

RAIL BUDGET

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RAIL BUDGET



OBJECTIVES

- INTRODUCTION
- SOURCES OF FUND
- CLASSIFICATION OF EXPENDITURE
- WHAT IS BUDGET
- BUDGET CYCLE
- VARIOUS STAGES OF BUDGET
- REVIEWS
- BUDGET DOCCUMENTS
- IMPORTANCE OF BUDGET

INTRODUCTION

- Budget word is derived from the French word Bougette which means a pouch in which the British chancellor used to carry the financial documents containing the details of receipt and expenditure of the government for a year
- Before independence JAMES WILSON Presented budget in 1860. He is known as founder of budget.
- After independence 1st budget was presented was Shanmukham Chetty in 1947

HISTORY OF RAIL BUDGET

- Railway budget separated from general budget in the year 1924 that time it is the need to separate the budget as the railway generates more than 75% of revenue at that time

HISTORY OF RAIL BUDGET

- First Rail Budget was presented by Sh. John Mathai in 1948.
- He presented two Rail budget in 1948 & 1949 and resigned in 1950.
- Sh. John Mathai was awarded later on with Padam Vibhushan.

- since the year 2017 Railway budget has been merged with the general budget hence made rail budget a part of Union budget
- .Suresh Prabhu became the last railway minister who present Railway budget separate from the Union Budget
- And Arun Jaitley became the first finance minister to present a combined Railway and general budget

CONSOLIDATED FUND OF INDIA

- This is the chief account of govt. of India
- All earnings and expenditure forms part of Consolidated Fund of India.
- This fund was established under article 266(1) of the constitution of india
- Parliament authorisation is required for any withdrawal from this fund
- It require govt approval.

Contingency Fund of India

- Emergency expenditure that can not wait for autorisation
- Unforeseen expenditures like protection of life and property, restoration of lines due to accidents etc. is met from the Contingency Fund
- This fund is kept at the disposal of president
- Set up under Article 267 of the constitution of india
- No need to Govt approval

EXPENDITURE

Expenditure are of two types:

VOTED EXPENDITURE:

- Is such class of expenditure for which the provision of Fund is made subject to vote of Parliament. These are items proposed to be met from the Consolidated Fund of India for which proposals are sent in the form of Demands for Grants for vote by the Parliament.
- These are 16 in numbers

CHARGED EXPENDITURE:

- Outside the scope of parliamentary approval
- Salary of CAG staff, Lok sabha speaker & deputy speaker, Chairman & Deputy Chairman of Rajya sabha, supreme court judges, etc
- Money to satisfy any decree
- Any other sum declared by Parliament
- President accords sanction for such class of expenditure

EXPENDITURE

- REVENUE
- CAPITAL

Revenue Expenditure

- To maintain the operational capacity
- Not Creates any assets
- Recurring in nature
- Routine expenses/daily expenses
- Expenses necessary to run business
- Shown in same year p/l account

CAPITAL EXPENDITURE

- Non recurring
- last for a longer period
- Cost of land
- The first cost of construction
- Cost of maintenance of section till not opened for working
- For replacement of overaged assets
- Creating new assets to build additional capacity
- Works, M&P, RSP under different plan heads

DEMANDS FOR GRANTS

1. Railway Board
2. Miscellaneous expenditure
3. RAILWAY ADMINISTRATION
(Demands 4,5,6,7 are for Repairs and Maintenance)
4. BUILDINGS & TRACKS
5. LOCOMOTIVES
6. CARRIAGES
7. PLANTS & EQUIPMENTS
(Demands 8,9,10 are for operations)
8. ROLLING STOCK
9. TRAFFIC DEPARTMENT
10. FUEL
11. STAFF WELFARE
12. MISCELLANEOUS EXPENSES.
13. PF, Pension & other retirement benefits.
14. Appropriation to funds.
15. Dividend, Repayment of loan etc.
16. Works expenditure.

FROM
3 TO 13
OWE .

