Public Budget

☐ INTRODUCTION

The word 'Budget' is said to have its origin from the French word 'Bougett" which refers ' a small leather bag'. Today, bag itself is not vital but people are anxious to see what the bag contains. Therefore, the bag contains economic bill presented by the Finance Minister in the Parliament House annually. Every democratic government makes vigorous efforts for this end, maximising the welfare of the community in the modern times. In order to achieve, the government takes in hand various socio-economic activities. This requires proper manipulation of the budgetary policy of the government. A budget, therefore, is not only a financial statement of actual and anticipated revenues and outlays of the government but is also a document of detailed programmes and policies of action which they desire to pursue in the coming years for raising the level of economic activity.

☐ WHAT IS PUBLIC BUDGET

Many scholars have defined budget in different ways. According to *Prof. Rene Stourn*, "It is a document containing a preliminary approved plan of public revenue and expenditure." In the words of *Beauliu*, "It is a statement of the estimated receipts and expenses during fixed period; it is a comparative table giving the amounts of the receipt to be realised and the expenses to be incurred; it is further-more an authorisation or command given by the proper authorities to incur the expenses and collect the revenues."

"(A) Finance Plan (B) A procedure formulating authorizing, executing and controlling this plan and (C) some government authority elements of a budget."

According to *Prof. Bastable*. "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." *W.E. Willoughby* also states, "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."

According to *I.C.W.A. London*. "A budget is a financial and/or quantitative statement prepared prior to a defined period of time, of the policy to be pursued during that period for the purpose of attaining a given objective." In the words of *Brown* and *Howard*. "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."

These definitions show that public budget contains the following features.

(*i*) It is a statement of expected revenue proposed expenditure of the public authorities concerned.

(*ii*) It possesses periodicity which is generally in one current year.

(*iii*) It has a sanction of public authority.

(*iv*) Budget proposals should be clear.

(*v*) It sets procedure in which the collection of revenue and administration of expenditures is to be executed.

(*iv*) The anticipations of revenue and expenditures should make positive contribution to economic goal.

☐ PURPOSE OF THE BUDGET

Public budget is considered sin-quo-non of the modern Govt. as it provides the detailed information of revenue and expenditure in a particular period. However, its purpose is under mentioned :

1. Necessity of Planning. To achieve any purpose, a planning is necessary. The government needs to achieve many goals all of which cannot be attained at a time. A proper plan of action is, therefore, necessary. A budget is such a plan which explicitly mentions the programmes that are to be taken up in the course of the fiscal year.

2. Necessity of Time. Different programmes may need different duration for completion. What part of the action can be completed within the fiscal year needs to be specified so that the implementing agency clearly can know as to which portion of the programme should be completed within specific year. The budget spells out such year-wise responsibility.

3. Necessity of Funds. Implementation of a programme requires availability of necessary funds. The extent of availability depends upon the budgetary sources of revenue. Hence, that programme-structure has to be built which can be supported by the provision made in the budget. This is the most important purpose of the government budget. The budget draws up schemes of revenue mobilisation on the one hand and programmes of public expenditure on the other

4. Efficiency of Collecting Funds : To achieve efficiency in revenue collection, the expenditure on account of the collectorate is specified on the basis of past trend and present level of cost of collection in the budget. The ratio of cost of collection to the amount of revenue collected speaks of the level of efficiency of the collecting agencies.

5. Efficiency in Expenditure : To achieve efficiency in public expenditure, physical targets of attainment are specified in the budget. In fixing the physical targets, careful consideration is given to the factors of efficiency in course of implementation of the programmes so that nearer the actual achievement at the close of fiscal year, the higher is the efficiency level of expenditure agencies.

6. Basis of Past Experience. Formulation of future programmes on the basis of past experience is an important purpose of the government budget. The lessons derived from past mistakes are utilised in formulating the future course of action. According to *Hicks*, this purpose is achieved by the arrangement of the Budget Speech, which is traditionally divided into three parts – first a presentation of the revenue and expenditure accounts of the year just ended ; secondly, a forecast of the extent to which the estimates for the year just beginning would be covered at existing rates of tax; and finally, a recommendation of adjustments in taxes, calculated to bring about the desired balance at the end of the year.

7. Current Programmes : The purpose of modern budgets is to project current programmes and policies in relation to future benefits and costs on the one hand and to evaluate the actual performance of the budgetary programmes on the other. This is why modern budgets are presented in the form of programme and performance budgets.

8. Act as Anticyclical Weapon : In developed countries the main purpose of the budget in developed countries is to act as an anticylical fiscal weapon. This is done through manipulation of the budget balance. When the economy suffers from unemployment and depression, deficit budget is framed, i.e., public expenditure is incurred in larger quantity than the public revenues received. The gap is over either by borrowing or by printing new money. In either case, the public expenditure pumped into the economy activates production, consumption and savings and, hence, effective demand and employment increases. When the economy suffers from inflation, the situation is corrected by drawing up surplus budget. In such a case, government revenues are raised in larger amounts than public expenditure and, thus, the excess purchasing power is wiped out of the economy. Economic stabilisation is thus regained.

9. Public Accountability : The government budget serves the purpose of public accountability of funds to a considerable extent. The first control is imposed at the budget framing level itself when the government asks different departments to submit their own budgets. Because the departments know that their programmes of expenditure will be scrutinised at the government level, they become careful to observe economy in the budget. The next stage of control is imposed by the legislature which is the ultimate authority to decide the size and extent of the budget. At the end of the financial year, again, the government and its various departments are responsible to the legislature for their action and budgetary performances. Hence, budget serves as a powerful weapon of financial control in respect of both collection of revenue and disbursement of them.

☐ 4. PRESENTATION OF BUDGET

The public budget may either be presented as a whole or in parts. The countries having a unitary system of government generally presents one single unified budgetary document. In federal countries, on the other hand, it is presented in parts. These countries have different layers of government administration- central, state and local and the budgets are prepared, passed and implemented separately by the each individual layer of the government. Although, these budgets are passed separately, yet they may involve certain inter-government transactions like the loans and grants of the sharing of the revenues between the state and the central government budget. Sometimes, these budgets are split up into parts. For instance, in India also, railway budget is presented separately from the central budget but railway budget is the integral part of the central finances.

In India, according to Article 112 of the constitution, an annual financial statement will be placed before Parliament (Lok Sabha and Rajya Sabha) and Article 202 of the Constitution provides that a similar financial statement for each state will

counts (centre and states) are kept under three heads : 1. Consolidated Fund 2. Contingency Fund 3. Public Account

1. Consolidated Fund. It consists the revenue receipt from taxes, loan and other receipts. No amount can be spent without the prior sanction of the Parliament and state legislature in either case of Parliament or state governments.

2. Contingency Fund. It includes the funds of the government to meet the emergency expenses and which cannot be delayed, comes under the contingency fund. The prior sanction of the Parliament or state legislature is not required under this fund. The sanction of the Parliament or state legislature is sought for the revival of the same amount in the contingency fund and the contingency fund is to be replenished. Presently, the corpus of the contingency fund of the Government of India is authorised by the Parliament to be of amounting Rs. 50 crores.

3. Public Account. This fund is collected through other agencies such as small savings, provident fund etc. This fund does not belong to the government and comes under the public account. To make the payment out of this fund, no sanction of the Parliament or state legislature is required.