Pearson SUCCESS COMPANION

# PUBLIC ADMINISTRATION

## *for Civil Services Main Examination*

**OPTIONAL SUBJECT PAPER-II**

### HIGHLIGHTS

- Designed for Union and State Civil Services Examinations Main Optional Subject Paper-II
- Exhaustive Syllabus Coverage
- Content Presented in Unique Question–Answer Format
- Questions are Based on Previous Years' Papers

Pearson

**Anupama Puri Mahajan**

# *About Pearson*

*Pearson is the world's learning company, with presence across 70 countries worldwide. Our unique insights and world-class expertise comes from a long history of working closely with renowned teachers, authors and thought leaders, as a result of which, we have emerged as the preferred choice for millions of teachers and learners across the world.*

*We believe learning opens up opportunities, creates fulfilling careers and hence better lives. We hence collaborate with the best of minds to deliver you class-leading products, spread across the Higher Education and K12 spectrum.*

*Superior learning experience and improved outcomes are at the heart of everything we do. This product is the result of one such effort.*

*Your feedback plays a critical role in the evolution of our products and you can contact us* - reachus@pearson.com. *We look forward to it.*

*This page is intentionally left blank.*

# PUBLIC ADMINISTRATION

*for Civil Services Main Examination*

**OPTIONAL SUBJECT PAPER-II**

**Anupama Puri Mahajan**

Pearson

*This book is dedicated to all the men in my life, my father V K Puri who has been a strength and motivator since the beginning; my husband, Sanjeev Mahajan who has been a pillar of support in my projects of writing; and my son-in-law, Siddharth Anand who God has blessed me with and is more than a son to us. My daughters, Pawini and Vansha, have always supported me in my work and encouraged me to push myself for excellence.*

**Copyright © 2019 Pearson India Education Services Pvt. Ltd**

Published by Pearson India Education Services Pvt. Ltd, CIN: U72200TN2005PTC057128.

No part of this eBook may be used or reproduced in any manner whatsoever without the publisher's prior written consent.

This eBook may or may not include all assets that were part of the print version. The publisher reserves the right to remove any material in this eBook at any time.

ISBN 978-93-534-3660-5
eISBN XXX-XX-XXX-XXXX-X

**First Impression**

Published by Pearson India Education Services Pvt. Ltd, CIN: U72200TN2005PTC057128.

Head Office:15th Floor, Tower–B, World Trade Tower, Plot No. 1, Block–C, Sector–16, Noida 201 301, Uttar Pradesh, India.

Registered Office: The HIVE, 3rd Floor, Metro zone, No 44, Pilliayar Koil Street, Jawaharlal Nehru Road, Anna Nagar, Chennai, Tamil Nadu 600040.
Phone: 044-66540100
Website: in.pearson.com, Email: companysecretary.india@pearson.com

# CONTENTS


*Preface* *vii*
*About the Author* *viii*
*Question and Topic Analysis* *ix*
*Previous Years' Analysis* *xiii*

**UNIT I: EVOLUTION OF INDIAN ADMINISTRATION 1.1**

**Chapter 1** Kautilya's Arthashastra 1.3
**Chapter 2** Mughal Administration 1.22
**Chapter 3** Legacy of British Rule in Politics and Administration 1.29

**UNIT II: THE PHILOSOPHICAL AND CONSTITUTIONAL FRAMEWORK OF GOVERNMENT 2.1**

**Chapter 4** Salient Features and Value Premises 2.3
**Chapter 5** Constitutionalism 2.12
**Chapter 6** Political Culture 2.21
**Chapter 7** Bureaucracy and Democracy 2.30

**UNIT III: PUBLIC SECTOR UNDERTAKINGS 3.1**

**Chapter 8** The Public Sector in Modern India 3.3
**Chapter 9** Forms of Public Sector Undertakings in India 3.14
**Chapter 10** Problems of Autonomy, Accountability and Control in Public Sector Undertakings 3.25
**Chapter 11** Impact of Liberalization and Privatization 3.33

**UNIT IV: UNION GOVERNMENT AND ADMINISTRATION 4.1**

**Chapter 12** Executive, Parliament and Judiciary—Structure, Functions, Work Processes, Recent Trends 4.3
**Chapter 13** Intragovernmental Relations 4.15
**Chapter 14** Cabinet Secretariat, Prime Minister's Office (PMO) 4.19
**Chapter 15** Central Secretariat, Ministers and Departments 4.26
**Chapter 16** Boards, Commissions, Attached Offices and Field Organizations 4.37

**UNIT V: PLANS AND PRIORITIES 5.1**

**Chapter 17** Machinery of Planning – Role, Composition and Functions of the Planning Commission and the National Development Council – Indicative Planning; NITI *Aayog* 5.3
**Chapter 18** Process of Plan Formulation (The Union and State Levels; Decentralized Planning) 5.32

**UNIT VI: STATE GOVERNMENT AND ADMINISTRATION 6.1**

**Chapter 19** Union-State Administrative, Legislative and Financial Relations 6.3
**Chapter 20** Role of Finance Commission 6.19
**Chapter 21** Governor, Chief Minister, Council of Ministers, Chief Secretary, State Secretariat, Directorates 6.30

**UNIT VII: DISTRICT ADMINISTRATION SINCE INDEPENDENCE 7.1**

**Chapter 22** Changing Role of the Collector 7.3
**Chapter 23** Union–State–Local Relations 7.9

**UNIT VIII: CIVIL SERVICES 8.1**

Chapter 24 Constitutional Provisions – Structure, Recruitment, Training and Capacity Building 8.3

Chapter 25 Good Governance Initiatives 8.12

Chapter 26 Code of Conduct and Discipline, Staff Associations, Political Rights and Grievance Redressal Mechanism 8.24

Chapter 27 Civil Service Neutrality; Civil Service Activism 8.40

**UNIT IX: FINANCIAL MANAGEMENT 9.1**

Chapter 28 Budget as a Political Instrument; Parliamentary Control of Public Expenditure 9.3

Chapter 29 Role of Finance Ministry in the Monetary and Fiscal Area 9.11

Chapter 30 Accounting Techniques – Role of Controller of Accounts of India 9.18

Chapter 31 Audit – Role of Comptroller of Auditor General of India 9.28

**UNIT X: ADMINISTRATIVE REFORMS SINCE INDEPENDENCE 10.1**

Chapter 32 Major Concerns – Important Committees and Commissions 10.3

Chapter 33 Reforms in Financial Management and Human Resource Development 10.20

Chapter 34 Problems of Implementation 10.37

**UNIT XI: RURAL DEVELOPMENT 11.1**

Chapter 35 Institutions and Agencies Since Independence 11.3

Chapter 36 Rural Development Programmes – Foci and Strategies 11.14

Chapter 37 Decentralization, District Administration and Panchayati Raj – 73rd Constitutional Amendment 11.21

**UNIT XII: URBAN LOCAL GOVERNMENT 12.1**

Chapter 38 Municipal Governance – Main Features, Structure, Finance and Problem Areas; 74th Constitutional Amendment 12.3

Chapter 39 Global Local Debate – New Localism 12.20

Chapter 40 Development Dynamics, Politics and Administration with Special Reference to City Management 12.24

**UNIT XIII: LAW AND ORDER ADMINISTRATION 13.1**

Chapter 41 British Legacy 13.3

Chapter 42 National Police Commission 13.8

Chapter 43 Investigative Agencies 13.19

Chapter 44 Role of Central and State Agencies in Maintenance of Law and Order 13.26

Chapter 45 Criminalization of Politics and Administration 13.38

Chapter 46 Police-Public Relations – Reforms in Police 13.43

**UNIT XIV: SIGNIFICANT ISSUES IN INDIAN ADMINISTRATION 14.1**

Chapter 47 Values in Public Service 14.3

Chapter 48 Regulatory Commissions 14.11

Chapter 49 National Human Rights Commission 14.19

Chapter 50 Problems of Administration in Coalition Regimes 14.24

Chapter 51 Citizen-Administration Interface 14.26

Chapter 52 Disaster Management 14.33

Annexure A.1

# PREFACE

Public Administration has come a long way since Woodrow Wilson highlighted the discipline through his essay on *The Study on Administration* in 1887. Its journey has been a remarkable one from being a subject under Political Science to it becoming a discipline in its own right. The United Nations has a specific division dedicated to it named *United Nations Public Administration Network (UNPAN).* The UNPAN helps the United Nations member states to promote an internet-based network that links global, regional and national institutions. It helps in building the capacity of regional and national institutions so that they can access, process and disseminate up-to-date information and communication technologies for the promotion of better public administration.

Public administrators are the heads of all Government Departments and agencies who work not only to govern but also to act as a social change agents. Governments keep changing but the administrators remain the same even though they may be transferred. They are the ones who bring in Good Governance.

Scholars in the field of Public Administration have written about the discipline, devised methods, techniques and models to improve productivity, efficiency, effectiveness and economy of governments and administrations. Public Administration theories are best understood both in their historicity and contemporaneity. The length and breadth of the study is massive and so exhaustive that it is indeed a Herculean task to gain familiarity with it. In order to give a successful paper, you would need much more than familiarity—you will need clarity and precision along with a thorough understanding of the subject.

Your most dependable tool in this journey is the voice of the teacher, presented in the unique question–answer format of this title.

This book relates to the syllabus of the Paper II (optional) for the mains UPSC examination and all State Services too. The book can also be used by students of post-graduation in Public Administration. Its uniqueness lies in its question–answer format as it was in Paper I. It will give you a sense of what type of questions will be expected and the way they have to be answered. It includes previous years' questions which gives an idea of how they are to be practiced.

Besides providing complete text on the concepts and institutions in India, it also relates them to the current status in India. The administrative and political culture, need to be understood in their historical as well as the present context. The language used in this book is made easy to comprehend and most of the text is broken down into points and bullet format which makes retaining them easier. There is no doubt that clearing the UPSC examination is not an easy task but this book covers the entire syllabus of Paper II with the latest available data.

I wish you all, best of luck that you succeed in your endeavours to become valuable and effective public administrators.

***Anupama Puri Mahajan***

# ABOUT THE AUTHOR

**Dr. Anupama Puri Mahajan,** a researcher and writer, served as a Postdoctoral Research Fellow in the Department of Public Administration, Himachal Pradesh University, Shimla (India). She regularly contributes research articles on Public Administration to reputed journals, newspapers and chapters in books.

She has authored and co-authored books on *Women Empowerment and Financial Administration in India, Public Administration for Civil Services, Paper I* and *Development Administration.*

# QUESTION AND TOPIC ANALYSIS

## STRUCTURE OF THE BOOK

This book has been designed to give a two-edged advantage of having the whole syllabus on one hand and the text in a question-answer format on the other. The book is divided into fourteen units, as prescribed by the UPSC, which individually cover the topics under its umbrella. It gives an understanding into how and why governance in India is carried out and the ways it can be improved in real time situations. The structure of the book is designed in the following manner:

## UNIT I: EVOLUTION OF INDIAN ADMINISTRATION

The evidence of Indian Administration can be dated back to 325 B.C. from the great work of *Arthashastra* by Kautilya. This unit traces how administration has evolved since Kautilyan times into Mughal and the British periods. It gives us perspective of the traces found in the present Indian administration of the earlier administrative systems. India is still grappling with British obsolete laws that are being repealed now one by one. It is such a huge task that the whole legal system cannot be revamped in one go.

## UNIT II: THE PHILOSOPHICAL AND CONSTITUTIONAL FRAMEWORK OF GOVERNMENT

The Constitution of India has been framed by our founding fathers with an underlying philosophy and value premises which cannot be altered even though the laws can be changed. This unit deals with the value premises that have been included in our Constitution and their relevance in today's times. The unit also includes the concepts of Constitutionalism and the political culture in India. Each country has its own political culture and it is pertinent to study what our country holds whether it is constructive or denigrating. Lastly, the concepts of bureaucracy and development have been discussed in detail how they are interlinked and upheld in India.

## UNIT III: PUBLIC SECTOR UNDERTAKINGS

Public Sector Undertakings (PSUs) were established in India after independence to kickstart the economy and gradually the number had increased to cover more sectors. The unit includes the forms of PSUs in India and its existence in modern India. A majority of them have not been doing well and have been running into losses despite of reforms and major capital infusions. Since the last decade, the trend of the Government of India has been to disinvest the PSUs going into losses. Government's responsibility must be to facilitate ease-of-doing-business to let the private business enterprises grow. The unit also discusses the problems of autonomy, accountability and control in PSUs and the effects of liberalization and privatization over them.

## UNIT IV: UNION GOVERNMENT AND ADMINISTRATION

It is important to understand what the Union Government and administration is with respect to its three arms, that are, the Parliament, the Executive and the Judiciary. The structure, functions, work processes and recent trends have been dealt with. Intragovernmental relations is another important aspect to study while the Cabinet Secretariat and the Prime Minister's Office has been studied from a perspective how it has been changing since independence and how it has become a centre of power now. The other topics included in this unit are the Central Secretariat, Ministers and Departments; and Boards, Commissions, Attached offices and field offices. They give us an insight into the internal workings of the Government and its different agencies to carry out its activities.

## UNIT V: PLANS AND PRIORITIES

The fifth unit covers the plans and priorities of Indian national planning. The Five-Year Plans have been given in a comprehensive manner while the National Development Council and its methodology of indicative planning has been dealt with in detail. Since the Planning commission was closed down in 2015 and replaced by the NITI Aayog, a detailed account of its functions and plans have been given even though it is not given in the syllabus but questions have been coming from it in the last couple of years. The topics, 'process of plan formulation at the Union and State levels' and 'Constitutional Amendments (1992) and decentralized planning for economic development and social justice' are also given in an all-inclusive manner.

## UNIT VI: STATE GOVERNMENT AND ADMINISTRATION

The inter-governmental relations between the Centre and the States are very important and very often conflicts arise regarding financial, administrative and legislative functions. There have been two Commissions that were constituted to recommend norms to reduce the friction between the two levels of the Government, namely, The Sarkaria Commission and The Punchhi Commission. Their recommendations have been given in detail to study and analyze them. The role of Fifteenth Commission has been covered explicitly with its Terms of Reference and what is expected from it. The duties and functions according to the Constitutional provisions of the Governor; Chief Minister; Council of Ministers; Chief Secretary, State Secretariat; Directorates are included in this unit.

## UNIT VII: DISTRICT ADMINISTRATION SINCE INDEPENDENCE

The changing role of the Collector at the district level is the most crucial one which defines the policies and programmes on the ground. It has been discussed from different perspectives of what the Constitution demands as well as the reality on the ground. The unit also includes the Union State Local Relations which can promote development or hamper it depending on how smooth or conflicting they are.

## UNIT VIII: CIVIL SERVICES

Unit VIII deals with various aspects related to civil services. They are the backbone of the Government and explains the Constitutional Provisions regarding their – Structure, Recruitment, Training and Capacity Building. The civil services is responsible to implement Good Governance initiatives to improve public service delivery, the ultimate client being the citizen. They are given in detail along with the Code of Conduct and Discipline; Staff Associations; Political Rights; Grievance Redressal Mechanism of civil services.

## UNIT IX: FINANCIAL MANAGEMENT

Financial management is important for citizen satisfaction by improving human development indices. The Indian public financial management system is a strong established one with set procedures of budgeting, accounting and auditing bit scholars believe that there is scope of improvement. This unit deals with how the Budget acts as a Political Instrument; the Parliamentary control of public expenditure; the Role of Finance Ministry in the monetary and fiscal area and the Accounting techniques with special reference to the Role of Controller of Accounts of India. Finally, auditing is the last step of the financial system which identifies frauds and errors to correct the malpractices and punish the culprits. The role of the Comptroller of Auditor General of India has been discussed in this unit.

