

BUDGETORY PROCEDURE

Sr. J Bincy

Department of Economics

Origin of budget

- ✚ Derived from French word 'Bougette' meaning 'leather bag'.
- ✚ Bag used by the British chancellor to keep his papers to be presented to the parliament.
- ✚ Present sense of the term was used for the first time in 1873.

Definition Of 'Budget'

- ✚ An estimation of the revenue and expenses over a specified future period of time.
- ✚ A budget can be made for a person, family, group of people, business, government, country, multinational organization or just about anything else that makes and spends money.



What is Union

Budget ?

✚ According to Article 112 of the Indian Constitution, the Union Budget of a year, also referred to as the **Annual Financial Statement**, is a statement of the estimated receipts and expenditure of the government for that particular year.

✚ It is presented each year on the last working day of February by the Finance Minister of India in Parliament.



✚ The budget speech of the finance minister is usually divided in two parts. Part (a) deals with general economic survey of the country while part (b) relates to taxation proposals.

✚ The first Union budget of independent India was presented by R. K. Shanmukham Chetty on November 26, 1947



Stages Involved In The Government Budget

Preparation of the budget

Enactment of the budget

Execution of the budget

1. Preparation of the budget

- ✚ The budget contains 3 types of accounts :
 - a. actual for the preceding year
 - b. revised budget estimates for the current year
 - c. budget estimates for the coming year

- ✚ A government budget is defined as a legal document that is passed by the legislature, and approved by the chief executive-or President.

- ✚ The government budget comprises : (a) revenue budget
(b) capital budget

Revenue Budget :

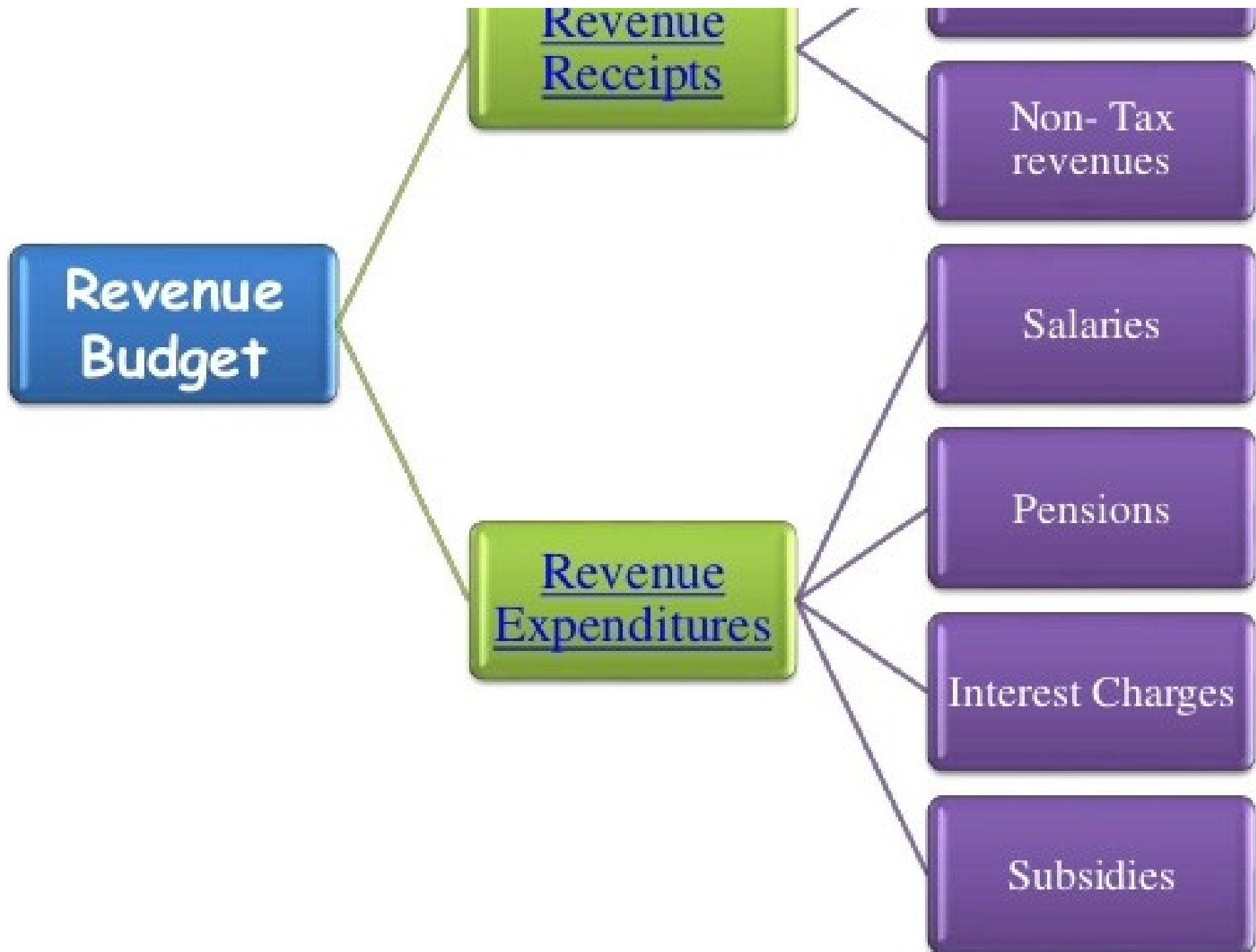
It deals with the revenue aspect of the government budget. It explains how revenue is generated or collected by the government and how it is allocated among various expenditure heads. Revenue budget has two parts:

