

Decoding the Vote on Account in 2024

Vinod Rai



Summary

India's Finance Minister Nirmala Sitharaman will present her sixth budget on 1 February 2024. However, since the general election is due in a couple of months, this will not be a full budget. As per tradition, only a Vote on Account will be presented. It is to be seen whether this Vote on Account will merely seek permission to draw from the consolidated fund or also include some political messaging.

India is scheduled to have its general election in March/April 2024. It has been a convention that pending general elections, the government of the day does not present a full budget comprising tax proposals and other policy pronouncements. The convention has been to present a Vote on Account by which the government seeks the parliament's clearance to incur expenditure towards salaries, wages, interest payments and debt services for four months of the next fiscal year.

What is a Vote on Account?

The Consolidated Fund of India, defined in Article 266 of the Indian Constitution, stores all the revenue generated by the central government, including taxes, interest on loans and a portion of state taxes. Under the Article, no funds can be drawn from the Consolidated Fund except under an appropriation undertaken by law and approved by the Centre each year during the Union Budget. This is accomplished by passing an appropriation bill during the Budget process. Nevertheless, passing the appropriation bill through the Parliament and becoming a law may take time. Meanwhile, pending elections and a new government taking charge, to enable the disbursement of salaries and committed expenditure of the state, the passing of a Vote of Account is provided for in the Constitution.

Need for a Vote on Account

Article 116 of the Constitution empowers the *Lok Sabha* (Lower House) to make any grant in advance, in respect of the estimated expenditure for a part of the financial year pending completion of the procedure for the voting of the Demands in the Budget. Thus, the Vote on Account is essentially seeking the Parliament's interim approval of spending by the government for four months of the new fiscal year. A Vote on Account is distinct from an interim budget as it includes only the government's expenditure, whereas the latter deals with both receipts and expenditures. The Vote on Account is cleared by the Lower House without any discussion. This is because this budgetary approval is essential to the smooth functioning of the government amid the electoral process.

In the current context, the incoming government, which would be sworn in around 22 May 2024, would be entitled to present the full budget. This would be done before the expiry of the

four month period for which the Vote on Account has been passed. Whilst policy pronouncements are not to be made in the Vote on Account, no government has ever allowed itself to forgo an opportunity to appeal to the electorate in innovative ways in an election year. So, while there may not be tax proposals or other policy statements, there could certainly be some political messaging.

There have been occasions when governments have announced certain freebies just before the model code of conduct comes into force. However, it must be said to the credit of the Narendra Modi government that in the budget for 2023-24, which was a pre-election year budget, though there were fairly widespread expectations that the government would announce populist measures which could impact the fiscal deficit glide path, no such populist measures were announced. The budgetary announcements ticked all the boxes by balancing the wider expectations of tax relief to individuals with sufficient resources for various government schemes. It chose not to announce standard operating procedures or freebies with an eye on the upcoming general election. Nevertheless, the state elections that were held in the last months of 2023 did see competitive politics in announcing freebies to attract the voting populace. However, there is a school of thought that considering the very affirmative and favourable response that the Bharatiya Janata Party has received from the voting public in these states, it may not resort to populist measures, which have an adverse impact on state revenues and hike expenditure.

Imperatives Likely to Figure in the Vote on Account

Certain imperatives which the Vote on Account is bound to include besides salary and other committed expenditure would be the allocation of more funds for the rural employment guarantee scheme and higher payouts for farmers, women and marginalised communities. Besides this, the Vote on Account is also likely to allocate funds for [PM Vishwakarma Yojana](#) and other skill development programmes of the government.

Another imperative will be for the government to make all attempts to ensure that inflation remains in check as this directly impacts consumer spending and will have a bearing on voter sentiments. It was this factor which prompted the government to tweak the export policy on onions by bringing it under the 'prohibited' category from the 'free' category in October 2023. Onions prices have had a fairly significant impact on voter sentiments in past elections and the government did not want to take a chance on this score. Another significant feature will be to continue the momentum of infrastructure spending. Be it roads, ports, airports or power projects, these have contributed towards boosting employment generation and other downstream activities which again bring about positive voter sentiments and investor confidence.

Given the government's confidence of a return to power, close attention should be paid to the complete budget for 2024-25 for potential policy declarations as it may want to announce its political long-term policies for the next electoral cycle. That budget would have to factor in geopolitical issues which bear immense risk in the near future, considering the Russia-Ukraine conflict and the Israel-Hamas clashes which do not seem to abate and even threaten to escalate further. The recent bombing by Iran on Israeli positions in Iraq and missile attacks between Iran

and Pakistan have a bearing on shipping routes in the Red Sea. These will have to be kept in focus.

.....

Mr Vinod Rai is a Distinguished Visiting Research Fellow at the Institute of South Asian Studies (ISAS), an autonomous research institute in the National University of Singapore (NUS). He is a former Comptroller and Auditor General of India. He can be contacted at isasvr@nus.edu.sg. The author bears full responsibility for the facts cited and opinions expressed in this paper.