## UNIT X: ADMINISTRATIVE REFORMS SINCE INDEPENDENCE

Various committees and commissions have been constituted in India from time to time to recommend changes in particular aspects of public administration or to inquire into any misappropriations. This unit deals with major Concerns of important Committees and Commissions. The next topic in this unit studies the major reforms in Financial management and Human Resource Development. Once all the policies, plans and programmes have be executed but the problems of implementation hinder development of the vulnerable sections of the society. The last topic in this unit covers the problems of implementation.

## UNIT XI: RURAL DEVELOPMENT

India needs an all-inclusive strategy to cope up with the regional disparity and rural backwardness. Agriculture is the primary sector of rural economy and rural employment and it needs agriculturalists to move towards more non-farming activities to boost the economy. This unit deals with how various institutions and agencies since independence have been working towards rural development and the programmes that have been initiated under its ambit. The foci and strategies to improve the economic and social opportunities for the rural people are discussed in the second topic of this unit. Lastly, decentralization is the core of Good Governance through the district administration. The 73$^{rd}$ Constitutional Amendment has brought in many reforms in this sector to transform the rural areas. This unit covers the Amendment and its effects in the rural sector.

## UNIT XII: URBAN LOCAL GOVERNMENT

The urban areas have been bursting and bludgeoning at the seams due to migration of rural people to the urban areas and an increase in the industrial sector. This unit discusses the 74th Constitutional Amendment which relates to the Municipal Governance and its main features, structures, finance and problem areas. The unit moves to the global local debate, New Localism, that promotes the collaboration of the private sector, the Local Government and the civil society to bring in humungous positive results in the social infrastructure – health, education, water and hygiene, etc. Lastly, this unit includes the dynamics of Development Administration. Development Dynamics is the scientific study of development forces or processes (dynamics) that produce movement/change inside a group or system. The Development Dynamics aims at scientific measurement of the levels of development in the country. Until today, there were no reliable indicators to measure it but the SDG Index, 2018 has developed indicators and parameters to measure the levels of development in India. This unit also deals with the conflicting dichotomy between the politics and administration with special reference to City Management.

## UNIT XIII: LAW AND ORDER ADMINISTRATION

Rule of Law is one of the Worldwide Governance Indicators of Good Governance laid down by the United Nations. It has been one of the oldest pillars of societies, whichever type of governance it follows whether it is a monarchy, a communist regime or a socialist democracy. Law and order is an essentiality for a society to develop and grow. This unit begins with what India inherited from the Britishers in the name of law and order and goes on to discuss the National Police Commission. The investigative agencies and paramilitary forces have been discussed in detail with their history, duties and functions. The imperatives of Development Management have been studied along with the problem of criminalization of politics and administration. Lastly, how the police-public relations can be improved by reforming the police have been given.

## UNIT XIV: SIGNIFICANT ISSUES IN INDIAN ADMINISTRATION

This unit is an amalgamation of significant issues in Indian Administration beginning with the values in public service, role and importance of Regulatory Commissions, National Human Rights Commission and problems of administration in coalition regimes which have come to stay in India. Good Governance is reinforced by improving the citizen-administration interface and lastly, the unit covers the topic of disaster management.

# PREVIOUS YEARS' ANALYSIS

There may not be a repetition of the same question in the UPSC exams but the previous years' questions give a fair idea what you are going to be dealing with. If one is lucky, same topic is also asked in a rephrased manner. Problem-solving is an art and understanding the question is very important. You must attempt the question only after there is full comprehension of what has been asked. The benefit of question analysis to give you a fair idea of which topics are picked by the UPSC paper-setters so that more emphasis can be laid on them while preparing for the examination.

| | | Years | | | | | |
|---|---|---|---|---|---|---|---|
| **S.No.** | **Units** | **2014** | **2015** | **2016** | **2017** | **2018** | **Total** |
| **I.** | Evolution of Indian Administration | 1 | 0 | 2 | 1 | 0 | 4 |
| **II** | The Philosophical and Constitutional Framework of Government | 3 | 3 | 3 | 2 | 1 | 12 |
| **III** | Public Sector Undertakings | 1 | 2 | 1 | 1 | 1 | 6 |
| **IV** | Union Government and Administration | 2 | 0 | 3 | 4 | 1 | 10 |
| **V** | Plans and Priorities | 0 | 1 | 1 | 0 | 2 | 4 |
| **VI** | State Government and Administration | 2 | 2 | 4 | 2 | 2 | 12 |
| **VII** | District Administration since Independence | 0 | 2 | 2 | 3 | 2 | 9 |
| **VIII** | Civil Services | 2 | 3 | 3 | 7 | 4 | 19 |
| **IX** | Financial Management | 4 | 2 | 2 | 1 | 3 | 12 |
| **X** | Administrative Reforms since Independence | 1 | 2 | 0 | 1 | 3 | 7 |
| **XI** | Rural Development | 2 | 2 | 0 | 1 | 1 | 6 |
| **XII** | Urban Local Government | 1 | 2 | 1 | 0 | 2 | 6 |
| **XIII** | Law and Order Administration | 2 | 3 | 2 | 3 | 2 | 12 |
| **XIV** | Significant Issues in Indian Administration | 2 | 2 | 2 | 4 | 1 | 11 |

The above table of question analysis shows clearly the number of questions that came in the UPSC examination in the years 2014 to 2018, the last five years. The maximum number of questions have come from the unit on 'civil services' with a count of 19 questions which is huge. This implies that this unit holds a lot of importance for the paper-setters. The second place goes to 4th units with an equal count of 12 questions, which are, The Philosophical and Constitutional Framework of Government, State Government and Administration, Financial Management and Law and Order Administration. The unit on 'Significant issues in Indian Administration' has taken the next place with 11 questions while 'The District Administration since Independence' has been asked 9 times. The rest have been addressed 6 or 4 times.

Hence, this analysis will help in preparing for examinations so that more emphasis can be laid on the units that have come the most in the paper though there is no fixed rule that this will be so. The UPSC question paper can be a twister anytime, any year.

*This page is intentionally left blank.*

UNIT I

# EVOLUTION OF INDIAN ADMINISTRATION


**Chapter 1** Kautilya's *Arthashastra*

**Chapter 2** Mughal Administration

**Chapter 3** Legacy of British Rule in Politics and Administration

*This page is intentionally left blank.*

# 1 Kautilya's *Arthashastra*

## LEARNING OBJECTIVES

*In this chapter, you will learn about:*

- Who was Arthashastra and Kautilya? Principles of Arthashastra and Kautilya
- All About State Structure, Authority and Police
- What were the Four Basic Methods of Politics—Saam, Daam, Dand, Bhed?
- The Origin of Foreign Policy and International Relations
- Influence of Kautilya on Nehru
- Similarities in the Works of Kautilya and Weber
- Why Ethics has been the Central Concern of Kautilya's Arthashastra?

India has a rich statecraft that offers good advice on how a state can go about protecting and promoting its interests. Kautilya's *Arthashastra* or the 'Science of Government' of the fourth century BCE, written in Sanskrit, draws on the rich scriptures and treatises as he mentions them in his work. He said, 'The conqueror shall think of the circle of states as a wheel—himself as the hub and his allies, drawn to him by the spokes though separated by intervening territory, as its rim'.[1]

Kautilya's '*Arthashastra*' is one of the world's oldest and most comprehensive treatise on the science of statecraft. It is amazing how approximately 2400 years earlier, Kautilya, also popularly known as Chanakya, laid down the principles of running a state from organizing, military, personnel administration and citizen welfare. However, most of all, it emphasizes on foreign policy and how to maintain good relations with other countries. This ancient text has retained its relevance throughout the Indian history and can be found in the modern cultural, economic and political systems in India. Leaders in India have been found to follow Chanakya *Niti* in maintaining international relations.

### Q1 *Give a brief description of the work, 'Arthashastra' and its author.*

**Ans.** Kautilya has been known to be born in a Brahmin family in the third century BCE. His father's name was Rishi Chanak, who was a teacher. So, his name can be put together as Kautilya Chanakya Vishnugupt, which he uses as Kautilya, Chanakya or Vishnugupt at various places. The authorship of *Arthashastra* is contested by Indologists like R. Shamashastry, K. P. Jayaswal and R. P. Kangle who hold the view that the work might have been written by more scholars than one. Kautilya, himself, mentioned his name as Vishnugupt in the last lines of the work and wrote, 'Visnugupt, the author of this work—played a leading role

in the overthrow of the Nanda dynasty', which reinforces Kautilya's authorship. The Mauryan Empire was larger than the later British India which expanded from the Indian ocean to Himalayas and up to Iran in the West.[2] This makes a strong case for the authorship of *Arthashastra* being Kautilya himself.

The book, '*Arthashastra*' was rediscovered in 1904 by R. Shamasastry in Mysore, South India, on two palm leaves in the *grantha* (script) and a part of an old commentary by Bhattasvamin while another part of the manuscript was recovered in North India in the twelfth century.[3] However, *Arthashastra* was never lost as it was passed on from one generation to the other orally.

Kautilya's work has been translated from Sanskrit to Hindi, English, Russian and German. Max Weber mentioned in his famous lecture, '*Politics as a Vocation*' that *Arthashastra* was truly radical 'Machiavellianism' while calling Machiavelli's 'Prince' harmless. This statement was probably made as *Arthashastra* talks about the importance of spies in maintaining a kingdom whereas 'Prince' does not. The book is a guide for all the kings to come as the work does not consist of any historical incidents and events.

*Arthashastra* is divided into fifteen books according to R. P. Kangle[4], which are given in Box 1.1:

***Box 1.1: The Fifteen Books of* Arthashastra**

**Book 1 (*Vinayadhikarika*):** The king's training, the appointment of ministers and other offices of the state, security details of the king and his day-to-day affairs.

**Book 2 (*Adhyaksha-vichara*):** The duties of the executive officers of the state and the state's activities.

**Book 3 (*Dharamsthiya*):** Law and administration of justice with a complete code of law.

**Book 4 (*Kantaka-Sodhana*):** Suppression of crime—detection of crime, control over merchants and artisans, torture and capital punishment.

**Book 5 (*Yoga-vritta*):** Miscellaneous topics like salary of personnel, etc.

**Book 6 (*Mandala-yoni*):** Contains only two chapters. Chapter 1: Theory of Constituent Elements of a State and Chapter 2: The Theory of Foreign Policy.

**Book 7 (*Shad-gunya*):** Use and application of foreign policy in different situations.

**Book 8 (*Vyasana-adhikarika*):** Ways to deal with *vyasanas* or calamities.

**Book 9 (*Abhiyasyakarma*):** Preparations for war and prospective mobilization of troops.

**Book 10 (*Sangagramika*):** The ways of fighting, types and modes of battle camps and battle fights.

**Book 11 (*Sanghavritta*):** How to deal with oligarchies ruled by a group of chiefs instead of one king.

**Book 12 (*Abaliyasa*):** Ways to overcome a stronger king by a weak king.

**Book 13 (*Durga-lambhopaya*):** Methods to conquer or subterfuge an enemy's fort and ways to rule the conquered kingdom.

**Book 14 (*Aupanishadika*):** Secret and occult practices.

**Book 15 (*Tantra-yukti)*:** The methodology and techniques used in the work.

Hence, the work is divided into 15 books covering the science of statecraft written by Kautilya.

## Q2 *Examine Kautilya's Arthashastra regarding the importance of structure of the state, its authority and the role of police in it?*

**Ans.** '*Artha*' means the income-yielding activity or occupation (*vritti*) of man. It also means land (*bhoomi*) associated with people. The subject (*shastra*) that studies the ways and means (*upaya*) of nurturing (palana)

the profit (*labha*) from the earth (*prithvi*) is called *Arthashastra*.[5] It is important to understand Kautilya's basic 'Saptanga Theory of State' to comprehend the importance of the structure of the state as he visualized it.

## THE *SAPTANGA* (CLUSTER) THEORY

Kautilya's state conceptualized seven key structural elements called *Prakriti*. They are:

1. **The King, the Ruler—the *Swamin*:** The ruler and its government are a cognitive and immaterial element of the *saptanga* which deal with the policy-making and administration. The *swamin* is the most important on the hierarchical order of importance as there is no government without him. Kautilya visualizes a patriarchal state in which the ruler is an independent variable with the subsequent six state factors dependent on him. He says, 'An ideal king is one who has the highest qualities of leadership, intellect, energy and personal attributes'.

   **Qualities of a Ruler:** The below-mentioned four qualities, that a king must have, are depicted in Figure 1.1.

| | |
|---|---|
| **Leadership** | • Noble birth<br>• Riches<br>• Intellect and mastery capacity<br>• Truthful, confident, form, enthusiast and disciplined<br>• Stronger than the rulers in neighbouring kingdoms |
| **Intellect** | • Eagerness to learn<br>• Be attentive to what the others are saying<br>• Being able to sift through information; and<br>• Accepting true information while rejecting the false one |
| **Energy** | • A lazy and complacent king cannot accomplish anything<br>• Unafraid and undaunted<br>• Resolute<br>• Quick<br>• Sharp and skilful |
| **Personal Attributes** | • Eloquent, sharp, strong memory, dersire to lern and accept guidance;<br>• expert in all arts; capable of leading army; restraint organs his senses; judiciousness in rewards and punishments<br>• Good decision-maker; having the art of governance; be dignified<br>• take the advice of others; stays calm |

***Figure 1.1: Qualities of a Ruler***

The *swamin* is not just a monarch but as Kautilya enlisted, must have at least sixty qualities to be an able and an absolutely non-despotic ruler. For Kautilya, advancing the state factors in quantitative and qualitative terms is the first and foremost task for a king. His statesmanship can transform even a small state into a larger and a more powerful one. The stagnation, decline or a rise of a state depends on the leadership qualities of a king. The Indian belief, from the great scriptures as well as *Arthashastra*, has been that a ruler has the duty to provide for his subjects all material benefits from which a mental peace and satisfaction would eventually prevail on them. If he fails to deliver the state can turn into despotism or can lose his legit right to his position. This is quite opposite to what the West thinks of the Asian rulers. However, Kautilya's king becomes an abstraction in his work with a perfect personality and the state assumes a larger capacity. He, is the servant to the state and its people, who has the responsibility to promote the state.

2. **The Minister, the Government/State Bureaucracy—the *Amatya*:** The amatyas (ministers) form the administration wing of the ruler, the king. They establish the institutional framework in which the population lives. The Council or the Minister needs to be born in the same land and must have the qualities depicted in Figure 1.2.

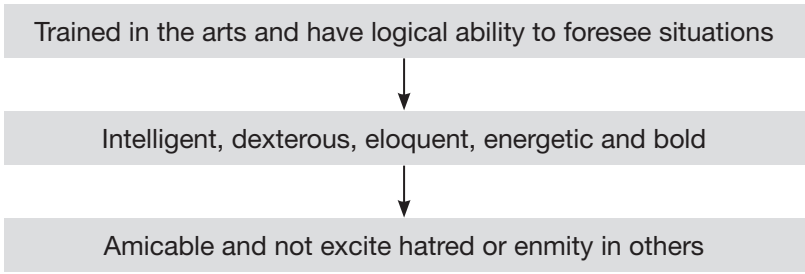



***Figure 1.2: The* Amatya**

The Kautilya state is a typical patriarchal state with a patriarch as its head. The state bureaucracy has been listed by Kautilya in a hierarchical order along with their salary range. The king must select his classmates as his Council of Ministers, not because they would be loyal to him but because he would be in knowledge of their secrets which would prevent them to betray him. The purity and integrity of the ministers was tested by a ring of spies by the king. He categorized the top politi-co-administrative offices into three hierarchy, given below:

**I. The Top Hierarchy**

**(i) Mantrin:** The *mantrin* is the Prime Minister of the state and heads a unit of secret service.

**(ii) The Commander-in-Chief of the Armed Forces:** He has a dual duty of commandeering the armed forces as well maintaining foreign policy. He has the Chief of Fortresses, the Chief of Logistics, etc., under him to help in keeping the state safe.

