



IMPACT OF PREPONEMENT OF UNION BUDGET

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Abstract

Breaking the colonial era legacy, the present Modi government in 2017 presented the union budget on 1st February 2017 instead of the last working day of the February month. The admired finance minister, Mr. Arun jaitely has given reasons that how can the preponement of budget could significantly alter governance outcomes and how will help the government departments to better manage their expenditure as the main objective of preponing budget is allocations at different tiers disseminated to budget-holders, before the financial year begins on April 1. While the Constitution does not mandate any specific date for the presentation of Budget, it was usually presented on last working day of February and the two-stage process of Parliamentary approval takes it to mid-May. This paper tries to analyze what all impact it will going to have on the working of administration and how it is different from the previous year budget.

Keywords: Administration, Appropriation bill, Finance bill, Union budget

Introduction:

Even after 70 years of independence India is still struggling to come out of the shackles of colonial period, but there is always room for reform to get best output as, reform and amendments are indicators of development. Government has broken the ritual of presenting the budget on last working day and presented it on 1st of February in 2017. The proposal for a change in the budget presentation date was first mooted by some of the government's senior most bureaucrats as part of a 'Transforming India' initiative in January 2016. It would also mean that the budget session of the Parliament may be advanced. Usually, the budget session begins in the last week of February and runs till mid-May with a recess in between. Both houses of Parliament clear the appropriation bill only in the second half of the budget session, forcing the government to seek Parliament's approval through a vote on account in March to withdraw money from the consolidated fund of India for two to three months to meet regular expenditure. Advancing the budget presentation day by a month will do away with the need for a vote on account. It will help departments start spending the money allocated to them right from the beginning of the

fiscal year instead of waiting for the budget to be passed by the Parliament. It will also help in resource mobilization as budget proposals can be implemented from 1 April.

RESEARCH METHODOLOGY:

I Need and significance of study: Study here helps to find out the various impact of reforms introduced in the budget, especially the postponement of budget on the administration which prepares it.

II Objective of study: The objective of the study is:

- i. To identify the various reforms introduced in union budget (2017-18).
- ii. To identify the benefits of preponing the union budget.
- iii. To state the limitations of preponing of budget.

III Method of data collection:

Data is prerequisite of any research because on the basis of data collected any analysis and interpretation can be done. For this paper secondary data has been collected from various sources. So, this paper is wholly in descriptive form.

IV Limitations of study:

This study is based on the secondary source of data. The limitation of this study is that it is not being based on the primary data due to

- i. Cost and limited financial resources
- ii. Time constrains
- iii. Limited contacts and resources

WHAT IS BUDGET

The term 'Budget' is not mentioned in Indian Constitution. Article 112 of the Constitution mandates it but is called as the Annual Financial Statement. The preparation of Budget is done by a specialized nodal agency under Ministry of Finance. Budget is an Annual Financial Statement of yearly estimated receipts and expenditures of the government in respect of every financial year. Budgeting is the process of estimating the availability of resources and then allocating them to various activities according to a pre-determined priority. Budgets act as instruments of control and act as a benchmark to evaluate the progress of various departments.

Budget Day

- The Budget is presented to Lok Sabha on such day as the President may direct, which has been changed this year to Feb 1st.

- On the day of the Budget, Finance Minister first goes to the President to get his signature on the file approving the budget.
- This is followed by a short cabinet meeting in Parliament where FM briefs them on main features of budget just 10 minutes before the presentation. No details on tax proposals are given out.
- And they all enter the Lok Sabha, where the Finance Minister begins reading the Budget Speech after seeking the permission from the Speaker. Conventionally, the budget has been presented in Lok Sabha by the finance minister.
- The annual financial statement is laid on the table of Rajya Sabha after the finance minister concludes his budget speech in Lok Sabha.
- The budget documents are made available to the members of Parliament after the finance bill has been introduced in Lok Sabha, and the House has been adjourned for the day.

Presentation of Budget

- By Convention, or cursory understanding of the articles related to the powers of Lok Sabha with respect to the Money Bill and Finance Bill, the Budget is presented to Lok Sabha; there is no explicit mention in the Constitution.
- As soon as the presentation of the Budget, the following three statements under the FRBM Act are also laid on the Table of Lok Sabha:-
 - o The Medium Term Fiscal Policy Statement;
 - o The Fiscal Policy Strategy Statement; and
 - o The Macro Economic Framework Statement.

In an election year, the Budgets may be presented twice—first to get a Vote on Account for a few months (a provision has been made in the Constitution empowering the Lok Sabha to make any grant in advance through a vote on account to enable the Government to carry on until the voting of demands for grants and the passing of the Appropriation Bill and Finance Bill.) and later in full the second time.

