International Journal of Innovative Research in Computer Science & Technology (IJIRCST)
ISSN: 2347-5552, Volume-10, Special Issue-6, June-2022
Innovative Projects 2022
Organized by Presidency University, Bangalore, India

An Overview on Government Budget Meaning and Components

Mr. Yelahanka Lokesh
Assistant Professor, Department of Commerce And Economics, Presidency University, Bangalore, India,
Email Id-lokesh.yr@presidencyuniversity.in

ABSTRACT:

The government budget and its constituent parts are extremely important in determining a nation's economic priorities and policies. The government budget and its components are described in general terms in this chapter, with special emphasis on their importance and use in many aspects of economic policy. A complete financial plan outlining the government's revenue and expenses for a given time period, often one fiscal year, is known as a government budget. It serves as a tool for fiscal policy, enabling the government to have an impact on the whole economy through resource allocation and public finance management.

KEYWORDS:

Economic Stability, Fiscal Deficit, Fiscal Year, Government Spending, Income Tex.

I. INTRODUCTION

A budget can be characterized as a financial plan or statement from the government that includes specific information on the anticipated receipts, intended expenditures, and disbursements payments under several headings for the upcoming year. In other words, a budget is a summary of the taxes and spending priorities of the government, along with the financial plans that will be implemented in line with these priorities. A budget lists the income and expenses for the most recent completed fiscal year, the likely estimates for the current fiscal year's income and expenses, and the projected income and expenses for the following fiscal year. Budget, in other words, shows the fundamental nature of the government's fiscal policies. It is the instrument used by the government to take over the economy. At the start of each fiscal year, the finance minister prepares and presents the budget to the parliament.

A statement of the estimated receipts and expenditures of the Central government must be prepared for each fiscal year in accordance with Article 112 of the Indian Constitution. The budget is traditionally announced on the final business day of February. When it comes to state budgets, they are presented to state legislatures. There is a general discussion about both situations. Review and criticism of the government's budgetary recommendations are the main topics of discussion. The budget is then put to the vote, followed by a vote on the grant requests. The tax ideas are approved by a Finance law that is passed when the requests have been decided upon. Finally, a bill authorizing funding is passed, known as an appropriation. So, when the Finance Bill and Appropriation Bill are approved, the budget is said to have been passed. All awards awarded for the year, whether notable or not, are included in the appropriations bill. When the House has moved demands for funding, it is then moved. It also goes by the name Money Bill. The government's proposals to impose new taxes, change current taxes, or maintain the same taxes are embodied in the Finance Bill[1], [2].

Parts of a Budget

The revenue budget and capital budget are the two sections of the budget that are presented. The government's receipts are listed in the revenue budget together with the expenses paid for by these sources. As a result, it consists of revenue expenditure and revenue receipts. The capital budget outlines the government's capital needs as well as possible financing options. It includes the government's

capital income and capital outlays. As was already mentioned, the revenue budget is made up of revenue receipts and revenue spending. These are covered in the following:

Introduction to Economics

All non-redeemable receipts are considered revenue for the government. Tax revenue and non-tax revenue are included in this. The income from the government's-imposed taxes and duties makes up tax revenues. Interest and dividends on the government's investments, along with fees and other receipts for services provided, make up non-tax revenues. Tax receipts are a significant source of funding for the government. The Indian government imposes a number of different taxes. Income tax, customs charges, and excise duties are the three main sources of tax revenue. Capital taxes such as gift, wealth, and estate taxes are available in addition to this. Revenue Tax: Income tax is a burden. All non-redeemable receipts are considered revenue for the government.