FROM
3 TO 14
TWE

FROM
1 TO 15
REVEN
UE
EXP

FROM
1 TO 16
TOTAL
EXP

03 DEMAND – Gen.supdt.services



BOSS

04 DEMAND – P.WAY & WORKS



05 DEMAND – LOCOS (MOTIVE POWER)



06 DEMAND – CARRIAGES & WAGONS



07 DEMAND – PLANT & EQUIPMENT



08 DEMAND – OPTG.EXPENSES-ROLLING STOCK & EQUIPMENT



09 DEMAND – OPTG.EXPENSES - TRAFFIC



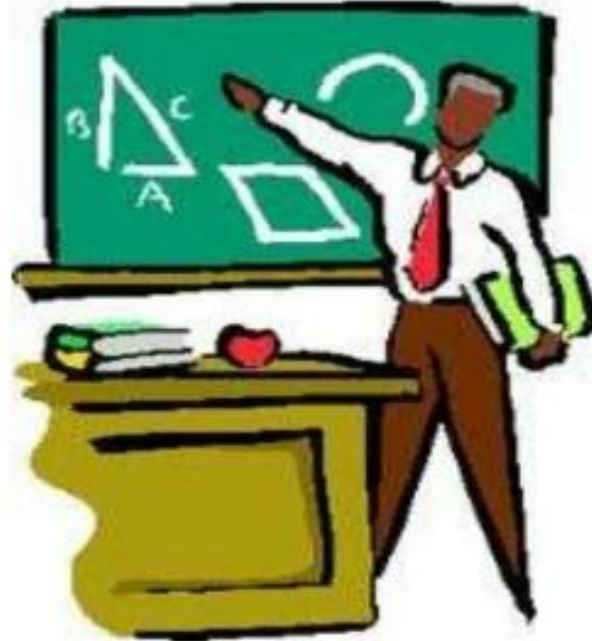
10 DEMAND – OPTG.EXPENSES - FUEL



11 DEMAND – STAFF WELFARE AND AMENITIES



12 DEMAND – MISCELLANEOUS WORKING EXPENSES



13 DEMAND – P.F., PENSION & OTHER RETIREMENT BENEFITS



Primary Units (Objects) of Revenue Expenditure

- 01 Salaries and Wages**
- 02 Dearness Pay and Dearness Allowances**
- 03 Productivity Linked Bonus**
- 04 House Rent allowances**
- 05 Compensatory (City) Allowances**
- 06 Interim Relief**
- 09 Wages of Casual Labour**
- 10 Kilometre allowance**
- 11 Overtime allowance**

Primary Units (Objects) of Revenue Expenditure- contd.

12 Night duty allowances

13 Other allowances

14 Fees and honoraria

15 Transfer allowance

16 Travelling expenses

**17 Air Travel Expenses sanctioned in lieu of
privilege passes**

18 Office expenses

**19 Rental for P&T telephone and call charges
including Trunk calls**

21 Advertising expenses

Primary Units (Objects) of Revenue Expenditure- contd.