Discussion on the Budget

- Budgets are discussed in two stages—the General Discussion followed by detailed discussion and voting on the demands for grants.
- The whole process of discussion and voting on the demands for grants and the passage of the Appropriation and Finance Bills is to be completed within a specified time.
- The Minister of Parliamentary Affairs, after the presentation of the Budget, holds a meeting of leaders of Parties in Lok Sabha for the selection of Ministries whose demands for grants might be discussed in the House as all the demand for grants can't be discussed. On the basis of decisions arrived at

this meeting, the Government forwards the proposals for the consideration of the Business Advisory Committee.

- The Business Advisory Committee after considering the proposals allots time and also recommends the order in which the demands might be discussed.

General Discussion on the Budget

During the General Discussion, the House is at liberty to discuss the Budget as a whole or any question of principles involved therein but no motion can be moved. Consideration of the Demands for Grants by Departmentally Related Standing Committees of Parliament (DRSC)

- DRSC created in Parliament in 1993 (they are not constitutional bodies, this line of questioning is possible), considers all the Demands for Grants.
- After the General Discussion on the Budget is over, the House is adjourned for a fixed period.
- These Committees are required to make their reports to the House within specified period and no permission is granted for more time.

Discussion on Demands for Grants

- After the reports of the Standing Committees are presented to the House, the House proceeds to the discussion and voting on Demands for Grants, Ministry-wise.
- The scope of discussion at this stage is confined to a matter which is under the administrative control of the Ministry and to each head of the demand as is put to the vote of the House.
 - It is open to members to disapprove a policy pursued by a particular Ministry or
 - To suggest measure for economy in the administration of that Ministry
 - To focus attention of the Ministry to specific local grievances.

At this stage, **cut motions** can be moved to reduce any demand for grant but no amendments to a motion seeking to reduce any demand is permissible.

VARIOUS REFORMS INTRODUCED IN BUDGET

- ❖ Do away with the 92-year old practice of having a separate Railway Budget, merging it with the Union Budget. This move is being lauded as it will be beneficial for the economy at large and there will be positive influence in the development of railways.
- ❖ To dispense with Plan and non-Plan dichotomy in expenditure.
- ❖ Presenting the budget in advance, by 27 days i.e on 1st February instead of 28th or 29th of February month.

REASONS OF PREPONING BUDGET

As of now, though the Budget is tabled before the commencement of a new financial year in April, its provisions often do not become the law of the land till sometime in May, when Parliament passes the Finance Bill. So whether it is a new social sector scheme, a highway project for which the Finance Minister has allocated funds, or simply the transfer of funds to States, there is little action till, say, June. Official expenditure data confirm that spending remains particularly low in the first two months of the financial year. There is a spike in the last two quarters not just because ministries scramble to exhaust their allocated funds, but also because, for instance, the onset of the monsoon season in June makes it difficult to execute infrastructure projects in the second quarter. Effectively, proposed annual capital expenditure is rushed through from October to March rather than through the year, creating a tardy and bumpy transmission mechanism for any intended stimulus.

The budget which includes Finance Bill, has changes in the tax policies and various schemes which affect investors and business people. Since budget is passed in May, these people have to make adjustments for any changes affecting them. So, individuals and firms are unable to do tax planning, investment and purchase decisions given the uncertainty over the provisions of the Finance Act. So, this practice of presenting the budget in the last week of February is going against the principle of ease of doing business.

Therefore, need arises to pass Appropriation Bill to take money from the Consolidated Fund of India (CFI). But Appropriation Bill is not passed till 1st April. But government needs money till the Appropriation Bill is passed. For this purpose, we have Vote on Account, which allows the government to take money out of CFI till Appropriation bill is passed. But Vote on Account has limitations. We cannot ask money for big projects, we can only ask money for small things like paying salaries, pensions etc. After passing of the budget in May, it takes the month of June for money to reach money to the implementing agencies by which time monsoon sets in. During monsoons, big projects like roads, construction etc can't be taken up. So, till October nothing happens on ground though the financial year starts from April.

IMPACT OF PREPONEMENT OF BUDGET

- ❖ Early presentation of Budget will help the entire exercise of legislative approvals to get over by 31 March, and expenditure as well as tax proposals can come into effect right from the beginning of new fiscal, thereby ensuring better implementation.
- ❖ Finance Bill will be passed in the Parliament in the next two months — February and March, and expenditures can begin from 1 April.
- ❖ The new system will eliminate the need for the executive to obtain a vote-on-account budget approval to incur expenditure during the first two months.

