PREFACE

Financial administration as a system, through which the State conducts its financial business and exerts influence on the level of economic activity, holds a unique practical significance in a parliamentary democracy. The Indian financial system, though developed on the British pattern, has undergone radical changes since Independence, under the impact, particularly, of: (a) adoption of a federal Constitution on January 26, 1950; (b) institution of State-initiated and State-directed process of planned development since April 1951; (c) increasing participation of the State in the process of economic growth with the consequent pressures on resource-mobilisation, resulting in a growing financial involvement of the Union and State governments on account of both administrative and developmental expenditures; and (d) the emergence of a changing Union-State fiscal relationship.

This changing character of the system has attracted not an inconsiderable amount of attention at academic, administrative and political levels. Very recently the Administrative Reforms Commission have conducted a thorough examination of the system and recommended measures to adapt it so as to serve adequately the changing situations. In order to meet a long felt need, therefore, the present book is a modest attempt at an analytical treatment of the subject, in the context of the changing framework, under which the Indian financial system in operating.

The book covers a wide range of subjects, viz., Union-State fiscal relationship; the Finance Commission and the Planning Commission, and their respective roles in the emerging context; various stages of the budgetary process — preparation, legislative sanction, execution, system of accounts and audit, and system of parliamentary financial committees; analysis of the trends in the finances of the Union and State governments since 1950-51; an analytical account of the trends in and structure of public debt since 1950-51; theoretical implications of price policy of public enterprises; and the concept of performance budgeting and its implications in the Indian context.

In this attempt, the author owes a debt of deep gratitude to a number of authorities; both in this country and outside, on whose specialised knowledge he has the privilege to draw. More particularly, the monumental studies undertaken by the Administrative Reforms Commission and the various Working/Study Groups appointed by them have been an invaluable sources of reference.
The views, wherever expressed in the text, are the personal observations of the author and are put forward to stimulate purely academic discussion. They should in no way be attributed to the author in his official capacity or the organisation which he has the privilege to serve.

To acknowledge the contribution of each person who has in one way or the other stimulated the author to write this book would require a long list indeed. The author cannot omit, however, an avowal of debt to his friend Shri Harkishan Lal Kapoor and acknowledges gratefully his influence which has been pervasive and long-lasting.

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