22 Utilities

23 Rental for office equipment(other than Data Processing)

24 Printing and stationery including Publications

27 Cost of materials from stock

28 Cost of materials-Direct purchase

31 Fuel for other than traction

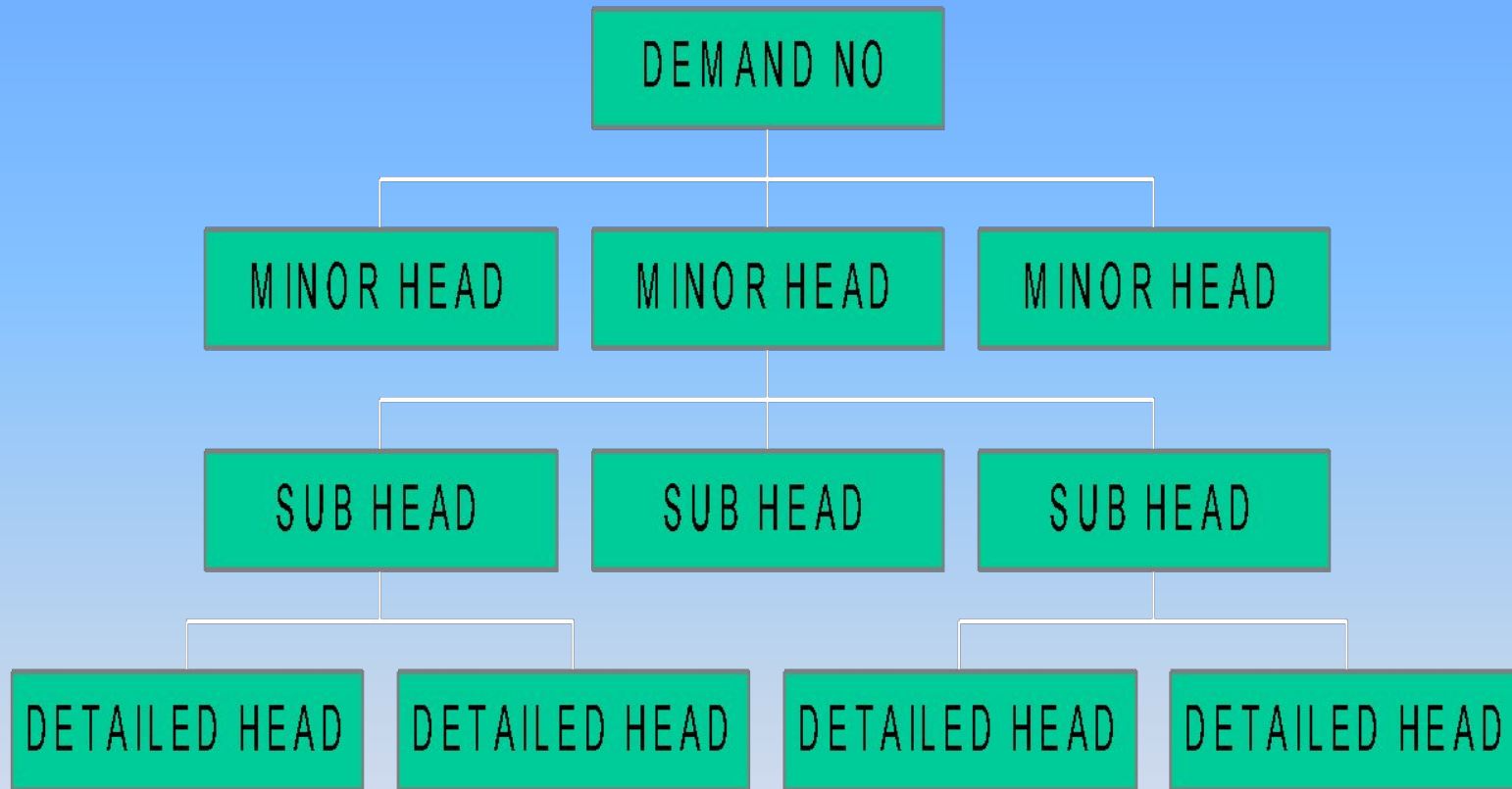
32 Contractual payments

33 Transfer of debits

Primary Units (Objects) of Revenue Expenditure- contd.

- 34 Adjustment of Wages on POH and other repairs from WMS account to Revenue Heads**
- 35 Adjustment of materials on POH and other repairs from WMS to Revenue Heads**
- 36 Excise duty paid/payable for purchase of materials**
- 37 Customs duty paid/payable for purchase of materials.**
- 38 Sales Tax paid/payable for purchase of materials.**
- 39 Air Travel(Domestic)**
- 40 Air Travel(Foreign)**
- 99 Other expenses.**

