

Business and government budgeting are more different than alike. The differences between the two is tabulated below:

Student Notes:

Government Budgeting	Business Budgeting
It is legally required for almost all government entities	It is not legally required
It has to stay within the amounts appropriated and any changes need formal approval and difficult to get through the system	It can implement budget as it pleases and may even abandon its budget in midstream
It is formulated with welfare motive	It is mostly profit oriented

## 2. The Union of India's Budget

Article 112 of the Indian constitution refers to budget as the 'annual financial statement.' The union budget has two purposes:

1. To finance the activities of the union government.
2. To achieve macroeconomic objectives such as employment, sustained economic growth, and price level stability, which forms a part of fiscal policy.

Considering limited resources at its disposal to fulfill multivariate responsibilities, financial planning, and the democratic maxim of 'no taxation without representation', the government has to bring financial statement annually before the Parliament. The Government is not free to tax, borrow and spend money the way it likes. Every item of expenditure has to be well thought out and the total outlay worked out for a specific period. Also, there must be the sanction of the people behind all these financial proposals, expressed clearly through their chosen representatives.

It is in this context that the Budget of the Government of India is presented before both the Houses of Parliament every year. The Budget contains the **financial statements** of the government embodying the **estimated receipts and expenditure** for one financial year, which at present commences on the 1<sup>st</sup> of April every year. In other words, it is a proposal of how much money is to be spent on what and how much of it will be contributed by whom or raised from where during the coming year.

The Budget gives estimates for the ensuing year and offers an opportunity to the government to review and explain its financial and economic policy and programmes besides enabling the Parliament to discuss and criticize it. Its importance is not limited to finances only as it also reflects government's vision and signals the policies to come in future.

The essential features of the financial procedure followed in India are laid down in the Constitution, which ensures the supremacy of the Lok Sabha, at the Union, and that of Legislative Assembly at state level, in the financial matters. The Constitution provides that no tax shall be levied or collected except by authority of Parliament (Article 265) and that the President shall, in respect of every financial year, cause to be laid before both Houses, the **Annual Financial Statement (Article 112)**.

Article 112 (in case of central government) and Article 202 (in case of state government) of the constitution requires the annual financial statement to be laid before the respective legislatures.

Since 1921, the **union government** has had two budgets – Railway budget and General budget. This separation has been done away with in 2017-2018 budget and the two have been merged into a single document, presented by the Union Finance Minister.

Any budget has the following three types of information:

- Actual figures of receipts and expenditure of the previous year
- Budget and revised figure for the current year