**(iii) The Crown Prince:** The crown prince is given political as well as military responsibilities.

**II. The Second Level Hierarchy**

The second level of hierarchy is covered by the Heads of the Departments with their specific area of expertise, for example, the Tax Department, the Finance Department, Public Administration, Public Sector Undertakings, the Chief of Police, military logistics, etc.

**III. The Third Level Hierarchy**

The king's priests, court offices, chief of bodyguards, kitchen, gardens, etc., fall in the third category of hierarchy.

## Activities Carried Out by the State Bureaucracy

The state bureaucracy's activities were divided into four main areas by Kautilya:

1. Taxes, economic and finance
2. Legal system and enforcement of laws
3. External affairs—Foreign and military
4. Internal and external intelligence activities

Kautilya laid down a detailed structure and organizational charts for how an agency or a department has to be staffed and the pay packages disbursed to the department of taxes, census, land registry, property, enforcement of laws and rules, animal and nature protection, labour, trade, etc.

3. **The Country, the People of the Land—the *Janapada*:** The people living in the territory of the state form the population who mostly live in the countryside and are affected by the decisions of the ruler and the administration. The economic activities, with respect to the fortified cities, water-works and trade in the lower grades are covered in this. The state and its executive officers have the responsibility of keeping the fort safe by sustaining the land inside and outside the fort to prevent attacks from invaders. There must be a robust productive economy for sustenance of the *janapada*.

   There is another view of *janapada* that it 'means the whole area of kingdom minus the capital'.[6] The major population belonged to the rural areas involved in agricultural work and craftsmanship. The state levied the agricultural tax on one-sixth of the produce which became one of the biggest sources of revenue for the state. Kautilya described the social structure also of the *janapada* which had the large landowners who employed *shudras* to work on the land. There was a clear caution of not overtaxing the peasants and they would be taxed only when they are able to pay. Forests and mines were to be protected by the state to keep it rich and strong.
4. **The Fortified City, Fortress (the capital city)—the *Durga*:** The first three state factors put together are the essential requirements for a fortress, a *durga*. The fort is the capital city where the *swamin* sits along with his government to carry out its activities. One of their main activities is tax collection from the rural population. Kautilya laid down detailed and specific instructions about how and where the fort needs to be located. It must be near to a river and a map was also drawn as how it must be constructed.

   Megasthenes, the great historian, gave an account of the fortified capital city of Pataliputra, which was supported by archaeological excavations. Pataliputra was the only big city of the times which was even bigger than European capitals and was double the area of Alexandria. Pataliputra was the largest city of the whole ancient world.[7]
5. **The Treasury, the State Treasury—the *Kosa*:** The collected taxes and revenues are deposited in the state treasury. The state's wealth must be acquired lawfully by his own endeavours or by inheritance. In Kautilya's words:

   Acquired lawfully by his ancestors or the ruler himself, consisting mostly of gold and silver, containing various kinds of big jewels and cash, thus enabling (the ruler) to withstand a calamity even of long duration in which there is no income—these are the excellence of the treasury.

   The state treasury was located in a fortified city which supported the royal court, the armies, etc. Kautilya made an elaborate system of tax collection which was to be deposited at the treasury. The government spending must always be less than the revenue to keep building up the treasury stock. The state's fiscal policy was that the maximum of tax revenue, special levies, custom duties and profits from state enterprises were accrued at the treasury.[8]

The state's Financial Administration is divided into two units:

- One responsible for the tax collection
- The second to manage the treasury.

**The Tax Structure:** The main tax in Kautilya's administration was one-sixth of the agricultural production output. After fulfilling its needs, the state would sell the surplus to wholesale merchants. The economy worked with silver and gold coins which were made at state mints only. The other sectors had to pay the same one-sixth tax of their incomes in monetary terms. Some special levies also existed like the alcohol consumption, gambling, commercial sexual services, entertainment, jewellery, toll roads, ports, irrigation, etc.

There was a provision for audit of accounts once a year and any malfeasance found was to be punished severely to the responsible officers. Corruption was treated with utmost strictness, also resulting in death penalty.

6. **The Army, the Coercive Power of the State (armed forces, secret service, police)—the *Danda*.:** The *Danda* cannot be built and survive without funds. The army must have loyal *kshatriyas* with a lineage of warriors. They must have ingrained qualities of obedience, willing to take long expeditions, capacities of endurance and expert in handling weapons. A rich treasury can fund and sustain armies, secret service and police to maintain the safety and protection of the state. Kautilya said, 'The army, indeed, is rooted in the treasury. In the absence of a treasury, the army goes over to the enemy or kills the king'.

**Structure of the Military:** The military organization of a Kautilyan state had a dual structure:

- **The Command:** The command is led by the Commander-in-Chief, the *senapati*, who was responsible for strategic planning and the operational management of the army operations.
- **The Administrative Organization:** A separate administrative wing managed the military who took care of the military logistics and Personnel Administration.

**Features of Kautilyan Armed Forces:** Kautilya wrote down a detailed description of the state's armed forces and held it as the most important arm of a state. Its features are enumerated here very briefly:

- **Defence Industry:** The state-run enterprises manufacture defence equipment and weapons like chariots, siege engines, tents, stables for the cavalry, etc.
- **Standing Army:** The officer corps was recruited from the caste of *kshatriyas*, the hereditary warriors. However, Kautilya appreciated soldiers from the *shudra* caste for their valour and combat effectiveness. He did not favour soldiers from the *vaishyas* or the *brahmin* caste.
- **Mercenary Troops:** The army must be supported by mercenary troops who are trained by experienced warriors. Tribesmen were used as scouts and guerrilla type operations. The allies also supplement the army in case of a war and requirement.
- **Division of Army:** The army is divided into four major services:
  - **(i)** Infantry
  - **(ii)** Cavalry
  - **(iii)** War elephants
  - **(iv)** Chariots

All these services fall into a separate department and in addition to these four services, there is the medical corps and combat engineering. There was a battalion of 4000 men which were called brigades with the smallest unit of ten infantrymen headed by a sergeant. Kautilya arranged a

grand war strategy instead of just specific military strategies. He gave three main forms of armed conflict:

- *Prakash-Yudh*: It is a regular war adhering to 'chivalrous' rules.
- *Kuta-Yudh*: It involves attacking the enemy from a concealed position.
- *Tusnim-Yudh*: Covert operations by spies like sabotage and assassinations.

Kautilya recommended winning over the enemy through force via any of the three above-mentioned ways but he was against the unnecessary force and destruction. War must be the last option after trying all other alternatives of statecraft instead of indulging in 'blood and iron'.

7. **The Ally, in Foreign Policy—the *Mitra*:** The six above-mentioned state factors are essential to evaluate and act upon the foreign policy that a state must have for a specific ally. An ally must have the following qualities:
   - A friend of the family since a long time
   - Acquiescent to control
   - Powerful so that it can provide support
   - Mobilizing its armies in the least time possible
   - Honest in its approach.

   Foreign policy was one of the major constituents of Kautilya's statecraft by developing external power resources by making alliances with other states. In the meantime, the state can make its internal forces powerful. It implies strengthening and optimizing the state factors of the ally to its own advantage. Breaking an alliance is recommended in cases of it disturbing the internal balance or the internal state factors have become so strong that the need for an alliance no longer exists. Kautilya gives the scenario of the ally becoming a vassal, which means that it becomes an incorporated under the state and *de facto* an internal state factor instead of being just a *mitra*.

   **Horizontality and Verticality of State Factors:** The *saptanga* theory has both, horizontal as well as vertical, character. There is a logical verticality as well as a horizontality of these seven state factors. They all need to be working well to have a strong state.

   Thus, the structure of the state, its authority and the role of police are all interconnected in the *saptanga* theory. However, the theory has to be studied in a logical sequence as Kautilya presented it because the first step leads to the next and the next. When all of them are put together, an effective statecraft theory emerges. The aggregate of the seven factors of the state constitute the comprehensive and substantiated state power.

## Q3 *'A single assassin can achieve, with weapons, fire or poison, more than a fully mobilized army'. Comment on the covert operations as laid down by Kautilya.*

**Ans.** Kautilya believed in the system of spies to achieve what cannot be done otherwise. In his work, roles and their network. The secret agents were called *guda* which meant 'concealed'. He categorized them into two groups:

- ***Samsha*:** The *samsha* were the established spies who stayed at one place. Their functions involved gathering, collating and transmitting the information in a code. There was the Intelligence Officer who operated under the cover of a monk, a householder or a trader and acted as a head of the Intelligence Station. Some took the cover of hermit of *brahminical* or non-*brahminical* sect. They were to be rewarded or punished directly by the king depending on their information being true or false. If any information

supplied by the agents was corroborated by three different spies, it was considered to be true and if the information of a spy was consistently found to be unreliable, he/she was to be eliminated.

- *Roving Agents:* The second group of agents used to keep roving around the territory to do the same under cover occupations. Their recruitment was based on their high and sharp intelligence. The secret agents were called as *sattri* who were general purpose agents. *Tikshnas* were the assassins who were trained as sharp shooters while the poisoners took the cover of nuns and wandering hermits.

Both the groups of agents were permanent salaried employees while some were temporary.

**Dual Agents:** There were some who worked directly and some were dual secret agents under the king. The cover that these secret agents took to gather information was called *vyanjjana*, was any of the professions that were prevalent in the times. There was no discrimination in their recruitment based on gender. Then, there were clandestine agents who had the responsibility of scrutinizing the integrity of top-ranking ministers and officials on one hand and elimination of criminals on the other.

**Counter Espionage:** Kautilya wrote in his work that the king will put into operation counter espionage. It was the king's duty to find out if any enemy agents were working in his territory. In this regard, the king shall:

- Depute his roving and non-roving agents to go undercover like the enemy guise and discover the truth.
- Appoint highly loyal officials to act as disloyal to find out how the enemies are thinking.

Kautilya wrote that an enemy can be eliminated with the help of the well-knit circle of secret agents by assassination through various ways like killing or poisoning the enemy. However, he ignored the advice given in the *Dhramsutra* that there must be no poisoning or eliminating the enemy. He also discussed internal security by testing the integrity of ministers with the help of the network of secret agents. Surveillance of high officials, people, treacherous high officials, thieves and criminals must be done to remove them and attain internal security.

### Q4 *'Kautilya was not only the foremost politico-administrative thinker of ancient India, but he was an advocate and preacher of moral values too.' Comment.*

***Or***

### *'Ethics in public services has been the central concern of Kautilya's Arthashastra.' Critically examine the statement.*

**Ans.** Kautilya was very clear about how a king should behave and keep his demeanour in public as well as private, beside the public, following the right conduct with ethics. His stressed on having a code of law, regarding punishments for citizens in case of dishonesty, mishandling of public funds, having wrongful intentions for the king, etc. He said that no number of rules and regulations and their codification can prevent unethical conduct of government officials or the populations. He based his entire work on *dharma* which implies that he gave a lot of emphasis on ethics and duties to be followed by a king and his councillors. The best way was to follow the *Vedas* and scriptures to maintain ethical behaviour and did not give any specific code of ethics although all his policies and rules were based on it. Given below are the ways given by Kautilya to maintain ethics in the society, depicted in Figure 1.3 and described thereafter:

***Figure 1.3: Ways to Maintain Ethics***

1. **Appointment of the Royal Councillors and Ministers:** There is a defined way that the royal councillors and ministers have to be appointed who help the king in devising policy and strategy over any determined issue. The intellect and judgement of the ministers close to the king makes them resourceful but if their judgement is faulty, Kautilya regards any bad advice as bad as being immoral. He said that it was extremely important that punishment be meted out fairly and equally and that no one be favoured —an issue on which Kautilya is not consistent because the higher castes generally receive lighter punishments than lower castes, a long-established tradition that Kautilya could not possibly have overturned although he sought to mitigate the inequities. In his words, 'For, it is punishment alone that guards this world and the other, when it is evenly meted out by the king to his son and his enemy, according to the offence'.[9] The point here to be noted is not about the equity or inequity in meting out justice but because giving punishment for corrupt or dishonest behaviour was very clearly mentioned.
2. **Spy Network:** There is a whole section on the spying network consisting of various secret agents. There is a proper system of fines and punishments for any suspicions or wrong doings committed by any official. This implies that Kautilya held ethics in the highest rank regarding the conduct of behaviour and service to the king. He employed the secret agents to protect the state from external adverse influences but even more to safeguard the internal administration so that governance is free from corruption while upholding ethics.
3. **Arrests, Fines and Punishment:** Kautilya's ethics code did not accept any kind of resentfulness towards the king or the administration. There was no mention of rights of an individual and directed that arrests be made based on suspicion even for small offences like, false declaration of one's name, one addicted to meat or wine, one addicted to prostitutes, etc. As regards, suspicion of treason, he listed many ways to entrap such individuals. Torture and assassination were not outside the purview of extracting information or acceptance of guilt against the king.

4. **Weeding of Thorns:** Kautilya's policy of weeding of thorns led to the deaths of innocent people as his advice was of entrapping the innocent of the treasonable officers. He went to the extent of saying, 'A king protects the kingdom (only) when (he is himself) protected from persons near him and from enemies, first from his wives and sons'.
5. **Waging a War:** The morals regarding waging a war were a bit different than the strict code of ethics. In Kautilya's views of the world, expansion by a prosperous kingdom was inevitable, natural and good and as a consequence, moral considerations, other than what was for the good of the kingdom—did not enter into his deliberations. 'The conqueror should march if superior in strength, otherwise stay quiet…'[10], he said. This view of waging a war worked in Kautilya's times, though in the present-day, the nations are bound to respect each other's sovereignty.
6. **Integrity of Ministers:** Kautilya codified the four ways of *dharma* (religion), *artha* (money), *kama* (desire) and fear to test the integrity of ministers close to the king as well as the other officials. He adhered to following a strict code for the ministers to be loyal to the king so that corruption would be avoided at all costs. He had fixed pulling out the tongue of those who divulged a state secret as a punishment. This shows how much Kautilya was concerned about the ethics in the officials and ministers.
7. **Accounting and Auditing:** Kautilya stated that a good system of accounting and auditing was essential to keep the Financial Administration working in the state but could never be enough to keep corruption at bay in the bureaucracy. To this effect, the king must set an example and also recommended that there needs to be a code of ethics to keep conscientiousness alive in people. Any non-compliance must be inquired into and be punished accordingly.[11]

   Kautilya has given a plethora of ethical and moral codes for citizens, officials, ministers and royal councillors to follow in his work, '*Arthashastra*' from which it can be observed that he was an advocate and a preacher of moral values also. Most of his code of ethics is acceptable except where he goes too far in his punishments ignoring individual rights of freedom as well as while waging a war. This is probably due to the emergence of nation states who respect each other's territorial boundaries and do not think of grabbing more land or treasures. However, his preaching can be modified to suit the present times as they are invaluable to the society.

## Q5 *Kautilya's philosophy is based on the principles of 'Saam, Daam, Dand, Bhed' (persuasion, temptation, punishment, and division) as various, different, and sequential means to achieve an end.*

**Ans.** One must follow the *Dandaneeti* (Policy for Punishment) for one's own as well as everyone's welfare. *Dandaneeti* is called the 'The Concept Cluster *Upayas*—The Four Methods of Politics' given in the tenth chapter of Book II, although Kautilya referred to them many times in the text. He said, 'The means (of politics) are conciliation (*saman*), gifts (*dana*), dissension (*bheda*) and use of force (*Danda*). These *upayas* (methods) can be used in foreign policy also to enforce one's will on the conflicting party. It is important to understand the meaning of the Sanskrit words, *Saam*, *Daam*, *Dand* and *Bhed* to comprehend how these four means serve in making an individual do a task.

