

A Comparative Analysis of Budgeted and Actual Expenditure in Nanded Zilla Parishad (2018–2023)

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Abstract

The present study, “A Comparative Analysis of Budgeted and Actual Expenditure in Nanded Zilla Parishad (2018–2023)”, aims to evaluate the effectiveness of financial planning and budget execution at the district level. The study is based on secondary data collected from budget documents and official records of Nanded Zilla Parishad for the period 2018–2023. It examines the differences between budget estimates and actual expenditure using tools such as percentage analysis and variance analysis.

The findings reveal that the Zilla Parishad maintains a relatively high level of budget utilisation, generally ranging between 90% and 100%. However, most years exhibit negative variance, indicating under-utilisation of funds and possible overestimation during budget preparation. A significant deviation is observed in the year 2020–21 due to the impact of the COVID-19 pandemic, which disrupted normal financial operations. In contrast, a slight positive variance in 2021–22 reflects instances of over-expenditure.

Keywords: Budget Estimates, Actual Expenditure, Variance Analysis, Financial Management, Zilla Parishad

Introduction

In India, Zilla Parishads are an essential level of local self-government that is heavily involved in the planning and execution of rural development initiatives. For these institutions to effectively provide public services and accomplish developmental goals, sound financial management is crucial. The creation of budgets and their subsequent implementation are crucial components of financial management. While actual spending shows the degree to which these plans are actually carried out, the budget represents the anticipated distribution of resources among different sectors. A comparison of planned and actual spending offers important information on administrative effectiveness, planning precision, and financial discipline.

In this regard, the current study focuses on Nanded Zilla Parishad and investigates the discrepancies between projected and actual spending from 2018 to 2023. The study seeks to detect gaps in budgeting processes, evaluate financial performance, and comprehend the causes impacting budgetary

outcomes by assessing the degree and pattern of deviations. This analysis is essential for enhancing financial planning, guaranteeing the best possible use of resources, and fortifying the district-level governance structure.

Objectives of the Study

The present study aimed to focus on the following objectives:

1. To compare the budgeted and actual expenditure and identify the extent of variations.
2. To evaluate the causes of deviations between budget estimates and actual expenditure.
3. To assess the efficiency and accuracy of budgetary planning in Nanded Zilla Parishad.
4. To suggest measures for improving budget formulation and expenditure management.

Data Collection

This study was done with the maximum usage of secondary data. Secondary data about Nanded Zilla Parishad's revenue and expenditure patterns has been extracted from the annual reports of Nanded

Zilla Parishad for the said time period (2018-2023). Also, online documents like journal articles, government reports, and books were referred to for study purposes.

Scope of the study

The study is limited to the expenditure pattern of Nanded Zilla Parishad from the state of Maharashtra.

Limitations of the Study

The following are the limitations of the study:

- Dependence on secondary data
- Limited Time Period
- Restricted Scope to One Zilla Parishad

Literature Review

An essential component of public financial management is the analysis of planned and actual spending, especially in decentralised governance systems like Panchayati Raj Institutions (PRIs). While actual spending shows the effectiveness of implementation and financial discipline, budgeting is a crucial instrument for planning, allocating, and controlling public resources.

Research on public budgeting in India highlights that the budget is a reflection of government policies and socioeconomic goals rather than just a financial statement. It is essential to the distribution of resources and the provision of welfare. However, forecasting errors, administrative inefficiencies, and external economic factors frequently cause discrepancies between anticipated and actual spending (Saji, 2022).

Deviations in budget predictions and actual spending are frequent in public sector organisations, according to research on government budgeting and budgetary control. Unrealistic planning, inadequate monitoring systems, and fund disbursement delays can all contribute to these variances. Therefore, efficient budgetary management systems are necessary to guarantee financial accountability and discipline (Isaac, Lawal, & Okoli, 2015).

Recent studies have re-examined the old categories of public spending in India, such as developmental and non-developmental, emphasising the need for more outcome-oriented budgeting strategies. By connecting spending with quantifiable outcomes, these strategies aim to increase public finance's accountability and efficiency.

Furthermore, the literature on budget transparency underlines how important financial information accessibility and availability are to accountability and effective use of funds. Better comparisons between planned and actual spending are made possible by transparent budgeting techniques, which also aid in lowering corruption and poor management (Hu, Zhang, Zhang, & Zhang, 2020).

The body of research shows that, although budgeting is an essential tool for financial planning, institutional capability, implementation, and monitoring play a major role in the success of public spending. Particularly in local government organisations, differences between planned and actual spending are frequent occurrences that call for methodical examination in order to enhance financial management procedures.

