Budget | Important PYQ Topics

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INTRODUCTION

- A budget can be defined as an **estimation of revenue and expenses** over a specified future period of time and is usually compiled and re-evaluated on a periodic basis.
- An **annual financial statement (Art. 112)** containing estimated revenues and expenditures for the next financial year is presented in the Lok Sabha.
- **Government budgeting** is deliberated by the legislature, sanctioned by the Chief Executive or President, and **prepared by the Finance Minister of the country.**
- **Types of Budget:**
    - **Balanced Budget:** One in which the **revenues match its expenditure.**
    - **Surplus Budget:** If the estimated **government receipt is more than the estimated expenditure** for a fiscal year.
    - **Deficit Budget:** If the **estimated revenue is less than the expenses to be made.**

OBJECTIVES

- Reallocation of Resources
- Reducing Inequalities in Income and Wealth
- Contributing to Economic Growth
- Bringing Economic Stability
- Managing Public Enterprises
- Reducing Regional Differences

CONSTITUTIONAL REQUIREMENTS

- **Article 265:** provides that 'no tax shall be levied or collected except by authority of law'. [i.e., Taxation needs the approval of Parliament.]
- **Article 266:** provides that 'no expenditure can be incurred except with the authorisation of the Legislature' [ie. Expenditure needs the approval of Parliament.]
- **Article 112:** President shall, in respect of every financial year, cause to be laid before Parliament, Annual Financial Statement.

COMPONENTS AND MEASURES

- **Revenue budget:** The revenue budget is made up of **revenue receipts and expenditures.** Both tax revenue (excise duty, income tax) and non-tax revenue (profits, interest receipts) are reflected in these receipts.

- **Capital budget:** The capital budget comprises both short-term capital expenditures (such as disinvestment) and long-term capital expenditures (such as borrowing). Government liabilities or decreasing financial assets, such as loan repayments, market borrowing, and so on, are examples of capital receipts.
- **Revenue Deficit =** Revenue Expenses - Revenue Receipts.
- **Fiscal Deficit =** Total Expenditure – (Revenue Earning + Non-Debt Creating Receipts)
- **Primary Deficit =** Fiscal Deficit – Loan Interest Payments

RECENT REFORMS

- Advancement of **budget cycle** with the union budget presentation on **February 1.**
- Merger of plan and non-plan expenditure in the budget (part of **Rangarajan Committee** recommendations).
- Merger of the **rail budget** with the general budget.

PYQs

Q. Which of the following is/are included in the capital budget of the Government of India?

1) Expenditure on acquisition of assets like roads, buildings, machinery, etc,
2) Loans received from foreign governments
3) Loans and advances granted to the States and Union Territories

a) 1 only
b) 2 and 3 only
c) 1 and 3 only
d) 1, 2 and 3

Q. The public expenditure management is a challenge to the government of India in the context of budget making during the post-liberalization period. Clarify it.