

BUDGETARY PROCESS IN INDIA

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What is Budget

- ⊠ The term 'budget' has been derived from the old French word 'bougette', which means a leather bag or wallet. The first use of the term 'budget' may date back to 1733 financial statement by Walpole as Prime Minister and Chancellor of the Exchequer. A cartoon of him opening a patent medicine seller's wares was published at the time, as a satirical comment with the caption 'The Budget Opened'.
- ⊠ Budgeting generally denotes that process by which the financial policy of a government is formulated, enacted and carried out. Budget is a plan of action.

Stages of Budget Process in India

- ⌘ 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.
- ⌘ The Union Budget is an annual statement of how much money the Government expects to raise and how it will spend the money in the next financial year.

Stages of Budget Process in India

- ⊠ In India, the Union Budget is prepared by the Department of Economic Affairs of Ministry of Finance. The following are the various stages through which a Budget has to pass in India:
 - ⊠ 1. Preparation of Budget
 - ⊠ 2. Parliamentary Approval
 - ⊠ 3. Execution of the Budget
 - ⊠ 4. Accounting
 - ⊠ 5. Auditing

Preparation of Budget

- ⊠ It is the first step in the budgetary process. The budget is prepared by the Finance Minister with the assistance of number of advisors and bureaucrats. The Finance Minister seeks the view of the industry captains and economists prior to preparation. Various accounting and finance related organisations send in their opinions and suggestions .The budgeting exercise in India remains mainly the domain of bureaucrats to participate and influence the outcomes. Finance Ministry, Administrative Ministries and their subordinate offices and the CAG are all involved in the preparation of Budget in India.

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Parliamentary Approval

- ⊠ In parliament, the budget goes through five *stages*:
 1. Presentation of budget by Finance Minister.
 2. General discussion on budget.
 3. Voting on demand for grants in Lok Sabha
 4. Passing of appropriation bills
 - 5 Passing of Finance bills.

Presentation of budget by Finance Minister

- ⊠ 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 92 years 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.

General discussion on budget

- ⊠ Discussion 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.

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. 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.

Passing of appropriation bills

- ⌘ 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.

Passing of Finance bills

- ⌘ All the taxation proposals of the government for a financial year are embodied in a Finance Bill. The rates of taxes, such as Income Tax, Custom Duty, etc., are annually determined by the legislature. The discussion on Finance Bill is opened by the Finance Minister. After the Bill and the amendments have been discussed, a motion is moved that the Bill be passed by the Lok Sabha. After the Bill is passed by Lok Sabha, it referred to the Rajya Sabha. When both the House have agreed, the Bill goes for Presidential assent.

Execution of the Budget

- ⌘ The execution of the Budget is the responsibility of the executive. Execution of the Budget rests on the proper collection of revenues and proper distribution of funds. The Department of Revenue has an overall control and supervision over the machinery charged with the collection of taxes. Such control is exercised through the Boards of Taxes. The network of treasuries and nationalised banks are engaged in the collection, custody and disbursement of funds.

Accounting

- ⌘ From 1976, the secretary of each ministry is designated as the chief accounting authority responsible for all transactions of the ministry and its departments. This responsibility is discharged through the Integrated Financial Adviser of the Ministry.
- ⌘ The Controller General of Accounts is the apex accounting authority of the Central Government. The CGA is also responsible for disbursements and banking arrangements of various ministries, departments and offices of the Government of India.

Auditing

- ⊠ Audit is very important instrument of control over finance. The Comptroller and Auditor General of India is responsible for audit of accounts. The audit reports prepared by the CAG contain comments on regularity and propriety of expenditure. The audit reports are presented to the President or Governors and it becomes obligatory for the President or Governors to cause them to be laid before the Parliament or State Legislatures respectively.

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