

9. Financial Administration

(Budget: Meaning and Types)

- Degree Part-III, Paper-V
Science (Hons.)

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Meaning of Budget

- Derived from French word "BOUGETTE", which literally means purse.
- It generally refers to a list of all planned expenses and revenues.

It is an annual proposal which outlines the anticipated revenues and programme expenditure for the upcoming financial year. In the case of India, the Financial year is counted from the 1st of April till 31st March.

- In the Indian Constitution (Article 112) the term "Annual Financial Statement" reflects the budget, which is a common sensical term used very often.

Definitions

- Taylor – “ A Budget is the master financial plan of the Government.It brings together Estimates of anticipated Revenue and proposed Expenditure for the budgeted years”.
- Munro- “Budget is a plan of financing for the incoming fiscal year. This involves an itemised estimate of all revenues on the one hand and all expenditures on the other..’

Budget in nutshell

1. A statement of expected revenue and proposed expenditure;
2. It has to be sanctioned by the authority;
3. It is for a particular period-a year;
4. It puts forth conditions regarding the procedures involved in the collection of revenue and the expenditure to be incurred.

Functions of Budgeting

1. Planning;
2. Coordination;
3. Communication; and
4. Control and Performance

IMPORTANCE OF BUDGET

1. It sets a frame work for policy formulation
2. Budgeting is a means of policy implementation
3. A budget is a means of legal control
4. It is a tool of accountability
5. It is a tool of management
6. It is an instrument of economic policy

Budget Explained

1. THE Actual Revenue and Expenditure of the Previous Year [For e.g. if the current year is 2020-21 then 2019-20 will be the previous year]
2. The Revised Estimates of Revenue and Expenditure of the Current Year
3. The Estimates of Revenue and Expenditure for the next Financial Year.
4. The Whole Exercise of Budget takes, in the case of India, 72 days to get passed from the Parliament.

COMPONENTS OF BUDGET

- Revenue receipts
- Capital receipts
- Revenue expenditure
- Capital expenditure

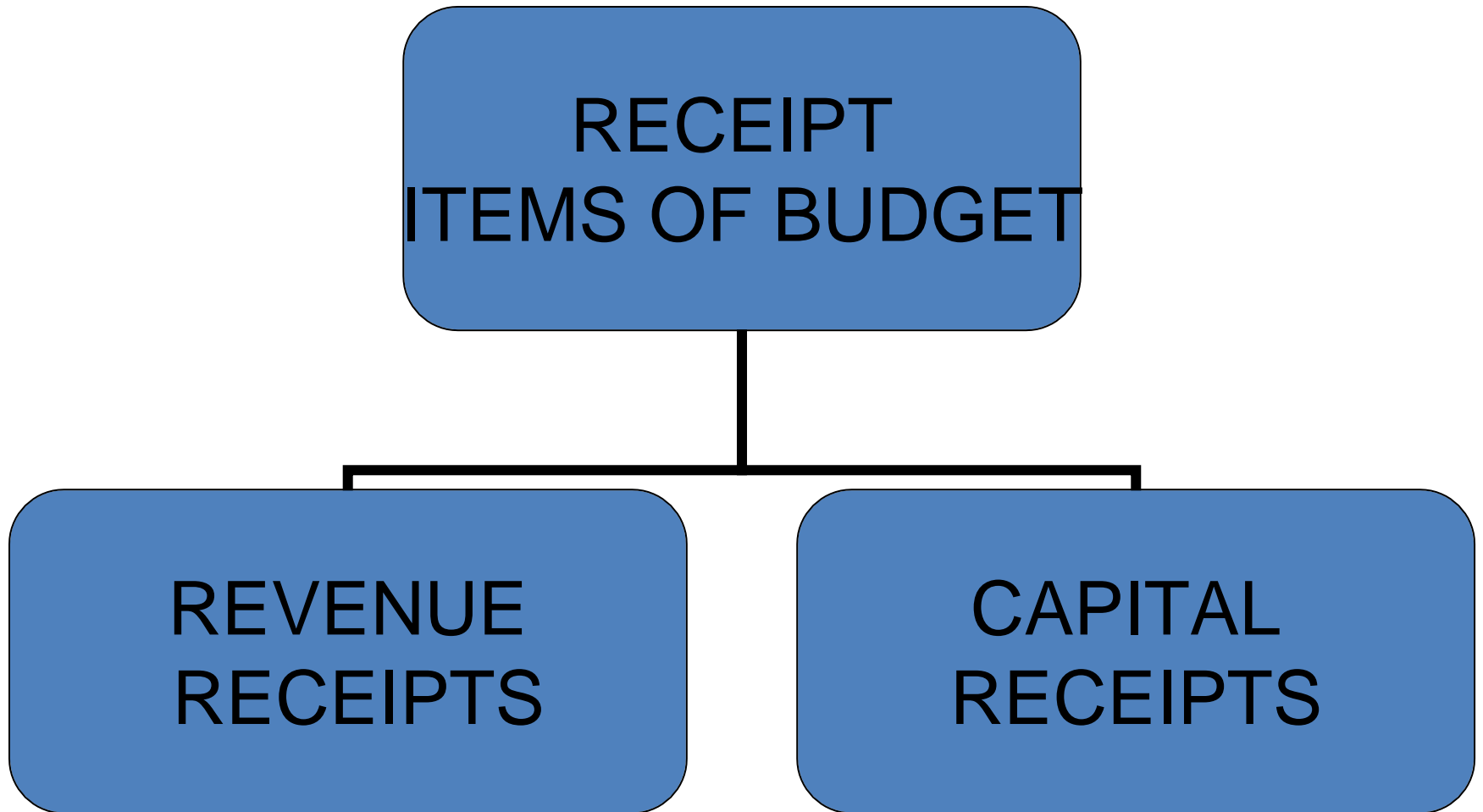
THUS A BUDGET HAS TWO MAIN COMPONENTS :[A] RECEIPTS ,[B] EXPENDITURE.