Revenue Tax

The government levies income tax on the earnings of both people and businesses. Agriculture-related tax income and non-agriculture-related tax income make up the two categories of income tax in India. The taxes of non-agricultural income are a key topic, while the taxation of agricultural income is a matter for state legislation. There are two forms of non-agricultural income taxes: personal income tax and business tax. On top of each person's salary comes a personal tax. The whole revenue from all sources is subject to taxation. Salary income, rental income from real estate, business or professional profits and gains, capital gains, and other types of income are all included in the calculation of total taxable income. The ability to pay principle underlies the income tax. Income taxes are not a requirement for everyone. Regardless of the size of the business, all corporations must pay corporate tax on their earnings. Instead of being withheld at the source like income tax, it must be paid in advance. The government also imposes a number of taxes on the exchange of goods and services for money, including wealth tax, gift tax, and estate duty. On the acquired wealth or property of individuals, Hindu undivided families, and closely owned businesses, wealth tax is levied. The major goal of enacting this tax is to lessen income and wealth disparities. The government has levied a tax on gifts in accordance with the Gift Tax Act of 1958.

When a gift is given that exceeds a specific amount, the tax is applied to either the donor or the recipient. The capital value of any item that passes to a person's heirs upon his or her death is subject to estate duty. All of these are direct taxes, sometimes known as income and property taxes. Now let's discuss indirect taxes or taxes on goods. The two main types of commodities taxes are excise duties and custom duties. Taxes known as custom duties are levied on goods coming into or leaving India. In India, import duties make up the majority of customs fees. Ad valorem taxes are the norm for imports. Ad valorem refers to taxes that are assessed as a percentage of a product's price. The central government imposes excise duties on the domestically produced commodities primarily industrial goods. A wide variety of goods are subject to excise duty. The value, weight, volume, or unit may all be taken into consideration for determining the excise charges. Non-tax revenues, including interest payments, dividends, and profits, are the government's additional sources of income. Interest payments made by the central government to state governments and union territories, interest paid by the railroads and telecommunications, and interest on loans from cooperatives and other public sector organizations are all included in interest revenues.

II. DISCUSSION

The term other non-tax revenue covers income from fiscal services profits from coin circulation, social services receipts from commercial offences and services, economic services receipts from animal husbandry, fisheries, transport and communications, tourism, etc., general services examination fee for the UPSC, sale of forms, passport fees, visa fees, etc., and grants-in-aid cash grants-in-aid from foreign nations and international organizations. Revenue expenditures are related to the regular operation of the government and the payment of interest on government debts. These costs do not result in the creation of any material or financial assets. Revenue expenditures are divided into plan and non-plan revenue

expenditures in Indian budget documents. The Central Plan and Central Assistance for State and Union Territory Plans are both covered by Plan Revenue Expenditures. These expenses satisfy the budgetary requirements of the state and federal development programmers. It comprises support for federal and state-level plans for the growth of agriculture, rural development, irrigation and flood control, industry and mineral development, transport, communications, science, and technology.

The government's general, social, and economic services are included in non-plan revenue expenditures. Spending on general services includes administrative costs for the President, the Council of Ministers, and Parliament, as well as tax collection, interest payments, and other administrative services. Spending on social services comprises funding for lab our and employment, education, the arts and culture, science and research, medical services, family planning, public health, information and broadcasting, and social security and welfare. As it helps to increase the general population's productivity and quality, this spending head becomes necessary. Economic services include investments in agriculture, irrigation, industry, minerals, foreign commerce, export promotion, animal husbandry, dairy development, fisheries, forestry, community development, industry, minerals, development of water and power, transport, and communications. Interest payments, pensions, and subsidies make up the three primary categories of non-plan government spending[3], [4].

Spending Plan for Capital

Capital budgets cover the government's capital inflows and outflows, as described below: The government's receipts that increase liabilities or decrease financial assets are known as capital receipts. Borrowings of various kinds and the payment of loans and advances made by third parties make up the bulk of these receipts. Market loans, special deposits, foreign aid, the recovery of loans and advances, modest savings, and provident funds are all significant sources of capital receipts. Market loans are those that the government floats in the stock and currency markets. These are determined on a net basis, or total borrowing less loan payback. The non-government provident funds, gratuity funds, and investment surplus funds of LIC, GIC, and Employees' State Insurance Corporation, among others, invest with the government through special deposits. Loans from other nations and international organizations are referred to as external assistance.

