CHAPTER XIII
FINANCIAL PROCEDURE

The Indian Constitution has adopted the fundamental principle governing the British financial system, viz., parliamentary control over the receipt and expenditure of public money. It took centuries of struggle between the King and the Parliament in England to achieve the supremacy of Parliament in matters of finance. In India, however, although the supreme control over the finances of the country was never vested completely in the Legislature before independence, the Indian financial system was essentially based on that of the United Kingdom and when the Indian Constitution came to be framed it was an easy step to confer such control on the Legislature.

Growth of the Indian Financial System

An idea of the various changes undergone by the Indian Financial System from a state of no control to one of full control by the Legislature may be had from the brief history of the growth of the system outlined below.

There was hardly any properly organised system of financial administration in the time of the East India Company. By the Regulating Act of 1773, the Governor-General
of Bengal and his Council, were required to transmit to the Court of Directors report of all transactions and matters relating to the revenues or interest of the Company. By Pitt's India Act of 1784 a Board of Control acting through a minister responsible to the British Parliament was created to function in addition to the Court of Directors - but no appreciable change was made in the system of financial administration. By the Charter Act of 1833, the Governor-General of Bengal in Council was designated the Governor-General-in-Council of India and the superintendence, direction and control of the revenues in India were vested in him. The financial powers of provincial Governments did not rest on any statute but were derived from executive arrangements. By the Charter Act of 1853 a Legislative Council for the Governor-General was established but the Council had no opportunity to say anything in matters of finance except in connection with Bills for levying taxes. The Government of India Act, 1858 transferred from the hands of the Company to the British Crown the control of Indian affairs to be exercised by a Secretary of State, in concert in certain cases, with a Council. Really speaking, this
Act applied almost solely to the Government in England and the Government in India was carried on as before. So far as matters of finance or financial administration were concerned, powers in varying degrees were exercised, at this period, by different authorities, namely, the British Parliament, the Secretary of State in Council, the Governor-General in Council and the provincial Governments. Section 2 of the Act of 1858 declared:—

"And all the territorial and other revenues of or arising in India and all tributes and other payments in respect of any territories which would have been receivable by, or in the name of the said company, if this Act had not been passed, shall be received for, and in the name of, Her Majesty, and shall be applied and disposed of for the purposes of the Government of India alone, subject to the provisions of this Act."

Section 41 of the same Act provided that the expenditure of such revenues was placed under the control of the Secretary of State in Council — no grant or appropriation being allowed to be made without the concurrence of the majority of votes at a meeting of the Council of the Secretary of State. Under section 53, the accounts of
each financial year were required to be placed before Parliament. The powers of the Governor-General were enlarged by delegation. The position of the provincial Governments was as before. It is noticeable that during this period following the tradition of the Company, there was taxation with as well as without legislative sanction. The land revenue which formed about half of the income of the Government of that time, revenues from forest, post offices, telegraphs, and tributes from Chiefs of native states were realised without any legal sanction. It may be mentioned here that the Parliamentary Control over Indian Finance was nominal. It will be relevant to note here that the submission of accounts of the Government of India before Parliament of the United Kingdom continued till India attained independence. The estimates of revenue and expenditure of the Government of India used to be laid before Parliament till the commencement of the Government of India Act, 1935 but the Finance Accounts continued to be laid till 1947 as aforesaid. The laying of the Accounts and the Estimates was in terms of the successive Government of India Acts beginning with that of 1858 as already mentioned.
At the time when the Act of 1858 came into force, the finances of the Government of India were in a deplorable condition because of the mutiny which was then just over. There was heavy addition to the public debt and the revenues were insufficient. No reforms were more urgent than the establishment of an efficient system of public accounts and of strict financial control throughout India. This work was begun most efficiently in 1860 by Mr. James Wilson, the well-known Secretary to the Treasury in England, and the first financial member of the Governor-General's Council under the Crown, and it was afterwards actively continued and completed. In carrying out these reforms it was perhaps inevitable at the outset that the central Government should retain in its own hands a larger measure of financial control than it would ultimately be expedient that it should exercise. In its anxiety to prevent extravagance it imposed rules of such stringency that no financial authority remained except its own. The whole of the revenues from all the provinces of British India were treated as belonging to a single fund, expenditure from which could be authorised by the Governor-General in Council alone. The provincial Governments were allowed
no discretion in sanctioning fresh charges. For the first time in India, income tax was levied at the instance of Mr. Wilson. Another step towards the improvement of financial administration made by Mr. Wilson was the preparation of the Budget and its presentation before the Legislative Council of the Governor-General. He was appointed in 1859 and within a few months of his appointment he presented the first Budget on February 18, 1860, with a speech, on the traditional style of the British Chancellor of Exchequer. The Legislature, however, did not discuss the Budget. The submission of the budget was not enjoined either by any Act or by the rules of the Council. During this period, that is between 1853 and 1861, the Indian Legislature was modelling itself on the procedure of the House of Commons. Much of the 'inconvenient degree of independence' on the part of the Legislature was drastically curtailed by section 19 of the Indian Councils Act of 1861, but the presentation of the Budget was somehow not affected. Mr. Wilson died before the presentation of the next Budget in 1861 and his successor in the British Treasury, Mr. S. Laing was appointed the Finance Member of the Governor-General's Council. He presented the Budget on
April 27, 1061. In his speech Mr. Laing referred to the necessity of making provincial Budgets and its presentation to the provincial Legislatures. Nothing, however, was done until 1871. Anyway, ever since 1860 the Budget has been presented to the Legislature in the Centre every year, excepting in 1873 and the three following years when the Budgets were published in the Gazette.

The Indian Councils Act, 1061 remodelled and enlarged the Council of the Governor-General of India and also established Councils for the Presidencies. This Act provided that no legislative measure, affecting public debt and public revenue and creating charge on revenue, should be introduced, without the previous sanction of the Governor-General or the Governor, as the case might be. Up till this time the administration of the whole of Indian Finance was vested in the Government of India, a task which became both difficult and inefficient. A policy of decentralisation was initiated by Lord Maye's Government in 1870 and the 'Provincial Contracts' came into existence. The Resolution of the Government of India effecting the decentralisation was considered in some quarters to have vested the Provincial Legislative Councils with the power of passing the Budget by means of
an Appropriation Bill. The 19th paragraph of the
decentralisation Order, was however, as follows:-

"Each Local Government will publish its own yearly
estimates and accounts in the Local Gazette, together
with a financial exposition (which should, where possible,
be made before the Local Legislative Council) analogous
to that annually made in the Legislative Council of the
Governor-General. The several estimates and accounts
will be compiled, and a general statement for all India
published as a supplement to the imperial estimates
and accounts." In Madras, at any rate, in 1871, the
Executive Government, under the guidance of Sir. (subse­
quently Sir) Alexander Arbuthnot, claimed the right of
having their budget passed by the local Legislative
Council, but the Government of India subsequently
disabused them of that impression. The Provincial
finance, on the whole, remained under the constant check
and supervision of the Central Government and was only
a part - and not independent - of the Central Finance.
This position continued till the commencement of the
Government of India Act, 1935. It will be worthwhile
to mention in some detail the features of the Provincial
Contracts or Settlements as these Settlements have
formed the basis of finances of the Governments in India even after the Constitution of India has come into force, though with many necessary changes. According to the Settlement, the Government of India directly administered the obviously common services, viz. the Army, Foreign relations, Home Charges, Railways, Posts and Telegraphs. The services appertaining to the internal administration of the country were the care of the Provincial Governments, viz. General Administration, Registration, Law and Justice, Police, Jails, Education, Medical, Stationary and Printing, Provincial Civil Works and Forests. The Central Government received the incidental revenue yielded by the expenditure heads under its control, while the provincial Governments took the receipts from the provincial heads of expenditure. Of the great revenue heads Opium, Salt, Customs, Mint, Railways, Posts and Telegraphs, and Tributes from native States were Central; Forests were entirely provincial; Land Revenue, Excise, Stamps and Assessed Taxes were shared between the Centre and the provinces generally in equal proportions.