- i. Revenue Receipts
- ii. Revenue Expenditures

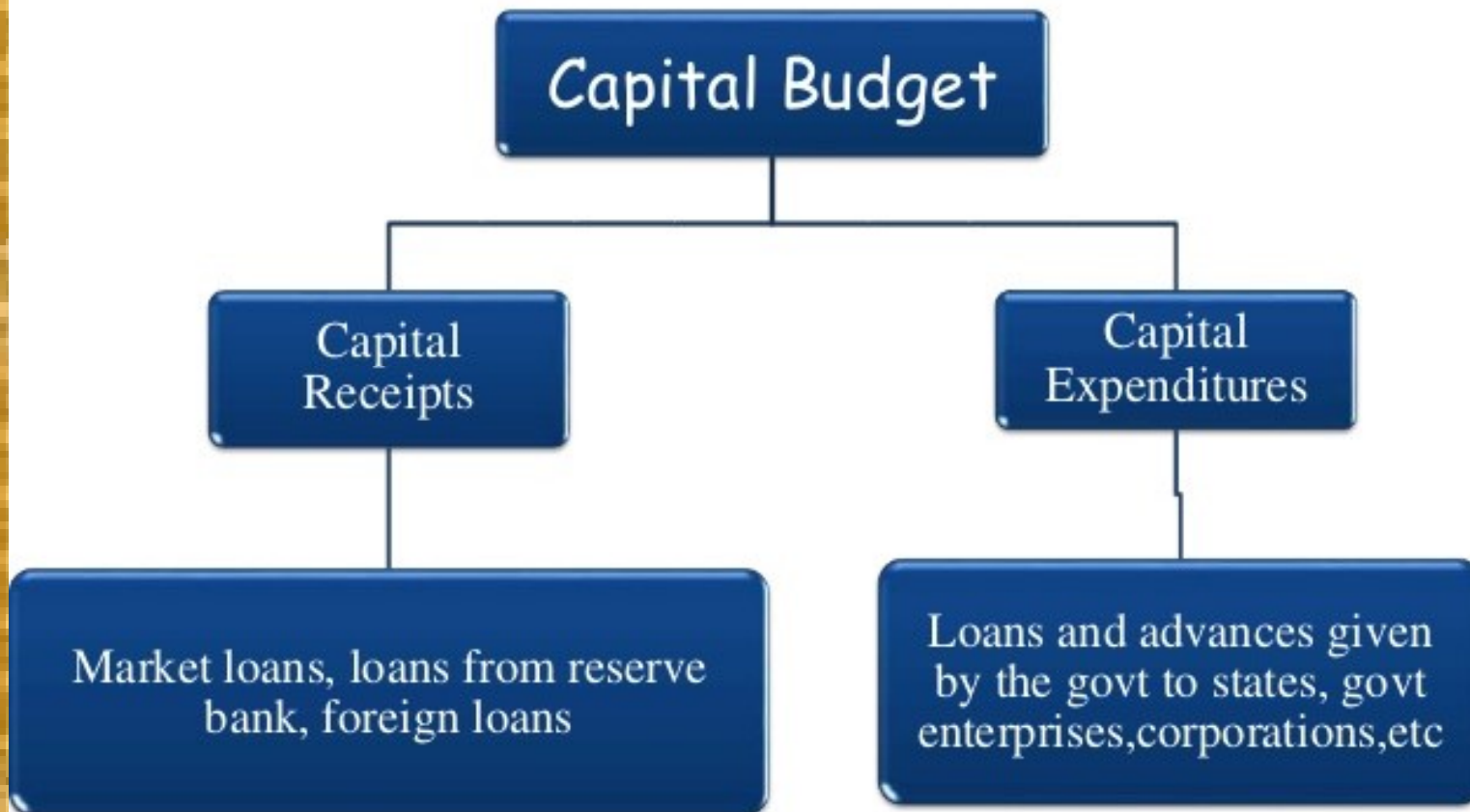
Capital Budget:

