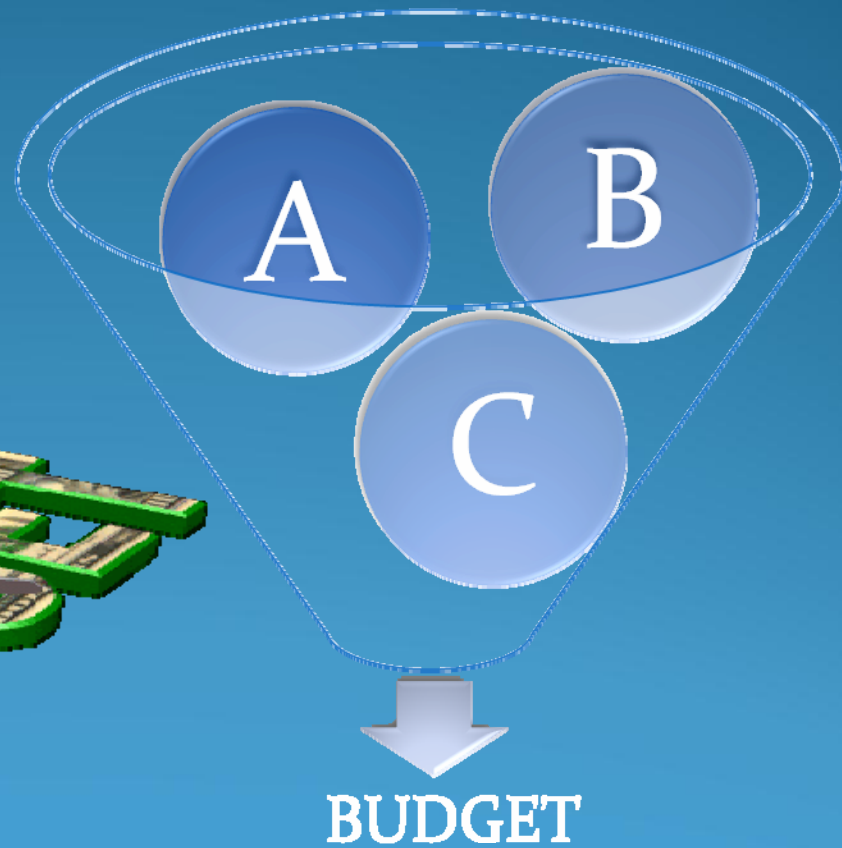
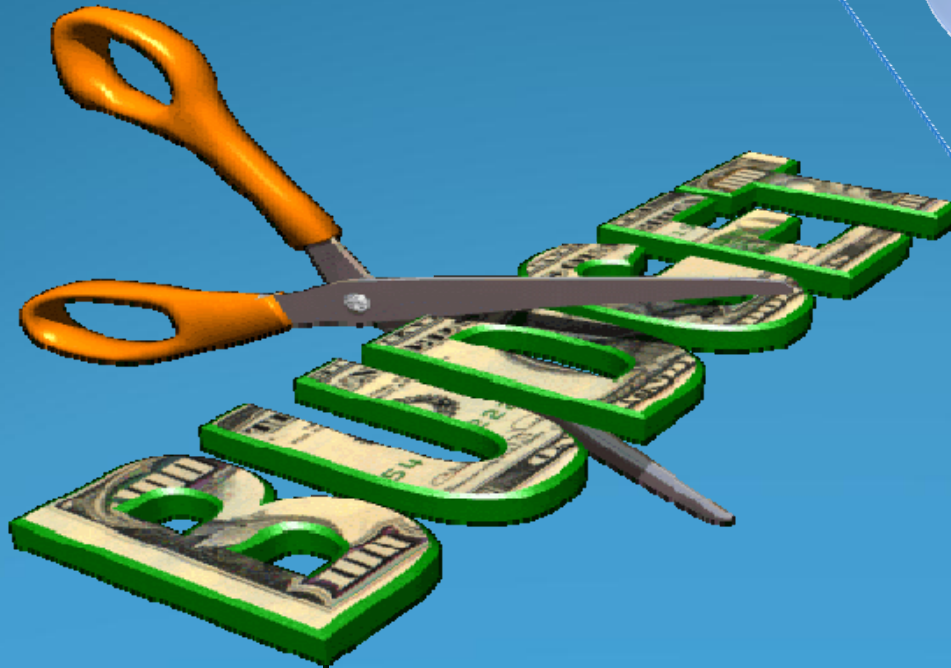
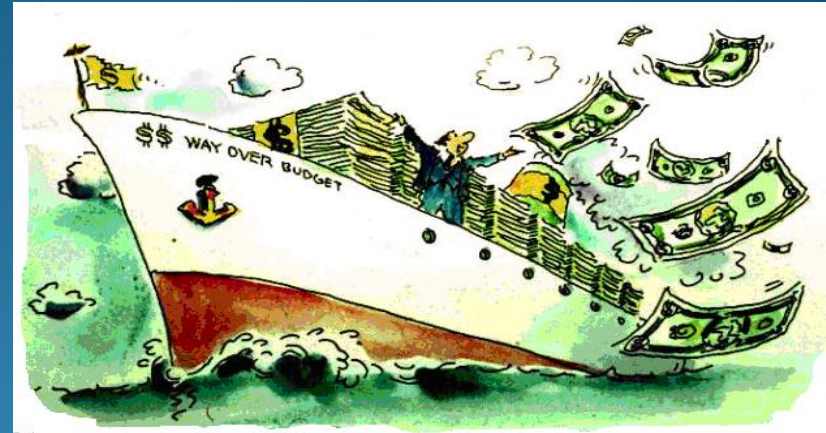