Loans and advances that have been recovered include those that the federal government has paid to state and union territory governments, foreign governments, industrial undertakings, municipalities, cooperative societies, private businesses, and public employees. Another crucial class of capital receipts is small savings. There are several of them, such as post-savings accounts, time and recurring deposits with post offices, Kian Visas Petra, National Savings Certificates, etc. State and public provident funds are both considered provident funds. Capital expenditures are those that the government makes that lead to the production of tangible assets, financial assets, or the reduction of financial obligations. These costs are incurred while purchasing tangible and intangible assets like shares, machinery, equipment, and real estate as well as when lending money to state governments and other public entities.

Capital expenditures are categorized in budget documents as planned and unplanned. Capital spending on plans refers to what the federal government spends on initiatives covered by the central plan. It also includes support given by the federal government to state governments and union territories in order to help them meet the budgetary needs of their plan projects. The country's economy benefits from these expenditures. Non-plan capital expenditures include a range of general, social, and economic services that the government offers. Capital expenditures for the military and civil services, such as those for office and administrative buildings, construction projects for the military, and military apparatus and equipment, are examples of general services. The cost of building schools, technical institutions, hospitals, research labs, and other social and community services is included. Economic services include spending on numerous programmers for economic growth, including those for agriculture, industry and minerals, power development, roads and bridges, etc[5]–[7].

Goals of the Budget

The following are examples of budget objectives:

1. To create a detailed plan that takes into account the projected revenue, intended expenditures, and disbursements under several headings.
2. To make judgments about taxing, borrowing, spending, and other fiscal actions methodically.
3. To list the various government departments and assess their effectiveness in terms of economic development.
4. To create a tool for attaining different goals of economic policy, like preserving economic stability and avoiding market swings.
5. Serving as a gauge of how well the government is running.
6. To successfully manage public businesses.

Unbalanced and Balanced Budgets

Either a budget is balanced or not balanced. A balanced budget is that, over time, revenue does not fall short of expenditure, says Dalton. The budget is said to be out of balance if revenue surpasses expenditure. To put it another way, a budget is balanced when tax revenue and spending are equal. Consequently, if the budget is balanced:

A Deficit and a Surplus Budget

A budget is said to be unbalanced if it demonstrates that government revenue and expenditure are not equal. This imbalance may be brought on by either an excess of income or expenditures over income. A deficit budget is produced in the first scenario, while a surplus budget is produced in the second scenario. A surplus budget is one that has more money than expenses. Government liabilities are reduced by a surplus budget. Therefore, if there is a budget surplus. A surplus budget is implemented primarily to reduce the economy's excess spending. When a government's revenue exceeds its spending, something is subtracted from the community's spending stream, which has the multiplier effect of lowering national income and total demand. So, when there is severe inflation in the economy, a surplus budget is put into effect. Reducing government spending, raising taxes, or a combination of the two can result in a surplus deficit. A deficit budget is one that has more expenses than income. Either borrowing from the public or using money from the government's accumulated surplus is used to offset the deficit.

Component parts of the Government Budget

Budget Receipts, which are made up of Revenue Receipts and Capital Receipts, and Budget Expenditure, which is made up of Revenue Expenditure and Capital Expenditure, are the two divisions of the budget. They have projected financial receipts for the entire fiscal year of the government from all sources. The following describes how budget receipts are categorized: Revenue receipts are those that neither result in a liability nor a decrease in the value of the government's assets. Tax receipts, such as income tax, corporate tax, excise duty, and GST, are further separated from non-tax receipts, such as fines, special assessments, grants, and donations. Capital receipts are those payments made to the government that either increase an obligation or decrease an asset. They are compensated by interest payments, loan recoveries, and the sale of assets to the private sector.