SUB-DIVISIONS OF REVENUE DEMANDS

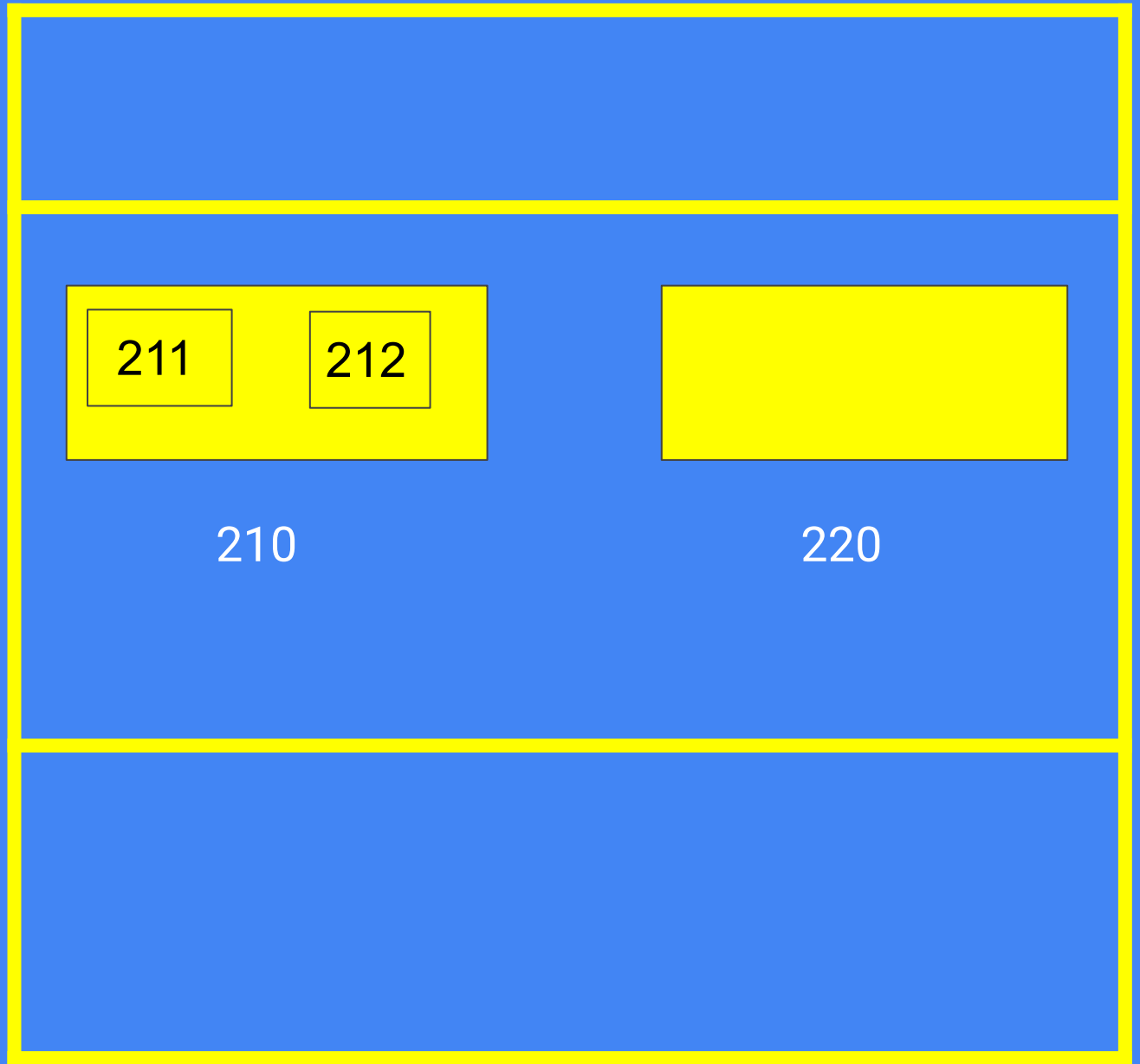


06

100

200

300



211

212

210

220

06 0211 32

32

Demand no. 06

Minor head	06- 100	establishment in office
	06-200	Coaching stock
	06-300	freight stock

.....

Minor head 06-200

sub head

210-running repair in sickline

220-running repair in workshop done for sickline

230-POH

240-special repair.....

Detailed head

211-Passenger coaching vehicle

212-other coaching vehicles

EACH DEMAND IS DIVIDED INTO :

MINOR HEAD

SUB HEAD :

DETAILED HEAD

PRIMARY UNIT

EXAMPLE OF REVENUE EXPENDITURE CLASSIFICATION :

06 0211 32

DEMAND No.