***Saam*:** The word, '*Saam*' or '*Saman*' literally means 'to advice and ask', like a parent asks his/her child to do something by explaining the pros and cons of a habit and asking or advising him/her not to do it. The process begins with persuasion by informing the individual what the task entailed and the expectations from that individual. It is also called as '*Saam Neeti*' or the persuasion policy as the first step in the sequential means to achieve an end. It also helps the king in making the public understand what is expected of them and that he has good intentions to provide them with the basic facilities as well as their welfare.

Standard operating procedures or verbal communication can be used to motivate an individual to do the task in question. Expert opinions and external agency's help can be taken to work out solutions and negotiations in the right direction and pacification. Gifts or allurements as incentives also can be offered to pacify the opponent. Hence, the first step of *Saam Neeti* works in getting the work done through peaceful negotiations to understand the adversary's discrepancies between what is said and what is meant.

*Saam* has five implications as given by Kautilya, mentioned briefly here:

1. **Adulatory Means:** The object of conflict is showered with genuine praises for his/her merits, achievements and qualities. The praise, however, according to Kautilya, can be fake also if it brings out the desired outcome.
2. **Relationship Impact:** The conflicting party is imposed by influencing his attitude and thoughts based on the long-standing relationship. The relationship could be established through ethnicity, kinship or family with an aim to soften the counterpart's behaviour and stance towards the issue.
3. **Mutual Gains:** The opponent is made to believe that by agreeing to the proposal, there would arise mutual gains for both the parties, whether it is true or not.
4. **Future Gains:** Once the opponent believes that there will be mutual benefits for both the parties, he/she can be influenced that there would be mutual benefits in the future also. This need not be true in the future as it is only a means to achieve the present target at hand.
5. **Compromise:** The counterpart is made to believe that there is a compensation or a compromise on the cards in the future so that he/she agrees to the proposal at hand. However, it may not be expected to hold on to the compromise.

These above-mentioned means can be used as the first *upaya* to achieve the desired target. Kautilya feels no qualms or guilt about using fancy and untrue words in doing so.

***Daam*:** *Daam*, in Sanskrit and Hindi, means the price that one pays to the seller for services rendered or the product bought. In this case, Kautilya said that if an individual understands *saam*, it is good but if he does not, then he can be offered a price. It is not essential that the opponent understands and agrees to the resolution offered. The concept here is not of a bribe but of exploitation of the greed in an individual. Money acts like a stimulus to speed up the work which is seen in the present-day workplaces also. However, it can also be seen as a bribe to gain future benefits by paying a price in the present. Bribery was used with clan chiefs or tribal chiefs to quell any rebellion to keep them in the fold.

*Daam* or '*dana*' is a price that is offered in form of cash payments, valuables, territorial concessions or even handing over the hostages. Usually, *daam* must be used along with the first *upaya* of *saam* to reinforce and impact the other party. Some examples of this policy can be seen in the piece-rate system or target-based incentive schemes in companies like Amway, Tupperware, etc., in today's scenario. *Daam* can be of five types:

- Giving what is due to the other person
- Conceding to what the other has already taken even if it is not his
- Give back what was taken earlier
- Giving one's own ownerships
- Share the spoils of the war

***Bhed*:** *Bhed* (conflict) is the policy of getting work done by creating differences or a wedge between two stakeholders. It is, simply put, divide and rule policy. It is the third *upaya* which implies planting of disharmony by discrimination. It isolates the participating actors to take advantage of the situation. The method of *bhed* can be used to resolve various political situations. The population must be separated from their ringleader by *bhed* so that the masses can be on over to the king and treason stopped in its tracks.

The king can use the concept of *bhed* to resolve internal conflicts as well as in winning foreign nations over. *Saam* or *daam* can be used in simple conflicts but the hardcore traitors and foreign dissenters can be overcome by *bhed*.

Kautilya said in Book IX, 'In the case of rebellion, the ruler should use against the citizens and the country people the three means of conciliation, gift and dissension, but not force for force cannot be used against a multitude of people. If used, not only will fail to achieve its object, but it might lead to another disaster but against the leaders of them, he should act as in 'the infliction of secret punishment'.

*Bhed* is inculcated in the institutions based on competitive units, for example, the unit of royal bodyguards belong to different castes, gender, ethnicities, etc. The caste system existing in the Indian social system is based on *bhed*. *Bhed* can be used against the castes in a situation where the ruler needs to establish his supremacy. *Bhed* is an instrument of diplomacy in the activity of alliances of states but if the alliances get together against the state, then it must be broken up to dispel the security threat. It does not recommend using force at this stage but its threat is always there.

***Dand*:** *Dand* literally means punishment in case of non-compliance or non-performance of a task. The '*Dand Neeti'* is also called the '*Danda*' which is derived from the two words, *daam* and *dand*, referring to the tame or the restrained. *Danda* is also the name given to the army as one of the four means to settle disputes by force. Kautilya said, 'king with rod becomes a terror. A king with mild rod is despised, king just with rod is honoured'. If *saam* or *daam* does not work, the next step is to use the '*Dand Neeti'* which must be meant to get the work done.

It can be done in two ways—either by pronouncing a punishment or showing strength with intellect. Mind is considered to be greater than body and *dand* can be used via tactical manoeuvres. In case of institutional conflicts too, *dand* often works, although its use must be 'just'. Kautilya says in *Arthashastra*, 'it is the fear of punishment that refrains people from doing unrighteous things'.[12]

According to dharma, that must be followed in all activities and behaviour of the king as well as his officials and it can be attained by *danda*. The fear of *danda* keeps the population in controlled discipline, however, it must be used only if it is absolutely necessary and not at any whim of the ruler. It is like a code that has been laid down by God himself while reciprocally, it can be acted upon the king by people collectively also. The eventual aim of *danda* is to get the work done, keeping the state in the highest place. However, the ultimate expression of *danda* is war in case of interstate relations.

*Danda* also includes the covert operations because Kautilya believed that assassination or sabotage is easier and less expensive than going to war in comparison to the benefits derived from it. He was not in favour of wars for destruction, plunder and loot.

Hence, the four *upayas* cluster given by Kautilya was his main pillar of the theory of *dharamshashtra* in maintaining control and security in the country. Even in the present-day, *saam*, *daam*, *danda*, *bhed* are used in national as well as international politics.

## Q6 *'In contemporary times, Kautilya's* Arthashastra *is relevant more in the field of international relations than in economic affairs.' Analyse the statement.*

***Or***

## *Discuss the foreign policy as written by Kautilya (*Shadgunya *Theory).*

**Ans.** Book VII of *Arthashastra* deals with the foreign policy which he named, 'The *Shadgunya* Theory' which is also called 'The Six Methods of Foreign Policy', which is about one-fifth of the work. The six methods are the six situations which can emerge without any logical sequence. It is important to note that Kautilya did not favour war unless extremely necessary as wars warranted high expenditure. Among

the two options of war and peace, he preferred peace if the same target could be achieved with the right foreign policy. Kautilya discusses state as a concept and not a specific one while stating the theory with respect to the king and his interests but it would be called 'in the national interests'. He kept in mind a *vijigishu*, a king whose aim is to be a conqueror.

## CORRELATION OF POWERFUL FORCES

In the Kautilyan age, the state was limited to the Indian subcontinent with the aim to expand up to its boundaries and become one big state, extending from the Himalayas to the seas in the South. However, Kautilya's foreign policy can be applied to states in general. The correlation of forces can be evaluated by maintaining favourable internal balancing considering various problems like natural disasters and calamities or epidemics that can impact everyone. This evaluation of the forces is integral to the decision-making regarding the selection of a particular policy to be followed, however, the seven elements of the *saptanga* theory must be factored in. He gave four methods to decide which foreign policy must be used. They are:

- Relative power
- Derivations from the ideal
- Classification by type of motivation
- The influence of the intangible and the unpredictable.[13]

### Basis for Shadgunya Theory: The *Rajmandala* Theory

The *rajmandala* theory is also called the 'Circle of States' given by Kautilya which is the foundation on which the *shadgunya* theory is based on. Kautilya gave twelve types of kingdoms out of which he stressed on four. The twelve types of kingdoms are:

1. *Vijigishu*: The king must have the aim to be a world conqueror.
2. *Ari*: The neighbouring king to the *vijigishu* is a natural enemy.
3. *Mitra*: The territory next to the enemy is a friend of the king.
4. *Arimitra*: The allies of the enemy are indirect enemies of the king.
5. *Mitra–Mitra*: An ally immediately beyond the enemy's ally.
6. *Ari Mitra–Mitra*: It is ally of enemy's ally situated at immediate beyond *Mitra-Mitra*.
7. *Parshnigraha*: It is the enemy behind the king when the king is in the front.
8. *Akranda*: The ally of the king behind *Parshnigraha*.
9. *Parshnigrahasara*: The ally of *Parshnigraha* behind *Akranda*.
10. *Akrandsara*: The ally of the *Akranda* behind *Parshnigraha*, ultimately an ally.
11. *Madhyama*: The middle king with territory next to *Vijigishu*, and *Ariand* stronger than both.
12. *Udasina*: The neutral and more powerful than that of *Vijigishu*, *Ari* and *Madhyama*.[14]

Kautilya specified that the main states are *Vijigishu*, *Ari*, *Madhyama* and *Udasina* which add up to twelve kings and 60 material constituents. The *Vijigishu* is at the centre of the circle of states without giving any fixed number of kingdoms in this *mandala*. The *mandala* theory represents the map of the journey of the king to become a conqueror. It has three forms, which are:

- ***Mantra Shakti*:** The power of counsel
- ***Prabhu Shakti*:** The power of treasury and army resulting in 'might'
- ***Utsaha Shakti*:** The power of energy and valour

### *Principles of Foreign Policy*

Kautilya gave six principles to implement the theory of *shadgunya*:

1. **Conquest:** A king will make all efforts to develop his state by increasing its resources and power to become a conqueror. Kautilya encourages the policy of non-intervention and no overt actions as a basis for formulating a foreign policy. There are three things that are important in the first principle of the theory—*saam* (advice), *samdhi* (peace treaty) and *samadhi* (a treaty with hostages). This does not imply that the king should do nothing but it means to keep away from any foreign political, economic or territorial controversies. He gave two stages in this principle:
   - ***Vyayama*:** An active foreign policy
   - **Yoga:** To achieve the objective to increase one's territory.

   There are two stages of the policy at this stage, the first being building up an army and treasure while the second would be to build diplomatic relations with other states.
2. **Enemy:** It is a natural phenomenon that one of the neighbouring states would be an enemy who would always try to attack the state and kill the king. Kautilya says that this enemy can never be a friend. Elimination of the enemy is important for the state's security.
3. **Friends:** Those who help are friends and the allies are important and were described as allies to offer and take help. Kautilya describes various situations regarding which ally must be developed and which should not be.
4. **Prudence:** A prudent path must always be chosen while avoiding 'spineless submission or foolhardy valour'.
5. **Peace:** In case of choosing between a war or peace, peace will always be selected. There is a loss of money and men and their being away from home from long periods of time.
7. **Just:** A king must have a just behaviour in all situations of war or peace. Kautilya says that an unrighteous enemy must be attacked more than a righteous one. A just king must be just towards a king who has been vanquished.

#### *The Six Methods of Foreign Policy*

The six main elements of the theory of *shadgunya* are given below:

1. **Peace (*Samdhi* or *Sandhi*):** *Sandhi* can be defined as a peace agreement with specific conditions into a treaty. *Sandhi* is preferred to war if the enemy is stronger and in the meanwhile the king should make his own state stronger. Once the state becomes stronger, the foreign policy can be adjusted accordingly. Kautilya said, 'When in decline, as compared to the enemy, the ruler should make peace'.

   **Objectives of a Peace Agreement:** Attaining peace with neighbours has many objectives:
   - To gain from the acquisition and being a neutral party so that all the resources can go into the welfare of the people and in promoting the economy.
   - Peace treaty can be used to reinforce other alliances also.
   - Handing over hostages to arrive at peace agreement can be done.
   - Dual policy can be followed.

   Peace agreements can involve four techniques like concluding, observing, violating and renegotiating, as given by Kautilya.
2. **War (*Vigraha*):** Kautilya states that war is the second way a foreign policy can be formulated towards enemies. There can be three types of war:
   - **Open War:** An all-out war
   - **Secret War:** A surprise attack
   - **Undeclared War:** Use of secret agents in covert operations

*Mantra-yudha* is the diplomatic offensive where the peace talks have failed and the king decides to take the dispute to the battlefield.

3. **'Staying Quiet'; 'Wait and See' Neutrality (*Asana*):** The third foreign policy is different from the first method, '*Sandhi*' as this policy denotes the waiting period, where the king waits and watches the situation, to decide whether to go to war or to work out a peace treaty. It is like a pause during the war to see if the enemy makes a move towards avoiding the war or to revise the war strategy.
4. **'Marching'; Coercive Diplomacy; Mobilization of War' (*Yana*):** The fourth type of foreign policy involves strategizing for war and its preparation. The king had to leave the affairs of the state in the hands of a Viceroy so that he could leave the capital city to march on the enemy. Kautilya has given a detailed account of the preparation of war in Book IX.
5. **'Seeking Shelter', 'Alliance Building' (*Samshraya*):** *Samshraya* involves taking protection from a stronger king in case of a predicament and then again making strategies to conquer over the enemy with the help of the ally.
6. **'Dual Policy', Diplomatic Duplicity, (*Dvaidhibhava*):** This is a complicated method where alliances are made with different states to defeat an enemy. This method is used in complicated inter-state situations involving double games. Kautilya says, 'Resorting to peace with one state and war with another state is dual policy'. This policy helps in winning the war with the help of an ally.

The *shadgunya* theory summarizes the foreign policy held by Kautilya. There is no explanation of international relations in any other work and that too 2400 hundred years ago. The theory is an amazing masterpiece. It can be observed that the theory proposes actor-centric foreign policy which promotes continuous revision of the situation rather than a rigid stance which is taken only once. Scholars have remarked that Kautilya's reference to the concept of a king being a conqueror does not mean that he is an imperialist as his main aim was to achieve the dream of a great unified Indian subcontinent. He did not give importance to moral codes while formulating and executing the foreign policy. He understood that alliances to achieve peace, work only till the time the alliance works in the interest of the ally or the state itself. The moral compass focussed on the just conduct of the king during the war. It can be said that Kautilya was a political realist who understood that conflicts are only natural and methods have to be devised and followed to become a stronger state.

## Q7 *Assess how Kautilya's work influenced Nehru in rebuilding post-colonial India in brief.*

**Ans.** Kautilya's work '*Arthashastra*' has had a presence in India since it was written, in all spheres of statecraft and international relations. His work has been studied and researched all over the world by the greatest of the scholars in the past two centuries. The work is still being discussed and studies are evident enough to conclude that it is still present in some form or another.

### KAUTILYA AND NEHRU

It is important to understand Kautilya's influence in the post-colonial India. Jawaharlal Nehru, the first Prime Minister of independent India, made a reference about Kautilya in his book, 'The Discovery of India' (1944) from a political perspective. He mentions having read *Arthashastra* in the prison in 1931 which was also found in a letter to his daughter Mrs Indira Gandhi under the title Glimpses of World History published in 1934. He titled the letter as 'Chandragupta Maurya and the *Arthashastra*' and wrote that the work by Kautilya had dealt with a wide range of subjects like the duties of the kings, his ministers and councillors, departments, etc. He mentioned most of the topics included in Kautilya's work showing that he had read the whole work.

