

Role of Parliament in Budgetary Process

Mains Syllabus: GS II- Parliament; GS III- Public Finance, Budget

Why in News?

The 2025 Union budget of India was presented by Finance Minister Nirmala Sitharaman on 1 February 2025 for the financial year 2025-2026.

What is the role of Parliament in budgetary process?

- **Budget** - The budget is the annual financial statement of the estimated receipts and expenditure of the Government of India in a financial year, which begins on 1 April and ends on 31 March of the following year.
- **Significance of budget** - It is more than just a financial statement, as it reflects a nation's priorities, economic vision and governance philosophy.

Article 112 - The President shall in respect of every financial year cause to be laid before both the Houses of Parliament a statement of the estimated receipts and expenditure of the Government of India for that year.

- **Role of Parliament** - The Parliament plays a vital role in India's budgetary process, ensuring transparency, accountability, and democratic control over public finances.

Stages of Discussion on the Budget	
In Lok Sabha	In Rajya Sabha
(i) General Discussion on the Budget	(i) General Discussion on the Budget
(ii) Vote on Account	(ii) Consideration of Demands for Grants by the Departmentally-Related Standing Committees
(iii) Consideration of Demands for Grants by the Departmentally-Related Standing Committees	(iii) Discussion on the working of the Ministries
(iv) Discussion and Voting on Demands for Grants	(iv) Consideration and return of the Appropriation Bill to the Lok Sabha
(v) Consideration and passing of the Appropriation Bill	(v) Consideration and return of the Finance Bill to the Lok Sabha
(vi) Consideration and passing of the Finance Bill	

- **Presentation of the budget** - The Union Budget is prepared by the Ministry of Finance and presented by the Finance Minister in Parliament.
- **General discussion** - After the budget presentation, a general discussion takes place in both houses of Parliament (Lok Sabha and Rajya Sabha), where members debate the overall budgetary policies, priorities, and allocations.

- No voting occurs at this stage.
- **Departmental committees** - Detailed scrutiny of the budget is done by the Departmentally Related Standing Committees.
- These committees examine the demands for grants of various ministries and present their reports to the Lok Sabha.

There are 24 standing committees to secure more accountability of the Executive (i.e., the Council of Ministers) to the Parliament, particularly financial accountability. Each standing committee consists of 31 members (21 from Lok Sabha and 10 from Rajya Sabha). A minister is not eligible to be nominated as a member of any of the standing committees.

- **Voting on demands for grants** - The Lok Sabha takes up voting on demands for grants ministry-wise.
- During this stage, members can discuss and seek explanations on specific demands, but only the Lok Sabha has the power to approve or reject them.
- **Passing cut motions** - Loksabha can move various cut motions(Policy cut motion, Economy cut motion, Token cut motion) to reduce/decline any demand for grant.
- **Appropriation bill** - After the demands are approved, the Appropriation Bill is introduced.
- This bill authorizes the government to withdraw funds from the Consolidated Fund of India to meet its expenditures.
- **Finance bill** - The Finance Bill, which includes tax proposals and revenue-raising measures, is introduced and debated.
- Once passed, it becomes the Finance Act, providing the legal framework for the government to collect revenue.
- **Rajya Sabha's role** - While the Rajya Sabha does not have the power to vote on the budget, it can discuss the budget and suggest changes.
- **Implementation and oversight** - Once the budget is enacted, the Parliament monitors its implementation through committees like the Public Accounts Committee (PAC) and the Estimates Committee.

Public Accounts Committee (PAC)

- **Composition** - The committee consists of 22 members (15 from the Lok Sabha and 7 from the Rajya Sabha).
- **Method of election** - The members are elected by the Parliament every year from amongst its members according to the principle of proportional representation by means of the single transferable vote.
- Thus, all parties get due representation in it.
- **Term** - The term of office of the members is one year.
- A minister cannot be elected as a member of the committee.
- **Function** - To examine the annual audit reports of the Comptroller and Auditor General of India (CAG), which are laid before the Parliament by the President.
- Examine the appropriation accounts and the finance accounts of the Union government and any other accounts laid before the Lok Sabha.