Comparison of Budgeted and Actual Expenditure

A key indicator of the Nanded Zilla Parishad's ability to execute financial planning effectively is the comparison of budget estimates to actual spending. This section looks at how much projected and actual spending differed throughout the course of the research period using the data shown in Table 1.1 below.

Year-wise Comparison data:

Table 1-1 Budget Estimates vs Actual Expenditure of Nanded Zilla Parishad (2018–2023) (₹ Crore)

Year	Budget Estimates	Actual Expenditure	Difference	Utilisation (%)
2018–19	2911	2779	–132.33	95.46
2019–20	2985	2707	–278	90.68
2020–21	2757	1748	–1009	63.40
2021–22	3102	3143	–41	101.32
2022–23	3068	2942	–126	95.89

- Usually, 90% to 100% of the approved sum is spent by the Zilla Parishad.

- Due to disruptions caused by the epidemic, the difference between projected and actual spending increased slightly in 2020–2021.
- Overall, the high utilisation rate suggests that financial planning is reasonably precise.

Variance Analysis

Finding differences between anticipated and actual spending is made easier with the aid of variance analysis. Table 1.2 below shows the difference between budget estimates and actual spending.

Table 1-2 Variance in Budget Estimates and Actual Expenditure (₹ Crore)

Year	Variance (₹ Crore)	Variance (%)
2018–19	–132.33	–3.85
2019–20	–78	–9.31
2020–21	–1009	–36.58
2021–22	–41	+1.32
2022–23	–126	–4.10

The data reveals significant discrepancies between planned and actual spending during the research period. The range of the variation is from a slight positive deviation of +1.32% to a considerable negative deviation of -36.60%. The largest reported shortage is ₹1009 crore, although the absolute variance varies substantially.

The majority of the years exhibit negative variance, indicating that actual spending continuously lagged below budget projections. This indicates a propensity to underuse funds that have been granted.

Trend in Budget Deviations

A trend analysis of the variance percentages indicates the following:

- Moderate deviations in Year 5 (-4.11%) and 2018–19 (-3.85%) show rather good financial management.
- The greater deviation in 2019–20 (-9.31%) points to ineffective budget execution.
- Significant issues with fund utilisation and implementation are shown by the significant deviation in 2020–21 (-36.60%).
- A slight over-expenditure is indicated by the positive variance in 2021–2022 (+1.32%),

which may indicate better utilisation or more financial requirements.

Overall, the trend shows fluctuations in the amount and direction of variation, indicating inconsistent budget execution.

Interpretation of Variances

The observed deviations can be attributed to several administrative and financial factors:

- **Negative Variance (under-utilisation) leads to**
 - Delays in project implementation.
 - Procedural and administrative bottlenecks.
 - Overestimation during budget preparation.
 - Inefficiencies in fund absorption.
- **Over-expenditure (Positive Variance) refers to**
 - Additional or unexpected expenses.
 - Supplementary grants or re-appropriation of monies.
 - Improved scheme execution.

A lack of consistency in financial planning and execution processes is suggested by the presence of both big negative and modest positive variations. Large variations, like those observed in 2020–21, suggest the need for more precise budgeting and stricter financial management procedures, even when modest variance levels can be acceptable.

The analysis shows that although the Nanded Zilla Parishad occasionally demonstrates sound financial management, the general trend shows volatility in the execution of the budget and the effectiveness of fund utilisation. Plans must be carried out on time, administrative coordination must be enhanced, and budget forecasting must be reinforced in order to minimise such fluctuations.

Findings of the study

1. **High Budget Utilisation Efficiency:** According to the data, Nanded Zilla Parishad typically uses a large percentage of its allocated funds—between 90% and 100% in most years. This suggests a system of financial planning and execution that is fairly successful.
2. **Predominance of Negative Variance (Under-utilisation):** Negative variance

results from actual spending falling short of budget expectations in most of the studied years. This illustrates a persistent pattern of underutilisation of monies allotted.

3. **Significant Impact of the Pandemic (2020–21):** With a deficiency of ₹1009 crore, the year 2020–21 exhibits an extraordinarily large negative variance (-36.58%). This suggests that budget execution and fund utilisation were severely impacted by external shocks such as the COVID-19 epidemic.
4. **Moderate Financial Control in Normal Years:** Relatively low variance (between -3% and -4%) is shown in years like 2018–19 and 2022–2023, which suggests improved alignment between planned and real spending as well as more stable financial management during typical times.
5. **Evidence of Budgetary Inefficiency in Certain Years:** The comparatively larger variation in 2019–20 (-9.31%) points to inefficiencies in budget execution, either as a result of inaccurate planning or administrative hold-ups.
6. **Occasional Over-Expenditure:** A positive variance (+1.32%) for the year 2021–2022 indicates a small over-expenditure. This implies: More financial needs and additional allocations, or better use of funds.
7. **Inconsistency in Budget Execution:** Variations in the magnitude and direction of variation are revealed by the trend analysis, suggesting inconsistent financial planning and execution procedures throughout the research period.
8. **Administrative and Structural Constraints:** The following factors can be blamed for the differences between planned and actual spending:
 - Project implementation delays
 - Administrative and procedural bottlenecks
 - Overestimating when creating a budget
 - Ineffective fund absorption
9. **Lack of Accurate Budget Forecasting:** The frequent occurrence of negative variance points to forecasting tools' limits and implies

that budget projections may not always be reasonable.