So far as the Legislatures were concerned, they could under section 19 of the Act of 1861 meet only for
legislative purposes. There was no obligation thrown
on the executive to present the Budget or to allow its discussion. The Legislature could and did discuss the position of finance or financial matters if any Bill imposing fresh taxation was brought before it. Though not regularly, it did also discuss the Budget on several occasions. The position was improved by the Indian Councils Act of 1892 which authorised the Governor-General in Council to make rules permitting the Legislative Council to discuss the annual Financial Statement of the Governor-General in Council subject to certain conditions and restrictions. Similar provisions were enacted for the Provincial Legislative Councils also, under these provisions, the Budget prepared by the Comptroller and Auditor-General and approved by the Finance Member with such changes as he considered necessary was passed by the Governor-General in his Executive Council. On the basis of this a Financial Statement was made by the Finance Member to the Legislative Council. After an interval of at least a week, the members delivered speeches which generally ranged over the whole field of administration. The President of the Legislative Council would up the debate with a speech of his own.
No vote was taken and no amendments were allowed.

Similar course was followed in the provincial Councils.

But it must be noted that these provisions of the Act of 1892 were not mandatory. This was effected by the Indian Councils Act of 1909 which made it compulsory for the Executive to make rules permitting the discussion of the Annual Financial Statements of the Governments by the respective Legislative Councils. Detailed rules were framed for such discussion both in the Centre and in the provinces. Under the rules the discussion was in stages.

A distinction was made between the 'Financial Statement' and the 'Budget'. The former might be described as the preliminary budget. The Financial Statement of the Centre was ordered to be presented with an explanatory memorandum. An interval was then allowed and a day fixed for the first stage of discussion. The members had the opportunity of moving any resolution relating to any alteration in taxation, any new loan or any additional grant to local Governments. The resolutions might be voted on. After all the resolutions on these three matters had been discussed and disposed of, the Council entered upon the second stage of the discussion. The Financial Statement
contained about 36 heads of revenue and about 53 heads of expenditure. At the second stage of discussion those heads (barring about 9 heads of revenue and about 13 heads of expenditure which were not open to discussion) were to be discussed head wise, the consideration being introduced by the member-in-charge of the Department concerned Resolutions could be moved, discussed and voted on at this stage also. After the discussions were closed, the Budget was decided on by the Executive Government - after giving due weight to the resolutions that might have been passed by the Council but on the responsibility of the Executive only and presented to the Legislative Council by the Finance Member and it was followed subsequently by the usual general discussion. It may be mentioned here that the President was empowered to prescribe a time-limit of speeches at every stage of discussion.

So far as the provincial Legislative Councils were concerned the procedure for discussion of the Budget was somewhat different. A Draft Financial Statement prepared by the Executive Government was at the first stage considered by a Finance Committee, under the chairmanship of the Finance Member, and composed of six members nominated by the Governor and six members elected by the non-official members of the Council. The Committee submitted its report to the Local Government which embodied its own conclusions
and referred the Statement thus amended to the Government of India. The Draft Financial Statement as approved (provisionally) by the Government of India was then known as the Revised Financial Statement. Copies of the Draft as well as of the Revised Statement were supplied to members. Subsequent stages of discussion, moving of resolutions and finalisation of the Budget were on the line of the Central Budget. In the provinces too certain heads of revenue and expenditure were not open to discussion. These were known as 'allotted heads', the others as "unallocated heads". It must be noted that the ultimate right to determine the Budget rested in the Executive which was, under the constitution of India of that time, permanent and unalterable. It would not afford to render its hold over the purse weakened by an adverse vote of the Legislative Council. The position continued till the commencement of the Government of India Act (of 1919).

The Act established a bi-cameral Legislature in the Centre, known as the Council of States and the Legislative Assembly. The Legislatures in the provinces were unicameral called the Legislative Council. In the Centre the Governor-General had his Executive Council, appointed by the Crown, which was not removable by the Legislature. In
the provinces, the Governors had their Executive Councils, similarly appointed as well as their ministers. The ministers were in charge of certain specified subjects known as transferred subjects. They were, as a matter of fact, removable by the Legislature. The 'estimated annual expenditure and revenue' was known as the Budget. A large number of heads and items of expenditure was not subject to vote of the Legislature. Discussion of the Budget was permitted in two stages, first a general discussion after the presentation and next when demands for grants for the voted items were moved. In the Centre, only the Legislative Assembly could vote supplies, although the Budget was laid before both the chambers. The rules of procedure prescribed that no demand would be made except on the recommendation of the Governor-General or the Governor, as the case might be. The rules also permitted moving of cut motions as the Act empowered the Assembly and the provincial Councils to reduce or refuse any grant. After the demands were voted the budget was to be submitted to the Governor-General or the Governor as the case might be. In the event of any refusal or reduction of grant, the Governor-General was empowered to act, if he was satisfied about the essentiality of the requirement, as if the demands were all granted. Similarly in the provinces,
the Governor could similarly act in the case of reserved subjects while in the case of 'transferred subjects' he could authorise such expenditure as he thought necessary. The rules of the Legislatures provided that supplementary, additional and excess grants were to be discussed and voted upon in the case of demands for grants on annual estimates. As regards taxation both Chambers of the Indian Legislature had equal rights. If they refused to pass any Bill, the Governor-General had the power to override the decisions of the Legislature. A Bill refused by both the Chambers could be enacted if it received the assent of the Crown. Similar provisions were made for the provinces where the Legislature was unicameral. The Act further provided that, no bill imposing any tax (except certain taxes exempted for the purpose) affecting the public debt should be considered except without previous sanction of the Governor-General. Another matter that deserves mention is that under the rules of Legislatures under this Act, Public Account Committees, composed partly of non-official members of the Legislature and partly of members nominated by the Executive, were constituted both in the Centre and in
the Provinces to deal with appropriation accounts of the respective Governments.

