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Indian Budget: A Study Of Its Evolution And Socio-Economic Implications

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Abstract

Administration and finance are as inseparable as a body and its parts. All administrative act involve expenditure of money. Finance fuels the administrative engine. Without finance, the latter can not operate. The budget is one of the principal tool of financial administration. It is at the heart of democratic government. Budget is an investment vehicle that boosts for the growth of the country. Government use budgeting system to plan for the growth and development of the country over a fixed period of time. This article begins with giving a overview of how budgetary thought evolved in India. It further discusses on the implications that can be expected once a budget is successfully implemented. It also throws some lights on the impact that budget has on socio-economic development of the country.

Keywords : Budgetary thought, Indian Budget, finance, impact, socio-economic development, economy, growth.

Introduction

Budget is an important tool of governance. Any political party which forms government at the Centre has certain social, political and economic responsibility. In countries with deep cultural, religious and economic diversity such as in India, it is extremely important for the government to allocate resources wisely. Various factors such as uplifting underprivileged sections of the society, facilitating financial inclusion, mitigating regional disparity, providing proper educational facilities and much more need to be focused. Therefore a well-planned budget is of utmost significance for any government to ensure economic stability and growth. Budget is basically a statement of the financial positions of government for definite period of time based on estimates of expenditure during the period and proposals for financing them. It represents a written plan of management for the co-ordination of resources and expenditure. The budget is government's most important economic policy tool and it is most important event in the country which outlines all the economic planning of the government of India for the next year. It is not only important for the corporate sector but also for individuals from all sections of the society. Budget translates government's policies, political commitments, and goals into decisions on how much revenue to raise, how to raise it and how to use these funds to meet the country's needs. A budget system that functions well is crucial to development and economic growth. Government budgeting is important because it enables the government to plan and manage financial resources to support the implementation of various projects that best promote the development of the country. Through the budget, the government prioritise and put into actions its plans, programs & policies. India is a developing nation. For such a country, the role of budget would be very important.

Evolution of Budgetary thought in India

Ancient Period :

Kautilya's Arthashastra, which describes the administration during Mauryan period makes reference to an excellent budgetary system with a very detailed minute rules about the maintenance, preparation, submission and scrutiny of accounts. Every year, the Finance Minister made a note of the opening balance in the Treasury and of all current expenditure. Along with this, there was a detailed statement of receipts from all sources. Plans were also prepared and included in the budget regarding all proposed new and profitable expenditure for investment. The entire Cabinet sat in a conclave, to scrutinise them upon their accuracy, fullness and satisfactory nature in all respects. They also had to see that full value was received for every pie spent, whether the clerks, officers and departmental heads had done their duty honestly and efficiently. A system of fines and rewards helped to make the system very effective. The rulers of the Delhi Sultanate and the Mughal Empire also continued a financial system in a similar line with the Mauryan system.

East India Company Rule :

With the advent of the Company rule the Indian financial administration came effectively under the control of the East India Company. Till 1833, the Presidencies of Bengal, Bombay and Madras were quite independent in finance and there was hardly any centralised financial system. This has changed with the Charter Act of 1833 which vested the superintendence, direction and control of all the revenues in the Governor General of India-in-Council. Huge sums were remitted to England on account of interest payable on Indian debt, interest on investment on Railways, civil and military charges supposed to have been incurred in England on behalf of India, including the expenses for the maintenance of the office of East India company in India.

British Period:

Following the first war of Independence in 1857, there was chaos in financial administration. With the takeover of the Indian administration by the Crown, the Indian financial system came to be fashioned on the lines of the system prevailing in England. Although, in ancient India, a fairly developed budgetary system was prevalent, it is only after the British Crown took over from the East India Company in 1860 that a modern budget was introduced. The

Secretary of State in the Council was the chief regulator of the financial system in India and the Governor General in the Council exercised delegated financial authority. The Finance Department was the all in all custodian of Indian finances. After the end of East India Company's rule, India's first budget was presented on February 18, 1860 by James Wilson, a Finance Member of the Indian Council. The Finance Member's work here was to advise the Viceroy on various financial matters.

Government of India Act 1909 :

The Morley-Minto Reforms of 1909, granted the legislatures to vote separate items in the budget, but the budget as a whole could not be voted upon. The Finance Member had to present his estimates to the Central Legislature in the first quarter of every year. The Finance Member's presentation was followed by discussions on budget proposals. During discussions, the members of the legislature could propose alterations in tax provisions, loans and grants to local government. The Finance Member was able to accept or reject these proposals but he had to justify his actions.

Government of India Act 1919:

After the Montague-Chelmsford reforms of 1919 was introduced, the Central Legislative Assembly, with a non-official majority, was for the first time given the right to discuss and pass the annual budget of the Government of India from 1921 onwards, in respect of 'non-reserved' subjects, as also to pass the Finance Bill embodying taxation proposals. The Governor-General was, however, empowered to certify the financial proposals at the event of their rejection by the legislature. Before the introduction of these reforms, the provincial governments had to seek the approval of the central Government for every rupee spent. The Montague-Chelmsford reforms was the first such reform which introduced realistic provincial autonomy. Central and provincial heads of revenue were clearly demarcated at this point of time. Consequently, the importance of the supervisory role of Finance Member over the provincial finance departments declined considerably and vanished all together after 1935.

Government of India Act 1935:

The Government of India Act 1935 gave a kick to the powers of secretary of State. Except for the control over the services, the secretary of State gave up direct exercise of most his powers. The Governor General and the Governors exercised special powers and privilege over what were called reserved subjects. They could also restore a demand rejected or reduced by the legislatures. Again, no expenditure could be incurred even if it was duly authorised by the legislature until and unless it was included in a schedule of expenditure authenticated by the Governor-General or The Governor.

