

Committee Report Summary

Recent Budgetary Reforms for Better Management of Government Expenditure

- The Estimates Committee of Parliament (Chair: Mr. Girish Bhalchandra Bapat) submitted its report on the subject ‘Recent Budgetary Reforms for Better Management of Government Expenditure’ on March 19, 2021. The Committee discussed certain budgetary reforms undertaken by the central government and their impact on the finances of the central and state governments. These reforms include: (i) advancement of the budget cycle with the union budget presentation on February 1, (ii) merger of plan and non-plan expenditure in the budget, and (iii) merger of the rail budget with the general budget. Key observations and recommendations of the Committee include:
 - **State-wise allocation:** The Committee observed that the Union Budget at a Glance document provides an overview of the budget, including the allocation for major schemes by the central government. However, the funds allocated to different states do not reflect in this document. The Committee noted that people are interested in knowing the amount of money allocated to different states by the central government. In its absence, a common man does not have a clarity of the budget allocation, i.e., the amount of money provided by the state government and that provided by the central government. The Committee recommended the central government to incorporate the state-wise allocation details in the union budget documents to bring transparency in transfer of funds to states.
 - **Readability of the union budget documents:** The Committee observed that the union budget documents are so voluminous that the common man and public representatives do not have the time required to go through and understand them. The Committee recommended the government to organise a briefing session for the Members of Parliament immediately after the presentation of the budget in Lok Sabha and highlight the details from the budget documents.
 - **Unspent balances of states in bank accounts:** The Committee observed that the grants transferred by the central government to states remain in state treasuries till they are transferred to implementing agencies. It noted that some state governments deposit the unspent balance remaining from schemes/ grants in banks, which earn them a substantial amount of interest. The Committee recommended the central government to identify the interest earned by various states from such unspent balances in banks and frame guidelines (if none exist) for utilisation of the funds earned by them.
 - **Advancement of the budget cycle:** The Committee observed that with advancement of the union budget cycle starting from 2017-18, Parliament has approved the Appropriation Bill before the commencement of the financial year. As a result, the full budget is available to the Ministries at the beginning of the year and states get sufficient time to plan and present their budgets in accordance with the union budget. The Committee noted that the pace of expenditure of the central government in the first three months of the year 2017-18 showed an increase as compared to that in the previous year. However, the pace of spending declined in 2018-19. The Committee recommended the Department of Economic Affairs (DEA) to examine the factors responsible for slowing down of expenditure in 2018-19 and take corrective measures.
 - **Underspending:** The Committee observed that DEA conducts mid-year review of the expenditure by all Ministries and revises their expenditure ceiling for the year based on the progress of expenditure till date and their capacity to spend in the remaining year. It noted that despite advancement of the budget cycle, savings (i.e., underspending or under-utilisation of allocation) occurred in 99 departments in 2017-18, 97 in 2018-19, and 100 in 2019-20. The Committee recommended that the objectives of advancement of budget cycle in this front needs to be reviewed so that this trend is discontinued and funds available with the government in the union budget are optimally and fully utilised.
 - **Monitoring the implementation of schemes:** The Committee observed that the Secretary of a Ministry/ Department, being its Chief Accounting Authority, is responsible for monitoring the implementation of its projects/ schemes. However, the Committee noted that the Secretary, DEA, being an overall controller of the central government’s accounting, is also equally responsible for monitoring the implementation of the projects/ schemes of various Ministries/ Departments. The Committee recommended that a system may be evolved by DEA to track the progress of Ministries/ Departments on implementation of projects/ schemes, so that habitual defaulters who have not updated the progress can be identified while allocating the budget.

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