

Government Budget: Concepts

Meaning of Government: The government budget is an annual financial statement showing item wise estimates of expected revenue and anticipated expenditure during a fiscal year. In other words, a budget is a **document containing a preliminary approved plan of public revenues and expenditure. Depending upon the size of revenue and expenditure, government budget may account to either balanced or Surplus or Deficit. In India,** government Budget is often moved by the legislature, sanctioned by the Chief Executive or President, and given by the Finance Minister to the country. The budget is also known as the Annual Financial Statement of the nation.

Components of Government Budget: Component or element of Government Budget refers to the structure of budget. There are two main elements of the Government Budget. They are as follows:

1. Budget receipts: It refers to the estimated receipts of the government from all the sources during a fiscal year. It is of two types.

(a) Capital receipts: Capital receipts refer to those receipts which either create a liability or cause a reduction in the assets of the government. It is non-recurring in nature. For example, borrowings are capital receipts as they lead to an increase in the liability of the government. Similarly, receipts from sale of shares of public enterprise are a capital receipt as it leads to reduction in assets of the government.

(b) Revenue receipts: Revenue receipts can be defined as those receipts which neither create any liability nor cause any reduction in the assets of the government. They are regular and recurring in nature and the government receives them in the normal course of activities. Revenue receipts include the proceeds from taxes and other duties levied by the Centre; the interest and dividend it receives on its investments; and the fees and charges the government receives for its services

2. Budget expenditure: It refers to the estimated expenditure of the government on various developmental as well as non-developmental programs during a fiscal year. It is of two types.

(a) Capital expenditure: Capital expenditure is the money spent by the government on the development of machinery, equipment, building, health facilities, education, etc. It also includes the expenditure incurred on acquiring fixed assets like land and investment by the government that gives profits or dividend in future.

(b) Revenue expenditure: Revenue Expenditure is that part of government expenditure that does not result in the creation of assets. Payment of salaries, wages, pensions, subsidies and interest fall in this category as revenue expenditure examples. Also, note that revenue expenses are incurred by the government for its operational needs.

OBJECTIVES OF A GOVERNMENT BUDGET: The following are the main objectives of a government budget

1. Economic growth: To promote rapid and balanced economic growth so as to improve living standard of the people.

2. Reduction of poverty and unemployment: To eradicate mass poverty and unemployment by creating employment opportunities and providing maximum social benefits to the poor.

3. Reduction of inequalities: Inequalities of income and wealth are reduced through levying taxes and granting subsidies. Government levies high rate of tax on rich people and lower rate in the lower income group and also provides the latter with subsidies and amenities. Economic progress in itself is not a sufficient goal but the goal must be equitable progress.

4. Reallocation of resources: The reallocation of resources is necessary in order to achieve social and economic objectives. The government allocate resources into areas where private initiative is absent such as public sanitation, education, health etc.

5. Price stability: To maintain price stability and correct business cycles involving depression characterized by falling output, prices and increasing unemployment.

6. Management of public enterprises: To manage public enterprises which are of nature of national monopolies like railways, electricity, etc.