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Topic: Types of Budget

BUDGET

- A budget can be defined as an **estimation of revenue and expenses** over a specified future period of time and is usually compiled and re-evaluated on a periodic basis.
- The government budget, also known as the **Annual Financial Statement of the nation**, is the **annual fiscal statement** that depicts the **revenues and expenditures** of the country for a financial year.
- The government budgeting is deliberated by the **legislature**, sanctioned by the **Chief Executive or President**, and prepared by the **Finance Minister** of the country.
- We might have a budget that is in balance, a budget that is in deficit, or a budget that is in surplus.
- The government has a balanced budget when its expenditures are exactly equal to its income.
- A deficit budget is one in which the government's expenditures exceed its receipts.
- When the government's revenue exceeds its spending, the government has a budget surplus.

A budget is an estimate of revenue and expenses for a specific future period of time that is usually prepared and updated on a regular basis. A budget is made up of two parts: government receipts and government expenditures. In terms of the amount of money received and spent a budget can be classified into different types. The types of budget are **balanced budget, deficit budget, surplus budget, zero budget and gender budget** etc.

Types of Budget

Balanced Budget

- A balanced budget is one in which the government's predicted revenue for the year is equal to its anticipated expenditure.
- **Total budget expenditure = Total budget receipts.**
- For instance, if the budget expenditure is Rs 2 lakh crores and if budget receipts are Rs 2 lakh crores. Then it is called a balanced budget.

Deficit Budget

- A deficit budget is one in which expected government spending exceeds expected revenue. The expected revenue of the government is less than the proposed expenditure of the government.
- The budget is said to be a deficit if expenditures surpass revenue over time.
- **Total Budgeted Receipts < Total Budgeted Expenditure**
- For instance, if the budget expenditure is Rs 2.4 lakh crores and if budget receipts are Rs 2 lakh crores. Then it is called a deficit budget.
- The shortfall is usually compensated by borrowing from the public or pulling funds from the accrued reserve surplus.
- In certain ways, a deficit budget is a government liability since it adds to the weight of debt or diminishes the government's reserve stock.
- When large sums of money are required for economic growth and development in developing countries like India, and it is not possible to generate these funds through taxation, deficit budgeting is the only choice.
- The deficit budget is used to finance planned development in developing countries, and it is used as a stability tool to limit business and economic swings in rich countries.

Surplus Budget

- When the year's predicted revenues exceed planned expenditures, the budget is called a surplus budget.
- **Total Budgeted Receipts > Total Budgeted Expenditure**
- For instance, if the budget expenditure is Rs 2.4 lakh crores and if budget receipts are Rs 2.8 lakh crores. Then it is called a surplus budget.
- The government's financial stability is demonstrated by the surplus budget. When there is too much inflation, the government can pursue a surplus budget strategy, which lowers aggregate demand.

Zero-Based Budget

- “**Zero-based budgeting**” is an approach to planning and preparing the budget from the beginning.
- As the name suggests, it refers to planning and preparing the budget from scratch or ‘**zero bases**’.
- Zero-based budgeting (ZBB) is basically a **systematic cost management** process that prioritizes the efficient allocation of income to fixed expenditure, variable expenses, and savings in order to nullify the difference between income and expenditure.
- A method of budgeting in which all **expenses must be justified** for each new period.

Outcome Based Budget

- Outcome-Based Budget is a process of budgeting **done at micro levels that sets measurable physical targets to be allocated on every planned project under various ministries.**
- The outcome budget becomes a means to establish a linkage between the fund spent by a government and the outcome that follows.
- It works as the progress card on what various Ministries and departments have done within a particular year.
- It measures quantitative and qualitative aspects of the budget.
- It makes the budget more accountable and transparent.

Gender Budget

- Gender Budget is not an accounting practice but rather a continuous process of keeping a gender perspective in policy formulation, implementation, and review.
- It entails dividing the government budgets to establish its **gender-differential impacts** and ensuring that gender commitments are translated into budgetary commitments.
- It is an effective method for achieving gender equity to ensure that development benefits reach women as much as men.

Conclusion

The type of budget is decided based on its emphasis and the difference between the expenditure and the receipts. However, which type of budget is suitable for a country is decided in advance depending on the socio-economic status of the country.