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Supplementary Demands for Grants

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Why in News

The Centre has sought Parliament approval for a **gross additional expenditure** of ₹2.35 lakh crore for 2020-21.

The Minister of Finance presented the first batch of **Supplementary Demands for Grants** for this financial year in the Lok Sabha.

Key Points

- Out of the gross additional expenditure of Rs 2.35 lakh crore, Rs 1.67 lakh crore is the **net cash outgo** and Rs 68,868 crore is matched by savings of the Ministries/Departments or by enhanced receipts/recoveries.

- Due to the emergency situation caused by the **Covid-19** pandemic, this year's supplementary demand includes **additional allocations to pay for:**
 - Relief measures announced as part of the **Pradhan Mantri Garib Kalyan Yojana** in March, 2020.

These include insurance schemes, food security, cash transfer, help to small companies for paying employees etc.
 - **Aatmanirbhar Bharat** stimulus package announced in May, 2020.

The package is expected to focus on **land, labour, liquidity and laws.**
 - **Grants-in-aid for the State Disaster Response Funds**, in accordance with the interim recommendations of the 15th Finance Commission.

The government has decided to treat COVID-19 as a “**notified disaster**” as defined in **Disaster Management Act, 2005.**
 - **Grants for bank recapitalisation**: The Centre had not allocated any funds for bank recapitalisation in **Budget 2020-21**, but the economic impact of the lockdown led the the **Reserve Bank of India** (RBI) to announce in July that infusing money into banks had become necessary.

The allocation will **not involve cash outgo**, as the money is being raised through **government securities.**
 - **Mahatma Gandhi National Rural Employment Guarantee Act** (MGNREGA) scheme etc which is suffering from a fund crunch.

Supplementary Grants

- **Supplementary Grant:** It is granted when the amount authorised by the Parliament through the appropriation act for a particular service for the current financial year is found to be **insufficient** for that year.

It is specified by the **Article 115** of the constitution of India, along with Additional and Excess Grants.

- **Other Grants:**

- In addition to the **budget** that contains the ordinary estimates of income and expenditure for one financial year, various other grants are made by the Parliament under extraordinary or special circumstances. Apart from Supplementary Grants, these include:
- **Additional Grant:** It is granted when a need has arisen during the current financial year for additional expenditure upon **some new service** not contemplated in the budget for that year.
- **Excess Grant :** It is granted when money has been spent on any service during a financial year **in excess of the amount granted** for that service in the budget for that year. It is voted by the Lok Sabha after the financial year. Before the demands for excess grants are submitted to the Lok Sabha for voting, they must be approved by the Public Accounts Committee of Parliament.
- **Vote of Credit:** It is granted 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 a budget. Hence, it is like a blank cheque given to the Executive by the Lok Sabha.
- **Exceptional Grant:** It is granted for a **special purpose** and forms no part of the current service of any financial year.
- **Token Grant:** It is granted when funds to meet the proposed expenditure on a new service can be made available by reappropriation. A demand for the grant of a token sum (of Re 1) is submitted to the vote of the Lok Sabha and if assented, funds are made available.

Reappropriation involves transfer of funds from one head to another. It does not involve any additional expenditure.

- **Votes on account, votes of credit and exceptional grants** are specified in **Article 116** of the constitution.
- Supplementary, additional, excess and exceptional grants and vote of credit are **regulated by the same procedure which is applicable in the case of a regular budget.**

Source: TH