Post Independence period :

With the attainment of Independence, the developmental priorities of the nation superseded the limited objectives of the British Raj system. The first budget of Independent India was presented by John Mathai in 1949-50. At present, budget is introduced in the Parliament as per Article 112 of the Indian constitution. The budgetary process under the Indian constitution follows the procedure mentioned in Articles 112 to 117. Earlier, the Railway budget was part of the general budget. However, on the basis of recommendations of Acworth Committee, the Railway budget was separated in 1921. But recently, in 2017-18 financial year, Railway Budget got merged with the General Budget on the recommendation of Bibek Debroy Committee.

Implications of Budget

Budget can be viewed as a standard with which actual performance is measured. Budget plays a very vital role for promoting social welfare activities. A sound budgeting is very much useful from economic and social point of view. Budget becomes a tool of planning, articulation of policies, implementation of programmes and review of accomplishments. Budget is a device of economic and social policies. Through a good budget, various economic and social objectives can be achieved . When there is a good budget, there is increase in production. By imposing heavy taxation upon the articles of consumption, it can encourage investment, and thus, promote the economic growth of the country. By taxing the rich, it can mitigate economic inequality and the unequal distribution of wealth. The signs of the welfare state are reflected in the budget with its heavy emphasis on social services. Budget also helps in combating the inflation caused by war and crisis. Budget also secures full employment for the people by creating new projects and thus generating opportunity for job. Budget tries to aim at removing poverty, unemployment and mal-distribution of wealth.

A budget is, above all, a political document; it provides a glimpse of the entire philosophy of the Government. In short, the budget is many things, an economist views it as a device of influencing the country's economy, the politician employs it for defending or criticizing the government programme, the administrator uses it as a framework for communication and co-ordination as well as for exercising administrative discipline throughout the administrative structure.

Briefly discussing the implications of budget under some headings-

Proper resource allocation :

In regard to budgeting, identifying areas of weakness helps the government to allocate resources in a useful and sustainable manner. This is one the most fundamental objectives behind framing a government budget. It is no doubt important for the government to ensure that funds reach where it is required the most. Therefore, using past data to identify sections of the society in need of economic welfare Policies and implementing those policies help the government to demonstrate efficient governance and achieve economic stability in the country.

Ensuring economic growth :

A budget moreover allows the government to regulate the imposition of taxes in various sectors. Investment and expenditure are some of the most prominent factors contributing to the growth of a nation's economy. The government can encourage people to emphasize more on savings and investments by providing tax and subsidies.

Growth of business and trading :

Business and enterprises look forward to the government budget as resources being allocated to various sectors are revealed. The government can further encourage the business owners to revise their policies accordingly and contribute to the country's economic prosperity.

Mitigating economic divide :

Economic disparity and inequality is an imminent danger for any country's economy. The government can address such threats by introducing some public and economic welfare policies for the underprivileged sections of the society through the budget. The taxation policy may also narrow down the prevailing class distinctions.

Administering Operation of PSUs :

Industries operating in the public sector contribute immensely to the country's economy by providing employment to a lot of people and generating huge revenues. A budget helps the government to focus appropriately on those companies in the public sector by introducing some policies to aid their growth.

Women Empowerment :

The government has adopted a pro-poor, anti-rich stance. Finance Minister in the budget 2013 showed a lot of concern for women. Among the many proposal, notable was the "Nirbhaya" fund with an allocation of 1000 crores. It is aimed at protecting women. He also announced the starting of a all-women public sector bank with an allocation of 1000 crores.

Education:

The budgetary allocation to Ministry of HRD for various schemes has been increased significantly over the years. A service tax exemption has been granted for institutes offering vocational courses. Under the total budgetary allocation , huge funds has been allocated for Sarva Shiksha Abhiyan, Rashtriya Madhyamik shiksha Abhiyan, for scholarships and for upgradation of existing universities and other educational schemes.

Impact on Healthcare facilities:

Allocations are being made to improve medical education, to alleviate child malnutrition, to improve the childcare facilities. The Ministry of Women and Child Development tries to frame a better policy or scheme for the improvement of the condition of women in the country. The government attempts to create a comprehensive social security package to make insurance more accessible to Below Poverty Line (BPL) families.

Conclusion

The Budget has always been interpreted as an instrument of social and economic reforms alongside an innovator of far-reaching reforms in fiscal policies. It has a vital role to play in the economy of a welfare state as it aims at bringing social and economic transformation of the society by removing inequalities, poverty and unemployment. As an important step towards the overall development of the nation, the Budget focuses on fulfilling the dreams of every sections of the society, including the poor and the under-privileged: farmers, tribal people, Dalits, oppressed, and women and acts as a catalyst for social transformation. Therefore, the Budget presents a prospect for the government of the day to introspect its performance for the past year, and for last five years in an election year. It almost turns out to be an election manifesto of the ruling party, where the government is not only expected to outline its accomplishments but also affirm its vision for the future. Over the years, democratic participation by all stake-holders has brought greater opportunities as well as greater challenges for India's budgetary process. Budget acts as a boost for an ailing economy. Budgeting is at the heart of administrative management. It serves as a powerful tool of co-ordination and negatively, an effective device of eliminating duplication and wastage. Budgeting presents an opportunity for evaluating programmes and policies, thereby identifying unnecessary activities and giving a call for their abolition. Budgeting thus, disciplines and streamlines administration, and goes hand in hand with programme planning . Budget shows a break-up of expenditure, proposed taxation or other measures for raising resources. Budget is thus, a powerful instrument with manifold objectives in the hands of government. Budget also serves as a vehicle for implementing the developmental plans of the nation. Budget is an instrument for the country to achieve the socio-economic development of the nation.

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