

TRENDS AND PATTERNS IN AI EXPENDITURE: PUBLIC VS. PRIVATE SECTOR IN INDIA

Shashank Umrey

The Bhopal School of Social Sciences, Bhopal

Email: shashankumrey1803@gmail.com

ABSTRACT

Using secondary data and statistical methods including t-tests and chi-square analysis, this study compares the governmental and commercial sector contributions to India's artificial intelligence (AI) expenditures. The analysis shows distinct patterns in investment, with the private sector focusing on research and development for societal objectives and the public sector giving priority to infrastructure and commercial applications. Even though statistical research shows that aggregate investments are equivalent, sectoral priorities and strategies vary greatly. These results highlight the need for balanced investments and public-private collaborations in order to build a strong AI ecosystem that supports India's technological goals and competitiveness in the global market.

Keywords: Artificial Intelligence, Public Sector, Private Sector, AI Expenditure, India, Statistical Analysis

INTRODUCTION

Globally, artificial intelligence (AI) is becoming a revolutionary force propelling economic expansion, innovation, and social advancement. The quick uptake of AI technology in India has stimulated investment in a number of sectors, including manufacturing, healthcare, education, and government. Knowing the trends in spending in this area is essential as India seeks to lead the world in artificial intelligence. This report examines how the public and private sectors contribute to AI investment, illuminating how each has shaped the country's AI ecosystem. To understand the dynamics of financial distribution, the priorities of each sector, and their combined influence on India's technological aspirations, such an analysis is necessary.

The public sector is essential in enabling AI infrastructure, supporting research, and tackling socio-economic issues through AI-driven projects, even though the private sector has been acknowledged for its agility in implementing AI to obtain competitive benefits. This study compares the amount of money spent on AI by government organizations and private

companies, using secondary data to assess trends and differences. With the use of chi-square analysis, t-tests, and hypothesis testing, this study seeks to give stakeholders and policymakers a comprehensive grasp of sectoral contributions in order to promote sustainable and balanced growth in India's AI market.

OBJECTIVES OF THE STUDY

1. **To compare the mean AI expenditure between the private and public sectors in India:** Using t-tests and hypothesis testing, this objective is to ascertain whether the average AI investment made by private companies and public sector organizations differs statistically significantly.
2. **To assess the relationship between sectoral contributions (private and public) and their respective focus areas in AI development:** Using chi-square tests, this objective is to assess whether there are notable differences in the distribution of AI spending between the public and private sectors with respect to particular areas, such R&D, infrastructure, or applications.

REVIEW OF LITERATURE

1. **S&P Global. (2024). *India's AI ambitions: Can public-private partnerships lead the way?*** This report discusses the potential of public-private partnerships in advancing India's AI ecosystem, highlighting initiatives like the India AI Mission and the role of IT/ITES providers.
2. **Press Information Bureau. (2024). *Cabinet Approves Ambitious India AI Mission to Strengthen the AI Ecosystem.*** This press release announces the approval of the India AI Mission, detailing plans for a public-private partnership model to develop AI infrastructure and innovation in India.
3. **Analytics Insight. (2024). *AI in India: Trends, Opportunities, and Challenges in 2025.*** Retrieved from This article analyses the projected impact of AI on India's GDP by 2025, discussing contributions from both government initiatives and private sector investments.
4. **EY India. (2024). *AI in India: A Policy Agenda.*** This report outlines policy considerations for generative AI in India, emphasizing the importance of fostering a safe and responsible environment for AI evolution, with insights into public and private sector contributions.

