

# Justice must be done to interim budget



**N. Mani, Erode Arts and Science College and V. Sivasankar, Pondicherry University.**

A financial statement presented by the government in Parliament or the Legislative Assembly, which contains receipts, expected expenditure, allocation of funds etc. for a financial year is called 'budget.' Generally, after discussions by members of Parliament, necessary changes should be made to the financial statement and then the budget passed. This is the definition of a wholesome budget. A budget which cannot be fully prepared is called an interim budget.

## **When interim budget comes**

The situation wherein an interim budget has to be presented in Parliament arises on two occasions. Firstly, when a new government assumes office before a financial year is over and secondly when an existing government completes its term well before a financial year

comes to an end, the interim budget is presented. The two types of interim budget have fundamental differences in their nature.

In the first category, a government installed with full popular support prepares an interim budget and presents it in Parliament because it is unable to present a full-fledged budget for a financial year. This report will include new schemes for people, covering all aspects of a general budget. Adequate discussion should be conducted on this report and then passed in Parliament.

In the second case, a government that is unable to complete a financial year presents the second type of interim budget in its capacity as a caretaker government. Yet it has no moral right to make new promises or announce new welfare schemes after the date of its popular mandate expires even if the government and people hope that the same party will capture power yet another time. That is why there is an established practical rule that when there are just a few months left for the end of a term of a dispensation, the persons in the top-notch position should not take any significant policy decisions. Even if a pre-election interim budget has all features of a full budget for a year, it is just an approval for essential items of expenditure such as current accounts, interest payable and military expenditure for a few months till a new government assumes office.

But nowadays pre-election interim budget reports are placed in Parliament as if they are full-fledged general budgets. That they are merely pre-election ad-hoc financial statements is not given a toss.

### **Practice upended**

As with the general budget, expectations over the interim budget are also increasing. Being a pre-election financial statement, the report arouses expectations that it will contain announcements to impress voters, that freebies will figure in the interim budget, and that new welfare schemes will be brought in. Besides, the rulers have started giving more importance to the interim budget than the general budget. Announcements to pacify the people who are disgruntled over price

hikes have become quite normal and natural. Compensation to farmers and farm laborers affected by the failure of monsoon rains permeates the interim budgets as warp and woof.

Lest the price spiral should eat into their vote-bank, the rulers come up with soothing and palliative announcements. Even very important changes in income tax ceiling, corporate tax rates, indirect taxes and export-import duties are also made in the interim budget. But all these things should not be done at all. It would be reasonable and ethical to solicit votes, listing whatever a government has done in the five years and to assure that all unresolved problems will be set right if the party concerned is again voted to power. But such healthy electoral practices have been relegated to the background. Recently, a trend has surfaced wherein interim budgets contain schemes targeting the women and marginalized sections by way of wooing them in the vote-bank politics. The rulers have an itch to make announcements in the financial statements which help herald the next spell of five-year rule for them. Thus, an interim budget is treated like a full general budget.

Expectations soar over the interim budget even though the Finance Minister concerned advises the people against having unduly big expectations that easily forget the fact that an interim budget is merely a matter of getting an official approval for the account of revenue and expenditure which is needed to run the government for the remaining few months. At the same time, the minister himself hints that there will be some announcements in the interim budget. If this trend continues like this, the interim budget will, over the years, assume more importance than the general budget.

### **Debate necessary**

In an interim budget a government may summarize the general expenditure for a year. The current tax and non-tax revenue can be assessed. Sometimes there is a misunderstanding that 'such procedures should be followed only when the election code of conduct is in force'.

Those going to be in power only for a very short time may dish out certain promises with an ulterior motive. Though this is hardly a legal offence in the strict sense, it is per se a crime. It is customary for a finance minister to submit an economic survey report on behalf of the government on the eve of a budget presentation. This economic analysis is actually a true assessment of what effects the allocation of funds has made through a budget in a country.

More important than the budget itself are the discussions held on the budget. The debates offer an opportunity to study whether the funds allocated by the government for a scheme have reached the scheme and if so, what is the percentage of benefits of the scheme. So far, no deep discussions have taken place on the economic survey, understanding its real meaning and purpose. If a discussion has to be held on an interim budget during its presentation in the run-up to the elections, it is avoided fearing that it will go in favor of the government.

There is some dignity for an interim budget. It is just a matter of the government getting approval in the people's assembly for the running costs for the remaining few months. It is something that deserves to draw the attention of all stakeholders.

**Translated by V. Mariappan.**