**References to Kautilya:** Nehru did not see the king as a despot and understood a king in ancient India to take his duties as service to his subjects. The king did not have any autocratic or a divine power to the extent that the people had the power to remove him from his position if he failed them in his duties. Nehru stated that even in ancient India, a king was the first servant of the state. He even used the pen name 'Chanakya' for one of his articles entitled 'The Rashtrapati' in the Indian Journal, 'Modern Review'. He referred to a Kautilyan ploy when he faced a problem with the Indian National Congress Party's leadership. In his words, 'Chanakya has been called the Indian Machiavelli, and to some extent this comparison is justified. But he was a much bigger person in every way, greater in intellect and action'. Nehru has discussed all the main features of the Kautilyan statecraft and his policies concerning centralized state, bureaucracy, the role of the state in the economy and state's welfare policies.

**International Standing of Ancient India:** Nehru discovered from his readings on Kautilya that ancient India had diplomatic relations with Hellenistic Kingdoms of Diadochi in Eurasia and Egypt. There was trade with Central Asia, the Middle East, China, Indo-China and Greece. The Mauryan standard of living was at par with the Greek lifestyle, especially the urban lifestyle of the people in Pataliputra to the extent that their houses were also earthquake resistant. The Mauryan empire was a global player and even superior to most of the other empires. Following from this, Nehru observed that India must find its lost glory in the world and become a strong power. Kautilya's impact on Nehru has been summarized chronologically in the Box 1.2, given below:

***Box 1.2: Kautilya's Influence on Nehru***

- **1948:** There is an internal memorandum to the Indian Ministry of External Affairs about the Indian foreign policy towards Pakistan and China from Nehru in 1948, 'According to both, Machiavelli and Chanakya, India's interests would lie with countries on either side of neighbouring countries. that doctrine hardly applies in the modern world because of various developments but there is something in it which cannot be ignored'.[15] It can be observed that Nehru was referring to the theory of *mandala*, the circle of states. India has friendly relations with Afghanistan, Vietnam and the Soviet Union but hostile relations with Pakistan.
- **1950:** In a speech, 'Destiny of Asia', which Nehru delivered at the Conference at the Institute of Public Relations, he mentioned Kautilya as a great Indian thinker through a play *Mudrarakshasa*.
- **B. N. Mullick:** The former Director of India's Intelligence Bureau (IB), writes in his book, 'My Years with Nehru', that Nehru made references to Kautilya many times praising his system of intelligence.
- **Wars:** During the order of deployment of forces in both the wars against Pakistan and China, Nehru showed political realism by declaring that India did not believe in the policy of non-violence.

There was a comparison made by Nehru between Kautilya and Clausewitz regarding war being a continuation of politics by other means.

## Kautilya's Influence on Nehru

There is no clear evidence that Kautilya had any direct influence of Kautilya but there are some indirect derivations from his policies and speeches about it. They can be summarised in the points given below:

There were numerous other occurrences where influence of Kautilya can be seen in Nehru's policies in politics as well as international relations. He was a well-respected statesman and his qualities were as Kautilya had laid down for a king.

## Q8 *Write a short note on the convergence of Max Weber and Kautilya's writings.*

**Ans.** Max Weber was a sociologist, philosopher, jurist and a political economist from Germany. He mentioned about Kautilya in one of his writings that compared to Chanakya's *Arthashastra*, 'Machiavelli's 'The Prince is harmless'. There are some similarities in the works of Kautilya and Weber even though they existed in different times, which can be enlisted in brief here:

- Codification of rules to ensure rationality and predictability in the state system.
- Ethical conduct of business and behaviour in administration to ascertain efficiency.
- Nepotism and favouritism were unacceptable and all recruitments were made based on meritocracy.
- Organizational hierarchy and a smooth command system.
- Departmentalization and record-keeping.
- Control, training and discipline.

Besides these similarities, there were some differences too. They are:

- Kautilya's state was a monarchy but Weber's time was in a modern system.
- Weber made a lot of effort in theory-building while Kautilya was more of a political realist who gave practical methodologies.

There is no evidence that Max Weber had any direct influence on his writings but *Arthashastra* had been translated into German by the time Weber's writings came into light. Weber's legitimization of bureaucracy matches with Kautilya. They both concede to the fact that corruption exists in the state and bureaucracy. Weber saw an absence of 'rational practical ethic' in Hinduism. He believed that the rational natural science could not develop in India since the Hindu civilization devalued the empirical world.[16] However, Hinduism was never mentioned in the ancient Hindu texts and the concept of *dharma* and Aryans was used.

## Q9 *Critically assess Kautilya's* Arthashastra.

**Ans.** Kautilya's *Arthashastra* is a substantial proof of India's rich heritage in literature and statecraft in this case. The twentieth century saw a renewed interest in this work when it was discovered by R. Shamashastry in 1909 as it showed ancient India in a new light. The Britishers wrote Indian history as they wanted the world to see it but this work brought back the Indian glory in the economic and political field. It is a great work that is addressed more to the ruler than to his subjects. Most of his doctrines are valid in the present times and his presence has always been there in the post-colonial India through influence of Kautilya on the national leaders. However, there have been some criticisms about his work. They are:

1. **The Views of English Historians:** The British historians were not impressed by Kautilya's work and the political and economic development of ancient India. Their perception of India was that of always being under the rule of some or the other absolutist ruler where any despot could ignore the rule of law and subjugate the population, probably, because they did not want India to be shown in glory which could be strong on its own. Since Chandragupta Maurya, in whose period of rule, Kautilya was his Prime Minister, was a monarch, the British historians considered Kautilya to be a monarchist and labelled *Arthashastra* as 'The Bible of Imperialism'.[17] The Indians were against this point of view as Kautilya's work was a direct attack on the English imperialism. Indian historians promoted Kautilya also to bring together the people of India with a nationalist attitude to bring back the lost glory to the country. V. A. Smith supported Shamashastry in the establishment of the date of the work to be from 321 and 300 BCE. Nonetheless, the British historians and thinkers always tended to criticize Kautilya and discarded it.

2. **The Views of the German School:** *Arthashastra* was translated into German language which was called the Munich manuscript of Kautilya in the 1920s. It was extensively researched by German scholars like A. Hillebrandt, Julius Jolly, Hermann Jacobi and Aufrecht stated that the authorship of *Arthashastra* could not have been singular. Hillebrandt maintained that there might have been a Kautilya School and the date could be the fourth century CE. The doubts over the date and authorship do not, in anyway, undermine the importance of the work. The criticism of the work was more with reference to the date and its authorship rather than the content.
3. **Economics not a Separate Subject:** Kautilya gave his economic thought in every sphere of the trade and commerce in his times along with the taxation policies. However, the study of economics was combined with religion, ethics, law, philosophy and public administration. The state was considered to be the sole welfare provider for people. The controls were made by the system of '*Varna Ashram*' denoting checks and balances. Many critics did not agree to Kautilya's views.
4. **Complexity in Ideas:** Kautilya's ideas were complex to understand by the critics because on one hand he stated that ends must take precedence over the means and on the other hand, he was passionate about establishing a clean administrative system. The ends justifying the means did not go well with the critics. If one researches Kautilya's work in-depth, it can be observed that he did not justify that end justify the means because he held preservation and development of the state to protect the welfare of the people.
5. **Centralized State:** Kautilya favoured a centralized state and declared the crown property as the major means of production but in the present times the main feature of good governance is decentralization to empower the local governments and the people at the grass roots. This has been a point of criticism by many scholars.

For the purposes of criticism, one can find large number of points but the fact that Kautilya's *Arthashastra*'s greatness in the development of political thought cannot be disputed. Kautilya has been frankly brutal in dealing with the foreign policy and international relations. In the modern-day also, one may find undertones of the *shadgunya* theory although no one would be upfront about it and admit it.

## CONCLUSION

Kautilya's presence can be seen in present-day India with his teachings in various books that are being taught in universities and centres. Many companies and websites have their names registered as Kautilya or Chanakya in their titles. Many areas and roads are called by the name of Chanakya. Politicians and bureaucrats have been known to have admitted reading Kautilya's work and applying it to today's problems with some modifications. Kautilya has often been called as the 'Machiavelli of India' by occidental scholars. Kautilya was a political realist who prescribed how a king should perform his duties, how the foreign policy must be formulated, the economic thought and price determination based on supply and demand, taxation policy in detail, etc. His work must be researched more so that its treasure of thought can be exploited by modifying it to the present economic and political world.

### Notes and References

1. Rangarajan, L. R. (2008), *Kautilya: The Arthashastra*, Penguin Books, New Delhi.
2. Kautilya: Politics, Ethics and Statecraft, https://mpra.ub.uni-muenchen.de, retrieved on 30 November 2018.
3. Mitra, Subrata K. and Liebig, Michael (2017), *Kautilya's Arthashastra: An Intellectual Portrait*, Rupa Publications, New Delhi.
4. Adapted from: Rangarajan L. R (1987), *Kautilya: The Arthashastra*, Penguin Books, New Delhi.
5. Sen, Dipavali (2016), *Chanakya Today*, Unicorn Books, Mumbai.

6. Jayaswal, K. P. (1943), *Hindu Polity: A Constitutional History of India in Hindu Times*, Bangalore Printing and Publishers, Bangalore.
7. Schlingloff, Dieter (1969), *Die altindische Stadt*, Wiesbaden: Franz Steiner.
8. Mitra, Subrata K. and Liebig, Michael, *op.cit.*
9. Boesche, Roger (2017), *Kautilya: The First Great Political Realist*, Harper Collins Publishers, India.
10. *Ibid.*
11. Chanakya (2012), *Kautilya's Arthashastra*, Jaico Publishing House, Mumbai.
12. Prabhu, Mahesh U. (2018), *Kautilya: Understanding the Colossal Genius*, Vedic Wisdom Press, New Delhi.
13. Rangarajan, L. R. *op.cit.*
14. Karad, Satish (2015), '*Perspectives of Kautilya's Foreign Policy: An Ideal State of State Affairs*' in An International Journal of Humanities and Social Sciences, India.
15. Mitra, Subrata K. and Liebig, Michael (2017), *op.cit.*
16. Chaturvedi, Badrinath (1984), '*Max Weber's Wrong Understanding of Indian Civilization*': In Detlef Kantowsky ed: Recent Research on Max Weber's Studies on Hinduism, Munchen, Koln and London, Welforum Verlag.
17. Sarkar, B. K. (1918), '*Democratic Ideals and Republic Institutions in India*' in American Political Science Review, Baltimore.

# 2 Mughal Administration

## LEARNING OBJECTIVES

*In this chapter, you will learn about:*

- Mughal Dynasty
- Features, Nature, Aims, Department Heads and the Treasury of Mughal Administration
- How Mughal Empire lost its impact in the eighteenth century ?

## INTRODUCTION

The Mughal Empire was one of the most classic periods of India's history of leaders invading and taking over India. It was also called as the Mogul, Timurid or the Hindustan empire. The Mughal emperors were totalitarian rulers who developed an organized system in the areas of administration, military, land and revenue, etc. The Mughals had a dynastic succession but it was never a smooth one. All successors had to go to battle to prove themselves and to take over the throne. They ruled the Indian subcontinent for more than 300 years till the British took over and forced the last emperor, Bahadur Shah, into exile to Burma. The first emperor of the Mughals was Babur who had descended form Timur on his father's side and Genghis Khan on his mother's. The most glorious period has been considered that of Akbar who brought the Hindu kingdoms under his rule through marriage alliances and diplomacy. He was known as 'Akbar the Great'.

The Mughal dynasty is depicted in Box 2.1.

***Box 2.1: The Mughal Dynasty***

**List of Mughal Emperors**

Babur: 1526–1530
Humayun: 1530–1540 and 1555–1556
Akbar: 1556–1605
Jahangir: 1605–1627
Shah Jahan: 1627–1658
Aurangzeb:1658–1707
Bahadur Shah: 1707–1712
Jahandar Shah: 1712–1713
Furrukshiyar: 1713–1709
Rafi-ul-Darjat: 1719–1719
Rafu-ud-Darjat: 1719–1719
Nikusiyar: 1719–1743
Mohammad Ibrahim: 1743–1744
Mohammad Shah: 1720–1748 (intermittently)
Ahmad Shah Bahadur: 1748–1754
Alamgir II: 1754–1759
Shah Jahan III: 1759–1759
Shah Alam II: 1759–1806
Akbar Shah II: 1806–1837
Bahadur Shah II: 1837–1857 (the last emperor)

## Q1 *Discuss Mughal administration explaining the character, aims, Department Heads and the treasury of the government.*

**Ans.** The main source of the record of Mughal administration in India is Jadunath Sarkar who did an extensive research through Persian historical manuscripts and records. Traces of Mughal administration can be still found in the present-day. When the Mughals came in India, they continued with most of the Hindu terms but they changed the whole administrative system into their own colour. The old framework still works in some remote departments and government organizations.

**Nature and Aims:** The nature of Mughal administration was basically a military rule and can be termed as a centralized despotism. It took care of its socialist functions towards the Muslim section of the society while remaining the head of the church and the state. On the other hand, the non-Muslim populace was subjected to minimum restrictions by doing only two activities, which were:

- Police duties
- Revenue collection

Activities like education, art and literature were not considered as the administration's duty and was up to the king to pursue it on a personal level. The aim of the administration in the Mughal period was limited only to policing and tax collection for their own purpose.

## FEATURES OF MUGHAL ADMINISTRATION

Jadunath Sarkar mentioned various features of Mughal administration, which are given below in Figure 2.1 and described thereafter:

***Figure 2.1: Features of Mughal Administration***

1. **Foreign Element:** The Mughal governmental system adopted its nature from the race and creed of its sovereigns, which were a Mohammedan dynasty.[1] They had invaded India about eight centuries after the establishment of Islam outside India. The foreign elements are given below in brief:
   - **Non-Indian:** The administrative system was a Perso-Arabic system that was followed in India with modifications suitable for local needs and conditions. The court was run exclusively as

per the non-Indian systems, for example, *amir* or *emir* was the Governor who was the head of the military and police while *amil* was the head of treasury. They were supposed to be vigilant of each other, although they were equal in rank.

- **Militaristic Government:** The Mughal government was militaristic in nature as every official of the government had to be enlisted in the army and was given a *mansab,* by *bakshis,* meaning a rank or a position given as a reward and were called *mansabdars.* The *mansabdars* were established in a proper hierarchical order who were responsible to execute the orders of the emperor.
- **Treasury:** There was no civil treasury as the entire administration was based on military rules and organizational hierarchy. The pay was disbursed by the *Bakshis* (Head of a Military Department) but the actual payments were made by *Diwans,* who were deemed as civil officers.
- **Land Revenue System:** The Mughals did not impose any new system of land revenue collection. They retained the old Hindu taxation system and department along with their officials. They were non-interfering in this regard as long as they got the tax. However, there were some other taxes which the Mughals followed from the Quranic law.

2. **The State as a Manufacture:** The Mughal state was the only manufacturer, on an enormous scale, of necessary products. The administration had large needs like:
   - A robe (*khilat)* was gifted by the king twice a year to every *mansabdar* which the administration required in bulk.
   - A robe as a birthday gift for all the princes of the blood, the vassals and the Rajahs twice a year (according to the lunar and solar calendars); etc., was given and hence, the need of robes in large numbers.

   The Mughal administration did not let any outside manufacturer to make these robes and the State itself became the sole manufacturer.
3. **Centralized Autocracy:** The Mughal administration was an absolutist power which had the crown as its centre. This resulted in duplicity and a vast amount of official record-keeping because the territory was large and the official correspondence was humungous. The Mughal administration has been called as *kaghazi raj,* meaning a paper government.
4. **Law and Justice:** To quote Sir Jadugar Sarkar, 'One of the most essential functions of a modern state is the administration of justice and maintenance of order. In the Mughal administration, it was the weakest and least capable of improvement and expansion with time'. It defended its territories with his army against foreign attack but the local areas were left to the local *chaukidars* (watchmen) for policing. The villages arranged for them and their salaries were also paid by the villagers as a share of the crop. The *chaukidars* were supervised by a *faujdar* (supervisor of the watchmen) whose duty was to quell any revolt but his supervision was negligible owing to his large jurisdiction.
5. **Socialist Functions:** The Mughal administration was only concerned with the court procedures and activities but was not with any economic or social development as opposed to the province of the *khalifa,* the successor of the Prophet. Art and literature were promoted for the personal interests of the king. This system was like a local autonomous one where the centralized authority leaves the rural areas alone to themselves but this autonomy did not have any rights of revenue collection or political freedom.