10. **Need for Stronger Financial Control Mechanisms:** Large negative and modest positive variances show that financial control mechanisms need to be strengthened in order to guarantee greater alignment between planned and actual spending.

Suggestions

1. **Improve Accuracy of Budget Forecasting:** Adopting practical and data-driven budgeting strategies is necessary because the majority of years exhibit negative variation (underutilisation). To prevent overestimation, budget forecasts should be prepared using historical trends and past spending patterns.
2. **Strengthen Budget Execution Mechanisms:** The discrepancy between planned and actual spending points to implementation problems. The Zilla Parishad should improve departmental collaboration to guarantee timely project and scheme execution.
3. **Establish Strong Monitoring and Control Systems:** To monitor spending against budget projections, financial reviews should be carried out on a monthly or quarterly basis. This will make it easier to spot discrepancies early and take remedial action.
4. **Enhance Administrative Efficiency:** Underutilisation of funds is a result of procedural bottlenecks and administrative delays. Fund utilisation can be more efficient and timely by streamlining processes and enhancing departmental collaboration.
5. **Develop Crisis-Responsive Financial Planning:** The 2020–21 extreme variance (-36.58%) emphasises the necessity of backup plans. To handle unanticipated circumstances like pandemics, a reserve fund and flexible budgeting strategy should be implemented.
6. **Improve Fund Absorption Capacity:** Enhancing departments' ability to use allotted cash efficiently should be a priority. Better planning, prompt approvals, and enhanced execution techniques can accomplish this.

7. **Adopt Performance-Based Budgeting:** Using performance-based budgeting to link spending with results will guarantee that money is used effectively and contribute to quantifiable development objectives.
8. **Reduce Variability in Expenditure:** Inconsistency is indicated by the variance fluctuations. The Zilla Parishad should closely align expenditures with approved budgets in order to achieve steady and predictable spending patterns.
9. **Ensure Better Utilisation During High Allocation Years:** The timely use of funds should receive extra attention in years with larger budget commitments in order to prevent significant shortages and enhance development results.
10. **Strengthen Transparency and Accountability:** Implementing digital financial management tools and conducting frequent audits will increase transparency and aid in lowering the difference between planned and actual spending.

Conclusion

The current report, "A Comparative Analysis of Budgeted and Actual Expenditure in Nanded Zilla Parishad (2018–2023)," offers insightful information about the effectiveness of the organization's budget execution and financial planning. The Zilla Parishad's financial management system has both advantages and disadvantages when budget estimates and actual spending are compared.

According to the data, Nanded Zilla Parishad typically spends between 90% and 100% of the allotted budget, indicating a comparatively high level of budget utilisation. This suggests that the organization has a structure for financial planning and fund utilisation that is fairly effective. The difference between planned and actual spending has been minimal for a number of years, especially 2018–19 and 2022–2023. This indicates good financial management and improved coordination between planning and execution.

The study does, however, also find a recurring trend of negative variance, in which real spending is less than projected. This indicates a propensity to overestimate throughout the budgeting process and

draws attention to problems with underfunding. Such variations are a sign of inaccurate forecasting and ineffective budget execution.

The study's noteworthy discovery is the remarkably high negative variance in 2020–2021, which was mostly brought on by the COVID-19 pandemic's disruptions. This illustrates how susceptible financial systems are to outside shocks and emphasises how crucial it is to include flexibility and backup plans in budgeting procedures.

Even though it was small, the positive variance in 2021–2022 shows instances of overspending, which could be brought on by increased funding needs or better program execution. The swings in both directions show some degree of irregularity in financial management techniques, even though small variances are permissible.

Overall, the study finds that although Nanded Zilla Parishad shows a modest level of budget utilisation efficiency, financial control systems, execution mechanisms, and budget forecasting accuracy need to be improved. Achieving the intended developmental outcomes and guaranteeing the best possible use of resources depend on closing the gap between budgeted and actual spending.

In conclusion, enhancing the Zilla Parishad's financial performance and ability for governance will require a more methodical and balanced approach to budgeting, bolstered by efficient administrative procedures and efficient monitoring.

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