Budget Expenditure

The projected cost for the fiscal year of the government. The categorization of government spending is as follows: Revenue expenditures are those that neither increase nor decrease the government's assets or liabilities. For instance, wages, pensions, subsidies for emergencies, etc. Capital expenditures are costs that either result in an asset for the government or a decrease in liabilities. Taxes that are progressive and regressive Progressive taxes these taxes place a greater burden on the wealthy and a lesser burden on the poor. When the rate rises in tandem with income growth, a tax is considered to be progressive. Consider income taxes. Regressive taxes are those that disproportionately burden the poor compared to the wealthy. It happens when the underprivileged face a heavier financial burden than the wealthy. House tax, for instance. Direct Tax a direct tax is one that the person it is levied against must pay. It cannot be given to another person. Example Wealth tax, corporate tax, and income tax. Indirect tax: This type of tax places the initial burden on one individual but allows for later transfer to another. Producers are required to use it[8]–[10].

As in Gotha Definition of the Budget Deficit

Government deficit or budget deficit refers to a scenario when the government's budgeted expenses exceed its budgeted revenues. In India, there are three major categories of budget deficits: primary deficit, fiscal deficit, and revenue deficit. Tax Deficit: This is a situation where government spending exceeds tax collection. It suggests that in order to meet demand, they should engage in disinvestment and increase their borrowing. Fiscal Deficit The difference between total expenditures and total receipts, excluding borrowings. It indicates government borrowing, which causes national debt, erosion of credibility, inflation, and crowding-out. Primary Deficit this is the gap between the government's interest payments and its fiscal deficit. It reveals a country's lack of fiscal restraint. Budget Balanced and Unbalanced Budget that is balanced refers to a situation where government revenue and government spending are equal. It demonstrates the government's sound financial standing. Unbalanced Budget this is a budget where the government's income and expenses are not equal. It indicates that the budget is either in surplus or deficit. Budget in surplus budget in surplus is one in which the government's expenses are less than its receipts. It lowers economic inflation. Deficit Budget A deficit budget is one in which the government's revenues are less than its outlays. In times of economic depression, it is advised.

Scope

1. Money Generation By identifying and making plans for a variety of sources of income, the government budget focuses on generating money. Taxes, fees, penalties, grants, and other sources of income are some of these. In order to secure enough funding for government programs and services, the scope of revenue creation includes evaluating the tax base, tax rates, and other revenue-generating methods.
2. Allocation of Expenditures the government's budget dictates how much money is given to various initiatives and programs. This area of responsibility entails determining the society's needs and setting spending priorities in accordance with governmental objectives. It covers industries including those in the public investment, infrastructure, healthcare, social welfare, and defiance sectors.
3. The discrepancy between revenue and expenditure the fiscal deficit or surplus is a topic covered in the federal budget. Since it has an impact on the government's overall financial stability and sustainability, managing the fiscal deficit is a crucial component of the budget. The budget provides strategies for managing and controlling the deficit through changes to revenues, cuts to spending, or a combination of both.
4. Macro-Fiscal Policy The management of macroeconomic policy is significantly influenced by the federal budget. It entails utilizing fiscal policy instruments to affect inflation, total demand, and overall economic stability. Macro-fiscal policy is concerned with setting the right level of taxing, expenditure, and borrowing to produce the desired economic results.
5. Public Debt Management The scope of public debt management is included in the government budget. It entails determining the government's borrowing requirements and creating plans for controlling and repaying the nation's debt. Setting debt reduction goals, controlling interest payments, and making sure debt levels are sustainable are all part of this.
6. Monitoring and Evaluation Monitoring and assessing the efficacy of budgetary policies and programs is part of the government budget's purview. This entails comparing actual revenue and spending to the budgeted amounts, evaluating the results and impacts of government initiatives, and making the necessary corrections to improve performance.
7. Budgeting for the government is an important part of public financial management. Its purview includes accounting, auditing, reporting, and the implementation of budgets. This guarantees appropriate financial controls, accountability, and openness in the use of public monies.
8. Intergovernmental Fiscal Relations In federal or decentralized systems, intergovernmental fiscal relations are included in the government budget's purview. Coordinating and monitoring financial

transfers across various governmental levels is required to maintain budgetary sustainability, efficiency, and equity.

