

# Expenditure Budget

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## What is the Expenditure Budget?

- Expenditure Budget provides complete information about the total expenditure of the Union government in a financial year.
- This exhaustive information is classified into two broad categories as per the end-use – **capital expenditure** results in the creation of a physical asset or investment and **revenue expenditure**, mainly operational expenses such as payment of wages, pensions, subsidies, and interest.
- Further, the expenditure budget is in two parts: **charged expenditure** like payment of interest on the money borrowed by the government of India is considered the liability of the government. Therefore, it is not required to be put to the vote in the Lok Sabha. **Voted expenditure**, comprises those revenue and capital expenditures that are required to be approved by the Lok Sabha by way of voting.
- Usually, the government prepares its expenditure-related information in **three separate documents**:
  - Expenditure profile
  - Expenditure budget
  - Demand for grants

These are presented under the expenditure budget.

## Expenditure Profile

- Expenditure Profile compiles information from all the ministries and departments to draw a complete picture of the financial performance of the Union government.
- This document is explanatory and helps in economic analysis.
- **Expenditure profile contains budgetary trends on**

## important policy issues such as:

- Gender Budget
- Welfare of women and children
- Resource allocation for the North-Eastern states
- Welfare of SC/STs
- It also contains consolidated information about government schemes such as:
  - Central sector schemes and Centrally sponsored schemes
  - Subsidies
  - Investment in PSUs
  - Resources of PSUs
- After the merger of the Railways Budget with the Union Budget in 2017-18, the information in the Expenditure Profile also contains a detailed analysis of the Ministry of Railways.

## Expenditure Budget and Capital Expenditure Budget

- Expenditure Budget contains all government expenditure in a financial year, ministry as well as department wise. The expenditure of every ministry gets divided into two parts as per the nature of end-use, namely capital expenditure and revenue expenditure.
- The information about both capital and revenue expenditure is further given in two separate categories as charged and voted expenditure as per the requirement of voting in the Lok Sabha.
- Revenue Expenditure pertains to expenditure that does not result in the creation of any asset for the government and does not result in the reduction of any liability. In the case of capital expenditure, the expenditure of the government either results in the creation of some assets (i.e. a school or college building) and results in some kind of investment that

will yield profit or dividend in the future.

### **Demand for Grants and Budget Expenditure of Government**

- Article 113 of the Constitution of India stipulates that any proposal or estimate seeking withdrawal of money from the Consolidated Fund of India has to be presented before the Lok Sabha, in the form of demand for grants.
- Therefore, every ministry and department work together to prepare demand for grants for the expenditure set to be incurred during the next financial year. These demands are collectively presented in the Lok Sabha as part of the Union Budget. They also include any recoveries to be made from the expenditure to be incurred.