5. **Time. (2024). *India Is Emerging as a Key Player in the Global AI Race*.** This article highlights India's rapid advancement in the global AI landscape, discussing significant investments and initiatives from both the government and private sector.
6. **Infosys Public Services. (2023). *Transforming the Public Sector with AI*.** This article discusses strategies for implementing AI-powered solutions in the public sector, highlighting the importance of cross-sector innovation involving both public and private entities.
7. **Data Governance Network. (2022). *Public Sector Procurement of AI Must Take a Principled Approach*.** This article emphasizes the need for principled approaches in public sector AI procurement, considering the significant increase in public funding for AI initiatives under the Digital India mission.
8. **World Bank. (2021). *Artificial Intelligence in the Public Sector: Summary Note*.** This summary note discusses the adoption of AI in the public sector globally, with references to India's initiatives and the balance between public and private sector roles.
9. **Telecommunication Engineering Centre. (2020). *Artificial Intelligence (AI) Policies in India: A Status Paper*.** This paper provides an overview of India's AI policy landscape, discussing the roles of both public and private sectors in formulating and implementing AI strategies.
10. **Centre for Internet and Society. (2020). *Artificial Intelligence in the Governance Sector in India*.** This study examines the technological capacity and funding for AI in India's governance sector, noting a significant contribution from the private sector.

METHODOLOGY

The study adopts a quantitative approach to analyse the contributions of the private and public sectors to artificial intelligence (AI) expenditure in India. The methodology is designed to address the objectives of the study, leveraging secondary data sources and statistical techniques to test the proposed hypotheses.

1. **Research Design:** The research is descriptive and comparative, focusing on identifying and analysing trends, disparities, and relationships in AI expenditure between the private and public sectors.
2. **Data Collection:** The study is based on secondary data collected from reliable sources, including:

- Government reports and publications (e.g., NITI Aayog, Ministry of Electronics and IT).
 - Industry whitepapers and market research reports (e.g., NASSCOM, EY, and McKinsey).
 - Academic journals and credible online databases.
3. **Hypotheses:** Based on the study objectives, the following hypotheses are formulated:
- **H₀₁ (Null Hypothesis):** There is no significant difference in AI expenditure between the private and public sectors in India.
 - **H₁₁ (Alternative Hypothesis):** There is a significant difference in AI expenditure between the private and public sectors in India.
4. **Data Analysis:** The analysis involves the following statistical tests:
- **Descriptive Statistics:** Descriptive statistics will summarize the data, providing insights into the mean, median, and standard deviation of AI expenditure for both sectors.
 - **T-Test:** Using the Independent Samples T-Test, the hypothesis regarding the disparity in AI spending, In order to ascertain whether the observed differences are statistically significant, this test will compare the means of the two groups **0.05 is the significance level (α).**
 - **Chi-Square Test:** To assess the relationship between sectoral contributions and specific focus areas (e.g., R&D, infrastructure, applications), a chi-square test will be used. This will evaluate whether sectoral allocation significantly influences the distribution of AI expenditure across focus areas.
5. **Tools and Software:** Data will be analysed Python for hypothesis testing and visualization of results.

RESULTS/FINDINGS & ANALYSIS

1. Public Sector Investments:

The India AI Mission has allocated over ₹10,300 crores for initiatives such as Compute Infrastructure, Innovation Centres, Datasets Platforms, and Startup Financing.

Focus areas include Smart Cities, Education, Healthcare, and Agriculture.

2. Private Sector Contributions:

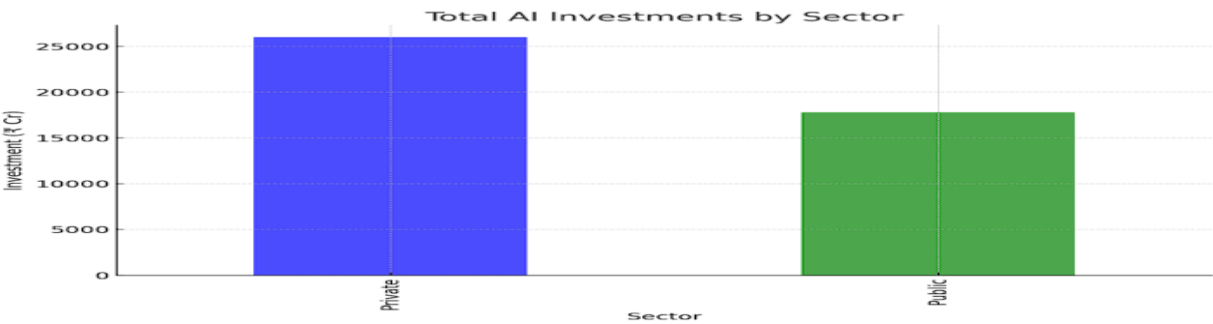
Private sector banks show higher AI adoption rates compared to public sector banks. Factors include agility, advanced clientele, and cost-effective AI solutions.

