The Budget Process in India

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The **budget** is a report presented by the government. It is a report of the government finances which includes revenues and outlays. Thus, the budget can be defined as the most comprehensive report of the government's finances in which revenues from all the sources and outlays for all activities are consolidated. In simple terms, the budget is an annual financial statement of the revenue and expenditure of a government.

In India, the Union Budget is prepared by the Department of Economic Affairs of Ministry of Finance. Earlier the budget was presented in two categories i.e. Railway budget and General budget. However, from 2017 onwards, no separate budget for Indian Railway was prepared which has been "merged" with the General Budget. The decision, taken on the recommendation of a NITI Aayog committee headed by its member Bibek Debroy, reflects the decrease over time in the relative size of the Rail Budget compared to some of the other components in the General Budget, such as defence and roads and highways, reducing it to a mere "ritual". According to Article 112 of the Indian Constitution, the President is responsible for presenting the budget to the Lok Sabha. The annual financial statement takes into account a period of one financial year.

According to Article 77 (3), the Union Finance Minister has been made responsible by the President to prepare the budget also called as the annual financial statement and pilot it through the parliament. Budget embodies the estimated receipts and expenditure of the Government of India for one financial year. The financial year commences on 1st April each year.

The budgetary procedure in India involves four different operations that are

- Preparation of the budget
- Enactment of the budget
- Execution of the budget
- Parliamentary control over finance

Preparation of the budget

The exercise of the preparation of the budget by the ministry of finance starts sometimes around in the month of September every year. There is a budget Division of the Department of Economic affair of the ministry of finance for this purpose.

The ministry of finance compiles and coordinates the estimates of the expenditure of different ministers and departments and prepare an estimate or a plan outlay.

Estimates of plan outlay are scrutinized by the Planning Commission. The budget proposals of finance ministers are examined by the finance ministry who has the power of making changes in them with the consultation of the prime minister.

Enactment of the budget

Once the budget is prepared, it goes to the parliament for enactment and legislation. The budget has to pass through the following stages:

- The finance minister presents the budget in the Lok Sabha. He makes his budget in the Lok Sabha. Simultaneously, the copy of the budget is laid on the table of the Rajya Sabha. Printed copies of the budget are distributed among the members of the parliament to go through the details of the budgetary provisions.
- The finance bill is presented to the parliament immediately after the presentation of the budget. Finance Bill relates to the proposals

regarding the imposition of new taxes, modification on the existing taxes or the abolition of the old taxes.

- The proposals on revenue and expenditure are discussed in the Parliament. Members of the Parliament actively take part in the discussion.
- Demands for grants are presented to the Parliament along with the budget These demands for grants show that the estimates of the expenditure for various departments and they need to be voted by the Parliament.
- After the demands for grants are voted by the parliament, the Appropriation Bill is introduced, considered and passed by the appropriation of the Parliament. It provides the legal authority for withdrawal of funds of what is known as the Consolidated Fund of India.
- After the passing of the appropriation bill, finance bill is discussed and passed. At this stage, the members of the parliament can suggest and make some amendments which the finance minister can approve or reject.
- Appropriation bill and Finance bill are sent to Rajya Sabha. The Rajya Sabha is required to send back these bills to the Lok Sabha within fourteen days with or without amendments. However, Lok Sabha may or may not accept the bill.
- Finance Bill is sent to the President for his assent. The bill becomes the statue after presidents' sign. The president does not have the power to reject the bill.

Execution of the budget

- Once the finance and appropriation bill is passed, execution of the budget starts. The executive department gets a green signal to collect the revenue and start spending money on approved schemes.

- Revenue Department of the ministry of finance is entrusted with the responsibility of collection of revenue. Various ministries are authorized to draw the necessary amounts and spend them.
- For this purpose, the Secretary of minister's acts as the chief accounting authority.
- The accounts of the various ministers are prepared as per the laid down procedures in this regard. These accounts are audited by the Comptroller and Auditor General of India.

Parliament Control over Finance

- There is a prescribed procedure by which the Finance Bill and the Appropriation Bill are presented, debated and passed.
- The Parliament being sovereign gives grants to the executive, which makes demands. These demands can be of varieties like the demands for grants, supplementary grants, additional grants, etc.
- The estimates of expenditure, other than those specified for the Consolidated Fund of India, are presented to the Lok Sabha in the form of demands for grants.
- The Lok Sabha has the power to assent to or to reject, any demand, or to assent to any demand, subject to a reduction of the amount specified. After the conclusion of the general debate on the budget, the demands for grants of various ministries are presented to the Lok Sabha.
- Formerly, all demands were introduced by the finance minister; but, now, they are formally introduced by the ministers of the concerned departments. These demands are not presented to the Rajya Sabha, though a general debate on the budget takes place there too.

- The Constitution provides that the Parliament may make a grant for meeting an unexpected demand upon the nation's resources, when, on account of the magnitude or the indefinite character of the service, the demand cannot be stated with the details ordinarily given in the annual financial statement.
- An Appropriation Act is again essential for passing such a grant. It is intended to meet specific purposes, such as for meeting war needs.

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Stages of Budget preparation:

In parliament, the budget goes through 5 stages

1. Presentation of budget with Finance Minister's speech
2. General discussion of the budget. After this, there is an adjournment of houses so that standing committees scrutinises the demand for grants for a month.
3. Voting on demand for grants in Lok Sabha
4. Passing of appropriation bills
5. Passing of Finance bills.
6. Budget Presentation

The budget is presented to the parliament on the date fixed by the President. Generally, it was presented on the last working day of February, a month before the commencement of the financial year but this old practices of presenting budget has been changed now. During general elections, the budget is presented twice, first to secure a vote on account for 4 months and later completely. Budget speech of finance minister is in two parts, Part A constitute a general economic condition of the country while part B relates to taxation proposals.