The above-given features explain the nature and aims of Mughal administration which were basically to advance their territory and wealth.

## Departmental Heads

The Mughal administration was absolutist, so the head was only the crown according to the Quranic law, called *amir-ul-mumnin.* There was no constitutional mechanism to keep any check or control over the crown as it was a military state. However, there was the decree issued by the *uleema* (a body of Muslim scholars who are recognized as having specialist knowledge of Islamic sacred law and theology) which could depose the sovereign if there was a violation of Quranic law but this could be done only be rebellion. It was only the emperor who took decisions and the *wazir* (Government Official or Advisor to the emperor) was consulted if required. The other ministers were merely there to follow orders.

### *The Chief Departments and their Heads*

The chief departments and their heads are depicted below given in the Figure 2.2.

| |
|---|
| **The Exchequer and Revenue**<br>The High Diwan |
| **The Imperial Household**<br>High Steward |
| **The Military Pay and Accounts Office**<br>The Imperial Bakshi |
| **Canon Law, Both Civil and Criminal**<br>Qazi |
| **Religious Endowment and Charity**<br>Chief Sadar |
| **Censorship of Public Morals**<br>Muhtasib |
| **The Artillery**<br>Mir Atish or Darogha |
| **Intelligence and Posts**<br>Darogha or Dak Chowki |

***Figure 2.2: Chief Departments and their Heads***

### *The Treasury and Household Departments*

Given below are the Department of Treasury and other Household Departments:

1. **The Exchequer:** The High Chancellor, *Diwan-i-alia,* headed the Exchequer, with the title *wazir* and had two assistants, called the *Diwan-i-tan* (Minister for disbursing salaries) and the *Diwan-i-khalsa* (the Diwan of Crownlands). The duties of the *Diwan* are mentioned below in brief:
   - To act as an intermediary between the emperor and his officials
   - Inspection and storage of official records
   - Cash balances
   - Cash in exchange of land, etc.
2. **Diwan of Crownlands:** The main duties of Diwan of Crownland were:
   - Posting of the *subahdars, faujdars, amins* (A revenue assessor), *diwani officers,* etc.
   - Answer the queries of the High *Diwan*
   - To issue orders (*parwanahs)* assigning salary *(tankha*)
   - A written summary as a report to the emperor
   - Issue any other orders from the emperor, etc.
3. ***Diwan* of *Tankha*:** The duties of the *Diwan* of *Tankha* (Head of disbursing salaries) are:
   - Requiring submission to the emperor related to *zamindars*, *subahdars* (Governor of a Province), records of arrears, etc.
   - Orders relating to the granting *jagir*, cash, etc.
   - Sheets and permits to be signed, etc.
4. **The High Steward:** The *Khan-i-saman* (The High Steward), was the second highest officer in the realm below the *Diwan* (Minister). His duties were:
   - Cash balance and articles in the household
   - Keep one set of records of expenditure per annum
   - Purchase of articles with government money
   - Attestation of salary bills of his workers and menials, etc.
5. ***Buyutat*:** *Buyutat* is the double plural of the Arabic word meaning 'house'. He was an officer-in-charge of the registration of the property of deceased persons to protect the property for the heirs of the deceased. His duties were:
   - To allot money to the cash balances out of treasury
   - Provisions for *karkhanas (*workshops)
   - Endorsement of receipts
   - Fixing prices of articles, etc.

Thus, the above-given duties were prescribed in the Mughal administration. In conclusion, the emperor and his administration were absolute militaristic and concerned only for their revenue collection.

## Q2 *The Mughal Empire became a hopeless failure in eighteenth century though it had all the resources at its disposal. Substantiate.*

**Ans.** The Mughal Empire lost its weight and impact in the eighteenth century besides it having all the resources at its disposal. It had covered the entire Indian subcontinent that was larger than Ashoka's also. It ruled in India for more than two hundred years from Akbar's succession to the throne in 1556 to 1748 with the death of Mohammad Shah. It had pervaded the local language and culture also except the rigid

Hindu priests or the interior rural population. The language followed in all official records, *sanads* (A charter or grant), land-grants, etc., was Persian and even their coins were being used all over India bringing the whole country into oneness of the nation. However, at the end of this 200-year period, the Mughal Empire became a hopeless failure in the following areas:

1. **Disruption in the State:** The Mughal Empire was ruled by the emperor from the seat of a centralized authority but because of the vastness of the geographical boundaries of the land and sea, there were lawful *Sultans* as a theoretical king to rule smaller regions but the generals did not owe much allegiance to the emperor. The emperor seized lands and made *Sultans* of his own faith of those lands. When all lands had been conquered, the Mughal Empire faced rebellion, murder of sovereigns and chaotic wars of succession. Its main reason was that the old Muslim plan of conquests resulted in disruption in the local autonomy. Civil wars hampered the growth of civilization and institutional development with a lost relevance of laws.
2. **Weakening of the People:** The system of the right of private property in the Mughal administration mandated that at an individual's death, all property and wealth was confiscated by the state. His children were left without anything and had to start building his property and wealth from scratch. This rule did not allow the present generation to benefit from the achievements of his past generation. The Muslim state did not concern itself with any improvement in this regard and the people had to face an economic decline as a society. Another ignored aspect in Mughal administration was disregard for art and literature promotion or patronage amongst the commoners. Only the court was allowed to indulge in art and literature related activities which brought the society as a whole at a resounding gap.
3. **End to Natural Growth of Hindus:** It is true that India had been invaded by foreigners a number of times but under the Mughal Empire, Hindus were ignored and all their temples were destroyed. They were hurt where it hurt them the most, that is, their faith. They barred scholars to read, study or teach Sanskrit from 1200 to 1550 CE till Akbar ascended the throne. He allowed intellect to explore to certain extent.
4. **Decay of Indian Mohammedans:** Mohammedans in India also faced a decline in their economic status and fell into degeneration. The causes of this decline were:
    - Reckless hybridization and degeneration into *harems.* The result of such unions was a generation of a lower intellect instead of pure Hindus, pure Turks or pure Persians.
    - The Muslim faith persons got abundant wealth from the emperor and they became used to doing nothing.
    - The Mohammedans lost touch with their own language, whether it was Persian or Turkish, and were not able to adopt the Indian language also. This resulted in a vacuum in literary excellence and education.
    - Women were disgraced and not given a proper place in the society. This led to a reprobate and a decadent race.
5. **Lack of Self-Correction and Progress:** There came a sharp contrast between the British civilized empire and a decaying Muslim one. The British presented a democratic rule that absorbed all cultures and races instead of a single ruler. The militaristic nature of Mughal Empire could not compete with the democratic British rule.

All the above-mentioned causes of decline point out to the fact that the Mughal Empire declined in the eighteenth century. This led to the rise in the British rule in India.

## MUGHAL TERMINOLOGY

1. ***Amil*:** A revenue collector with a wider meaning in the Sultanate.
2. ***Amin*:** A revenue assessor.
3. ***Amir*:** A third ranking officer and *umara* was a plural for *Amirs* to denote noblemen.
4. ***Bakshi*:** The official who kept army records and paid the troops.
5. ***Khalifa*** or ***Calif*:** A title adopted by the rulers of the Islamic community, representing as successors of Prophet Mohammad and indicating they were temporal and religious leaders. Their office was known as the Caliphate or *Khilafat*.
6. ***Diwan*:** A revenue ministry or a department who had judicial power in civil cases as well as revenue collection.
7. ***Durbar*:** The ruler's court or an audience granted by him.
8. ***Firman*:** A firman or a farman is an order issued by a ruler.
9. ***Faujdar*:** The head of a district or a police official.
10. ***Hindustani*:** Any native of north India or Indian converts to Islam. A fusion of Islamic and Hindu influences.
11. ***Mansab*:** A rank in the Mughal army depending on the number of horses the officer had to bring to the field.
12. ***Mir Saman*:** An official in-charge of the imperial household who took care of purchase and production of the goods required.
13. ***Quran*:** Quran or Koran is the word of God which forms the rules for all.
14. ***Sanad*:** A charter or a grant.
15. ***Sultan*:** A king or a ruler dependent on the Caliph. The *Sultans* at Delhi were recognized by the Abbasid Caliphate, the third of the Islamic Caliphates to succeed from Prophet Mohammad.
16. ***Wazir*:** Delhi's Chief Minister or an officer in-charge of revenue and finance.[2]

### Notes and References

1. Adapted from: Sir Sarkar, Jadunath (1963), *Mughal Administration*, M. C. Sarkar and Sons Private Ltd., Calcutta.
2. Muslim Civilization in India, Glossary, http://www.columbia.edu, retrieved on 4 February 2019.

# 3 Legacy of British Rule in Politics and Administration

## LEARNING OBJECTIVES

*After reading this chapter, you will learn about:*

- Indianization of Public Services
- Revenue Administration
- District Administration and Local Self-Government
- Legislative System of British India
- What was the impact of colonialism on contemporary Indian Society?

The purpose of studying the British rule in politics and administration in this chapter is not to get a historical perspective of the 200 years of British rule but to understand how they left an indelible mark on our institutions and administration. India was under the Mughal rule, which was dwindling in its authority, prior to the advent of Britishers. The Mughals had their own administrative system which had been borrowed from Persia while India had forgotten their own systems. So, when the British established themselves in India with their laws and administrative system, it got embedded in the Indian administrative system and even after gaining independence in 1947, there was some hangover found in the Indian systems.

The 15th to the 17th century was called 'Age of Discovery' when the Europeans began exploring sea routes to distant lands to develop trade, commerce and knowledge. Beginning with the Portuguese at Calicut in the 15th century and followed by other European powers like the Dutch, France, the British and the Norwegians by the 17th century, India became a colonial power. The Marathas and the Mughals became weak in the early 18th century leaving a gap open to the imperialist powers to colonize India. After winning the 1857 mutiny by the Rajput's, the British became all powerful.

Some of the important acts and occurrences during the British rule in India have been given below in Box 3.1.

***Box 3.1: British History in India***

**First Phase of British History: 1599–1765**

**1599:** A group of merchants called, 'Merchant Adventurers' formed the East India Company.

**1600:** East India Company was founded with a capital of $ 70,000 supported by the English Charter with the Queen as a partner in it.

*(Countinued)*

***Box 3.1: British History in India (Countinued)***

**1608–1635:** The Company tried to gain control by diplomacy and making alliances with the Mughals and the Portuguese.

**1698:** Fort William was built around their factory at Hugli, Bengal.

**1765:** Lord Clive accepted the Diwani of Bengal, Bihar, and Orissa.

**Second Phase of British History: 1772–1858**

**1772:** The Regulating Act, 1772 was passed which provided a Supreme Court and began an era of a Dual Government.

**1783:** The East India Bill was introduced in the House of Commons but was not passed.

**1785:** The Pitt's India Act was passed which allowed the Parliament to have the guiding hand and existed till 1858.

**1793:** The Covenanted Civil Service was constituted.

**1833:** Renewal of the Charter

**Third Phase of the British Period**

**1858:** End of Dual Government and the Government of India was transferred from the Company to the Crown.

**1909:** The Indian Councils Act was passed which enlarged the Legislative Councils both, Imperial and Provincial, and the elective element was increased.

**1911:** The Durbar was held in Delhi by His Majesty King George V and the Queen Empress. The capital was moved to Delhi from Calcutta and a rearrangement of some provinces was done. Spengenberg, Bradford (1966),

## Q1 *It is said that the British made a significant contribution towards modernizing the Indian Administrative System on a 'rational-legal' basis. Justify the assessment with reference to the period from 1830 to 1865.*

***Or***

## *'Indianization of Public Services is a slow but steady process'. Explain.*

**Ans.** The British had established dual authority via the Pitt's Act of 1784 which gave the controlling power over the Indian government, shared between the:

- Court of Directors representing the Company
- The Board of Control representing the Crown.

It is important to understand the administrative system which the British followed and kept evolving it from time to time based on the changing situations in India as well as in England. Given below is a time-line to understand the Indian Administrative System during the period from 1830–1865:

**1841:** After 1841, the number of the members of the Board was drastically cut to only one, that of the President. The directors had to submit all dispatches to India to the Board first.

**1853:** The Covenanted Civil Service which was established in 1792 had members entering into covenants with the East India Company that they would not receive any presents nor they would indulge in any trade. Other key changes in 1853 were:

- Admission to this service was through nomination of the directors until 1853.
- The service was opened up to all British subjects regardless of race, caste or religion.
- The qualifications and the age were specified by the Secretary of State in the Council but if any changes were to be made, they had to be submitted to the Parliament and approved.
- The examination was conducted by the Civil Service Commissioners based on merit.

**1858:** The Crown took over the exclusive responsibility to run and rule over the Government of India. Given below are the main features during the time:

- A fifth Secretary of State, with a Council to help him, took over the office of the President of the Board of Control.
- The Secretary of State was supposed to be a member of the Parliament, a Cabinet Minister and a member of the Privy Council having the support of the majority of the House of Commons.[1]
- The Members of the Council were barred from holding a seat in the Parliament, with a tenure of seven years.
- The Secretary of the State was the constitutional adviser of the Crown in matters relating to India regarding the government and revenue.
- An India office was opened and the Secretary of State engaged the employees of the Board of Control and the Court of Directors but there was no talk about Indian appointments.

After studying the system of the services under the British rule, it can be observed that the system initiated was a legal–rational system without any room for nepotism and favouritism. The appointments and promotions of the civil servants were left to the Government of India. There was however some frustration over the fact that the examination for the civil services was held in London. It was not possible for Indians to go to London due to the cost involved and it resulted in a very small number of Indians in the service. Many reforms were made later in 1879 to improve the civil services but not in the purview of the time-period specified. The present Indian Civil Service also has the legal–rational foundation by recruiting officers through an elaborate system of examination at three levels based on merit.

## Q2 *What was the system of public finance and revenue administration in the period after The Act of 1858 in the British India?*

**Ans.** Even though for a layman, the British rule began in India with the Battle of Plassey in 1757 but at that time, India was ruled by kings. Since 1757, the financial administration in India was absolutely centralized and expenditure was made through a centralized single fund. There was a deficient local self-government system of institutions for want of funds. The Mutiny of 1857 nearly bankrupted the Indian government.[2] The mutiny had three consequences, which are:

- It necessitated a sustained increase in the size and professionalism of forces stationed in India.[3]
- It ended the Company's Rule and the Government of India Act, 1858, was passed to assume direct authority.
- With the end of the Company Rule's, the Indian Civil Service was established in 1858.

There was a need to get more revenue from the people but since they had been in the war and were low on funds, this move could not be successful. The British rule began, officially in India, in 1858 when the Crown took over, through the Act of 1858.