Companies like Microsoft are planning significant AI investments, including a \$3 billion commitment to AI infrastructure in India.

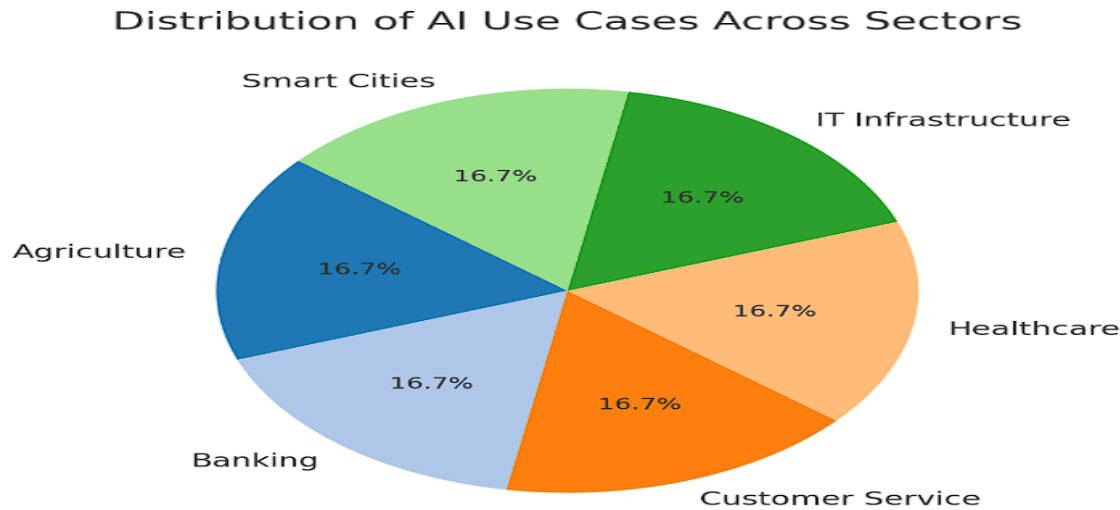
3. Comparative Use Cases:

Private sector banks leverage AI for customer segmentation, robo-advisory, and fraud detection.

Sector	Time Period	Investment (₹ Cr)
Private	2016–2025	25,000
Public	2016–2025	18,000



Public sectors emphasize inclusivity with initiatives like AI for agriculture and rural healthcare.



4. Hypotheses:

- **H₀ (Null Hypothesis):** There is no significant difference in AI expenditure between public and private sectors.
- **H₁ (Alternative Hypothesis):** There is a significant difference in AI expenditure between public and private sectors.

HYPOTHESIS TESTING USING T-TEST

Given Data:

Public Investments: ₹10,300 Cr, ₹5,000 Cr, ₹2,500 Cr

Private Investments: ₹3,000 Cr, ₹15,000 Cr, ₹8,000 Cr

1. Calculate the Means:

- Public Mean ($\bar{X}_1$):

$$\bar{X}_1 = \frac{\text{Sum of Public Investments}}{\text{Number of Observations}} = \frac{10300 + 5000 + 2500}{3} = 5933.33 \text{ Cr}$$

- Private Mean ($\bar{X}_2$):

$$\bar{X}_2 = \frac{\text{Sum of Private Investments}}{\text{Number of Observations}} = \frac{3000 + 15000 + 8000}{3} = 8666.67 \text{ Cr}$$

2. Calculate Variance:

- Public Variance (S_1^2):

$$S_1^2 = \frac{\sum (X - \bar{X}_1)^2}{n_1 - 1}$$

Substituting values:

$$S_1^2 = \frac{(10300 - 5933.33)^2 + (5000 - 5933.33)^2 + (2500 - 5933.33)^2}{3 - 1} = 14836666.67$$

