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The Consolidated Fund of India

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In 1787, Britain was drowning in war debt. Its finances were scattered across dozens of separate revenue streams. One minister’s fix, pouring every stream into a single fund, worked so well that India borrowed both the idea and the name 150 years later. Nearly every rupee the Central Government spends still passes through that one constitutional account.


साउथ ब्लॉक
SOUTH BLOCK



North and South Block, New Delhi. North Block houses the Ministry of Finance, whose Department of Economic Affairs prepares the Union Budget every year. Photo: Ankur Panchbudhe, CC BY 2.0, via Wikimedia Commons.

> **Article 266(1)** Establishes the Consolidated Fund.
> **Article 267** Establishes the Contingency Fund.
> **Contingency Fund Corpus** ₹30,000 crore, since 2021.
> **Government Funds** 3 — Consolidated, Contingency, Public Account.

Consolidated Fund:: the single account holding all government revenue, loans, and loan repayments. No money leaves it except by law.

Charged Expenditure:: spending Parliament can discuss but not vote down, like judges' salaries and debt interest.

Money Bill:: a Bill under Article 110 dealing only with taxation, borrowing, or the Consolidated Fund. It can only start in the Lok Sabha.

1 What the Consolidated Fund Holds, and How Money Leaves It

1.1 What does Article 266(1) actually establish?

- The Consolidated Fund of India was established under Article 266(1) of the Constitution.
- It holds all government revenues, all loans raised by the government, and all money received in repayment of loans.
- Every Indian State also has its own Consolidated Fund of the State, set up under this same Article, working the same way at the State level.

1.2 How can money actually leave the Consolidated Fund?

- No money can be withdrawn from the Consolidated Fund except in accordance with law. Parliament must have already approved the purpose.
- Most withdrawals need parliamentary approval through the annual Appropriation Act. That Act follows the Union Budget's Demand for Grants process.
- A smaller category, called charged expenditure, works differently. It does not need a fresh parliamentary vote each year, but it still must be paid from the Consolidated Fund, never skipped.

1.3 What actually counts as charged expenditure?

- Charged expenditure includes the President's salary and allowances, judges' salaries and pensions, and interest payments on government debt.
- **Parliament can discuss this spending, but cannot vote to reduce or reject it.** Discussion without a veto is the whole point of the

category.

1.4 Where does the name “Consolidated Fund” actually come from?

- Britain’s own Consolidated Fund was created in 1787 by William Pitt the Younger, then Prime Minister. It was meant to dig the country out of the debt left by the American Revolution.
- Before Pitt’s reform, British government revenue was scattered across dozens of separate funds, each tied to a specific tax or duty. Nobody could easily tell how much money the government actually had at any moment.
- Pitt’s Consolidation Act poured every one of those separate streams into a single fund. It replaced the old patchwork with one account the Treasury could actually track.
- **India’s framers borrowed both the idea and the exact name** over 150 years later. The same basic logic, one fund, one set of withdrawal rules, still runs the Union’s finances today.

> **Quick check 1.** Charged expenditure needs a fresh parliamentary vote every single year, just like ordinary spending. *(True or False?)*
>
> See answer ↓

2 The Other Two Funds, and Why Three Exist

2.1 What is the Contingency Fund, and how is it different?

- The Consolidated Fund of India is distinct from the Contingency Fund of India, set up separately under Article 267.

- The Contingency Fund covers genuinely unforeseen expenses. Parliament approves the withdrawal only afterward, speed first, formal sign-off second.
- Its corpus was increased sharply in 2021, from ₹500 crore to ₹30,000 crore. That gave the government far more room to handle emergencies like disaster relief, without repeatedly returning to Parliament mid-crisis.

2.2 What is the Public Account, and why doesn't it need Parliament's vote?

- The Public Account of India is a third, different fund, set up under Article 266(2). It holds money like provident funds and small savings, where the government acts more like a banker than an owner.
- Because that money doesn't really belong to the government, withdrawals from the Public Account don't need parliamentary appropriation at all.
- **Splitting government money into three funds reflects a deliberate design.** Ordinary spending needs full parliamentary control. Emergencies need speed. Money the government merely holds for others needs neither.

