

Budget Bytes

The month February marks the high point of the Indian economic and financial calendar. This is because the shortest month of the year witnesses the two most important financial documents that shape the growth chart of the country for the forthcoming period- the Railway Budget and the Union Budget. Interestingly, the word budget has Gallic origins meaning 'sack' and later Latinized as 'bulga' or a leather wallet or a bag.

The significance of the Railway Budget is derived from the fact that the Railways is the largest employer (employing nearly 14.22 lakh people) in the country and more importantly, in the vast and diverse sub-continent that is India, it is truly the carriage of the nation (approximately covering 63,465 route kms).

Similarly, the Union Budget defines the nation's financial projections by the government for the forthcoming financial year and is also a financial review of the current fiscal year. For obvious reasons, this event occupies the center stage of all Indians (and non-Indians). Reams of literature are written; the budget analysed threadbare. Without going into nitty-gritty of Budget 2010 in this editorial, we try to delve into the trivia behind this financial exercise.

The Budget speech of the Finance Minister is usually in two parts. Part A deals with general economic survey of the country while Part B relates to taxation proposals. Though the Railway budget is presented separately, the receipts and expenditure of the Railways form part of the Consolidated Fund of India and the figures relating to them are included in the Annual Financial Statement. The Union Budget is laid before both Houses of Parliament in the form of Annual Financial Statement. However, it is the Lok Sabha, the House of the People, whose approval is mandatory for the Budget to come into effect. The imposition of any central government taxes and distribution of government expenditure from public funds cannot be possible without an Act of Parliament, which examines and reviews all statements to ensure the proper dissemination of government expenditures. The Budget is predated by the Economic Survey, which gives a snapshot of the economic health of the nation in the year gone by and also gives early warning signals towards the incipient weaknesses of the economy.

The Union Budget is presented to the Parliament on a date as fixed by the President. The finance minister is required to submit the Budget to Parliament usually on the last day of February so that the Lok Sabha has one month to review and modify the Budget proposals. This ensures that the new economic activity can commence from April 1, which is the beginning of financial year for the purpose of

government activity. In an election year, Budget may be presented twice -- first to secure vote on account for a few months and later in full.

India's first Finance Minister Sir R.K. Shanmugham Chetty, presented the first Finance Budget of Independent India on November 26, 1947. Since then, 28 different Union Finance Ministers have been presenting the budget year after year. Shri Jawahar Lal Nehru was the first Prime Minister to present the budget when he held the Finance portfolio in 1958-59. Shri C.D. Deshmukh was the first Indian Governor of RBI to have presented the Interim Budget for 1951-52. Shri Morarji Desai has the distinction of presenting the maximum number of budgets- ten of which two budgets were presented by him on two leap years (which incidentally were also on his birthdays). Prime Minister, Shri Manmohan Singh has presented five Budgets in a row as a Finance Minister, a record which he shares with Shri Yashwant Sinha. Shri R Venkataraman was the only Finance Minister who later became the President of India. Our present Finance Minister has the rare distinction of presenting two regular budgets after a gap of 25 years (in 1982 and thereafter in 2010).

The Budget process has its roots in the Bombay Plan of 1944. Bombay Plan was authored by John Mathai, G.D. Birla & J.R.D Tata. The entire budget exercise is shrouded in secrecy. Officials working on the budget are not permitted to outsource any part of this exercise, they are cut off from the world till the budget is presented by the Finance Minister. Previously, the entire document was printed in the Rashtrapati Bhavan but now it is printed in the mint of the North Block.

General Budget was earlier being presented at 5 pm on the last working day of February, but since 1999 the General Budget is being presented at 11 am on the last working day of February, i.e. about a month before the commencement of the financial year except in the year when general elections to Lok Sabha are held. The precedent for the convention of the budget speech beginning at 5 pm was set by Sir Basil Blackett in 1924 in England and the same was followed in India. According to him, this was done to give some relief to officials who worked all night to present a financial statement. He also felt that this would give traders an opportunity to study the announcements overnight instead of in the middle of a busy day.

It is hoped that these nuggets will act as an appetizer for a wider menu of articles on Union Budget 2010 that follow. From the Editing Team we wish our readers a very happy Poila Baishak, Vaishaki and Vishu.