Estimates Committee

- **Composition** - It consists of 30 members all from Lok Sabha.
- Method of election is same as PAC but only within Lok Sabha.
- **Function** - To examine the estimates included in the budget and suggest 'economies' in public expenditure.

What are the challenges in parliamentary control over budget?

- **Dominance of executive** - Budget preparation process is executive-driven process leaving limited scope for the parliament in the preparation process.
- **Inadequate discussions** - Budget debates are brief and lack depth, leading to ineffective scrutiny.
- **Limited power of Parliament** - Parliamentarians have no power to amend or significantly influence budget proposals.
- This results in a passive approval process, reducing accountability.
- **Limited role of Rajya Sabha** - Rajya Sabha, despite its democratic credentials, has no substantive role in Budget discussions.
- While a Finance Minister can be a Rajya Sabha member, they lack the ability to vote on their (own) Budget proposals in the Lok Sabha.
- **Lack of institutional mechanism** - India lacks an institutional mechanism that provides legislators with independent and non-partisan Budget analysis.

Parliamentary budget office of other countries: United States -The Congressional Budget Office (CBO), Canada -The Office of the Parliamentary Budget Officer, United Kingdom- The Office for Budget Responsibility (OBR)

- **Single party domination in Lok Sabha** - When a single party enjoys the absolute majority in the Lok Sabha , it often limits meaningful debate and scrutiny of budgetary proposals.
- **Weak opposition** - The ruling party can push its agenda through with minimal resistance, potentially undermining the role of opposition parties in questioning or amending budgetary provisions.
- **Limited time for budget review** - The parliamentary schedule often allows limited time for MPs to thoroughly review and debate the budget.
- This hinders detailed scrutiny of demands for grants and proposals.

What are the significances of pre-Budget discussions?

- **Democratization of budget process** - Pre-Budget debates allows elected representatives to voice public concerns, suggest equitable resource allocation, and engage in policy deliberations.
- **Participatory process** - Pre-budget discussions would facilitate greater public involvement, fostering transparency and trust in financial governance.
- **Efficient and effective budget** - A dedicated five to seven-day discussion period would allow legislators to assess the nation's fiscal health, outline Budget priorities, and present a broad economic framework for the government's consideration.

- **Better coordination** - Pre-budget discussions would also encourage better coordination among subject committees, enhancing their ability to provide informed input.
- **Concern** - Some economists argue that empowering legislatures may lead to populist spending and weakened financial prudence.
- A balanced approach, where the executive retains financial discretion but remains answerable to Parliament, is the hallmark of a healthy democracy.

What are the significances of Parliamentary Budget Office (PBO)?

A Parliamentary Budget Office (PBO) is an independent and impartial body linked directly to Parliament, providing technical and objective analysis of budgets and public finance to support parliamentarians in their oversight role.

- **Improves parliamentary capability** - A crucial aspect of Budget reform is in strengthening Parliament's analytical and research capabilities.
- **Expertise process** - Establishing a Parliamentary Budget Office (PBO) would bridge the expertise gap as there would be data-driven insights and expert economic forecasts.
- **Streamlined process** - Modelled on institutions such as the U.S. Congressional Budget Office and similar bodies in Australia, Canada and the United Kingdom, a well-structured PBO in India would play a vital role in analysing government spending, revenue projections, and fiscal policies.
- **Comprehensive economic analysis** - PBO would conduct independent economic forecasts, assess the fiscal impact of proposed policies, and evaluate medium-term and long-term budgetary trends.
- **Empowers parliamentarians** - PBO would offer policy briefs to parliamentarians, enhancing informed decision-making.
- **Complements executive process** - Rather than encroaching upon the executive's role, it would complement it by ensuring legislative scrutiny is backed by objective research.
- **Better parliamentary accountability** - Such an institution would significantly enhance Parliament's capacity to hold the government accountable and foster evidence-based policy discussions.

Conclusion

- By integrating pre-Budget discussions and establishing a PBO, Parliament can transition from being a passive recipient of financial proposals to an active budget-influencing institution.
- A robust parliamentary engagement in budgeting would ultimately lead to more equitable economic policies, greater transparency, and a financial governance framework that genuinely serves the people's interests.

Reference

[The Hindu | India's marginalised Parliament in budgetary affairs](#)