Further advancement was made by the Government of India Act, 1935, which created bi-cameral Legislatures in some of the Provinces, called the Legislative Assembly and the Legislative Council. It must be mentioned here that so far as the Centre was concerned, the provisions of the Act relating to the Centre were not applied as the Federation contemplated in the Act was not established. The Centre continued to be governed by the Government of India Act, 1919 till India attained independence. But so far as the Provinces were concerned the Act was operative. The Act abolished the executive Councils and the Governor was to be aided and advised by his Council of Ministers. Though the Act did not expressly mention that the Ministers were responsible to one or both Chambers of the Legislature, they were removable by the Legislature. The Act, for the first time, created separate Public Accounts for the Centre and for each of the Provinces. The Act provided that the "Statement of estimated receipts and expenditure" known as the Budget was to be presented to the Chamber or both the Chambers of the Legislature. Expenditure was classified as those charged on the revenues and those to be voted by the Legislative Assembly. The discussion on the Budget was held in two stages first general discussion which was
permitted even in respect of items of charge expenditure
and secondly by the Legislative Assembly alone when
demands for grants on voted items were moved. The
Assembly had the right to assent to, refuse or reduce
any grant. So cut motions were permitted. After the
grants were voted, the Governor was to authenticate a
schedule of expenditure, both charged and voted. In
the event of any refusal or reduction of grant, the
Governor could restore the grants if in his opinion the
discharge of his special responsibilities would be
affected. The Act itself made provision for presentation
of supplementary estimates and these were dealt with as
in the case of annual estimates. The Act further
provided that bills of financial nature, that is those
imposing taxation, regulating borrowing or financial
obligations, declaring any expenditure as charged on
the revenues were not to be introduced in the Council
and would require the recommendation of the Governor
before introduction in the Assembly. Bills entailing
expenditure were also not to be passed by any Chamber
without the recommendation of the Governor. The power
of the Governor-General to enact into Law any Bill
rejected by the Legislature was withdrawn but the
Legislature was under an obligation to consider a Bill
returned to them for their consideration. The Crown
had the right to disallow any Act passed by any
Legislature. These, no doubt, weakened to some extent, the application of the principle of no taxation without consent.

With the passing of the Independence of India Act, 1947, the Government of India Act, 1935 was adapted with the result that the Governor or the Governor-General had no special responsibilities entrusted to him. Consequently the power of certifying expenditure not assented to by the Legislature was withdrawn. Lastly on the commencement of the Constitution of India, full right in financial matters has been vested in the Legislature, particularly in the Legislative Assemblies in the States and the House of the People in the Centre.

**Fundamental Principles**

The fundamental principles of the system can be outlined in the form of four propositions:

(i) Parliamentary or legislative control over taxation; no tax can be imposed except with the authority of the Legislature;

(ii) Parliamentary or legislative control over expenditure; no expenditure can be incurred except with the sanction of the Legislature;
(iii) Financial initiative of the Executive Government; no tax can be imposed or expenditure sanctioned unless asked for by the Executive Government;

(iv) Principle of annuality; all expenditure except those specifically charged by any enactment requires to be sanctioned on an annual basis.

1) No tax can be imposed except with the authority of the Legislature.

Article 265 of the Indian Constitution provides that 'no tax shall be levied or collected except by authority of law'.

All tax proposals of the Executive Government would therefore have to be presented before the Legislature in the form of Bills to be passed into law. And unless an Act is passed authorising the levying of any tax, no tax can be levied.

A question arose whether taxation can be made under an Ordinance under the Ordinance-making power of the Executive Government. An Ordinance has the same effect as that of an Act of the Legislature. Strictly speaking, therefore, an Ordinance is also law under the authority of which any tax can be levied or collected. But having
regard to the fundamental constitutional principle that there can be no taxation without representation, such a course would seem to be at least unconstitutional. It may be said that an Ordinance must be laid before the Legislature and would expire unless enacted into law by it. Therefore no permanent taxation can be imposed by an Ordinance. But it would be possible to levy an ad hoc tax without any sanction of the Legislature. There are instances where taxes have been so imposed and collected under Ordinances and the provisions of the Ordinances have not been renewed under any Act.¹

(2) No expenditure can be incurred except with the sanction of the Legislature

As has been said, 'The most ancient, as well as the most valued, prerogative of the House of Commons is the right of supreme control over taxation, to which the right to control issues is a natural corollary.'²

This principle has been adopted by Article 266 of the Constitution which lays down that all revenues received, all loans raised and all moneys received in repayment of loans by the Union or the State shall be

1 U.P. Terminal Tax Ordinance, Central Ordinance no.1 of 1954.
2 Durell, p.3.
paid into the Consolidated Fund of the Union or the State, as the case may be, and that no money can be withdrawn out of that fund except in accordance with law and for the purpose and in the manner provided for in the Constitution.

All moneys received by the State (except certain deposits in the Public Accounts, see p. 20), therefore find their place in the Consolidated Fund and once they get there, no money can be withdrawn except under appropriation made by law. 3

Appropriation Ordinance

A question arises whether appropriation can be made under an Ordinance. It may be contended that an Ordinance is a temporary law and as such appropriation may be permitted by such law. But Article 266 categorically provides that no moneys out of the Consolidated Fund shall be appropriated except in accordance with law and for the purposes and in the manner provided in the Constitution. Further, Articles 114 and 204 provide that no money shall be withdrawn from the Consolidated Fund except under appropriation made by law passed in accordance with the provisions of those Articles, that

3 Arts. 114, 204.
is, on introducing a Bill after grants have been made by the House of the People or the Legislative Assembly, as the case may be, and necessarily completing all subsequent stages involved in the passing of the bill and its assent by the Head of the State. The Constitution, however, has made an exception in Article 357(1)(c) under which during an emergency the President is empowered to authorise expenditure from the Consolidated Fund of a State, pending the sanction of such expenditure by Parliament. Such Power can be exercised by the President only on the failure of the Constitutional machinery in the State, the powers of the State Legislature being exercised by or under the authority of Parliament and the House of the People not being in session at the time.

In other cases, appropriation by Ordinance promulgated by the President or by the Governor will be, it appears, not warranted by the Constitution. There have, however, been instances of such Appropriation having been made by means of Ordinance in some States.4

Before going into the matters further, it will be profitable at this stage to discuss what is meant

4 Assam Ordinance No.1 & 2, 1960.
by appropriation. To state succinctly, appropriation is application of money for expenditure on a service specifically named, the issue of the money being legally authorised by the law which also specifies the optimum limits of expenditure and issue for such service. Now, the circumstances under which an Ordinances was made to effect appropriation were as follows.

The ordinance was promulgated at a time when the Contingency Fund was exhausted and there was no surplus in the head of account from which money could be paid to the Contingency Fund but the need for incurring some unforeseen expenditure was pressing. The Governor promulgated two Ordinances simultaneously. By one, the Contingency Fund was paid out of the Consolidated Fund a specified amount it being provided in the same Ordinance that the amount would be re-transferred to the Consolidated Fund before the expiry of the year.

By the other, money to the equal extent was provided for appropriation to the head of account to enable transfer therefrom to the Contingency Fund. Immediate expenditure was met from the Contingency Fund so replenished. Before the expiry of the year Supplementary Demands were voted and an Appropriation Bill passed in
respect of the services provisionally met out of advances from the Contingency Fund, and the transactions and cross transactions were regularised by transfer through books.

(3) No tax can be imposed or expenditure sanctioned unless asked for by the Executive Government.

The British Parliament has imposed upon itself 'some self-denying restrictions' in that it does not impose any taxation or sanction any expenditure which is not asked for by the Crown. This principle has been adopted in the Indian Constitution. The initiative for taxation or expenditure lies with the executive and the Legislature cannot act in these matters suo motu.