DETAILED HEAD

PRIMARY UNIT

Various Demands and Primary Units pertaining to Budget of CBWS

DEMANDS <i>for grant</i>		
Demand No.		Description
03		General Superintendence of Services.
04		Repairs and maintenance of Permanent Way and Work.
05		Repairs and Maintenance of Motive Power.
06		Repairs and Maintenance of Carriages and Wagons.
07		Repairs and Maintenance of Plant and Equipments.
08		Operating expenses Rolling Stock and Equipments.
09		Operating expenses Traffic.
10		Operating expenses Fuel.
11		Staff welfare and Amenities.
12		Miscellaneous working expenses.
13		Retirement benefits
16		Works Manufacturing Suspences (WMS)
D. No.	Head	Description
03	030211	Accounts Office (Pay and Allowances)
	030311	Welfare Section (Pay and Allowances)
	030652	I.T. Cell (Computer Sec.) Pay and Allowances
04	040431 'A'	Workshop Unit Charbagh Workshop. <i>civil Eng. Shop</i>
05	050331	Repairs and Maintenance of DSL Motive Power.
	050331-32	Contractual Payment.
	050331-34	Pay & Wages.
	050331-35	DSL Locomotive Material (Stock & Non-stock).
	050331-63	Pay & Wages of other Railway.
	050331-64	Other Railway Material Charges.
	050111-	Office Salary. <i>Officers</i>
	050114-	Ministerial staff Salary.
	050122-	SSE staff Salary.
	050130-	Lab Expenditure. <i>& Other Exp</i>
	050531-32	Contractual Payment ELPOH.
	050531-34	Wages of ELPOH staff.
	050531-35	Material (Stock and Non-stock).
	050531-63	F/Rly. Wages
	050531-64	F/Rly Material.
06	060731-32	Contractual Payment.
	060731-34	Pay & Wages.
	060731-35	Material (Stores & Non-stock).
	060731-63	F/Rly. Wages.
	060731-64	F/Rly. Material.
07	070352-32	Contractual Payment (DSL Material).
	070352-34	Wages & Payments.
	070352-35	Material (Stock & Non-stock).
	070362-32	Contractual Payment (repair of cranes, lifter tractor etc.)
	070362-35	Material (Stock & Non-stock).

CLASSIFICATION OF WORKS EXP.

- **PLAN HEAD (i.e. minor head)**

- **Sub Head**

- **Detailed Head**

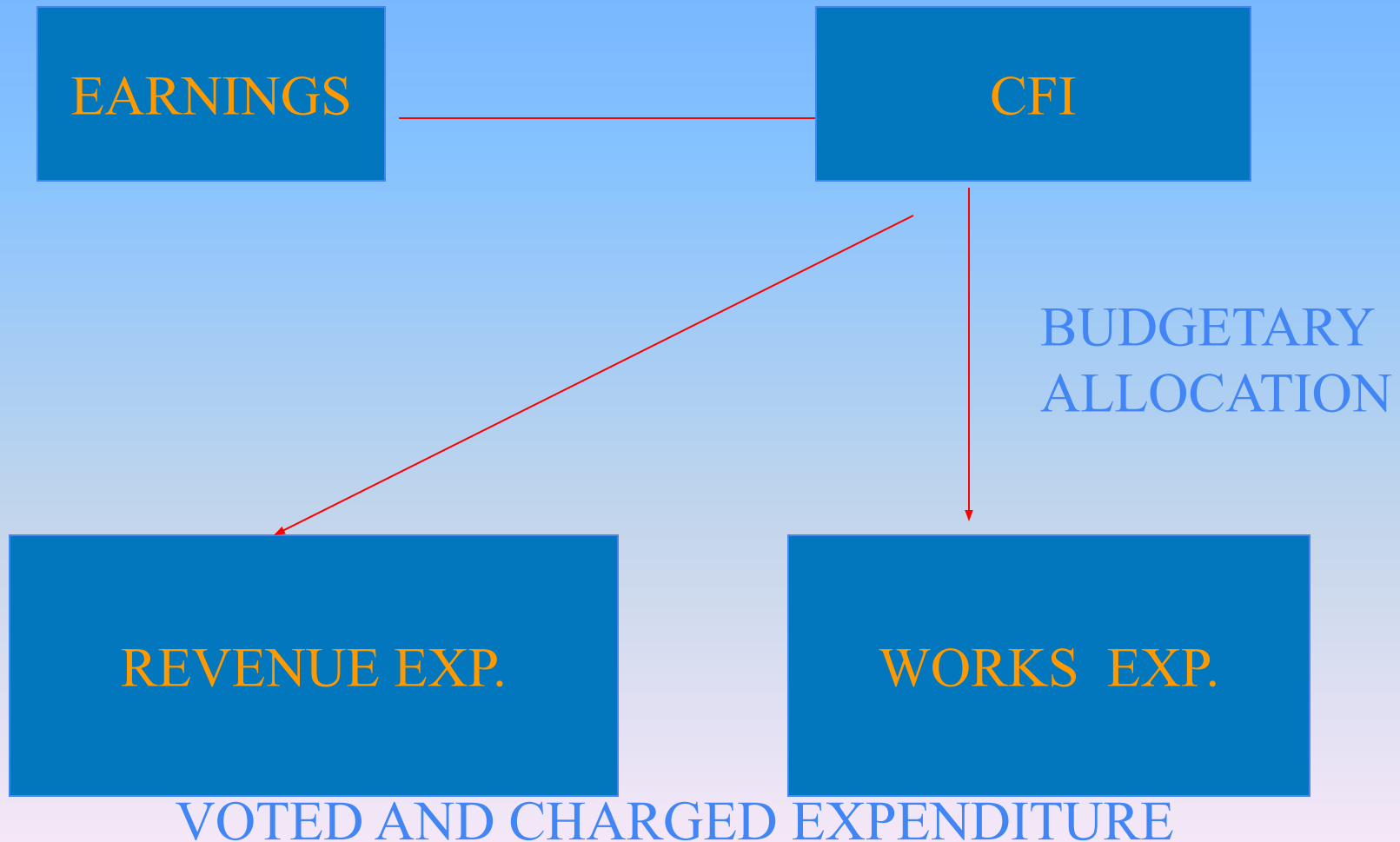
2115 --PROCUREMENT OF ELECTRIC LOCOMOTIVE

