above table shows decadal average of budgetary allocations on education and health. During the first decade, i.e., from 1957-58 to 1966-67 budgetary allocation on education was 17.73 and on health it was 6.13. The education stood first in terms of budgetary allocations till 2013-14. Health also was there in the top listed heads of expenditures. The following table shows top listed heads of expenditures of Kerala government from 1957-58.

Table 3

Top Listed Heads of Budget Allocations from the Period 1957-58 to 2025-26

Source: Budget Documents, GoK. Figures in Brackets shows ranking according to allocation.

Heads/Years	57-58	59-60	69-70	79-80	89-90	09-10	14-15	19-20	23-24	25-26
Police	2.12(6)	2.43(6)	2.60(5)	2.75(6)	2.50(8)	2.23(6)	2.71(7)	2.55(6)	1.88(7)	1.65(6)
Public works	12.21(2)	10.58(2)	7.20(3)	5.65(4)	3.79(5)	3.5(5)	3.87(5)	4.52(4)	1.96(6)	1.63(7)
Pension and miscellaneous	2.09(7)	1.43(8)	1.93(6)	2.60(8)	8.85(2)	11.85(2)	15.29(1)	18.92(1)	16.09(1)	13.47(1)
Education	17.19(1)	15.6(1)	19.94(1)	22.29(1)	19.1(1)	13.80(1)	15.08(2)	13.36(2)	9.51(2)	8.43(2)
Health	9.64(3)	7.20(3)	7.80(2)	9.10(2)	4.68(3)	3.62(4)	4.77(4)	4.18(7)	3.75(5)	3.30(5)
Agriculture	0.03(8)	2.36(7)	1.4(7)	4.3(5)	3.57(6)	1.8(7)	.54(10)	2.45(8)	1.32(8)	1.13(8)
Compensation assignments	NA	NA	.21(8)	.08(9)	1.30(9)	5.3(3)	6.62(3)	6.19(3)	5.91(3)	5.06(3)
Irrigation	4.28(4)	4.74(4)	3.4(4)	6.23(3)	4.6(4)	1.03(9)	1.25(8)	.49(10)	.33(10)	.279(10)
Transportation	4.11(5)	3.55(5)	0.11(9)	0.48(10)	0.76(10)	0.46(10)	0.77(9)	.87(9)	.71(9)	.59(9)
Social Security and welfare	NA	NA	NA	2.65(7)	3.5(7)	1.68(8)	2.97(6)	2.60(5)	4.70(4)	4.97(4)

The above table gives data on heads having highest budgetary allocations from 1957-58 to 2025-26. Throughout the period, from 1957-58 to 2025-26, the allocations towards heads were varying. During the financial year 1957-58 education received highest budgetary allocation. Public works and health ranked 2nd and 3rd respectively. Up to 2013-14 education was in the first position in terms of allocations. From 2014-15 onwards allocation towards education went down to the second position and pension and miscellaneous became in the first position. Rank of health in terms of allocation fluctuating between 2nd and 4th position. Table shows that education and health was two heads having highest budgetary allocations during the post formation period also. In the year 2014-15 pension and miscellaneous became the first one in terms of allocation. After the year 2014-15, pension and education occupied the first and second position till 2025-26. Third position occupied by the compensation and assignments and 4th position goes to social security and welfare. The head of health dropped down to 5th position in terms of budgetary allocations. In 1957-58, top listed heads of allocations were education, public works, health irrigation, transportation, police, pension and miscellaneous and agriculture respectively. In 2025-26, pension and miscellaneous became the top most head of allocation. Education and health became 2nd and 4th in terms of allocations.

Table: 4
Budgetary Allocations under Kerala Budget from 2017-2025

Year	Pension and Miscellaneous	Education	Compensation assignment	Health	Social Welfare and security
2017-18	18.97	15.09	6.15	4.71	3.30
2018-19	18.56	14.65	6.40	6.8	3.28
2019-20	18.92	13.16	6.19	4.18	2.60
2020-21	18.85	11.18	5.72	4.33	4.49
2021-22	17.97	11.20	4.90	3.49	5.06
2022-23	15.38	11.14	4.32	4.09	5.74
2023-24	17.32	9.51	5.9	3.38	4.97
2024-25	15.30	9.51	5.9	3.38	4.97
2025-26	13.47	8.43	5.06	3.30	4.97

Source: Budget Documents, GoK. Figures represent the percentage share of each head.

Table 4 shows the change in the allocation of top five heads of budgetary allocations. Pension and miscellaneous continued as the number one among budgetary allocations during 2017-18 to 2025-26. Top five heads of budgetary allocations remained unchanged during 2023-24 to 2025-26 period. But the percentage share of education, pension and miscellaneous, compensation and assignment, health has been declining during 2017-2026. The share of social security and welfare has been increasing gradually.

Conclusion

In the due course there has been change in the priorities of the government. In the year 57-58, education was at the top of budgetary allocations. In the early years, the focus was on social sectors like health and education. Spending on health remained moderate. As Kerala reaches at 2025-26, pattern of allocation has changed. Top heads of allocations are pension and miscellaneous, education, compensation and assignments, social security and welfare respectively. Trend of allocation also changed. Allocation

towards the education and health has been continuously falling. At the same time, a new head appeared, that was not in the beginning, i.e., social welfare and security. Allocation towards this head has been increasing gradually. Decadal analysis also shows gradual dip in the allocation towards education and health during the years. at the same time allocations towards social security and welfare increased slightly. Even though the pattern of allocation remained more or less same, the trend of allocation is downward. This downward trend is visible in the top four heads of allocation, they are allocation towards pension and miscellaneous, education, compensation and assignment, health. Opposite trend could be seen only in the allocation towards social security and welfare. To conclude Kerala government is becoming more welfare oriented and giving more importance to social security along with education and health.

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