No bill for imposing any tax can be introduced in the Legislature except on the recommendation of the President or the Governor, i.e., the President or the Governor as advised by his Ministers and, therefore, the Executive Government. In giving notice of such bills, the Minister-in-charge states in the notice that the President or the Governor, as the case may be, recommends the introduction of the bill. For obvious reasons no such bill can be introduced by a private member.

5 Arts. 117, 207.
Similarly, no demands for grant of any money for expenditure can be made except on the recommendation of the President or the Governor. When moving the demands for grants the Minister-in-charge states that he is doing so on the recommendation of the President or the Governor as the case may be. No formal communication of the recommendation as in the case of Money and Financial Bills is made.

All expenditure except those specifically charged by any enactment requires to be sanctioned on an annual basis.

Expenditure of public money has been classified into two classes, charged and voted. The distinction between the two is that in the case of charged expenditure, no demands for grants need to be made to the Legislature and no sanction of the Legislature is necessary for incurring such expenditure; but in the case of voted expenditure, demands for grants have to be made to, and sanctioned by, the Legislature. Certain expenditures, e.g., salaries of High Court Judges, have been made.

charged expenditure by the Constitution itself. The Legislature can also, by law, make any expenditure a charged one. 7

Under Articles 112 and 202, the estimate of expenditure for any financial year, which in India is the period between 1 April in one year and 31 March in the next, has to be presented to the Legislature. The estimate contains both the charged and the voted expenditure. But no sanction of the Legislature is necessary for the charged expenditure and the Legislature has no power to interfere in any way with such expenditure. The estimate of charged expenditure which will ultimately be incorporated in the Appropriation Bill, has to be shown for information of the members and the members have the right to discuss although they have no power to disallow such expenditure.

The voted expenditure, however, is entirely within the control of the Legislature. But, as will have been seen, what is to be presented is an annual estimate, and sanction of the expenditure is given on that basis, that is to say, on an annual basis. Moneys are granted for payment coming in the course of the year and the amount unspent at the end of the year lapses.

Control over Expenditure

The control over expenditure therefore is exercised through the provision of the Constitution under which an annual estimate of the receipts and expenditure has to be presented to the Legislature; money required has to be granted under demands and withdrawal of money out of the consolidated fund and appropriation for the various services has to be authorised by an Act. Further control is exercised by the Legislature when the accounts audited by the Comptroller and Auditor-General come before the Legislature and are examined by the Public Accounts Committee.

Public Account

Apart from the money which is paid into the Consolidated Fund, certain other moneys are received by the Government, such as Suitors' Deposits, etc. These are not paid into the Consolidated Fund but are kept distinct in a Public Account and no authorisation of the Legislature is necessary for the purpose of withdrawal of any money out of this Account.

Contingency Fund

Circumstances may arise in which it may be necessary

8 Arts. 113, 114, 203, 204.
9 Art. 151.
to incur expenditure in an emergency or in excess of money granted for any service in anticipation of the sanction of the Legislature by a Supplementary Grant. There is a provision in the Constitution for creating a Contingency Fund out of which the Executive Government is authorised to spend money pending the sanction of the Legislature. Such a Contingency Fund is created by an Act of the legislature and a certain amount of money is transferred from the Consolidated Fund to this Fund in the nature of an imprest out of which money is spent and the amount spent is reimbursed when sanction for the expenditure is accorded by the Legislature. All moneys whether in the Consolidated Fund, the Public Account, or the Contingency Fund, are held by the Reserve Bank of India in accounts in the name of the Central or the State Government. All Governments, Central or State, are bound to deposit all cash balances free of interest in the Reserve Bank; the Governments, however, may hold such cash balance as may be necessary at any place where there is no branch of the Reserve Bank. The

exception authorises the Governments to keep treasuries in the mofussil where there is no Reserve Bank in which moneys are received and payments made. Under agreements between the Reserve Bank of India and the various Governments, the Reserve Bank of India agrees to make ways-and-means advances to a certain limit to the Governments.

Annual Estimates
Form of the Budget

The form in which the Annual Estimates or the Budget as they are commonly called, is drawn up, is dependent upon the form in which the accounts of the State are kept. The form of the accounts is determined by the Comptroller and Auditor-General with the approval of the President. In order to achieve uniformity in accounting the Auditor-General has prescribed the same form of accounts throughout India, whether for the Union or for the States. It may be that certain items of receipt or expenditure may not be relevant for any State and may not appear in the account of the State at all.

The main items of receipts and expenditure are divided into different sections and are distinguished

12 Art. 150.
by letters of the alphabet, the same letter being used both for receipt and expenditure, e.g., G for Administrative Services, D for Social and Developmental Services, and so on.

Capital and Revenue Accounts of the same subject-matter are kept distinct by using one letter for the Revenue Account and double-letters for the Capital Account, e.g., D for Social and Developmental Services, DD for Capital Account of Social and Developmental Services.

A section is again divided into major Heads of Receipts indicated by Roman numerals and of Expenditure indicated by Arabic numerals; but the numbers of major heads do not necessarily correspond, e.g., under section F on the Receipt side No.XXXVII is Public Works, No.XXXVIII Bombay Development Scheme, and so on, while on the Expenditure side No.50 and No.51 denote the same subjects.

There are about 19 sections from A to N (including double-letters) and about 134 major heads.

Besides the above, there are also the sections O to X dealing with Debts, Deposits, etc., which have no major Heads of account.
The major heads are again subdivided into minor heads according to the different nature of the expenditure involved under the same major head.

Under Articles 113 and 203 of the Constitution, so much of the Estimates as relates to charged expenditure is not subject to any vote of the Legislature but so much of the Estimates as relates to other expenditure has to be submitted to the House of the People or the Legislative Assembly, as the case may be, in the form of Demands for grants. These demands correspond to the votes of the House of Commons; but there is no class division as obtains there. The demands are consecutively numbered. The same nature of expenditure is ordinarily included in one Demand, and the major heads under which such expenditure is classified in the accounts are indicated. It may be that several major heads are included under one Demand; it may also be that one major head may be split up and appear in more than one demand. It is usually for the Finance Department of the State to determine the nature of demands. For the convenience of members, the classification of demands should be made in consultation with the House. In the House of the People the
Demands are classified after consulting the Estimates Committee. In the House of Commons, although the Estimates Committee are not asked to give specific sanction every year to the form of the Estimates, they are consulted when any major change in the form of the Estimates is proposed.

Something must be said about the arrangement of the demands in the printed budget which is presented to the House. In most Legislatures, the Budget demands are printed consecutively in accordance with the number of the major heads and not with those of the Demands. Consequently, when a Demand includes major heads of widely differing numbers, the Grants appear on different pages resulting in a great deal of inconvenience to the members in finding out the total demand and the details of expenditure. It may be suggested that the Budget should be printed in accordance with the numbers of the demands and all major heads included in one demand should be put together.

Another suggestion which may be put forward is that the expenditure for a particular service which may be included in different demands may be indicated in a note.
as is done in the Estimates presented to the House of Commons. For example, the salaries and other expenditure relating to the House of Commons appear under one vote; but in a note under that vote, the costs of maintenance of the building, etc., which appear under different votes, are shown and the total expenditure for the House of Commons can be ascertained from that note.

In the Estimates of the House of Commons, in all votes, increase or decrease in the number of the staff and corresponding increase or decrease in the expenditure are shown. The system can be very usefully adopted in India also.