It deals with the capital aspect of the government budget and it consists of:

- i. Capital Receipts
- ii. Capital Expenditures



Capital Budget :



Process In The Preparation Of The Budget

Budget estimates are prepared by the Ministry of Finance

Based on the estimated income and expenditure of various ministries and departments ,sent to the Ministry of Finance

Prepares budget

Presented by the finance minister to the cabinet for approval

Budget is ready for presentation to the parliament

2. Enactment of the budget

- 📚 This means legalisation of the budget.
- 📚 Prepared budget is presented by Finance Minister to the legislature.
- 📚 The budget is an instrument of parliamentary control over the financial activities of the govt.
- 📚 No tax can be levied and no expenditure incurred by the central govt without the prior approval of the parliament .



Steps in the Enactment of the budget

- a) Presentation to the parliament
- b) General discussion
- c) Voting of demands for grants
- d) Passing of appropriation bill
- e) Passing of the Finance bill

3. Execution Of The Budget

- ✚ When the budget has passed by the legislature the execution of the budget begins.
- ✚ Execution of budget means raising the revenue and controlling the spending of government departments.
- ✚ The executive department get a green signal to collect the revenue and start spending money on approved schemes.



Execution of the budget has 3 aspects :

1. Collection of revenue
2. Proper custody of collected funds
3. Distribution of grants



✚ The ultimate control over public expenditure is vested with the parliament.

✚ Three specific committees are constituted by the parliament to ensure proper control over public expenditure.

- a) The Estimate Committee
- b) Public Accounts Committee
- c) The Committee on Public Undertakings
- d) Audit and Accounts Departments

✚ The auditing of public money is controlled by Comptroller and Audit General.

- ✚ The accounts prepared by the Comptroller and Audit General are submitted to the president.
- ✚ Place them before the house
- ✚ Parliament is the supreme authority in financial matters.



BUDGET PROCESS

1

Ministries indicate their requirements



2

Budget Division prepares a draft document in consultation with various stakeholders

3

Finance minister approves draft in consultation with prime minister





4

Finance minister briefs ministers through a 'Summary for the Cabinet'

5

Finance minister presents Budget in Lok Sabha. It has two parts: A) General economic survey of country and policy statements B) Tax proposals

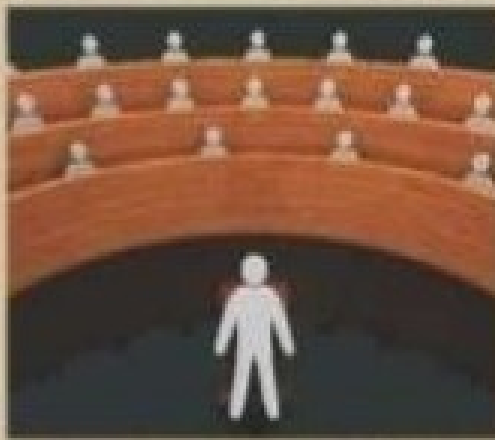


6

Annual financial statement given to Rajya Sabha and discussions are held in Parliament

7

Grants approved



8

Appropriation Bill,
Finance Bill introduced
in Lok Sabha

9

Union Budget
approved



Revenue receipts

Tax revenues

income tax, corporate tax, excise, customs and other duties that the government levies.

Non-tax revenue

interest on loans and dividend on investments like PSUs, fees, and other receipts for services that it renders.

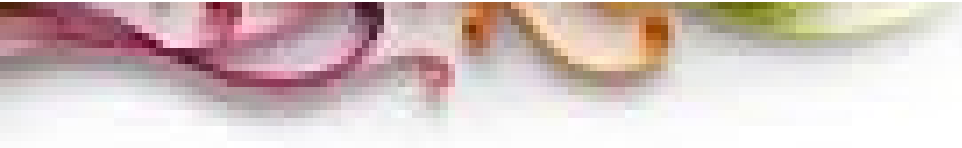
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✚ **Revenue expenditure** is the payment incurred for the normal day-to-day running of government departments and various services, interest charges on debt incurred by government, subsidies and so on.

✚ Expenditure that does not result in the creation of assets, and grants given to state governments and other parties are revenue expenditures.

✚ The difference between revenue receipts and revenue expenditure is usually negative. This means that the government spends more than it earns.

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THANK YOU

J.BINCY

ASSISTANT PROFESSOR

LITTLE FLOWER COLLEGE

GURUVAYOOR