"HOW A BUDGET IS BORN"

Lets Know the ABC
of a BUDGET





WHAT IS BUDGET?

Generally, Budget is defined as a list of all planned revenues and expenditures.

Government Budget is a tool through which, the Government seeks Parliament's permission to collect funds by way of taxes, duties, borrowings and so on. These funds are used, with the approval of Parliament, to meet the expenses.



BUDGET HISTORY

➤ APRIL 7, 1860 : First Budget Introduced 2 years after East India Company transferred India's administration to the British Crown.

➤ FIRST INDIAN FINANCE MINISTER : James Wilson presented this budget.



➤ India shifted to April-March financial year from 1867, before that financial year used to be May to April.

POST INDEPENDENCE



LIAQUAT ALI KHAN

He, a member of interim government, presented the budget for 1947-48 – the first budget of independent India.



RK SHANMUKHAM CHETTY

He presented the first full- fledged budget of Independent India on November 26, 1947.

BUDGET OF REPUBLIC INDIA



JOHN MATHAI

He became the third Finance Minister of India presenting the budget for 1950-51, the first Budget of Republic of India.



RK SHANMUKHAM CHETTY

He, the next Finance Minister, presented the first budget in the first elected Parliament on the basis of adult franchise.

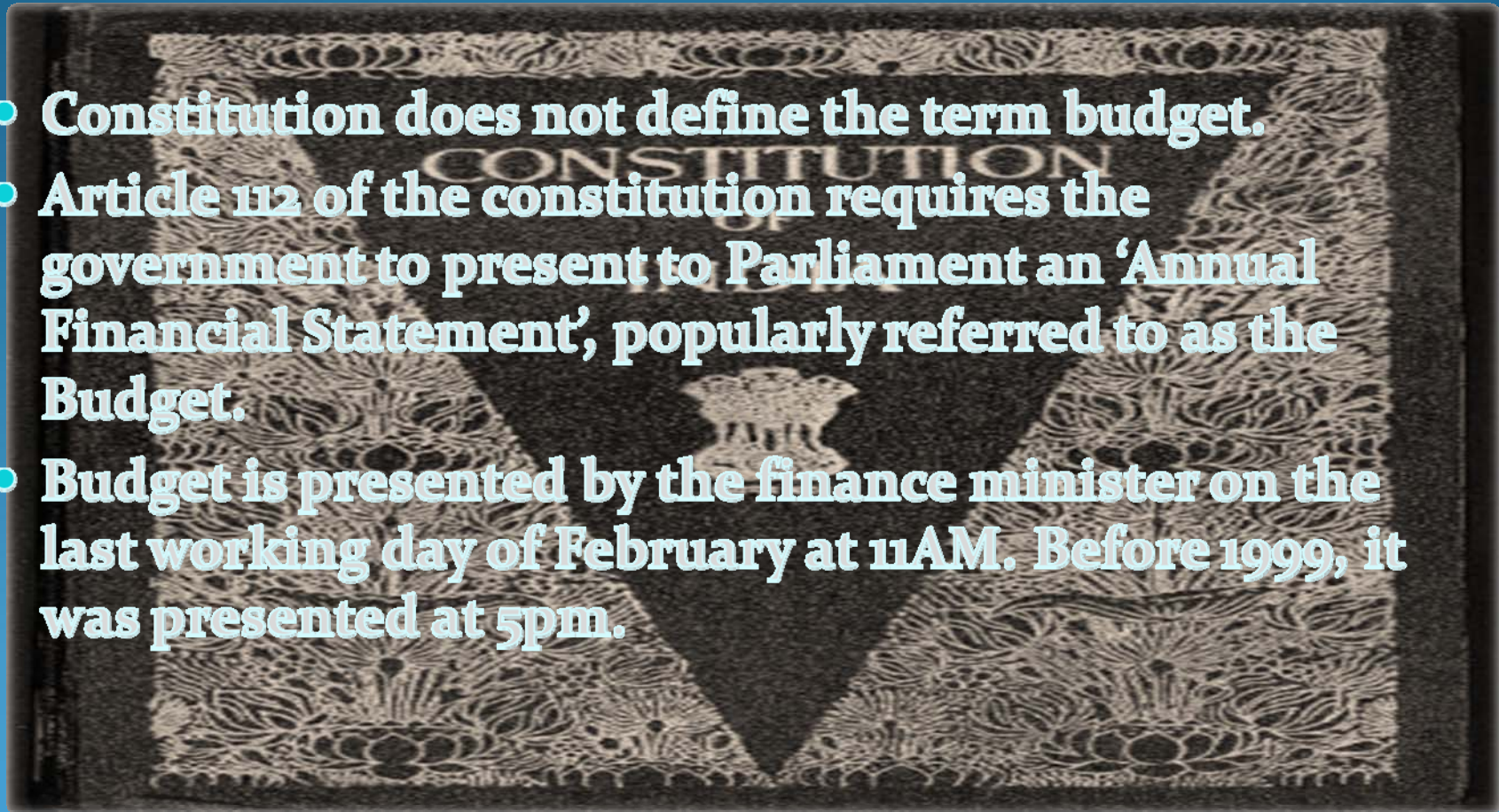


INDIRA GANDHI

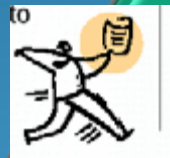
Indira Gandhi has been the only woman Finance Minister till now.

CONSTITUTION & CUSTOM

- **Constitution does not define the term budget.**
- **Article 112 of the constitution requires the government to present to Parliament an 'Annual Financial Statement', popularly referred to as the Budget.**
- **Budget is presented by the finance minister on the last working day of February at 11AM. Before 1999, it was presented at 5pm.**



WHO MAKES THE BUDGET



Consultative Process of Ministry of Finance, Planning Commission and the spending ministries.

States present their annual demand to the Planning Commission and others to the ministries concerned.

Finance Ministry and Planning Commission issue guidelines to spending based on which ministries present their demand.

The Budget Division of the Department of Economic Affairs in the Finance Ministry is the nodal body responsible for producing the budget.

