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Topics Covered



- Why in the News?
- What is an Interim Budget?
- Simple Example:
- How is it different from the main budget?
- Key Differences from the Main Budget:
- Historical Background:
- Where does the Interim Budget appear in the Indian Constitution?
- QuizTime:
- Are you Ready!

- Read the Below Instructions Carefully:
 - Please Rate!
- Mains Questions:
 - Question 1:
 - Model Answer:
 - Question 2:
 - Model Answer:
 - Relevance to the UPSC Prelims and Mains syllabus under the following topics:

Why in the News?

India's Interim Budget for 2024-2025 was presented in February 2024 and has been in the news for several reasons:

- **Upcoming elections:** The current government is nearing the end of its term, with general elections expected in 2024. As per tradition, an interim budget is presented in such cases to bridge the gap until the new government takes office and presents its full budget.
- **Focus areas:** The budget prioritized key areas like infrastructure development, agriculture, and social welfare schemes, attracting interest from various stakeholders like investors, farmers, and beneficiaries of social programs.
- **Economic implications:** The budget's impact on economic growth, inflation, and job creation is being debated and analyzed by economists and financial experts.

What is an Interim Budget?

- An interim budget is a temporary financial plan presented by a government during a transition period, typically before general elections. It authorizes government spending for a limited period, usually the first few months of the financial year, until the newly elected government presents its full budget.

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Simple Example:

- Imagine you're planning a party, and the main organizer suddenly has to leave before the final preparations. An interim budget is like that temporary organizer who takes over, making sure the essentials are covered until the main person returns.
- In India, an interim budget is presented when there's a change in government or the upcoming election schedule doesn't allow for a full-fledged budget before the end of the financial year (March 31st). It basically keeps the government running without making major changes until the new government presents its own budget later.

How is it different from the main budget?

- Think of the main budget as the detailed party plan, outlining everything – the guest list, food, decorations, and entertainment. The interim budget, on the other hand, is more like a simplified shopping list, ensuring essentials like food and drinks are bought without making any fancy additions.

Key Differences from the Main Budget:

Feature	Main Budget	Interim Budget
Timing	Presented in February after the elections	Presented before the elections
Focus	Comprehensive, focusing on reforms and new initiatives	Maintaining existing schemes, avoiding major changes
Duration	Covers the entire financial year (April 1st - March 31st)	Covers a shorter period until the new budget is presented
Significance	Sets the economic direction for the year	Provides temporary continuity

- **Scope:** An interim budget is narrower in scope, focusing on essential expenditures and avoiding major policy changes. The main budget, presented after elections, provides a more comprehensive roadmap for the entire fiscal year with new policies and initiatives.
- **Duration:** An interim budget typically covers a shorter period, often three months, while the main budget covers the entire financial year (April 1 to March 31).
- **Approvals:** An interim budget doesn't require approval for new taxes or changes in existing ones. The main budget undergoes a complete parliamentary approval process.

Historical Background:

Interim budgets have been a part of India's financial system since independence. Some notable examples include:

- 1991: Presented by Manmohan Singh during a period of economic crisis, it laid the foundation for economic reforms.
- 2014: Presented by P. Chidambaram after the Narendra Modi government came to power, it focused on infrastructure development and fiscal consolidation.
- 2019: Presented by Piyush Goyal after the BJP's re-election, it introduced tax cuts and social welfare schemes.

Where does the Interim Budget appear in the Indian Constitution?

- Interestingly, there is no specific article in the Indian Constitution that explicitly mentions or defines the interim budget. While the Constitution outlines the budgetary process and empowers the Parliament to approve the budget, it doesn't directly address the concept of an interim budget.

Here's a breakdown of relevant constitutional provisions:

- Article 112: This article mandates the government to present the annual financial statement, which details the estimated receipts and expenditures

for the upcoming financial year, to both houses of Parliament before the start of the fiscal year (April 1st).

- Article 114: This article empowers the Parliament to vote on the budget estimates and authorize the government to withdraw funds from the Consolidated Fund of India for approved expenditures.

However, neither of these articles specifically mention interim budgets. Their focus is on the regular annual budget presented before the start of the financial year.

So, why do interim budgets exist despite not being explicitly mentioned in the Constitution?

- *The practice of interim budgets in India arises from practical considerations and conventions rather than direct constitutional provisions. Here's why:*
 - Elections: If elections fall close to the budget presentation date, presenting a full annual budget can be impractical due to the uncertainty of the new government's policies.
 - Government Transitions: In rare instances like dissolution of the elected government or a prolonged period without a stable government, an interim budget might be needed to ensure financial continuity.