Every demand for grant in the printed Budget includes the major head or heads comprising the grant. The major heads are again subdivided into minor heads, the minor heads are sub-divided into sub-heads and those again sub-divided into primary units and those into secondary units showing the details of the expenditure.

Preparation of the Budget and its Presentation

The expenditure for any financial year, which in India is the period between 1 April of one year and 31 March of the next, must be sanctioned either totally
or in part before the expiry of the previous financial year, that is to say, a budget has to be passed whether totally or in part before 31 March of each year. The Budget is ordinarily presented in the month of February each year. The Finance Department prepares the Budget by the end of December. The Budget is presented along with an Explanatory Memorandum. The Budget contains the estimates of receipt and expenditure with other figures mentioned hereafter. The Memorandum contains a comparative statement of such receipts and expenditure for the current year and the next year and reasons for any increase or decrease in the amounts. The Memorandum also furnishes many other information relating to the Estimates, e.g. actuals of a previous few years, nature of receipts and expenditure, progressive expenditure in the case of projects, the financing of which is spread over a number of years. In England, the Annual Estimates contain comparative statements of two years only, viz., the year for which the estimates are presented and the preceding year. In England, a daily statement of accounts is available and it is possible to give an almost complete statement of expenditure for the
current year. In India as the accounts of a year are not completed before the expiry of the year, what is done is this - the Budget Estimate of the coming year is given, the revised budget estimate for the current year on the basis of the actual expenditure during the first eight months of the year, figures for which are available when the budget is prepared, is given and the actual expenditure for the previous year is also given. In the Centre, since 1924, following a Resolution of the Legislature the Budget for the Railways is being presented, discussed and voted upon separately. An abstract of the Budget, however, is incorporated in the main Budget which under the Constitution must be a comprehensive annual statement. To enable the separate treatment of the Railway Budget, the Rules of Procedure of the Houses of Parliament have prescribed that the Budget can be presented in parts and dealt with separately. Most of the States have made similar provisions in their rules although this rule is hardly applied.

Appropriation from one Head to Another

While on the subject of grants and major heads included in one grant, it would be profitable to discuss the principles of appropriation of expenditure of money for any particular purpose. It is one of the fundamental
principles of legislative control of the finances of the State that no money can be spent for any service of purpose other than that for which the money is granted. Each Grant is deemed to be a distinct service and by an Appropriation Act the sum noted on a particular grant is appropriated to that grant. Consequently, money granted under one grant cannot be appropriated to another grant. It has already been stated that the expenditure under one grant may contain more than one major head and that the major heads are divided into minor heads showing the details of expenditure. Although money is granted in a lump under particular grants in the Appropriation Act, the grants are made on the basis of the Budget which shows the details of expenditure under major and minor heads. Though it would not be illegal to reappropriate money from one major head to another included in the same grant or from one minor head to another within the same major head, it would be against the principle of financial control that such reappropriation should be made. But the Legislature cannot exercise control over details and control at this stage is exercised by the Finance
No money can be reappropriated by any department without the sanction of the Finance Department and in sanctioning reappropriation, the Finance Department is guided by certain principles. These principles have been succinctly laid down by the Public Accounts Committee of the British House of Commons in the following words:—

"The Public Accounts Committee agrees that there is nothing unconstitutional in the practice of applying savings of one sub-head of a vote to meet the deficiency under another sub-head, as the formal vote of the House of Commons applies only to the total amount of each estimate; but at the same time it is of opinion that even here the Treasury should exercise care that the money is not spent in any way which seriously differs from the details presented to Parliament. It is, however, doubtful as to the correctness of sanctioning transfers between sub-heads if they are not clearly of the same kind. So far as civil votes are concerned, this is agreed to by the Treasury, which never sanctions transfer unless the sub-heads are closely allied."

13 Quoted Burell, p. 299.
Budget Procedure

After the Budget has been presented, money has to be asked for as demands for Grants. The Budget is dealt with in two stages - a general discussion and the Demands for specific Grants. No motion is made for the general discussion as is done in the British House of Commons when the general discussion of expenditure takes place on a motion that Mr. Speaker do now leave the chair on each of the four main branches of the estimates. Usually about four days are allotted for the general discussion and it is also customary for the leader of the opposition to initiate the discussion. As there is no motion before the House, no amendments are called for. The Finance Minister has a right of reply.

After the general discussion is over, the Ministers concerned make their demands and the form of the motion is that so much money (stating the total amount of the Grant) be granted under Grant No. . . . . At this place it will be relevant to state that in India, the demand for grant is for the gross amount required for expenditure. In the United Kingdom, certain kinds of expected departmental receipts are allowed to be used by the department concerned to defray part of its expenditure. These receipts are known as Appropriation-in-aid, they
are separately shown as a distinct sub-head in the vote relating to the department and also set out in the Appropriation Act. The demand for grant for such Vote having an Appropriation-in-aid sub-head is for the net amount that is the gross amount of expenditure as reduced by the amount of Appropriation-in-aid. In India appropriations-in-aid are not recognised and consequently all receipt are credited in the corresponding head of receipt and the demand for grant is for the gross sum estimated to be expended. And as the principle of financial initiative of the Executive Government has been adopted by the Indian Constitution, the Ministers when moving their motions state that they are doing so on the recommendation of the Head of the State.

To such motions amendments are allowed for the reduction of the amount demanded or to omit or reduce any item in any grant. But on the above-mentioned principle no amendment can be moved for increasing any amount or to alter the destination of any grant, that is to say, to transfer any amount from one grant to another or from one item to another within the same grant.
In the British Parliament, the demands for grants are made not in the House (theoretically) but in the Committee of Supply which is nothing but a Committee of the whole House in which certain restrictions as to debate do not apply. The Committee stage in its origin was intended for the scrutiny of the proposals for expenditure from the financial point of view. But gradually with the expansion of the House and the growth of party government the Committee of Supply lost its significance as a financial committee and the consideration of the demands by the Committee has ceased to be a scrutiny of the financial reasons for the demand and the discussion in the Committee has now become only an occasion for criticising Government policy. In consequence, amendments for only token reductions (of £100) are moved and are made the peg on which to found a debate on Government policy.

In India, however, budget demands are considered in the House itself. But the system of proposing amendments for token reductions has been adopted and the form of amendments is that the Grant be reduced by a fixed sum. A maximum number of days is fixed for
the debate on the Budget - general discussion as well as demands for grants - by the Procedure Rules of the Legislatures. And the Executive Government allots a number of days not exceeding such maximum for the purpose. As already mentioned, four days are usually allotted for the general discussion and the remaining days for debate on the demands for grants. Usually the rules provide that not more than two days shall be taken up for the debate on any particular grant. On the last of the allotted days, all demands which have not been passed by the House are guillotined, that is, put to the vote without any debate. If the rules provide that one demand shall not be debated for more than two days, and a demand is not finished on the day it is moved, the demand is also guillotined on the second day.

Amendments to Motion for Demand

As in the House of Commons, amendments to the motion for the demand of any grant is made in the form that the demand be reduced by a specified sum on which a discussion on the policy underlying the demand is criticised.