HOW IS BUDGET MADE



In September, the Budget Division issues a circular to ministries and departments for preparing estimates

Ministries and departments send in their demands

Extensive consultations are held between Union Ministries and the Finance Ministry

Pre – Budget Meetings get over by late January

Proposals are discussed with PM before freezing the budget

A final call on tax proposals is taken by Finance Ministry



BUDGET PRESENTATION

The **SECRETARY GENERAL** of Lok Sabha Secretariat seeks approval of President after the Speaker agrees to the date suggested by the Govt.



On the **MORNING** of the budget, the government seeks Parliament's approval through a "**Summary for the President**" approved by FM and prime minister.



FINANCE MINISTER briefs the Cabinet on the budget's proposals through a "**Summary For The Cabinet**" just before he presents the Budget in the Lok Sabha outlining key estimates and proposals.



FM's Budget has two parts. Part A deals with general economic survey of the country & Policy Statements. Part B contains tax proposals.



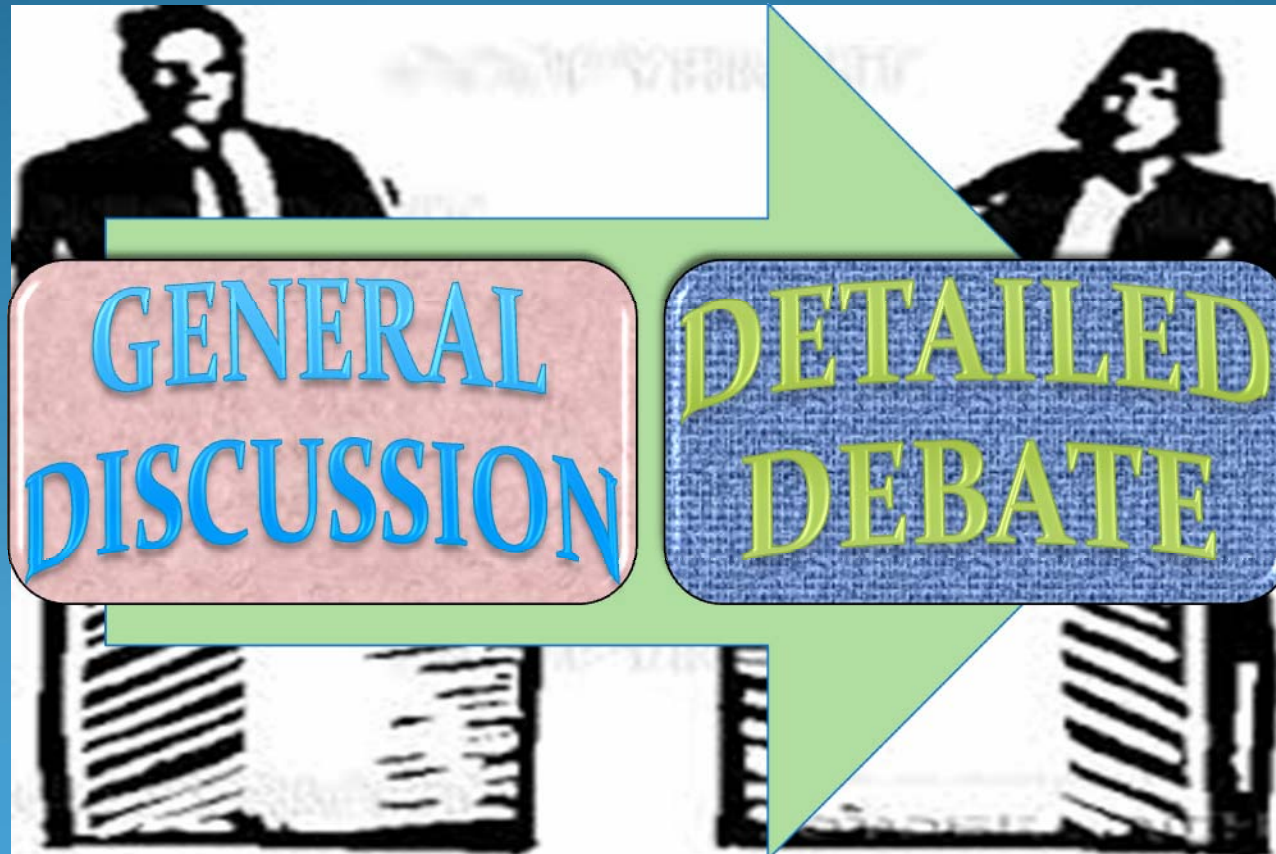
The "**Annual Financial Statement**" is laid on the Table of Rajya Sabha after the FM's speech.