2.3 Who audits all three funds?

- The Comptroller and Auditor General audits spending from the Consolidated Fund, the Contingency Fund, and the Public Account.
- This makes the CAG the key check on how faithfully the government follows its own budget.

> **Quick check 2.** The Public Account needs the same parliamentary appropriation as the Consolidated Fund before any money can leave it. *(True or False?)* See answer ↓

3 Money Bills vs Financial Bills

3.1 What almost looks like a Money Bill, but isn't?

- Article 110(2) says a Bill is **not** a Money Bill merely because it imposes fines or local taxes. These look financial, but the Constitution deliberately excludes them from the definition.
- An exam trap built on this asks which option is NOT a Money Bill provision, among tax imposition, appropriation from the Consolidated Fund, fines by a local authority, and custody of the Consolidated or Contingency Fund. The answer is the local-authority fine, since it sits outside Article 110's actual list. Source: UPSC CDS (I) 2022, Q44.

3.2 How is a Financial Bill different from a Money Bill?

- All Money Bills are Financial Bills, but not all Financial Bills are Money Bills. Article 117 covers a broader category that doesn't automatically meet Article 110's narrower test.

- **The Speaker of the Lok Sabha decides which category a Bill falls into**, and that decision is final. It cannot be questioned in any court, under Article 110(3).
- **Category A, under Article 117(1):** contains at least one Money Bill provision, but other matters too. It needs the President's prior recommendation and can only be introduced in the Lok Sabha, just like a true Money Bill. It still isn't a Money Bill, though. The Rajya Sabha keeps its full power to amend or reject it.
- **Category B, under Article 117(3):** an ordinary Bill that happens to involve expenditure from the Consolidated Fund. It can be introduced in either House, with no special restriction at all.
- A true Money Bill under Article 110 moves faster. The Rajya Sabha must return it within 14 days, with only recommendations, not amendments. If 14 days pass with no return, the Bill is deemed passed as the Lok Sabha originally sent it.

Now you try: why does the Rajya Sabha have far less power over a true Money Bill than over a Category A Financial Bill, even though both need the President's prior recommendation?

Article 110 gives the Rajya Sabha only 14 days to recommend, never amend, a true Money Bill. A Category A Financial Bill under Article 117(1) shares that same Lok-Sabha-only starting point and presidential recommendation, but it carries other matters beyond a pure Money Bill provision. That difference in scope is exactly why the Constitution keeps the Rajya Sabha's full amend-or-reject power over it, unlike a real Money Bill.

4 Where This Gets Tested

4.1 What did UPSC CSP 2015 ask about Budget preparation?

- The question asked which statements about Union Budget preparation, the Consolidated Fund, and the Public Account are correct. Only one of three statements held up.
- The Union Budget is actually prepared by the Department of Economic Affairs, not the Department of Revenue. Disbursements from the Public Account need no Parliamentary authorisation at all, since it is operated by executive action, unlike the Consolidated Fund. Source: UPSC CSP 2015, GS Paper I, Q60.

4.2 What did the CAG's April 2026 report find?

- The CAG tabled its Financial Audit Report on the Union Government's accounts for FY 2024-25 on 2 April 2026. It flagged ₹54,282 crore in unaccounted expenditure tied to 33,973 pending Utilisation Certificates across 15 ministries.
- Housing and Urban Affairs (₹18,273 crore) and Higher Education (₹14,360 crore) were the two biggest defaulters named in the report. Source: NewsGram.

4.3 How much charged-expenditure money went unspent in FY 2024-25?

- The same CAG report showed FY 2024-25's charged provision from the Consolidated Fund was about ₹1,00,47,777 crore. Actual charged expenditure came to ₹99,78,400 crore, leaving unspent savings of ₹69,377 crore. Source: CAG.

Watch these traps: a Category A Financial Bill under Article 117(1) still isn't a Money Bill, even though it starts only in the Lok Sabha and needs presidential recommendation. Local-authority fines and taxes never make a Bill a Money Bill, no matter how financial they look. The Public Account never needs a parliamentary vote, but the Consolidated Fund almost always does. Charged expenditure is the one exception, Parliament can discuss it, never block it.