2100—(Plan Head)-Rolling Stock

2110 (Sub Head)-Locomotives

2114(Detailed Head) –Electric

FINANCIAL STRUCTURE OF RAILWAYS AND ITS RELATIONSHIP WITH THE GOVT. OF INDIA



CONSTITUTIONAL PROVISIONS REGARDING BUDGET

ARTICLE- 112

- ANNUAL FINANCIAL STATEMENT TO BE LAID IN EVERY FINANCIAL YEAR
- ITEMS OF CHARGED EXPENDITURE TO BE SHOWN SEPARATELY

ARTICLE- 113

- CHARGED EXPENDITURE NOT VOTABLE
- POWER OF THE HOUSE ON VOTABLE EXPENDITURE
- PRESIDENT'S RECOMMENDATION A MUST

ARTICLE – 114

- APPROPRIATION BILL A MUST FOR WITHDRAWAL OF MONEYS OUT OF CONSOLIDATED FUND
- NO AMENDMENT PERMISSIBLE
- NO MONEY CAN BE WITHDRAWN OUT OF CONSOLIDATED FUND OF INDIA

ARTICLE- 115

- SUPPLEMENTARY/EXCESS/
ADDL. GRANTS CAN BE
AUTHORIZED BY
PARLIAMENT

ARTICLE- 116

- PARLIAMENT EMPOWERED TO AUTHORIZE GRANT WITHOUT DETAILS IN EXCEPTIONAL SITUATIONS

IMPORTANT FACTS RELATED TO THE INDIAN RAILWAYS BUDGET

- It is prepared annually
- The financial year starts from 1st april and ends on 31st march.
- The figures mentioned in the in the budget are simply estimates,the actual may differ
- It is a plan framed on past experience which is ready for execution
- It has to be presented before the legislature for its sanction before it is implemented

WHAT IS BUDGET

The Annual Financial Statement or the Statement of the Estimated Receipts and Expenditure of the Government of India in respect of each financial year is popularly known as the Budget.

ELEMENTS OF RAILWAY BUDGET

The budget consists of

- A review of the preceding year Including the actual receipts and expenditure. (1april'19 -31march'20)
- An estimate of receipts and expenditure of the coming year. (1april'21-31march'22)
- Proposals if any for meeting the requirements of the coming year.

BUDGET STAGES

BUDGET PREPARATION



PARLIAMENTARY APPROVAL



EXECUTION OF BUDGET



CONTROLLING OF BUDGET



AUDIT OF BUDGET

Railway Budget: Structure

- Department
- Demand Wise
- Primary Units (object of expenditure) wise

Budget-Compilation Levels

- Divisions/workshops
- Zonal HQs
- Railway Board

BUDGET CYCLE

- Budget estimate----- Sep"20
(For next budget year)
- Budget presented in parliament----feb"21
- Grant(budget order)----- April"21
- August review----- August"21
(not operative now)

- REVISED ESTIMATE----- Sep'20
(current year 2020-2021)
- FIRST MODIFICATION-----JAN,22
(not operative now)
- FINIAL MODIFICATION-----jan,22
- TRANSFER TRANSACTIONS----April/may

FOCUS AREAS FOR THE INDIAN RAILWAYS BUDGET

The Indian Railways Budget focuses on the following areas of interest:

- Improvement of existing trains.
- Improvement of existing routes
- Modernization of the Indian rail network
- Freight and passenger travel

EARNINGS BUDGET

- Railways being revenue earning department, Earning and expenditure are budgeted for separately.
- Railway revenue accrue from the following sources:
 1. Movement of passengers and luggage.
 2. Movement of parcels etc.