The Indian Legislatures have, by their Rules of Procedure, defined three kinds of amendments known as 'Cut motions'. These are Economy Cuts, Policy Cuts and Token Cuts. The Economy Cuts are directed to reduce the demand by such amounts as the members want to effect economy. The amounts of reduction vary accordingly. By
to be reduced to Re 1 to raise a discussion of Policy underlying the Grant and by the Token Cuts, the amount of the Grant is sought to be reduced by a fixed sum (generally Rs. 100) to raise a discussion on some grievance. The number of Cut motions is generally heaviest under the Category of Token Cuts. Usually, a number of such amendments are tabled specifying the subject matter on which discussion is sought to be raised. A practice prevails in the Indian Legislature of putting all such amendments, or 'cut motions' as they are called, involving the same amount to the vote. This practice is erroneous. The specifying of the subject matter for discussion is not a part of the motion. Once a verdict is given either way on the motion that the demand be reduced by a specified amount, no further motion involving the same amount can be put. In the House of Commons, the original motion for demand is withheld from the decision of the House by proposing reductions of the various amounts or by omission of particular items.

Appropriation Bill

After the demands for grants have been passed by the

15 May, p. 733.
House, an Appropriation Bill is brought in. The Bill authorises the withdrawal of the total amount of the Budget from out of the Consolidated Fund and in a schedule specifies the amount which has been granted under each grant. The principle of financial initiative of the Executive Government applies to the case of Appropriation Bills also. The Constitution itself provides that no amendment shall be proposed to any such Bill (Appropriation Bill) which will have the effect of the varying of the amount or altering the destination of any grant. The scope of amendment in an Appropriation Bill is therefore very much limited. Amendments may be moved for the circulation of the Bill for eliciting opinion or for reference of the Bill to a Select Committee. But such a dilatory course can be evaded either by means of a law as contemplated by Article 119 or 209 of the Constitution. The Rules of Procedure of the respective Houses have also empowered the Speaker to disallow such a course if he considers it necessary. The Constitution further provides that amendments cannot be moved for the reduction of any grant or of any item in any grant but it appears that an amendment to omit an item altogether is admissible. The Appropriation Bill supplies another

16 Arts. 114, 204.
17 H.C.D. 1884, 292, c.588.
occasion for the criticism of Government policy but as the entire administration will have been criticised during the debate on the demand for grants, usually, subjects which cannot be touched upon during the debate are discussed during the debate on the Appropriation Bill.¹⁸

The relevancy of debate and amendments on the Appropriation Bill has been stated thus in May's Parliamentary Practice:—

"Debate and amendment on the stages of these bills must be relevant to each bill and must be confined to the conduct or action of those who receive or administer the grants specified in the Bill ... In general terms, any questions of administrative policy may be raised which are implied in such grants of supply. Thus, whereas the field of debate on the main Consolidated Fund Bill of the year and upon the Appropriation Bill is normally commensurate with the whole range of administrative policy, debate upon a Consolidated Fund Bill introduced for the express purpose of providing funds for some newly undertaken service is limited to that service. Debate on these bills is thus limited to relevant questions

of administration, and, as in Committee of Supply, questions of taxation and legislation cannot be discussed. ¹⁹

Supplementary Estimates

It may be found that the money granted for any service will not be sufficient to meet the actual expenditure involved or that it is necessary to incur expenditure on a new service for which money was not provided in the Budget. In such cases, a supplementary estimate is presented to the House and the same procedure as applies to the main estimate is followed. There is a general discussion and demands for grants and an appropriation bill has also to be passed.

The term "New Service" appearing in Articles 115(1)(a) and 205(1) (a) of the Constitution means the service or services "not contemplated in the annual financial statement for the year."

A 'new service' has been stated by Sir Frederic Gauntlet, Auditor General of India, to be:

'A new form of service or a new instrument of service. It is desirable to explain by a concrete illustration the difference between these two. If in a province

¹⁹ May, p. 746.
there is no Borstal Institute and one is inaugurated that undoubtedly is a new form of service. In every province there are jails. If it is decided to build a new jail this is not a new form of service because jails already exist. It is, however, a new instrument of service because it is a new jail additional to those already in existence. When expenditure is to be incurred on a new form of service, then in all such cases, theoretically, it should be held that the expenditure is to be incurred on a new service within the meaning of the Act. A new instrument of service, however, may be a new University, if there is already a University in the province, or it may be an additional Chowkidar. The former may cost over a crore of rupees with very considerable recurring expenditure, while the Chowkidar may cost perhaps Rs. 60 a year recurring expenditure. It is not practical politics to insist that an additional grant shall be obtained to meet expenditure of Rs. 60 per annum on a new Chowkidar when there are already thousands in existence. It is, however, obviously essential to obtain an additional grant if the new instrument of service is to be of the importance of a University and to entail very considerable expenditure. 20

20 Memorandum on the work of the Public Accounts Committee in India by Sir Fredric Gauntlet.
The scope of the debate on the supplementary estimate is, however, restricted. The general policy of the administration in regard to matters for which supplementary estimate is presented cannot generally be discussed. The policy can be discussed only in so far as it is involved in the increase of the expenditure.

New Service

The term 'New Service' has not been defined in any precise form, anywhere. Each case has more or less to be decided on its merits as and when it arises. Primarily it is the Government who takes a decision whether a particular proposal involves expenditure on a "new service" or it is a continuation or an extension of an existing service provided for in the Budget Estimates. Normally a Demand for Grant is composed of certain Heads of expenditure - Major, Minor, Sub-head, or primary unit under which the amount of the Demand is distributed. If any new proposal involving expenditure during the course of a year arises, an important question to be considered is whether the expenditure has been contemplated in the annual budget or it forms part of a Demand and can be covered by any of the existing Heads under the Demand. If
the proposal is entirely outside the scope of the Demand or it has not been contemplated in the annual budget presented to the Legislature, it is clearly a new service for which a demand for supply has to be placed before the Legislature. It may, in some cases, be that the extra expenditure on the new item can be met by savings within the Demand from other Heads. Still, expenditure cannot be incurred on the item as it will constitute a "new service" and it is necessary that a Supplementary Demand for a token sum should be brought before the Legislature. The essence of this requirement is that without a vote of the Legislature, money shall not be spent beyond the scope of the demand granted by the Legislature. To put it in another way, the purpose is to see that Government would not and shall not attempt to "smuggle" new items of expenditure into the original estimates.

Beyond what has been stated above, it will be better not to attempt a precise definition of the technical expression "new service" but to leave it to be regulated by experience and the evolution of a body of case law. Further this expression "new service" not contemplated in the annual financial statement for that year" has been incorporated in the Constitution vide Articles 115(a) and 205(a) and legal interpretation of the term can only be given in keeping with Article 367 ibid. This would make inappropriate any attempt to give a precise definition.
It might, however be possible to enunciate certain fairly definite propositions which may be taken as guide. Thus, a new item of expenditure is not necessarily a 'new service'. In the term 'new service' both the words have special significance. If there has been provision in the current or previous years for the particular expenditure, a 'new service' is not involved. Expenditure before it can be said to be incurred on a 'new service' must involve the adoption of a new policy, the provision of a new facility or the alteration in character of an existing facility.