REVENUE RECEIPTS	REVENUE EXPEND.
A.1.TAX REVENUE	6.ON NON PLAN ACC.
2.NONTAX REV	7.ON PLAN ACCOUNT
B.CAPITAL RECEIPTS. [3+4+5]	E.CAPITAL EXP.[8+9]
3.RECOVERY OF LOAN	8.ON NON PLAN ACC.
4.OTHERB RECEIPTS	9.ON PLAN ACCOUNT
5.BORROWINGS AND OTHER LIABILITIES	F.TOTAL EXP.[D+E] G.BUDGE.DEFI-F-C H.REV. DEFI D-A
C.TOTAL RECEIPTS-A+B	I.FISCAL DEFICIT[F_(A+3+4)]

EXPENDITURE

- EXPENDITURE
- A. REVENUE EXPENDITURE [1+2]
- 1 ON PLAN ACCOUNT
- 2 ON NON PLAN ACCOUNT
- B. CAPITAL EXPENDITURE

RECEIPT ITEMS OF THE BUDGET



REVENUE RECEIPTS

- TAX
REVENUE
+

- NON-TAX

- =REVENUE
RECEIPTS

DIRECT TAXES

1. CORPORATION TAX
2. INCOME TAX
3. INTEREST TAX
4. WEALTH TAX
5. GIFT TAX
6. EXPENDITURE TAX

INDIRECT TAX

1. CUSTOM DUTIES
2. EXCISE DUTIES
3. SALES TAX
4. SERVICE TAX

Types of Budget

- I. Zero Base Budgeting
- II. Performance Budgeting
- III. Outcome Budget
- IV. Gender Budget

Gender Budget

- Gender budget does not mean a separate budget for men and women; nor does it mean to have a separate need of account, unless there are schemes or programmes which are totally women oriented or women specific.
- Gender budgeting means identifying and incorporating the needs of women in government policies, programmes and schemes besides providing them adequate budgetary allocation. The outcome of this is a gender responsive budget.
- As the name suggests, gender responsive budget attempts to respond to gender needs through budgetary processes. It is not a mere exercise account making but a dynamic process of incorporating gender perspective in the budget making....

Gender Budget

- The subordinate status of women and unequal division of labour gives rise to specific conditions and needs which demand special attention in budgeting and development planning. Gender responsive budgeting thus recognizes the existing pattern of gender roles, gender differences and incorporates gender needs in the budgetary process.
- A gender responsive budget acknowledges the gender pattern in society and allocates money to implement policies and programmes that will work towards a gender equal society.

References

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- <https://www.india.gov.in/spotlight/union-budget-2020-2021>