Application

A nation's economic aims and policies are significantly influenced by the government budget and its constituent parts. There are a number of important areas where the government budget and its elements are in use:

1. The government budget is a tool for fiscal policy, which involves using government spending and taxation to have an impact on the overall state of the economy. The budget allows the government to set the amount of money that will be spent on infrastructure, social welfare, health care, education, and other areas. In order to raise money to pay for these expenses and control the total fiscal deficit or surplus, it might also adopt taxing policies.
2. Economic Stabilisation. During periods of economic turbulence, the government budget can be utilised as a tool for stabilizing the economy. The government can raise spending or lower taxes during economic downturns to boost aggregate demand and economic activity. In contrast, the government can enact contractionary fiscal actions by cutting expenditure or raising taxes to reduce inflationary pressures during times of high inflation or overheating.
3. Resource Allocation. In accordance with the government's priorities and objectives, resources can be allocated to various sectors and programs. It enables the government to allocate money for projects like building infrastructure, enhancing healthcare, promoting social welfare, and enhancing defiance. The government's decisions about resource allocation to address societal demands and requirements are reflected in the budget.
4. Public Investment. Projects like the building of roads, bridges, schools, hospitals, and other infrastructure are funded in large part by the government budget. These investments have the potential to significantly affect the economy by boosting productivity, generating new jobs, and driving economic activity. Such initiatives receive funding from the budget, which also establishes the volume and rate of public investment.
5. Social Welfare Funding for social welfare programs that support at-risk populations, fight poverty, and address social injustices is included in the government budget. This may cover the cost of social security, unemployment compensation, healthcare, housing assistance, and educational grants. The government's dedication to guaranteeing the welfare and social protection of its residents is reflected in the budgeted allocation for social welfare.
6. Debt Management. Since governments frequently borrow money to finance budget deficits or lengthy investment projects, debt management provisions are also included in the government budget. The budget establishes goals for controlling public debt, deciding how much money will be borrowed and when it will be repaid. Effective debt management lowers the dangers posed by excessive debt buildup and guarantees the sustainability of public finances.

Advantages

1. **Financial Discipline:** By offering a structure for organizing and managing public expenditures, the government budget encourages financial discipline. It aids in ensuring that spending stays within set parameters and is in line with the revenue available. This self-control promotes fiscal sustainability by preventing wasteful spending.
2. **Resource Allocation:** In accordance with government priorities, the budget enables the distribution of resources among various sectors and programs. It enables decision-makers to pinpoint regions in need of financing and distribute resources appropriately. This guarantees that funds are allocated to areas like social welfare, infrastructure, healthcare, and education, meeting population requirements and promoting economic and social development.
3. **Budgetary Planning:** It is a mechanism used by the government to carry out economic goals. It offers a method for converting policy goals into workable programs with allotted resources. The budget makes guarantee that policies are properly carried out, resulting in the anticipated outcomes by outlining spending priorities and revenue sources.