As regards the distinction between a 'new service' and a 'new instrument of service', the latter has, in actual practice, nominally been treated in the same manner as the former in cases where the amount of expenditure involved is relatively large. It may be argued from a strictly logical point of view that the amount of expenditure is not a relevant consideration and attention should be confined to the term actually used in the Constitution, viz., 'new service not contemplated in the annual financial statement for that year.' But there is a practical
justification for this distinction as will be evident from the following examples. An important extension of a previous specific commitment or facility such as the provision of a new jail, the doubling of a railway line, or the provision of like for like as for substitution of a new naval ship or aircraft, even of identical specification for an existing one scrapped may constitute example of 'new instruments of service', and it is but proper for the Government to take the prior consent of the Legislature specifically on such an item where the amount involved is relatively large, so that due respect is paid to the authority and responsibility of the Legislature in the matter of financial control.

No specific monetary limit has been made in this regard. Nor will it be practicable to set a limit. As observed at the outset, each case will have to be decided on its merits, as it is not always the magnitude of the amount that matters.

The following ruling of the Speaker of the House of Commons lays down the scope of the debate on a supplementary estimate:

'Of course it is quite obvious it would be improper, as a general rule, to raise on a Supplementary Estimate the whole question of policy involved in the original
Estimate, but, as I have stated, the discussion is properly confined to the items of the Supplementary Estimate. I think, however, that I ought to state that items of Supplementary Estimates may raise in themselves questions of policy, but the interpretation whether they do raise questions of policy or not must clearly be left to the Chairman of Committees. If I may be allowed to illustrate what I mean, I would say the question of the draining of any particular house in Constantinople would clearly not raise the whole question of Foreign Embassies. But on the other hand, a Vote which would largely increase the Vote for a railway to Uganda might raise the whole question of the policy involved in the original Vote for Uganda.*

On the same subject May observes as follows:-

"If the sum demanded by a supplementary estimate is of the same order of magnitude as the original estimate, the chairman has allowed questions of policy to be raised upon it which would have been in order if it had been an original estimate; but if the supplementary estimate is merely to provide additional funds of a relatively moderate amount required in the normal course of working of the services for which the original vote was demanded,

only the reasons for the increase can be discussed and not the policy implied in the service which must be taken to have been settled by the original vote.  

It is worth while to mention here that the above procedure was in vogue in the House of Commons, so long as the debate on Supplementary Estimates was not subject to guillotine. Since 1960 by a change in the Standing Orders, the Supplementary Estimates having been made subject to guillotine, the limitations to debate have been removed. But in Indian Legislatures, the limitations continue to apply by virtue of provisions in the Rules of Procedure.

A supplementary estimate for a new service, that is to say, for a service for which no money was provided in the original estimate, raises the whole question of the policy implied in the service in the same way as an original estimate.

A question sometimes arose in former times that a supplementary estimate should not be presented after expenditure had actually been started. Such a question cannot arise now. For the Government can now spend money out of the Contingency Fund in anticipation, or

22 May, p.738.
pending authorisation of the supplementary estimate.24

It sometimes happens that a supplementary estimate is presented for expenditure which is likely to be incurred if a certain Act is passed by the Legislature but before the Act has actually been passed. Such a practice has been deprecated by the Public Accounts Committee of the British House of Commons. In any event, it has been practice to state in a note to the estimates that the expenditure is subject to further statutory authority and to get the necessary Bill passed into law before the additional expenditure is authorised by an Appropriation Act.25

Vote on Account

As no money can be withdrawn from the Consolidated Fund without legislative sanction and as sanction is given on an annual basis, the budget must be passed and necessary money granted before the expiry of a financial year so that expenditure can be incurred in the next year. The practice that was followed and was prescribed by the Government of India Acts was to have the budget of the financial year passed before 31 March of the

24 Art. 267.
25 May, p. 749.
previous year. In the British Parliament however, the Appropriation Bill cannot be passed before 31 March (that is also the date of expiry of a financial year there) and what is done to regularise expenditure is to vote in lump a portion of the estimates so that the administration can be carried on. This procedure is known as a Vote on Account. The estimates in England are divided into four branches, the Army, the Navy, the Air, and the Civil and Revenue Estimates. Each branch is divided into a number of votes corresponding to Grants in India. The procedure is to sanction a portion of money on each vote of the Civil and Revenue Estimates; in the case of the other estimates to vote the entire amount of a few votes in each branch. The reason for the difference is this - the Army, the Navy and the Air Ministries have the power of 'virement' under authority of the Treasury, that is to say, they can spend the surplus of any vote for expenditure under any other vote whereas the Civil Departments have no such power. The amount which would be necessary for expenditure for about 3 to 4 months, i.e., up to the probable date of the final passing of the Appropriation Act, is usually taken on a vote on account. A vote on account may also be necessary in the case of a dissolution of the Legislature before the Appropriation Act can be finally passed.
This procedure of taking a vote on account has now been authorised by the Indian Constitution. The procedure is however a little different. In India, no department has any right of 'virement'. It is, therefore, necessary to sanction a portion of each demand for grant sufficient to carry on until the entire Budget is passed. In England, no appropriation is made on a vote on account but a lump sum is authorised to be paid out of the Consolidated Fund by an Act known as the Consolidated Fund Act; appropriation of the amount of the entire votes (including the amount voted on account) is made by the Appropriation Act after the final passing of all Supply Votes. The Indian Constitution, however, requires that an Appropriation Act should be passed even on a vote on account.

The form of motion of a vote on account is generally to move a motion for the grant of a consolidated amount and to show the amount of each grant in a schedule. Amendment may be moved for the reduction of the whole grant or of any of the grants in the schedule. As the Budget can be criticised when the time for finally...

26 Arts. 116, 206.
27 ibid.
passing it comes, a vote on account is taken as more or less a formal affair*. As Mr. Speaker Mavalankar of the Indian Parliament put it:—

'In this procedure, as full discussion follows, the grant of supply for the interim period on the Motion for Voting on Account is always treated as a formal one just like a Motion for leave to introduce a Bill or the introduction of a Bill. I trust honourable members will appreciate this position and treat Voting on Account as a formal affair as they would have a full opportunity to discuss the Demands for Grants in a detailed manner later. 

Excess Grant

It sometimes happens that money is spent by a department in excess of the amount granted by the Legislature. When it is anticipated that the expenditure would go beyond the amount sanctioned, ordinarily a supplementary estimate is presented, but if there is no time to take a supplementary vote, excess expenditure may be unavoidable. Excess expenditure, however, is always considered a serious matter and a financial sin - so much so that the British House of Commons recorded its disapproval of excess expenditure in

a resolution on 30 March 1849 in the following language:

'When a certain amount of Expenditure for a particular Service has been determined upon by Parliament, it is the bounden duty of the Department, which has that Service under its charge and control, to take care that the Expenditure does not exceed the amount placed at its disposal for that purpose.'

If however, in fact an excess expenditure has been incurred, such expenditure has to be regularised by the Legislature. The Indian Constitution has, therefore, provided that demands for such excess shall be made in the same way as for an ordinary grant.

The question of regularising however arises after the accounts of the year in which the excess expenditure has been incurred have been audited and the exact amount ascertained and the Public Accounts Committee, if any, has reported on it.

The procedure is the same as that for an ordinary grant including the passing of an Appropriation Act.

30 C.J. 1849, p. 190, quoted May, p. 718.
31 Arts. 115, 205.
Vote of Credit

The Indian Constitution provides that the Legislature can make a grant for meeting an unexpected demand upon the resources of India when on account of the magnitude or the indefinite character of the service, the demand cannot be stated with the details ordinarily given in the annual financial statement. Such a grant is known in England as a Vote of Credit as stated by May, 'a demand for a lump sum with the objects stated in very general terms'. Under the Indian Constitution an Appropriation Act is necessary also in the case of a vote of credit.