## MAIN FEATURES OF THE GOVERNMENT OF INDIA ACT, 1858

Given below are the main features of the Government of India Act, 1858:

1. **Control over the Indian Finances:** The expenditure of the revenue of India shall be subjected to the control of Secretary-of-the-State-in-Council, and no grant or appropriation of any part of such revenue shall be made without the concurrence of a majority of votes at a meeting of the Council. This gave all the rights to the British to enjoy the fruits of revenue with no powers to the Indians. Certain conditions laid down under this law were:
   - The Government of India could not incur fresh expenditure and increase the number of officers beyond the specified limit.
   - The British Parliament had no control over the Indian revenue barring any military expenses beyond the Indian boundaries and no increase was allowed in public debt without the Parliament's approval.
   - An annual financial statement was to be placed on the table of the House of Commons and the accounts that were found to be valid would be put to vote.
   - Britain would not contribute anything to the Indian Empire and all salaries of the armed forces and officers would be paid out of the revenues collected in India.
   - Britain would pay 100,000 pounds per annum at a low rate of interest for the protection of its fleet.
2. **Management of Indian Taxation:** There was no separate Finance Department in India and James Wilson was appointed as the Finance Member of the Viceroy's Council. In 1859, he proposed a policy in five steps to be carried out in India:
   - To extend a system of sound taxation to the great trading classes, who hitherto have been exempted, though chiefly benefitted by our enormously increased civil expenditure.
   - To establish a paper currency.
   - To reform and remodel our financial system, by a plan of annual budgets and estimates, and a pay department to check issues and keep them within the authorized limits, and an effective audit.
   - A great police system of semi-military organization, but usually of purely civil application, which, dear though it be, will be cheaper by half a million than the present wretched and expensive system. The native army could be reduced by one-third.
   - Public works and roads, with a view to increased production of cotton, flax, wool, and European raw materials[4] as the increased network of roads would allow speedier transport of raw materials to the ports of deportation to England.

   The condition of public finance improved considerably by levying some new taxes and managing it carefully.
3. **Provincial Governments and Finance:** The Provincial Governments, till then, did not have any control over finances. In 1867, Lord Mayo took over and some financial responsibility was delegated to the provincial and local governments. A small fixed amount of money was given to the

local governments to carry out local governance. They were allowed to raise money by taxation and advised to do careful management. Given below are some main steps taken in this regard:

- The local governments became more interested in collection of taxes and practicing economy in expenditure.
- A division of items between the Central and local governments was done concerning the headings, imperial and provincial.
- All expenditure incurred by the local governments in education, police, health and sanitation was subjected to approval and control by the supreme government.
- The Accounts and Audit Department audited all accounts and submitted to the Government of India. Each province had an Accountant General and the Comptroller and Auditor General who contributed in compiling the finance and revenue accounts and finally submitted to the Parliament.

4. **Revenues of India:** The revenues of India were divided under the headings given below:
   - Land revenue
   - Revenues derived from taxation: salt tax, stamps, excise, customs, income tax and registration.
   - Revenues from sources other than taxation: opium, forests, posts and telegraphs, railways and irrigation and tribute from native states.
5. **Expenditure:** The expenditure account of the government was divided into the following:
   - **Debt:** The Government of India had to take over the debt of the Company when the management of Indian affairs were transferred from the company to the Crown, which was 107 crores at that time which kept on increasing but the government managed to repay its debt considerably.
   - **Military Charges:** About 35% of the revenues was spent on defence forces and works but did not have to resort to loans for their maintenance.
   - **Civil Charges:** The civil charges included salaries of officials, expenditure of civil department, education, sanitation, civil works and some miscellaneous charges.
   - **Famine Relief and Insurance:** The Government of India decided to keep 1,000,000 pounds which could be used for the times of famine when revenue collected would be less. This money could also be utilized for debt reduction or construction of public works.
6. **Gold Reserve:** The public and private finance were in a bad shape as India had to pay England in gold while the revenues collected were in silver. The Crown fixed an artificial value of the rupee and it had to meet its liabilities either in gold or silver.

   The Government of India Acts of 1919 and 1935 and the Legislative Assemblies created after 1920 restructured the federal finance and exposed it to organized pressures from elected representatives.[5] The changes introduced were:
   - The divided heads of revenue were abolished.
   - Land revenue was given over to the provinces.

After the First World War, the government in England was unable to manage expenditure from public savings and had to resort to borrowings from India due to wars, famines and depressions. India was burdened by serious deficit during the second World War. The deficit was covered by the Central Bank by increasing the money supply. India had to cover the supply of essential goods and food grains which resulted in a high increase in inflation and suffering of the poor. The essential commodities were rationed by the government which became a norm in India after independence and a system of public distribution was established.

## Q3 Discuss the local self-government under the British Rule.

**Ans.** Local governments are important to strengthen the nations. The seeds of the values of equality, liberty and freedom are sown at the grass roots level and the Britishers' objective was not to do that. Their main aim was to make profits through trade in Indian goods which they bought at very low prices. They had the guns and the muscle to enforce and exploit the Indian growers and tradesmen. Lord Ripon said at the resolution of the Governor-General in Council in 1882, 'The cardinal principle, which is essential to the success of self-government in any shape is this, that the jurisdiction of the primary boards must be so limited in area as to ensure both local knowledge and local interest on the part of each of the members'.

A corporation and a Mayor's Court were established in Madras in 1687 and later in Bombay and Calcutta. Its functions were:

- Judicial
- Administrative duties
- Raising of taxes within the municipal area.

### Composition

**Calcutta:** The municipalities consisted of a nominated chairman and 75 councillors of whom two-thirds were elected initially but the number was reduced to 50 out of which 25 were nominated later to achieve some effectiveness. The Chief Executive Officer was nominated by the government.

**Bombay:** The Bombay Municipality was effective and strong working for the betterment of the city in a business manner. It had 72 councillors out of which 16 were nominated by the government. The rest of them were elected by distinguished persons like justices, university fellows, etc. The President was elected by the councillors and the Chief Executive authority is the Municipal Commissioner who was a nominee of the government from the Indian Civil Service. They worked for the maintenance of water, lighting, sewage disposal, roads, etc. The Bombay Municipality had abundant funds back in 1910–1911.

Besides the Municipalities of Presidencies, there were district municipalities, Bombay City Improvement Trust and Port Trusts in the chief seaport towns. Lord Ripon gave a stimulus to Local Boards and Municipalities. The smallest unit was the village or a group of villages called, *Panchayat*, *Taluka* Boards were above them and finally 'District Boards'. Total expenditure ranged from 35 % to 47 % of the revenue collected. The Local Boards started acting responsibly in the administration of the local areas. The Local Boards constituted a strong local self-government, however, the councillors always complained that the people did not contribute in local improvements which they used to do before the Local Boards were constituted.

It was noted in the Imperial Gazetteer that the parliamentary system connecting the Central Executive and the local representatives was being affected in India. The administration of local affairs was being entrusted to Local Boards and Municipalities. The executive got in touch with the local needs through the local bodies.

## Q4 *Critically discuss how did colonialism influence and shape contemporary Indian society.*

**Ans.** The British colonialism in India had a tremendous impact on shaping contemporary Indian society. It is a well-known fact that the British, the East India Company came to India to reap profits by plundering through trade of Indian products like spices, raw cotton, etc. The company worked out various alliances and deals with the Indian princes and brought them under their rule. Things changed with the Mutiny of

1857 when the British Crown took over the Indian government legally. The British contributions towards developing and modernizing India were many but came with a price. They developed railways, posts and telegraph, roads, cities and education to be able to govern better and take the plunder back to England. The Indian society gained in respect of basic infrastructure because the Mughals had not concerned themselves with development.

Given below are the ways in which colonialism had an impact on the contemporary society:

1. **Transport and Communication:** The impact in the freedom struggle was positive for the nationalists because they could unite with the help of transportation and posts and telegraphs. Their exchange of ideas became rapid and strengthened the nationalist movement. Colonialism ended in 1947 and the Government of India had to gear up real soon to deal with the administrative problems arising out of resettlement and rehabilitation of refugees due to the partition. The Indian government had to face Pakistan in the war of 1948 and the government again did not get much time to formulate policies as it wanted to. As a result of these situations, colonial practices continued in the administrative system and even the people followed the subservient attitudes. Transport and communication that was set-up by the Britishers helped the Government of India to improve on it through the Five-year Plans instead of starting from the scratch.

   However, the Britishers were not so generous, as mentioned earlier, that they had developed transport and communication only to promote their selfish interests. They built all the waterways and canals upstream so that India would never be able to use them for transport. It was only after independence, when the Indian engineers were faced with this problem and the government had to rebuild them.

2. **Western Learning:** The Britishers consolidated their hold on this country. They captured the Indian mind, primarily through science and technology and secondarily through three human values—equality, fraternity and love. The Indian mind, that of the Hindu, was captured through western learning. This new-found interest in the Western learning opened the doors to vast knowledge and ideas which continued after independence also. The use of the language, English, became essential to be able to compete and emerge victorious in the global world. This trend has led India to become the fastest growing economy in the world at present and has topped in all fields possible.

   The Indian philosophy collided with the imperial thought process and disturbed the relational social structure. There is definitely some confusion in choosing which path and philosophy to follow. The influence of the imperialist thought has been so great that the contemporary society has to struggle with the tradition versus modernity debate. However, India is successfully coming out of the dilemma and embracing the right mix of thought cycle. So, if critics undermine the use of the English language and the hogging of Western knowledge, one can rationally say that it has had a positive impact on the contemporary Indian society. One cannot say that India is leaving its culture or language behind by not using the vernacular and imbibing Western wear and thoughts. This generation is blending the Indian culture with modern thought and making the best of the both worlds. It can be observed that Western learning in the colonial period set the tone for the quest for knowledge which has made India once great once again.

3. **The Socio-economic Order:** The British had the lifestyle that involved clubs and associations in which only the British were given membership. This elitism gradually rubbed off on the Indian elite and the civil servants who got selected in the civil service. The club members interacted frequently and conducted business and economic relations. This practice continued in the post-independence period and besides the caste division of the society, India had a new social dynamic of a class divide. The bureaucratic elite in India also became arrogant like the British and did not consider their service to mean, 'to serve'.

4. **Religious and Social Reformation:** The British, besides being the exploiter and the imperial ruler, also promoted religious and social reformation. Evil and outdated practices like child marriage, *sati-pratha* (a widow committing suicide on the funeral pyre of her husband), etc., were abolished and modern–rational thought was promoted. This was continued by the social reformers and activists and we see a change in the society today in India. There are social issues that need addressing today also which is being taken up by the social reformers.
5. **Rule of Law:** Before the Britishers came to India, the nation was in a state of chaos and disorder under the crumbling Mughal dynastic rule. Under the Colonial British Rule, Rule of Law was established with an organized bureaucracy and brought in the concept of 'Equality Before Law' though that remains under a mocking shroud of doubt with the British judges always favouring their own citizens. However, the concept of Rule of Law stayed with the Indians and had a great impact on the social growth in India and eventually found a place in the Constitution of India.
6. **Constitution:** The constituent assembly for the framing of the constitution was greatly influenced by the UK Constitution. Many of its features can be seen in the Indian Constitution, making India a land, following the statutes and laws of Britain. The Government Act of 1935 was mostly adopted in the Indian Constitution which influences the Indian contemporary society in every way.
7. **The Indian Civil Services:** The Indian Civil Services in the contemporary India is mostly a legacy of the British rule in its structure, based on merit. How much ever we hated the British rule, it cannot be denied that India and Britain have had a long history together but with the changing times, it is important that the civil servants do not retain their arrogant attitude any longer. A change is seen in the way the young civil servants are working hard in the delivery of public services, maintaining economic growth and law and order.

The British legacy in politics and administration continued in India for many decades although India has gained its own place in the world now. India is the fastest growing economy at present due to its young working force with a zest to excel. It can be conceded though that the British set the tone for development and now India has emerged as a strong independent nation state.

## Notes and References

1. Adapted from: Anderson, G (1988), *British Administration in India,* Gyan Publishing House, Delhi.
2. Hibbert, Christopher (1978), *The Great Mutiny,* Viking, London.
3. Sir Wood, Charles (1859), *Statement by Sir Charles Wood in the House of Commons,* London.
4. 1860 Indias First Income Tax, Chris Jenkins '1860: India's First Income Tax' [2012] British Tax Review 87-116, retrieved on 21 December 2018.
5. Fiscal System and Policy From 1858 To 1947, https://www.encyclopedia.com, retrieved on 21 December 2018.
6. Raghuramaraju, A. (2006), *Debates in Indian Philosophy: Classical, Colonial and Contemporary,* Oxford University Press, New Delhi.
7. *Status and Policy: the Character of the Covenanted Civil Service of India and its Ramifications for British Administration and Policy in the Late Nineteenth Century, Duke University, UK.*

UNIT II

# THE PHILOSOPHICAL AND CONSTITUTIONAL FRAMEWORK OF GOVERNMENT


**Chapter 4** Salient Features and Value Premises

**Chapter 5** Constitutionalism

**Chapter 6** Political Culture

**Chapter 7** Bureaucracy and Democracy

*This page is intentionally left blank.*

# 4 Salient Features and Value Premises

## LEARNING OBJECTIVES

*After reading this chapter, you will learn about:*

- The Preamble
- How Libertarian and Egalitarian Ideals vary in the Preamble?
- Salient Features of the Constitution of India

The Constitution of India was formulated by the constitution frameworkers of India after 200 long years of British rule. This was a result of a lengthy struggle to achieve freedom from the imperialist power by the national freedom fighters with the support of common masses. The constitution makers were faced with a responsible task of upholding the sentiments and values of the people while making laws and rules. The concept of liberalism won over the divergent views of socialism and Gandhian thought. These values have been represented in the Preamble of the Indian Constitution. A preamble is a preliminary statement which sets the tone of the content of the book.

The Preamble[1] was written to hold the value premises representative of the values of the people. It is given below in Box 4.1.

***Box 4.1: The Preamble***

**We, the people of India, having solemnly resolved to constitute India into a sovereign socialist secular democratic republic and to secure to all citizens:**

JUSTICE, social, economic and political

LIBERTY of thought, expression, belief, faith and worship

EQUALITY of status and of opportunity; and to promote among them all

FRATERNITY assuring the dignity of the individual and the unity and integrity of nation

In our constituion assembly this day of 26th november 1949, do hereby adopt, enact and give to ourselves this constituion.

## Q1 *Do you think that some of the ideals enshrined in the Preamble of the constitution remain only on paper even today? Critically elucidate.*

**Ans.** The Preamble is self-explanatory of the values that it represents upholding of justice, liberty, equality and fraternity among the population of India. India is a sovereign, socialist, secular, democratic republic and all the laws held in the constitution have been framed to maintain these features. The debate whether some of the ideals enshrined in the Preamble of the constitution remain only on paper even today needs careful evaluation.

The debate in the first part of the Preamble—sovereign, socialist, secular, democratic republic will be examined first. The critical examination of the five values is given below:

1. **Sovereign:** It is imperative to understand the concept of the sovereign to evaluate it critically. The concept of sovereignty came into existence many centuries ago but became strong with the UN Charter. State sovereignty means that all states are equal regarding their statehood but it is being threatened or one can say that its meaning is being modified in the modern-day. The instances where sovereignty is being endangered are:
   - **Globalization:** States are losing their sovereignty in the present environment of globalization because of the activities and policies of international organizations. The state has its own rules and is also bound by international law which limits the global agencies to work in foreign states. However, the states cede some of their powers of sovereignty to gain from foreign investments even though they do not impinge on domestic laws.

     When the state joins an international organization, it tends to lose its authority to manage its internal affairs which are a part of the agreement. This interferes with a state's sovereignty as it is not the only stakeholder in the globalized environment.
   - **Funding of NGOs:** The Government of India has brought a major crackdown on Non-Governmental Organizations (NGOs) which had been accepting funding from foreign organizations. Recently, the NGOs like Greenpeace, Amnesty and Cordaid were accused of, 'serving as tools for foreign policy interests of Western governments' by sponsoring campaigns to protect the environment or support human rights. 'Anti-development' activities included campaigns against climate change, workers' rights, or even the disposal of e-waste by India's massive IT sector.[2] This trend became stronger after the leaked IB report that foreign countries were using NGOs as a medium to thwart development and reduce the Gross Domestic Product (GDP) by at least 2–3 per cent.