In these scenarios, the government utilizes its executive

powers and established budgetary practices to present an interim budget, keeping in mind:

- **Constitutional principles:** While there's no explicit mention, the interim budget adheres to the broader principles of financial accountability and transparency enshrined in the Constitution.
- **Parliamentary approval:** Similar to a regular budget, the interim budget requires approval from both houses of Parliament, ensuring democratic oversight and adherence to budgetary procedures.
- **Limitations:** The interim budget avoids major policy changes or populist initiatives to minimize interference with the incoming government's economic agenda.

Therefore, while the interim budget isn't directly mentioned in the Indian Constitution, it exists as a practical solution based on established conventions and executive powers, operating within the broader framework of constitutional principles and parliamentary approval.



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General Studies
UPSC POLITY QUIZ

Read the Below Instructions Carefully:

- Click on - Start Quiz
- Attempt all questions (You can attempt or leave)

- After Attempting Last Question.
 - Enter Name & Email
 - Click on - Check Result
 - Scroll down - Check out Solutions too.
- Thank you.

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Category: **General Studies**

What is an Interim Budget?

- A budget presented by the interim government
- A provisional budget presented by the outgoing government
- An emergency budget during times of crisis
- None of the above

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Category: **General Studies**

What is the primary purpose of an interim budget in India?

- To introduce major economic reforms and policy changes.
- To ensure financial continuity during government transitions or before elections.
- To increase government spending and stimulate the economy.
- To allocate funds for new social welfare schemes.

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Category: **General Studies**

Which of the following statements is NOT true about interim budgets in India?

- They require approval from both houses of Parliament.
- They are presented before the start of the financial year.
- They can introduce new taxes or increase existing ones.
- They cover a shorter period than a regular budget.

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Category: General Studies

How is the Interim Budget different from the Full Budget?

- It includes only revenue estimates
- It presents a complete financial plan for the upcoming fiscal year
- It does not include new policies or schemes
- It includes only expenditure estimates

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Category: General Studies

What is the duration of an interim budget?

- A few months until the new government is in place
- The entire fiscal year
- Half of the fiscal year
- A quarter of the fiscal year

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Check Rank, Result Now and enter correct email as you will get Solutions in the email as well for future use!

Check the Result

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Mains Questions:

Below Mains Question

Write in Comment Section



Question 1:

Critically examine the need for and implications of an interim budget in the Indian

context. Discuss whether it compromises the role of the elected government in setting the economic agenda. (250 words)

Model Answer:

An interim budget serves as a temporary financial measure when the presentation of a regular budget is not feasible due to upcoming elections or government transitions.

Need:

- **Continuity:** Ensures smooth financial operations during political transitions.
- **Avoidance of policy vacuum:** Provides a framework for essential spending until the new government takes over.
- **Economic stability:** Maintains investor confidence and prevents disruptions in markets.

Implications:

- **Limited scope:** Focuses on maintaining existing schemes, hindering major reforms or new initiatives.
- **Reduced accountability:** The elected government gets limited control over financial decisions.
- **Potential for populism:** May tempt the outgoing government to announce crowd-pleasing measures without long-term impact.

Compromise on elected government's role:

- The interim budget restricts the incoming government's ability to set its own economic agenda immediately.

It might inherit policies and spending priorities not aligned with its vision, leading to delays in implementing its own plans.

However, the limitations of an interim budget can be mitigated through:

- **Transparency and clarity:** Clear communication of the budget's temporary nature and limitations.
- **Minimal changes:** Avoiding major policy shifts or populist announcements.
- **Consultation with incoming government:** Seeking input from the soon-to-be elected representatives during the budget preparation process.

In conclusion, while an interim budget is necessary for financial continuity during political transitions, it is crucial to recognize its limitations and ensure transparency to minimize its impact on the incoming government's economic agenda.

Question 2:

Compare and contrast the objectives and challenges associated with formulating and presenting a regular budget versus an interim budget in India.(250 words)

Model Answer:

Objectives:

- Regular budget: Aims to set the economic direction for the entire year, focusing on reforms, new initiatives, and resource allocation based on long-term goals.
- Interim budget: Primarily ensures continuity in essential spending and avoids major changes until the new government takes over.

Challenges:

- Regular budget: Balancing short-term needs with long-term goals, managing fiscal deficit, and addressing economic uncertainties.
- Interim budget: Maintaining financial stability under limited time and resources, avoiding policy overreach, and ensuring fairness in the election process.

Similarities:

- Both require accurate economic data analysis and stakeholder consultations.
- Both undergo parliamentary scrutiny and approval.
- Both aim to achieve financial sustainability and economic growth.

Differences:

- Scope: Regular budget has a broader scope for policy changes and reforms, while the interim

budget is more limited.

- **Timeframe:** Regular budget covers a full year, while the interim budget covers a shorter period.
- **Flexibility:** Regular budget allows for more flexibility in resource allocation and policy adjustments, while the interim budget has stricter limitations.