Explain it back: in your own words, why does India split government money across three separate funds instead of keeping it all in one account?

Practice MCQs

1. Under which Article of the Constitution is the Consolidated Fund of India established?

A. Article 266(1)

B. Article 112

C. Article 149

D. Article 267

See answer ↓

2. Which of these is an example of 'charged' expenditure on the Consolidated Fund of India, not requiring a parliamentary vote?

A. The salary of a Supreme Court judge

B. A new highway construction project

C. A ministry's annual office budget

D. A state's disaster relief grant

See answer ↓

3. The Contingency Fund of India, distinct from the Consolidated Fund, was established under which Article?

A. Article 266(2)

B. Article 148

C. Article 267

D. Article 280

See answer ↓

4. In 2021, the Contingency Fund of India's corpus was increased from ₹500 crore to how much?

A. ₹1,00,000 crore

B. ₹30,000 crore

C. ₹10,000 crore

D. ₹5,000 crore

See answer ↓

5. Which Article sets up the Consolidated Fund of India and of each State?

A. Article 280

B. Article 266

C. Article 267

D. Article 265

See answer ↓

6. With reference to the Union Government, consider the following statements:

1. The Department of Revenue is responsible for the preparation of Union Budget that is presented to the Parliament.

2. No amount can be withdrawn from the Consolidated Fund of India without the authorization from the Parliament of India.

3. All the disbursements made from Public Account also need the authorization from the Parliament of India.

A. 1 and 2 only

B. 2 and 3 only

C. 2 only

D. 1, 2 and 3

See answer ↓

7. The Contingency Fund of India exists mainly to cover which kind of expenditure?

A. Unforeseen expenditure that cannot wait for Parliament

B. Routine, pre-approved annual spending

C. Provident fund deposits held in trust

D. State government borrowing limits

See answer ↓

8. The CAG audits and reports on expenditure from the Consolidated Fund of India, the Contingency Fund, and Public Accounts, but is NOT responsible for?

A. Controlling the actual receipt and issue of public money to ensure revenue reaches the exchequer

B. Auditing expenditure from the Consolidated Fund of India

C. Auditing expenditure from the Contingency Fund

D. Auditing trading, manufacturing, and profit-and-loss accounts of government undertakings

See answer ↓

Answer Key

1. **A.** The Consolidated Fund of India is established under Article 266(1) of the Constitution. It holds all government revenues, loans raised, and repayments of loans. ↑ Q1
2. **A.** Charged expenditure includes salaries and pensions of Supreme Court judges, the President's emoluments, and interest on government debt. Parliament can discuss this spending but cannot vote to reduce or reject it. ↑ Q2
3. **C.** The Contingency Fund of India was established under Article 267. It covers unforeseen expenses, with Parliament approving the withdrawal only afterward. ↑ Q3
4. **B.** The Contingency Fund's corpus was increased sixty-fold in 2021, from ₹500 crore to ₹30,000 crore. This gave the government more room to handle emergencies without repeatedly returning to Parliament. ↑ Q4
5. **B.** Article 266 sets up the Consolidated Fund of India and of each State; Article 267 sets up the Contingency Fund. ↑ Q5
6. **C.** The correct answer is **(c) 2 only**. The Union Budget is prepared by the Budget Division of the Department of Economic Affairs, not the Department of Revenue — Statement 1 is false. Withdrawals from the Consolidated Fund genuinely need Parliament's authorization (Article 266) — Statement 2 is true. Disbursements from the Public Account do NOT need parliamentary authorization, since that money doesn't belong to the government in the same way — Statement 3 is false. Read more. ↑ Q6
7. **A.** The Contingency Fund of India covers unforeseen expenditure that cannot wait for Parliament's prior approval. The President operates it, and Parliament approves the spending afterward. ↑ Q7
8. **A.** Controlling the actual receipt and issue of public money is an executive/accounting function, not the CAG's; the CAG's role is auditing, not controlling fund flows directly. ↑ Q8

Quick-check answers

1. **False.** ↑ 1
2. **False.** ↑ 2

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