NO DISCUSSION
TAKES PLACE ON
THE DAY THE
BUDGET IS
PRESENTED



HOW IS BUDGET PASSED

The Budget Debate is split into two parts:



GENERAL DISCUSSION



A VOTE-ON-ACCOUNT for expenditure of initial months of financial year is obtained from Parliament.

After Budget, there is a general discussion in Lok Sabha for 2-3 days.

The FM replies to the debate at the end of the discussion.

The house is adjourned for a fixed period.

DETAILED DEBATE

During the break, demands for grants are considered by the relevant standing committees.

These Demands are taken up one by one as per a schedule decided by the business advisory committee of the house.

ON THE last day of the discussion on the demands of the grants, the speaker puts all the outstanding demands for GRANTS to the vote in the house.

AFTER THE demand for grants, Appropriation Bill is put to vote in the Lok Sabha. It gives the government powers to spend from the consolidated funds of India.

AFTER THE appropriation Bill, Finance Bill is considered and passed by the Parliament as Money Bill.

The Bill is required to be passed by both the Houses and receive assent of the President within 75 days of its introduction.

THE LAST SIGN

- Once the Finance Bill is passed and signed by the President, the budget process is over.



BUDGET DOCUMENTS

Annual Financial Statement

Budget at a Glance

Memorandum explaining Finance Bill

Fiscal Responsibility and Budget Management Act related documents

Receipts Budget

Highlights of Budget

Budget Speech

Demands for Grants

Expenditure Budget Vol-1

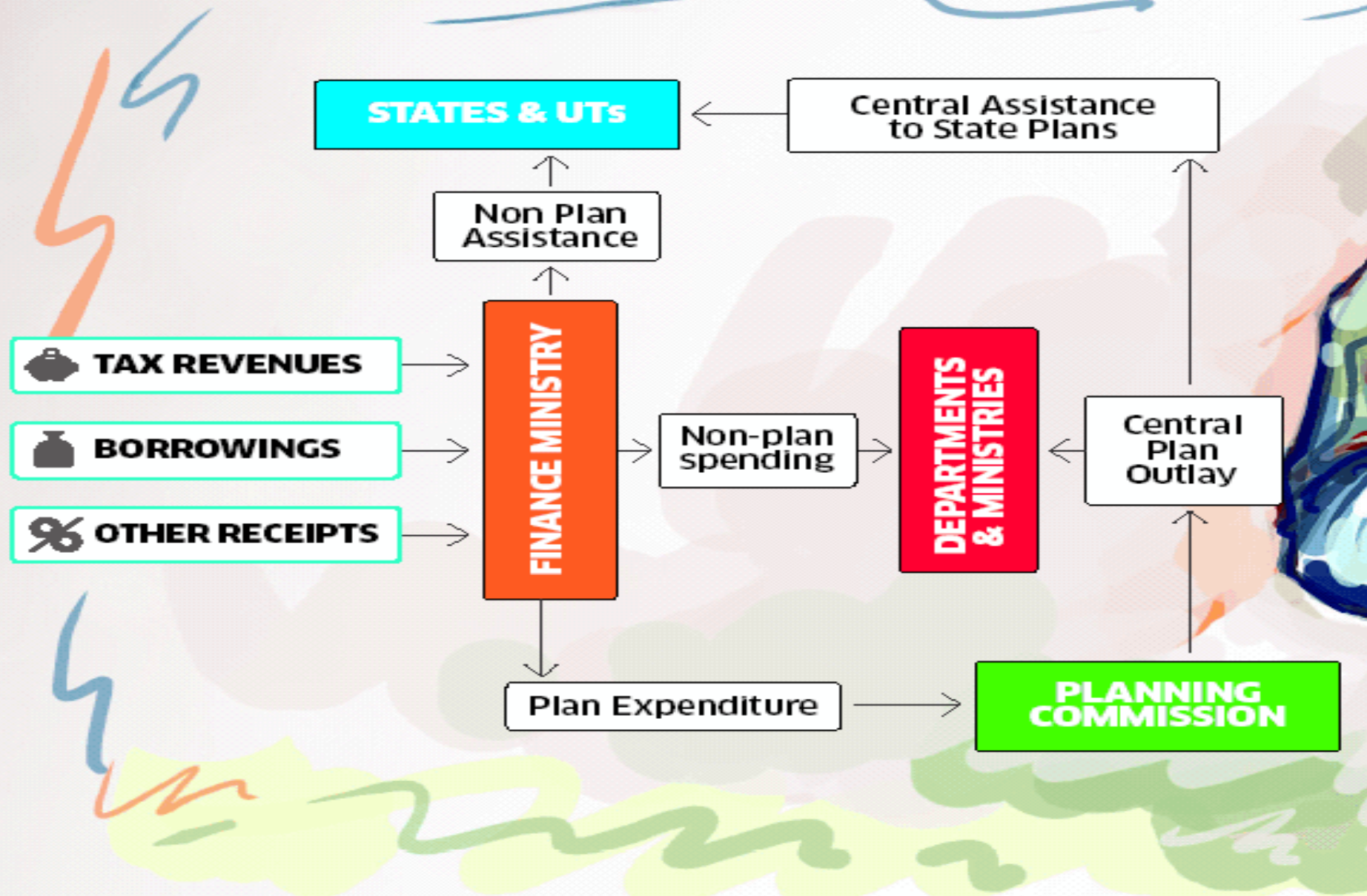
Status of Implementation of Announcements

Finance Bill

Key to Budget Documents

Expenditure Budget Vol-2

MONEY TRAIL IN THE BUDGET



PRINTING: SHROUDED IN SECRECY



The entire text of the budget document is prepared by a few selected officials and stenographers working on computers which are delinked from all networks.



