

## Budget Structure & Budget System

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### 1. Definition

In most Federal Constitution there are three fundamental provisions in the field of financial administration which safeguard the interest of the tax-payers.

- B.R. Mishra, Indian Federal Finance.

No tax shall be levied on collected except by authority of law.

- Vide Article 265

According to the Indian Constitution no money out of the Consolidated Fund of India or the consolidated Fund of a State shall be appropriated except in a accordance with the law and for the purpose and in the manner as passed by the Legislature.

-Vide Article, 266.

The Word budget has been derived from the French word 'bougetts' which means a small bag. It emphasizes a bag containing the financial proposals. Hence the term 'opening the budget'. The use of the term budget for the annual financial plans of the government dates back to 1733.

"It is a document containing a preliminary approach plan of Public revenue and expenditure".

Prof. Rene Stourn.

"The budget has come to mean the financial arrangements of a given period, with the usual implication that they have been submitted to the legislature for approval."

Prof. Bastable

"A budget is at once a report on estimates and proposals, that it is the instrument by which all the processes of financial Administration are correlated and coordinated."

W.B. Willoughby

"A budget is a pre-determined statement of management policy during a given period which provides a standard for comparison with the results actually achieved."

Crown and Howard

"A government budget is an annual financial statement showing item wise estimates of expected revenue and anticipated expenditure during a fiscal year."

### 2. Essential features of A budget:-

1. Budget is a financial statement, but it can be statement of quantities also with or without financial figures.
2. Budget is prepared for a specific period, and it is prepared generally before the period begins.
3. Budget is a plan of the policy to be pursued during the budget period.
4. Expenditure and sources of finance are planned in accordance with the objectives of the government.
5. It requires to be approved by Parliament or Assembly or some other authority before its implementation.

### 3. Objectives of a Government:-

#### (i) Economic growth :

To promote rapid and balanced economic growth so as to improve living standard of the people Economic growth implies a sustained increase in real GDP of the economy i.e., a sustained increase in valume of goods and services. Public welfare is the main guide.

#### (ii) Reduction of Poverty and unemployment:

To eradicate mass poverty and unemployment opportunities and providing maximum social benefits to the poor. In fact, social welfare is the single most important objective. Every Indian should be able to meet his basic needs like food, clothing, housing along with decent health care and educational facilities.

#### (iii) Reduction of inequalities of income:

To reduce inequalities of income and wealth, government levies high rate of tax on rich people reducing their disposable income and lowers the rate on lower income group.

#### (iv) Reallocation of resources :

To reallocate resources so as to achieve social and economic objective. Again, government provides more resources in to socially productive sectors where private sector

initiative is not forthcoming. Moreover govt. allocates more funds to production of socially useful goods and draws away resources from some other areas to promote balanced economic growth of regions.

**(v) Economic stability:**

Government can bring economic stability, i.e. control fluctuations in general price level through taxes, subsidies and expenditure. For instance, when there is inflation, government can reduce its expenditure. When there is depression, government can reduce taxes and grant subsidies to encourage spending by the people.

**(vi) Financing and Management of Public Enterprises:**

To finance and manage public enterprises which are of the nature of national monopolies like railways, power generation and water lines etc.

**4. Impact of the budget:**

A budget impacts the society at three levels :-

1. It promotes aggregate fiscal discipline through controlled expenditure, given the quantum of revenues.
2. Resources of the country are allocated on the basis of social priorities.
3. It contains effective and efficient programmes for delivery of goods and services to achieve its targets and goals.

**5. Types of budget :**

1. Union Budget – The union budget is the budget prepared by the central government for the country as a whole.
2. State Budget – In countries like India, there is a federal system of government thus every state prepares its own budget.
3. Plan Budget – It is a document showing the budgetary provisions for important projects, programmes and schemes included in the central plan of the country. It also shows the central assistance to states and union territories.
4. Performance Budget – The central ministries and departments dealing with development activities prepare performance budgets, which are circulated to members of parliament. These performance budgets present the main projects, Programmes and activities of the government in the light of specific objectives and previous year budgets and achievements.

5. Supplementary Budget – This budget forecasts the budget of the coming year regards to revenue and expenditure.
6. Zero Based Budget – This is defined as the budgetary process which requires each ministry to justify its entire budget in detail. It is a system of budget in which all government expenditures must be justified for each new period.

**6. Principles for the Preparation of Budgets:**

- a) Budget should be related to the organisational objectives and should be linked with the organisational structure.
- b) Budget should be flexible.
- c) Budget should contain realistic estimates.
- d) There should be norms, standards and productivity indices for inputs and outputs for the budget activity.
- e) There should be a system of periodical, review and follow up.
- f) For effective budgeting, management compliments and involvement of all concerned executives is necessary.

**7. Advantages of Preparing a Budget:**

- i. Responsibility for the performance may be fixed. Therefore, it provides check over shifting of responsibility.
- ii. By budgeting, financial position of the concern is made clear.
- iii. A check on the performance and efficiency of the industry is provided.
- iv. It improves management by providing check at all levels. Thus it helps in improving efficiency.
- v. It is essential to show budget while taking loan from banks so that they may know about the financials position of the concern.
- vi. It helps in making the policies for the coming period.
- vii. It is helpful to predetermine the price of product.

The Union Budget of India, also referred to as the Annual Financial Statement in the Article 112 of the Constitution of India, is the annual budget of the Republic of India. The Government Presents it on the first day of February so that it could be materialized before the commencement of new financial year in April.

## 8. Interim Budget 2019-20 – Key Points of the Indian Budget 2019

- Budget Expenditure is Rs. 27,84,200 crores.
- Total Receipts (without considering borrowing) is only Rs. 20,80,201 crores.
- The borrowings and other liabilities are Rs. 7,03,999 crores.
- Interest Payments are Rs. 6,65,001 crores.
- Disinvestment target is Rs. 90,000 crores.
- Amount dedicated to capital Expenditure is only Rs. 3,36,293 crores (12%).
- Tax Revenue is Rs. 17,05,046 crores (meets only 61% of expenditure)
- Revenue receipts less than revenue expenditure by Rs. 4,70,214 crores.
- 10 point vision for 2030 to realize India's Social Economic Potential, 10 trillion dollars economy in 13 years
- Present Income Tax rates to continue, Full tax rebate up to an income of 5 lakh rupees for individual tax payers, standard deduction raised to 50,000, a hike of 10,000 for salaried class.
- Direct tax system simplified; Returns to be processed in 24 hours with immediate refunds.
- Customs to go for digitalization of export and import transactions.
- Allocations to Defense budget crosses three lakh crore rupees for the first time.
- Allocations to Health care, MNREGA, SC/ST welfare programmes, Pradhan Mantri Gram Sadak Yojana, development of infrastructure in North-East hiked substantially.
- Electricity connection to all willing families by next month.
- A programme for genetic upgradation of cow-Rashtriya Kamdhenu Aayog.
- Cinematograph Act to be tightened to check piracy.
- Single window clearance for shooting films to be made available to Indian filmmakers.
- An All India Institute of Medical Sciences – AIIMS for Haryana.
- A separate Department of Fisheries.
- Indigenous development of semi high speed Vande Bharat Express Train.
- A container cargo movement to the North-East through Brahmaputra river, Allocation for infrastructure development in the region hiked by 21 percent.

## Reference

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5. India Today March 2019