“Government Budget: Concept & Objectives”

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Introduction: -

In the modern world, every Govt. aims at maximizing the welfare of its country. It requires a number of infrastructural, economic and welfare activities. All these activities require huge expenditure to be incurred. This requires appropriate planning and policy of the Govt. The solution to all these problems is ‘Budget’. A budget is a document containing detailed programmers and policies of action for the given fiscal year.

Concept of Govt. Budget: -

Govt. Budget is an annual statement, showing item wise estimates of receipts and expenditures during a Fiscal year. A budget, in this sense, becomes both a description of the fiscal policies of the government and the financial plans corresponding to them. The receipts and expenditures, shown in the budget, are not actual figures, but the estimated values for the coming fiscal year. Fiscal year is taken from 1st April to 31st March.

Preparation of Govt. Budget: -

Budget is prepared by Govt. at all levels, i.e. Central Govt., State Govt. and Local Govt., prepares its respective annual budget. However, we will be mainly concerned with Budget of Central Govt., known as Union Budget.

Estimated expenditures and receipts are planned as per the objectives of the Government.

In India, Budget is presented in the parliament on such a day, as the President may direct. By convention, it is prepared on the last working day of February each year.

It is required to be approved by the Parliament, before it can be implemented.

Objectives of Govt. Budget: -

Govt. prepares the budget for fulfilling certain objectives. These objectives are the direct outcome of Government’s economic, social and political policies. The various objectives of Government budget are:

i) **Reallocation of Resources:** - Through the budgetary policy, Government aims to reallocate resources in accordance with the economic (profit maximization) and social (public welfare) priorities of the country. For example, Govt. discourages the production of harmful consumption goods (like liquor, cigarettes etc.) through heavy taxes and encourages the use of “khadi products” by providing subsidies.

ii) **Redistribution Activities**: - Economic inequality is an inherent part of every economic system. Government aims to reduce such inequalities of income and wealth, through its budgetary policy. Fiscal instruments like taxation, subsidies and expenditure on social security, public works etc. are used by the Govt. to achieve this objective.

iii) **Management of Public Enterprises**: - There are large numbers of public sector industries (especially natural monopolies) which are established and managed for social welfare of the public. Budget is prepared with the objective of making various provisions for managing such enterprises and providing them financial help.

iv) **Stabilizing Economic Activities**: - Govt. budget is used to prevent business fluctuations of inflation or deflation and to maintain economic stability. The Govt. aims to control the different phases of business fluctuations through it budgetary policy. Policies of surplus budget during inflation and deficit budget during deflation are adopted to achieve stability in the economy.

v**) Economic growth**: - Economic growth has been the main objective of every economy at all times. The growth rate of a country depends on rate of saving and investment. For this purpose, budgetary policy aims to mobilize sufficient resources for investment in the public sector. Therefore, the Government makes various provisions in the budget to raise overall rate of savings and investments in the economy.