4. **Transparency and Accountability:** The budget improves public finances' transparency and accountability. It lists the sources of the government's income, its budgeted spending, and whether a fiscal surplus or deficit is anticipated. By allowing citizens and stakeholders to keep an eye on how public monies are being used, this transparency promotes public accountability and trust in governmental decisions.
5. **Maintaining Economic Stability:** The budget is essential to ensuring economic stability. The budget enables the government to control aggregate demand and maintain economic stability during times of economic turbulence through fiscal policy. To balance cyclical imbalances and advance stability, the government can boost or constrain economic activity by changing expenditure and taxes.
6. **Strategic decision-making:** The long-term planning are supported by the government budget. Long-term planning for infrastructure projects, social programs, and investment initiatives is made easier by its ability to help policymakers estimate revenue and expenditure trends over a number of years. This aids in establishing sustainable economic development and progress.
7. **Debt management:** The budget offers a plan for handling debt well. It enables the government to keep an eye on and regulate borrowing amounts, ensuring that the national debt is still manageable. The budget assists in managing fiscal risks and lessens the economy's susceptibility to outside shocks by defining goals for debt repayment and reduction.
8. **Flexibility and Adaptability:** The budget allows for adaptation to new demands and shifting economic conditions. It enables modifications to be made based on changing conditions in both expenditure priorities and revenue measurements. The government can effectively distribute resources and respond to new issues because to this flexibility.

III. CONCLUSION

Tools for economic policy and public financial management are the government budget and its constituent parts. The government's revenue sources, top priority spending areas, and fiscal deficit or surplus are all detailed in the budget.The revenue, spending, and fiscal deficit or surplus that make up the government budget each have a unique impact on the economy. Taxes and other forms of revenue give the government the money it needs to support its operations and programs. Spending priorities and objectives of the government are reflected in the allocation of these resources among various programs and sectors. The application of the government budget too many aspects of economic policy is broad. It acts as a tool for fiscal policy, allowing the government to control total demand, maintain economic stability, and have an impact on growth. The government can encourage or limit economic activity to achieve desired outcomes by altering spending and taxation policies.

REFERENCES

[1] A. Pranata, G. Irianto, en N. Adib, "ANGGARAN PEMERINTAH DAERAH DALAM BINGKAI AMIN, AMAN, UMAN: SEBUAH STUDI SEMIOTIKA BARTHESIAN", *J. Akunt. Aktual*, 2018, doi: 10.17977/um004v5i12018p076.

[2] M. N. Zolotov, T. Oliveira, en S. Casteleyn, "Continued intention to use online participatory budgeting: The effect of empowerment and habit", 2018. doi: 10.1145/3209415.3209461.

[3] Y. Heraningtyas, S. Pujiningsih, en D. Juliardi, "The Village Governmental Budgeting: A Phenomenology Study", *Int. J. Business, Econ. Law*, 2018.

[4] G. Burbulytė-Tsiskarishvili, J. Dvorak, en A. Žernytė, "Changes of local functions and local powers in Lithuania 1994-2016", *Public Policy Adm.*, 2018, doi: 10.5755/j01.ppaa.17.3.21955.

[5] V. C. Hoang, "Determine the external debt threshold of the southeast Asian countries: Analysis using laffer curve", *Econ. Reg.*, 2018, doi: 10.17059/2018-3-25.

[6] A. Saleh, "Socioeconomic Determinants and Constraints to Small-scale Sheep Marketing in Gombe Metropolis, Gombe State Nigeria", *Curr. Investig. Agric. Curr. Res.*, 2018, doi: 10.32474/ciacr.2018.03.000157.

[7] B. B. Babatunde, N. Zabbey, I. F. Vincent-Akpu, en G. O. Mekuleyi, "Bunkering Activities in Nigerian Waters and Their Eco-Economic Consequences", in *The Political Ecology of Oil and Gas Activities in the Nigerian Aquatic Ecosystem*, 2018. doi: 10.1016/B978-0-12-809399-3.00026-4.

[8] T. Lancet, "Editorial Tackling inequalities to improve wellbeing in New Zealand", 2018.

[9] J. Andreasson en P. V. Shevchenko, "Assessment of Policy Changes to Means-Tested Age Pension Using Expected Utility Model: Implication for Decisions in Retirement", *SSRN Electron. J.*, 2018, doi: 10.2139/ssrn.2979889.

[10] C. Frova en F. Treggiari, "Definition and development of disciplinary maps Perugia, 14th-15th centuries", *Annali di Storia delle Universita Italiane*. 2018.