EARNINGS BUDGET

3. Freight movement.
4. Sundry earnings e.g. Revenue receipts from catering department, interest & maintenance charges on sidings etc.

PRESENTATION TO THE PARLIAMENT

- Finance Minister presents the general budget including Railway Budget in Parliament during the month of February (now in first week)
- Budget as a whole in the shape of demands will be accompanied by the following Budget papers:

BUDGET DOCUMENTS

- Speech of Finance Minister.
- Books of Demands for Grants.
- Explanatory Memorandum to Budget.
- Works, Machinery and Rolling Stock program for each Railway.
- Performance Budget.
- Indian Railways-Year Book and Indian Railways, Annual Reports and Accounts.
- Appropriation Bill.

Budget in Parliament

- First the budget is presented in the Lok Sabha by the Finance Minister and he gives a budget speech
- then a General discussion takes place in the house
- afterwards it is sent to Rajya Sabha for the discussion
- after the discussion is over the houses are adjourned for 3 to 4 weeks.

- During this gap the departmental standing committee examine and discuss in detail the demand for grants of the concerned ministers and prepare a report on them
- with consideration of these reports voting of the demand for granted will take place
- After the Demands for Grants are voted by Parliament, Appropriation bill is introduced to provide for appropriation of money required to meet the expenditures.
- When this bill is passed, charged expenditure is passed by the President.
- Railway Board makes allotment to each unit through an order called Budget Order.

BUDGET REVIEWS

The purpose of Budget Review is:

- To review the progress of expenditure with Budget Grant.
- To estimate the actual requirements for the remaining period of the year and modify requirements to meet the needs.
- To enable the Railway Board for redistribution of funds among Railways.

BUDGET REVIEWS

Factors that contribute to revision of requirements are :

- Inflationary trend in price levels of materials and labor affecting contracts and other expenditure.
- Change in the scope of work necessitating preparation of supplementary estimate.

BUDGET REVIEWS

Budget Review is done in three ways:

- August Review in August(has finished now)
- Revised estimate including Budget Estimate.
- Final modification in January.

- **REVISED ESTIMATES & BUDGET ESTIMATES**

- The revised estimate of the current year is prepared in September'20 when the correct figures for 5 months(april to august) and approximate figures for september are known,comparing it with half of budget allotment(ie is proportional budget),projecting the requirement for remaining 6 month arriving at the total requirement for the whole year and comparing it with total Grant to determine any variation

- **At this time budget estimate for the next financial year 2021- 22 will prepared and sent along with this revised estimate of 2020-2021 so as to reach in the first week of september**
- **This review goes to the parliament for obtaining the vote of the parliament.**

- **Final Modification :-**

This review is conducted in the month of january every year .

With the statements showing additional requirements required for both voted or charged expenditure or surrender to be made during the financial year

- **Under each head of proportion as Stated in the budget order and requiring the sanction of the president.**
- **Modifications made by the railway board thereafter are called Final Modification and allotment thus sanctioned are known as Final Grants,**

REAPPROPRIATION

- Re-appropriation means transfer of funds originally assigned to a specific object to supplement funds to another object.
- Railway Board have full powers to transfer funds from one sub-head to another within a grant but not from one Grant to another in respect of voted and Charged expenditure.

REAPPROPRIATION

- But transfer between voted and Charged expenditure is not permissible.
- In respect of Demand No. 16 Re-appropriation is totally not admissible.

ADVANTAGE OF BUDGETING

- PRIORITISING POLICIES
- ACTION PLAN TO OBTAIN ORGANISATIONAL OBJECTIVES
- ECONOMICAL USE OF LABOUR, MATERIAL, FACILITIES AND CAPITAL

- REDUCES COST.
- REMOVES CLOUD OF UNCERTAINTY
- PROVIDES PERIODIC SELF ANALYSIS

Annual financial statement



Demand for grants



Appropriation bill



Take out the money and use it

THANK YOU