In conclusion, both regular and interim budgets play vital roles in India's financial management. While they differ in objectives, challenges, and scope, understanding these nuances is crucial for effectively analyzing and participating in the budgetary process.

Remember: These are just sample answers. It's important to further research and refine your responses based on your own understanding and perspective.

Relevance to the UPSC Prelims and Mains syllabus under the following topics:



UPSC Prelims:

- **General Awareness:** The UPSC Prelims syllabus expects candidates to have a basic understanding of current affairs and important national events. Interim

budgets, being presented before elections, often generate news and discussions. You should be aware of the reasons behind interim budgets, their key features, and their implications in a broader economic and political context.

- **Indian Polity and Governance:** This section covers the Union Budget and its importance. While not explicitly mentioned, understanding the context and differences between regular budgets and interim budgets is crucial. You may encounter questions about the budgetary process or fiscal policy, where knowing about interim budgets can be helpful.

UPSC Mains:

- **General Studies I (Indian Heritage and Culture, etc.):** This section doesn't directly touch upon interim budgets. However, understanding the evolution of the Indian budgetary system and financial administration can provide context for interim budgets and their role in the current system.
- **General Studies II (Governance, Administration and Social Justice):** This section covers issues like financial management and economic policies. Candidates can expect questions about the impact of interim budgets on fiscal stability, policy continuity, and public finance. Analyzing the pros and cons of interim budgets in the Indian context can be a valuable skill.
- **General Studies III (Indian Economy):** This section focuses on the Indian economy and its challenges. You might encounter questions about

managing the economy during election periods, the effect of interim budgets on key economic indicators, and their impact on specific sectors. Understanding the fiscal implications of interim budgets is essential.

- **General Studies IV (International Relations):** While not directly related, understanding the global economic context and international financial systems can be important for analyzing the impact of interim budgets on India's trade, investments, and overall economic position.



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Hindi.*

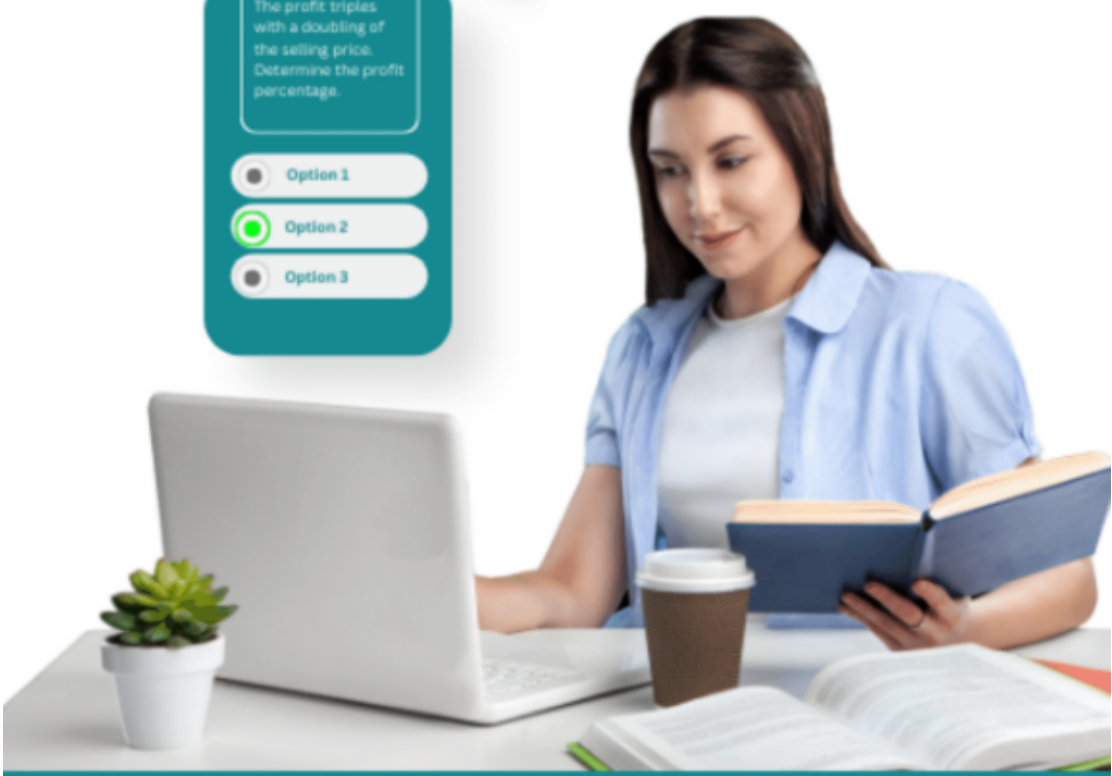
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Quiz Time

The profit triples with a doubling of the selling price. Determine the profit percentage.

- Option 1
- Option 2
- Option 3



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