The general budget is presented in the Lok Sabha by Minister of Finance. At the conclusion of the speech of the finance minister in Lok Sabha, annual financial statement is laid on the table of Rajya Sabha.

Discussion of Budget

It is done in two stages. In the first stage, broad outlines of the budget, principle and policies underlying it are to be discussed in general discussion of the budget which lasts for about 4-5 days. In second stage discussion is held based on reports of concerned Departments/Ministries standing committees, which is usually done after a month of a general discussion of the budget. Standing committees submit reports to the house which are persuasive in nature.

Vote on Account

Since the passing of the budget takes almost 2 months, the Government requires the sanction of an amount to maintain itself for this period. According to Art 116, a special provision called 'Vote on Account' is created by which vote of parliament is obtained by the government for a sum sufficient generally for 2 months to incur expenditure. During the election year a vote on an account may exceed from 2-4 months expenditure.

Discussion and Voting on Demand for Grants

After standing committee reports are presented to the house, the house proceeds with a Ministry wise discussion of committee reports and voting on demand for grants. The time for discussion and voting on demand for grants is allocated by the speaker in consultation with the leader of the house.

Guillotine

The guillotine is passing the Demand for Grants without discussion. On the last day of the period allotted by speaker due to the paucity of time, speaker puts all the outstanding Demands for grants to vote of the house. It is a device used for want of time.

Powers of both the Houses

Introduction and voting on Demands for Grants is confined only to the Lok Sabha. The Lok Sabha has the power to assent, refuse to assent and even to reduce the amount of the Demand for Grant. In Rajya Sabha, there is only general discussion of the budget. The upper house does not vote on the Demands for Grants.

Cut Motions

Cut motions are motions for reduction in various demand for grants. Cut motions seek a reduction of an amount of demands of grants on the following grounds: economy, policy cut and token cut.

Categories of Cut motions

a. Economy cut: Economy cut motion demands reduction of a specified amount from the demand for Grant representing the welfare of the economy.

b. Policy cut: According to policy cut motion, the demand for a grant is reduced to Re.1 representing the disapproval of the policy underlying the demand. A member giving such notice should indicate precise terms, the particulars of the policy which he proposes to discuss. It is open to the member to advocate alternative policy.

c. Token cut: Token cut motion is used to voice a grievance. In token cut, the amount of the Demand for Grant is reduced by Rs.100 in order to express a specific grievance.

Types of Bills

1. **Finance bill**: It is introduced in the Lok Sabha immediately after the presentation of the general budget. The finance bill contains fresh taxation proposals and variations in existing duties. They are contained in Article 117 of Indian constitution. Finance bill is of two types. Provisions of the first type relate to the money bill. Provisions of the second type of Finance bill are same as that of an Ordinary bill.

2. **Money bill**: No bill is money bill unless it satisfies the requirements of Article 110. A bill is money bill only if it contains provisions dealing with all or any of six matters specified in Article 110. A Financial bill, which receives the certificate of the speaker, is a money bill. The decision of speaker of House of the people is final and his certificate that a particular bill is money bill is not liable to be questioned.

3. **Appropriation Bill:** An appropriation bill is intended to give authority to the Government of India to incur expenditure from the consolidated fund of India. After the voting of Demand for grants has been completed, the government introduces an appropriation bill. Appropriation bill includes charged expenditure and sums granted

by voting on demand for grants. The procedure for passing the appropriation bill is same as that of the money bills.

Types of Expenditure

1. **Charged expenditure:** It includes expenditure specified in the constitution. There is no voting on charged expenditure. It includes emoluments of the president and the salaries and allowances of the chairman and deputy chairman of the Rajya Sabha, speaker and deputy speaker of Lok Sabha, Judges of the Supreme Court, CAG, and certain other bodies/agencies specified in the constitution.

2. **Non-Charged Expenditure:** It is the voteable expenditure. It is the sum required to meet other expenditure proposed to be made from the consolidated fund of India. In other words amount of expenditure incurred through Demand for Grants.

Types of Grants

The provisions related to supplementary, additional and excess grants are specified in Art.115.

1. Supplementary Grant: If the amount authorised in the original budget for a particular service for a current financial year is found to be insufficient, supplementary grant may be made by the Parliament.

2. Excess grant: It is a grant to retrospectively authorise excess of expenditure committed by an executive. The public accounts

committee recommends such retrospective regularisation on the basis of CAG report.

3. Additional Grant: It is the grant made by the parliament for expenditure on new service not contemplated in the annual financial statement that year.

4. Token grant: Spending money sanctioned for one head on another head within the same ministry with the permission of finance ministry is done through a token grant. In the token grant, it seeks a token sum of Rs.1 from Lok Sabha to spend on a new service.

5. Exceptional Grant: Through exceptional grant money is sought for service that is not part of the current service of any financial year.

Indian constitution under Article 112-117 enshrines powers of parliament in the enactment of the Budget. According to article 112-117, any proposal for expenditure and demand for a grant can be made only on the recommendation of the President. The parliament has to pass a financial bill within 75 days of its introduction. After discussion in both the houses on demand for Grants, Financial bill and appropriation bill and voting of the Lok Sabha Budget is enacted and expenditure can be incurred from the consolidated fund of India.

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