Intelligence Bureau sleuths monitor every movement, phone calls and the security of all officials involved with budget preparation and production



All officials, technicians, legal experts from law ministry and workers involved in the printing are quarantined and they have to sleep in the north block.



All quarantined officials walk out of the North Block only after the Budget has been tabled by the FM in the Lok Sabha.

Use of cell phones is monitored and jammed in some areas. All electronic storage devices are out of bounds.



BASIS OF THE BUDGET

CASH BASIS

It is prepared on the basis of expected cash flow and spending. This is unlike corporate accounts that are prepared on accrual basis.

RULE OF LAPSE

Funds not utilized by the concerned ministry at the end of the year 'lapse'.

DEPARTMENT BASIS OF BUDGETING

The unit for Budgeting is Department.



ENTRY OF SMS

Yashwant Sinha presented the interim budget for 1991-92.

In the election held in May 1991, the Congress came to power and Manmohan Singh became the Finance Minister.

This was the first occasion when the interim and final budgets were presented by two ministers of two different political parties.



INTERESTING FACTS



- Budget papers began to be prepared in Hindi from 1955-56
- In 1959 Morarji Desai became the Finance Minister. He has presented the maximum number of budgets so far- TEN.
- Morarji Desai was the only Finance Minister to had the opportunity to present two budgets on his birthday —in 1964 and 1968. He was born on February 29.
- Until 2000, the Union Budget was announced at 5 pm on the last working day of the month of February.
- This practice was inherited from the British, when their Parliament would pass the budget in the noon followed by India in the evening of the day. Yashwant Sinha changed the timing to 11 a.m



Piyush Bansal & Shelja Gupta
S.S. Kothari Mehta & Co.

Thank You

