

# **MA, Semester IV, Economics, Paper-II- Government Budgeting and Fiscal Choice**

## **Topic: Zero-Base Budgeting System**

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Zero based budgeting is a practice where all expenditures are allocated and revenue estimates are made for a new period. Clearly, as the name indicate, zero-based budgeting starts from a “zero base”. Everything including expenditure and receipts are beginning from a scratch under ZBB. Budget estimates for each Ministries or heads are provided on the basis of what is needed for the upcoming period, regardless of the budget activity of the previous years.

Under ZBB, allocations or funding are based on program efficiency and necessity rather than budget history. However, ZBB is a time-consuming process that takes much longer time than traditional, cost-based budgeting.

Zero-base budgeting first rose to prominence in government in the 1970s. Though looked attractive, the ZBB has lost its utility gradually because of the complexities and costs involved in implementing it. The large amount of paperwork and data ZBB generates, along with doubts about the method’s ability to fully meet its theoretical promises, were some factors that defected the ZBB.

In recent years, the ZBB is making a comeback in the context of fiscal constraints. Many governments across the world are experiencing the after effects of the worst economic slowdown now and are following the principles of ZBB in the context of tax revenue short falls.

### **Study Material Reference**

<https://www.indianeconomy.net/splclassroom/what-is-zero-based-budgeting/>