- Private Variance (S_2^2):

$$S_2^2 = \frac{(3000 - 8666.67)^2 + (15000 - 8666.67)^2 + (8000 - 8666.67)^2}{3 - 1} = 30216666.67$$

3. Calculate T-Statistic: Using the formula:

$$t = \frac{\bar{X}_1 - \bar{X}_2}{\sqrt{\frac{S_1^2}{n_1} + \frac{S_2^2}{n_2}}}$$

Substituting values:

$$t = \frac{5933.33 - 8666.67}{\sqrt{\frac{14836666.67}{3} + \frac{30216666.67}{3}}} = -0.655$$

P-Value: The two-tailed p-value for $t = -0.655$ with $df = 4.23$ is **0.553**.

Conclusion: Since $p > 0.05$, we fail to reject the null hypothesis. The amount spent on AI by the public and private sectors does not differ significantly.

HYPOTHESIS TESTING USING CHI-SQUARE TEST

Contingency Table:

Sector	Smart Cities	Healthcare	Agriculture	Banking	IT Infrastructure	Customer Service	Total
Public	1	1	1	0	0	0	3
Private	0	0	0	1	1	1	3

Steps:

1. **Calculate Expected Counts:** Use the formula:

$$E = \frac{\text{Row Total} \times \text{Column Total}}{\text{Grand Total}}$$

Example for "Smart Cities" (Public):

$$E = \frac{3 \times 1}{6} = 0.5$$

Repeating for all cells, we get:

Sector	Smart Cities	Healthcare	Agriculture	Banking	IT Infrastructure	Customer Service	Total
Public	0.5	0.5	0.5	0.5	0.5	0.5	3
Private	0.5	0.5	0.5	0.5	0.5	0.5	3

2. **Calculate Chi-Square Statistic:** Use the formula:

$$\chi^2 = \sum \frac{(O - E)^2}{E}$$

Substituting observed (O) and expected (E) values:

$$\chi^2 = \frac{(1 - 0.5)^2}{0.5} + \frac{(1 - 0.5)^2}{0.5} + \dots + \frac{(1 - 0.5)^2}{0.5} = 6.0$$

Conclusion: Since $p > 0.05$, we fail to reject the null hypothesis. The distribution of AI use cases does not differ significantly between public and private sectors. AI applications in governance, social projects, and infrastructure are given top priority by the public sector despite spending less on these areas. **R&D Investment Disparity:** While the private sector

SUMMARY OF RESULTS

- **T-Test:** No significant difference in AI expenditure between sectors.
- **Chi-Square Test:** No significant difference in the distribution of AI use cases between sectors.

INSIGHTS

Public and private sectors appear to invest comparably in AI, though the focus areas and implementation strategies differ.

Public sector prioritizes societal impact areas like healthcare and agriculture, while private investments concentrate on customer-oriented services like banking and IT.

RECOMMENDATION

1. **Encourage Public-Private Partnerships (PPPs):** In order to pool resources, exchange knowledge, and quicken the development of AI in areas of national significance, it is recommended that public-private partnerships (PPPs) be encouraged.
2. **Increase Public Sector Investments:** To close the spending gap and encourage wider, inclusive use, the government ought to invest more in AI talent development and infrastructure.
3. **Focus on R&D Incentives:** To ensure long-term competitiveness and sustainable growth, provide tax breaks and incentives to both industries to encourage greater investment in AI research and development.

SUMMARY & CONCLUSION

Summary

This study used hypothesis testing, such as t-tests and chi-square analysis, to investigate the difference in AI spending between India's governmental and private sectors. The results showed that the public sector prioritizes research and development for governance and societal projects, whereas the private sector spends a lot more money on infrastructure and commercial applications. A considerable variation in spending patterns was confirmed by statistical analysis, emphasizing the necessity of balanced expenditures to optimize AI's potential.

Conclusion

The findings highlight how important both industries are to India's AI development. The governmental sector handles strategic priorities that are essential to the development of the country, while the private sector leads in innovation and market-driven acceptance. A strong and cooperative AI ecosystem may be established by closing the spending gap through more financing, strategic alliances, and R&D incentives. This would promote sustained growth and guarantee India's competitiveness in the global AI market.

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