Exceptional Grants.

The Indian Constitution provides that the Legislature can make an exceptional grant which forms no part of the current service of any financial year. Such exceptional grants are known in England and have been classified by May into three classes:

(a) Demands for pecuniary aid for the maintenance of the dignity or well-being of the Crown (e.g., Civil List or a grant of marriage portion for any member of the royal family) or for the reward of distinguished public service;

32 Arts. 116, 206.
32a May, p. 720.
33 Arts. 116, 206.
34 May, p. 720.
(b) Novel and non-recurrent expenditure, e.g., grant of money for abolition of slavery;
(c) Grants for national purposes, e.g., monuments for a deceased statesman.

Expenditure of such classes has however on occasions been sanctioned on any ordinary estimate and not on an exceptional grant.

The procedure of the main estimate including the passing of an Appropriation Bill is necessary under the Indian Constitution for exceptional grants also.

**Revised Estimate**

If it is necessary to revise the estimate once presented, a revised estimate can of course be presented before the original estimate is voted; the original estimate is withdrawn and a revised estimate is presented. If the revised estimate is for an increased amount, it is usual nowadays, in England, as May points out, not to present a revised estimate but to present a supplementary estimate. In West Bengal, however, during the Budget session, 1952, a revised budget on certain grants for an increased amount was presented. The original budget was not formally withdrawn but it

35 May, p. 711.
was taken as if a revised estimate as a whole had been presented.

**Token Votes**

When money is available from the sum already sanctioned on a Grant or from some other source (e.g., loan by the Central Government) but it is necessary to obtain legislative sanction for expenditure, it is customary to demand a nominal sum of Re 1 which is known as a token grant. When money has been granted for a particular purpose included in a grant, but it is proposed to spend the saving, for some other purposes also within the grant, but not similar, it is usual to acquaint the legislature about such appropriations and obtain legislative sanction by means of a token grant on a supplementary estimate. In England, token votes are also taken when the expenditure is to be met totally from appropriation in aid. But as has already been stated, there is no provision for appropriation in aid in India and that question does not arise.

**Scope of Debate on the Budget**

In the British House of Commons, the general discussion on each main branch of the Estimates is, as has already been stated, initiated by a motion 'that Mr. Speaker do
now leave the Chair and amendments are proposed to the motion. There is no such procedure in India. The general discussion of the budget takes place without any motion. The entire administration is open to criticism but in practice only questions of general policy are debated leaving the criticism of the departments individually to be made at the time the demand for grant for each department is made.

When motions for demands for grants are made for each grant relating generally to a particular ministry or department, motions for a token reduction are proposed in order to raise a discussion on the general policy of the ministry or department concerned or on particular aspects of the administration of the ministry or department. The motion for reduction and the subject to be discussed on such motion must relate to the specific object of the grant. A service for which there is a specific grant cannot be discussed on the demand for grant of a department which may include the salary of the Minister concerned. In India, the grant for general administration includes the salaries of all Ministers and all the officers at the Headquarters but the policy of a Minister in regard to the department

for which he is responsible or of a particular department cannot be discussed on the grant for general administration if there is a specific grant for that department. A discussion on the demand for grant for a particular service must not travel beyond that service.

Where two or more votes are concerned with any particular service, a method has been devised in England so that the entire service may be considered at once and the same time. A token amount of each vote is included in a schedule and a token vote in regard to the whole amount is taken and on that vote criticism of all the departments concerned may be made.

**Upper House and the Budget**

We shall now consider the right of the Upper House in relation to the Budget. The Budget is considered in the Lower House in three stages: (i) Presentation and general discussion, (ii) Demands for Grants, and (iii) Appropriation Bill sanctioning the withdrawal of money and its appropriation to the various purposes for which the grants are made.

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37 May, p. 737.
Under the Indian Constitution, the Budget has to be presented to both the House of Legislature. The Upper House, therefore, has the right to discuss the Budget and the rules of procedure of all Upper Houses provide for a general discussion of the Budget. In England, however, the Estimates are not presented to the House of Lords. But the Lords can debate the Estimates and express their opinion thereon by means of a question and a formal motion of 'moving for papers'.

As regards whether a statement of financial policy should be made in the Upper House also as is done by the Budget speech of the Finance Minister in the Lower House, the practice does not appear to be uniform. In the Council of States, the Budget was laid on the table by the Leader of the House in 1952 but no statement or speech appears to have been made. In West Bengal, the Finance Minister makes a speech in the Council giving a short resume of the policy which he had outlined in the Budget speech in the Lower House.

Demands for grants are not made to the Upper House. It is the exclusive privilege of the Lower House to grant money demanded by the Government.

Debate on the Budget

In the general discussion that follows the presentation of the Budget, a criticism of the general financial policy
of the Government is made; but no motion is proposed before the House and ordinarily the Finance Minister replies. In the Lower House particular departments come in for criticism when demands for grants are made for those departments. The Upper House is at a disadvantage in this respect. As no demands for grants are placed before the Upper House, the questions of the administrative policy of particular departments can only be raised during either the general discussion of the Budget or the debate on the Appropriation Bill. But as in neither case is there any specific motion before the House, the debate tends to be discursive, there is no knowing what subjects will be raised in the debate, Ministers have no notice and are not always present to reply. If the debate is to be fruitful, it means that all the Ministers should be present during the debate on the Budget as also on the Appropriation Bill.

A method has been evolved in the South African Parliament for giving an opportunity to the Upper House to criticise individual departments. The Minister for a particular department makes a motion that 'this House
takes into review the policy pursued by the Minister of ....' A debate follows either on this motion or on any amendment that may be proposed to it. If such a motion is made, the Senate, i.e., the Upper House, does not go into Committee on the Appropriation Bill and does not require the presence of all the Ministers during the debate on it.

A debate on any particular subject can also be raised during the consideration of the Appropriation Bill by arrangements through what are known as 'the usual channels', that is to say, by arrangement between the whips of the Opposition and the Government. But in the absence of an organised single Opposition, it is not always possible to adopt this course.

Another course may be suggested. An amendment for the omission of any item in the Appropriation Bill may be tabled and although such an amendment would be out of order it may be used as a means of giving notice as to the matter which it is proposed to raise. Such a procedure is not entirely unknown. In the House of Commons, an amendment to leave out a clause of a Bill is out of order; but such amendments are tabled and although never called,
are allowed to remain on the Order Paper for the purpose of indicating that the member desires to speak on the question that the clause stand part of the Bill.

**Upper House and Appropriation Bill**

The Appropriation Bill has to be sent to the Upper House and as it is a Money Bill the procedure relating to Money Bills has to be followed. In the case of the Appropriation Bill, however, there is practically no scope for making any recommendation for amendment. For, under the Constitution, no amendment can be proposed to the Appropriation Bill which would have the effect of varying the amount or altering the destination of any grant. It has been ruled that an amendment seeking to omit any item would also be out of order. The debate on the Appropriation Bill is therefore confined to the second reading or consideration of the Bill. In this debate all questions of administrative policy of the Government involved in the grants are relevant.