- ❖ The aim is that all spending authorities within the system and those financially dependent on the Centre be in a position to work out their activities with assured resources in the beginning of the year itself. With annual financial resources approved and bestowed on April 1, a more planned and regulated expenditure profile during the year is expected.
- ❖ Parliamentary approval of the final batch of supplementary demands (that is, for additional budgeted funds) and re-appropriation relating to the current financial year, may be feasible a few weeks before the end of the financial year. This will enable additional releases from the Centre to the States in February or early March.
- ❖ It will help to initiate revenue mobilization and capital expenditure measures right from the beginning of the fiscal year, which affect investors and business people. Since budget used to be passed in May, people had to make adjustments for any changes affecting them. So, individuals and firms were unable to do tax planning, investment and purchase decisions given the uncertainty over the provisions of the Finance Act.
- ❖ The practice of presenting the budget in the last week of February was therefore going against the principle of ease of doing business. Appropriation Bill was needed to be passed to take money from the Consolidated Fund of India (CFI). However, it could not be passed till 1st April but government needs money till the Appropriation Bill is passed. To accommodate this, Vote on Account, which allows the government to take money out of CFI till Appropriation bill is passed had to be passed. Vote on Account in turn has limitations and money for big projects cannot be procured with it. It allows money to be drawn for small things like paying salaries, pensions. Even after passing of the budget in May, it used to take the month of June for money to reach the implementing agencies by which time monsoon set in. During monsoons, big projects like roads, construction can't be taken up. Till late September, nothing happens on ground though the financial year starts from April.
- ❖ The aim is that all spending authorities within the system and those financially dependent on the Centre be in a position to work out their activities with assured resources in the beginning of the year itself. With annual financial resources approved and bestowed on April 1, a more planned and regulated expenditure profile during the year is expected.
- ❖ It is undeniable that early placing the funds at the disposal of the executive authorities entrusted with Budgets and expenditure responsibilities, to the full extent of their annual requirement has its positive attributes.
- ❖ With the advancement of Budget session parliamentary approval of the final batch of supplementary demands i.e. for additional budgeted funds and re-appropriation relating to the current financial year, may be feasible a few weeks before the end of the financial year. This will enable additional releases from the Centre to the States in February or early March.

- ❖ The State governments will consequently get more time to actually utilize the funds which may become available to them as a result of these approvals, in the year of release.
- ❖ This is instead of receiving the last tranche from the Centre at the end of March and placing such receipts perforce in a transitory accounting head or 'civil deposits', for utilization in the next financial year against financial principles.
- ❖ The earlier practice of presenting the budget was a hangover of British Raj. It was wasting time from March to June. Now the whole process will be completed by March end and the budget will be operative right from the beginning of the new financial year.
- ❖ In the existing system, the Lok Sabha passes a vote on account for the April-June quarter, under which departments are provided a sixth of their total allocation for the year. This is done by March. The Finance Bill is not passed before late April or early May. If the Budget is read in January and passed by February-March, it would enable the government to do away with a vote on account for the first three months of a financial year.
- ❖ Retired and serving officials say the biggest plus would be that the Finance Bill, incorporating the Budget proposals, could be passed by February or March. So, government departments, agencies and state-owned companies would know their allocations right from April 1, when the financial year begins.
- ❖ It would also help the private sector to anticipate government procurement trends and evolve their business plans. And, civil society could deliberate on and give feedback in time for the parliamentary discussions.

LIMITATIONS OF PREPONEMENT OF BUDGET

- ❖ Data for the current year is important for the formulation of budget. In the case of 28 February, we get quality data of nine to 10 months. By advancing the budget announcement date by a month, we'll have a month's worth of less data. Moreover, budget preparations have to be ready by December, so there is a need to speed up the data-availability process. It might lead to chances of substantial error, which is a matter of concern, that the government may lack enough data about the state of the economy by January, be it tax collections or GDP numbers.
- ❖ In the first early presented budget on February 1, 2017, it was more estimates than actual as the figures and data from various quarters including states could not be received and compiled with due diligence to arrive at correct budget allocations.

CONCLUSION

The budget presented in 2017 marks paradigm shift in multiple ways. These reforms make sense, but Budget reform has to go further, to incorporate a multi-year time horizon and shift to outcome-linked expenditure management, as had been recommended by a

committee headed by C Rangarajan in 2011. Advancing the presentation of the Budget, so as to allow Parliament to vote on tax and spending proposals before the beginning of the new financial year on April 1, is a good idea. It would do away with the need for a vote on account and allow new direct tax measures to have a full year's play. Members of Parliament now will have to work hard over two months to vet Budget proposals, for this to work.

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