     Another example of the impingement of sovereignty came to light during the commissioning of the Kudankulam Nuclear Power Plant funded by Russia. The local people staged a series of strong protests against the reactor as a corollary of the Fukushima Daiichi nuclear disaster. Later it came to light, with evidence, that several Christian organizations and Christian NGOs, funded by USA's National Council of the Churches of the Christ, were diverting funds meant for social welfare and protection towards the financing of the protests against the nuclear reactor project. This is another instance of anti-development plotting of foreign countries attacking the sovereignty of India in indirect ways.
2. **Socialism:** The Indian National Congress under the guidance of Jawaharlal Nehru, an avowed socialist, adopted socialism as its ideology to formulate and implement socio-economic policies in 1936 and was later adopted in the Preamble of the Constitution of India as the 42nd Amendment. The relevance of socialism in India began dwindling in the late 1970s due to economic stagnation and world recession. Most of the means of production were and still are owned by the state. India believed that this was a way of social control of the social and economic lives of the people. This led to the economic crisis of 1991–1992 and the government had to resort to structural reforms leaning

towards capitalism to improve the GDP to 7 per cent. However, India still has specific socialist controls that hamper development. India cannot leave the character of being a socialist nation but needs to bring down the tight capital controls and socialist structures.

India progressed after independence under socialism but that was due to the fact that all new nations were progressing. In India, the average Indian's progress was 29 per cent of that of the average world citizen. By 1979, it had reduced to 20 per cent or one-fifth of that of the average world citizen. This means that the world on average was progressing faster than India, all taken together.[3] The Socialist Model in India was a failure as compared to market-based models being used in other parts of the world after second World War. The present-day numbers of India are comparable to the rest of the world and has become the leading emerging market due to loosening of the fiscal controls and allowing foreign direct investment. The dilemma is whether to allow India to grow economically and thereafter socially or retain rigid socialist character and remain low on economic growth. So, this change in the economic policy of India has put a question mark on word, 'socialist' in the Preamble.

3. **Secular:** The third major concept added in the Preamble is 'secularism' as the 42nd Amendment as a basis for the Union of India. The state must be non-theoretic, non-allegiant legally to any religion and act accordingly. The Western Model of Secularism believes in mutual exclusion of state and religion while the Indian Model of Secularism states equal protection by the state to all religions without favouring any. India has always been a tolerant state with respect to religion but is being challenged in the present times. The challenge has a historical background to it because religion was politicized in the 19th century itself. The political parties align themselves to various religious festivals which put them into a religious perspective.

   Secularism was defined by the Supreme Court in 1993 in the case of S. R. Bommai versus Union of India as a part of the basic structure of the constitution which was derived from the Hindu principle of tolerance and the government should not be aligned to any religion. However, of late, all the political parties today are using religion to garner votes. This is creating a wedge between the communities who genuinely do not care about religion but the political atmosphere is changing into a politico-religious one.

4. **Democratic and Republic:** B. R. Ambedkar had defined democracy as a means to bring about a significant change in the living conditions of the depressed without resorting to bloodshed. The Indian democracy has been unable to live up to the vision of the founding fathers as we see violence against the marginalized in the instances of the lynching case against the *Dalit* youth in Noida or the recent murder of a cop in Bulandshaher. There are numerous examples where democracy is being challenged which makes one think that we need to strengthen democracy by being more tolerant and having a better government-citizen interface.

   On the other hand, government officials and bureaucrats also face difficulties in performing their duties. For instance, the mafia mark a territory as their own and resort to illegal smuggling of goods or mining. Their resistance to government controls is so violent that in many cases the officials have to lose their lives.

5. **Justice:** The Preamble declares that justice with respect to social, political and economic areas must be ensured to all citizens. If this value is critically evaluated, it can be said there is a doubt on this account. The imperative value here is justice which encompasses the fairness and reasonableness of the relationship between the state and the citizens. There are mechanisms for the delivery of justice like public interest litigation, fast track courts, etc., however, justice is always delayed as in the Jessica Lal case, Nitish Katara case, 1984 riots case, etc. The courts are overloaded with pending cases and on the other hand, there are vacancies for judges. Prison reforms await implementation and human rights are violated every now and then without any reprise.

   Social justice is another grey area which is under the scanner in India. The Indian society is based on caste and creed, supported by the SC/ST Act and the reservation quotas. This basis cannot

lead to a civilized society and social justice is not possible on ground. The quota-based recruitment for education and employment bellies justice to the students who deserve more based on merit while the reserved sections still remain downtrodden and backward.

Political justice was added in the Preamble to ensure that all citizens get the freedom to vote and elect the leaders of their choice. The reality check comes once in every five years when the citizens get an opportunity to voice their choice and opinion. However, the politicians fool the masses by entrapping them in a *chakravyuh,* vicious cycle, of religion, caste, creed, gender and fake promises.

Lastly, economic justice is yet to be achieved as we see the statistics that India ranks at 72nd position on the Inclusive Development Index in the world. The gap between the rich and the poor is getting wider and the swollen middle class is becoming the new poor. The Micro, Small and Medium Enterprises are facing a problem of getting bigger contracts because of the nexus between the political stalwarts and the big businessmen which leads to the large industrial houses vying and getting the hefty accounts. The inequality between the wages is another area which requires attention to implement economic justice.

6. **Liberty:** The Preamble states 'liberty regarding thought, expression, belief, faith and worship'. A close examination of the value of liberty ensures us of the freedom to have our independent thought, express an opinion for or against an issue without fear, believe in any ideology or philosophy and worship any God or have faith in any religion one wants to.

   Nonetheless, a closer look shows that we are curtailed in our freedom of expression as we have to face the repercussions of the stakeholder the opinion is against. There is interference in each other's faith as we see in religion-based riots at many places and times.

7. **Equality:** The Preamble states that there must be equality in status and opportunity for all. The notion of equality in our constitution is integral to the citizens of India so that all can progress at the same time by taking advantage of these opportunities. However, if the ground reality is considered, the value of equality is flouted at all levels. Gender equality is yet to be achieved regarding their right to work, equal pay or even at exercising equality at a domestic front. The representation of women in politics has fallen short of the value of equality. This can be seen in the demand of 33 per cent reservation for seats for women in the Legislative Assemblies and the Parliament by just questioning the need for such a demand. Women must be able to come forward on their own without any opposition.

   In villages in India, we see inequality as untouchability in accessing places of worship or even to get drinking water from the village well due to the individuals belonging to the lower class. Women are disallowed to go to places of worship despite of the courts passing laws to do so as we have seen in the Sabarimala case and many others.

8. **Fraternity:** The Preamble declares that fraternity must be promoted among all citizens to assure dignity and unity. When untouchability still exists in our society, how can we assure dignity of an individual. India strives in unity but it is observed that the states in India are perpetually entangled in legal disputes over water, power, rivers, etc. However, to ensure that this value is prevailed in our country, it needs to be imbibed in the citizens from the childhood itself. One cannot enforce social values but it has to come from within.

To conclude, it can be observed that our founding fathers of the Indian Constitution had pure intentions in writing the Preamble. It is more like a pledge for the governments who come to power to be transparent and accountable to the public and deliver public goods and services with diligence and honesty. One cannot always brandish the fundamental rights and the values given in the Preamble and there must be importance given to fundamental duties also. Generally, fundamental duties are ignored by the citizens when demanding justice laid down in the Preamble.

## Q2 *Write a short note whether the Preamble in the Indian Constitution is libertarian or egalitarian.*

**Ans.** Egalitarianism is a core concept of treating people as equals. Equality can be conditional or non-conditional, instrumental or non-instrumental or regarding opportunity, justice, salary, resources and welfare. The concept of egalitarianism includes the values of justice and morality. The Preamble in the Indian Constitution includes the word equality in many aspects. (Refer to Q1). Many scholars have suggested that instead of simple equality, we need a concept of more complex equality: a concept managing to resolve the problems through distinction of various classes of goods, a separation of spheres, and a differentiation of relevant criteria.[4]

The Vice President of India, Hamid Ansari said in his speech in Lagos[5], 'A defining feature of the movement were the values and modern ideals on which it was based and the broad socio-economic and political vision of its leadership—a vision of a democratic, civil libertarian and secular India, based on a self-reliant, egalitarian social order and an independent foreign policy. Our freedom struggle against the British was basically to regain our lost civil liberties.

The debate of libertarian versus egalitarian is a complex one. One can say that the Indian Constitution is a mix of both the features of protecting equality and liberty of all citizens.

## Q3 *Discuss the salient features of the Constitution of India.*

**Ans.** India, also known as *Bharat*, is a Union of States. It is a 'Sovereign, Socialist, Secular, Democratic Republic' with a parliamentary system of government. The Republic is governed in terms of the Constitution of India which was adopted by the Constituent Assembly on 26th November 1949 and came into force on 26 January 1950. Every constitution in the world that has been written has its unique features with imbrications so complicated that it needs an in-depth interpretation and study. A member of the Constituent Assembly once remarked, 'The draft is really a lawyer's paradise'. The timeline of writing the constitution is given in brief in Box 4.2.

***Box 4.2: Timeline for the writing of the Constitution***

**1919:** The Government of India was passed with the main reform of bicameral legislature in India.

**1935:** The Government of India, 1935 was adopted to grant more autonomy for the provinces.

**1946:** A British cabinet mission was sent to India to explore the making of a framework of the constitution after independence was granted to India. A Constituent Assembly was established.

**1947:** B. R. Ambedkar was appointed as the Chairman of the Constitution Drafting Committee.

**1947:** The Draft was finalized and submitted on 4th November.

**1948–49:** The Constituent Assembly met in sessions open to public.

**1949:** The final Draft was adopted officially.

**1950:** The new constitution was enforced.

The salient features of the Indian Constitution are given below:

1. **Longest Written Constitution:** The Constitution of India is the world's longest written constitution. Initially, it contained 395 Articles which were divided into 22 parts and 8 Schedules which were

increased later on into 448 Articles and 12 Schedules. Till today, 101 amendments have been made. The reasons studied for this unique feature are:

- All features of the Government of India Act, 1935 were included to add administrative detail.
- Provisions for all backward communities, scheduled castes and backward tribes were made.
- Centre–State legislative, fiscal and administrative relations were given importance and included in the constitution.
- A detailed list of individual fundamental rights and duties; Directive Principles of State Policy and administrative procedures were given.
- Provisions concerning state administration have been given and special provisions for the eastern states.
- India has borrowed from all the written constitutions of the world and included the relevant parts.
- The complex diversity in India required laying down laws for all rituals, customs, issues, etc.

The length of the Indian Constitution is also attributed to the borrowed content from the constitutions of other countries. They are depicted in Box 4.3.

***Box 4.3: List of Borrowed Content in the Indian Constitution***

1. **Government of India Act, 1935:** Federal structure, Office of Governor, Judiciary, Provisions for emergency, Judicial system, Public Service Commissions and Administrative details.
2. **Britain:** Parliamentary form of government, Cabinet system, Rule of Law, Legislative procedure, Single citizenship, Writs, Parliamentary privileges and Bicameral legislature.
3. **Ireland:** Directive Principles of State Policy, Nomination of Rajya Sabha members and the procedure for the election of the President.
4. **United States of America:** The procedure for impeachment of the President, Functions of the President and the Vice President, Method of removal of judges of the Supreme Court and the high courts, Fundamental Rights, Independence of Judiciary and Judicial Review and the Preamble in the constitution.
5. **Canada:** A strong centre in a federation, Residuary powers vested in the Union Government, Appointment of Governors by the Centre, and the Supreme Court's advisory jurisdiction.
6. **Australia:** Concurrent List, Freedom of trade and commerce, and joint sitting House of Parliament.
7. **USSR:** Fundamental duties and the values of justice in the Preamble.
8. **France:** The ideals of republic, liberty, equality and fraternity in the Preamble.
9. **Germany:** Suspension of Fundamental rights in case of an emergency.
10. **South Africa:** The procedural rules for amendments in the constitution and the election of members of the Rajya Sabha.
11. **Japan:** The concept of 'the procedure established by law'.

2. **Preamble:** The Indian Constitution has a Preamble at the beginning, which finds its place in various laws in detail. It is based on Nehru's 'Objective Resolution' and sets the tone of the egalitarian objectives required to be achieved. The Preamble was drafted by B. N. Rau in his

memorandum on 30 May 1947 which found place in the Draft in November 1947. The objective of the Preamble is to give direction to the constitution by defining specific values. It can be referred back in case of a dispute over vagueness of a term. So, the purposes of the Preamble can be summarized as:

- Emphasizes the source of the constitution, that is, the people of India.
- Includes the enacting clause which enforces the constitution as an Act.
- Declares the rights and freedoms.

The Preamble plays an important role in the interpretation of statutes and interpretations of the constitution. It is a part of the constitution according to the Kesavananda Bharti case. The 42nd Amendment Act, 1976 added the words Socialist, Secular and Integrity to ascertain economic justice and eradication of economic inequality. However, it is not a source of defining the limitations or prohibitions. (Refer to Q1. for the values given in the Preamble).

3. **Single Citizenship:** A citizen of India enjoys a single citizenship in all the 29 states and seven union territories and will have all the rights and freedom and protection. The purpose in doing so was to stress on the unity of India. However, in practice some states have passed laws in giving more opportunity to individuals for taking education and jobs which defeats the feature of single citizenship. Nonetheless, non-resident Indians are given the advantage of having dual citizenship under which they have to register themselves as Overseas Citizens of India.
4. **Fundamental Rights:** Articles 12 to 35 in Part IIIC is called the Indian Bill of Rights states that the fundamental rights which are six in number post 44th Amendment Act. These rights are definite but not absolute because they come with limitations given in the constitution. It is important here to mention the rights, which are given below in brief:

   **(i) Right to Equality:** Equality before law and opportunity in getting employment or movement implying abolishment of discrimination on grounds of religion, race, caste, sex or place of birth.

   **(ii) Right to Freedom:** It includes six rights which are:
   - Freedom of speech and expression
   - Freedom to assemble peacefully without arms
   - Freedom to form associations
   - Freedom to move freely in India
   - Freedom to reside in any part of India
   - Freedom of adopting any profession, trade or occupation.

   **(iii) Right against Exploitation:** It includes the following main clauses in the prohibition of:
   - Traffic in human beings and forced labour
   - Employment of children in factories, etc.

   **(iv) Right to Freedom of Religion:** It includes the following main points of freedom:
   - Of conscience and free profession, practice and propagation of religion
   - To manage religious affairs
   - Payment of taxes for promotion of any particular religion
   - Attendance at religious instruction or religious worship at certain educational institutions.

   **(v) Cultural and Educational Rights:** It includes the following main points:
   - Protection of interests of minorities
   - Rights of minorities to establish and administer educational institutions.

(vi) **Right to Constitutional Remedies:** The Right to Constitutional Remedies is the soul of all fundamental rights because it ascertains that all the earlier mentioned rights are effectively enforced and not violated. The Supreme Court and the high court have the power to issue writs for the enforcement of the fundamental rights.

5. **Fundamental Duties:** Fundamental rights come with certain limitations and conditions to make them enforceable. One cannot say anything about an individual or an organization under the garb of the right to freedom of expression. There are eleven fundamental duties, some major ones are:
   - To abide by the constitution and respect its ideals and institutions, the National Flag and the National Anthem.
   - To uphold and protect the sovereignty, unity and integrity of India.
   - To value and preserve the rich heritage of our composite culture, etc.
6. **Directive Principles of State Policy (DPSP):** The DPSPs are not enforceable by any court but the principles are fundamental in the governance of the country and in making more laws. The main principles are:
   - State to secure a social order for the promotion of welfare of the people.
   - The state must ensure that, the citizens have the right to an adequate means of livelihood, ownership and control of the material resources of the community are so distributed as best to subserve the common good, regional parity, equal pay for equal work.
   - Equal justice and free legal aid.
   - Organization of village *panchayats*; right to work and education.
   - Just and humane conditions of work and maternity relief, etc.
7. **The Right Balance of Rigidity and Flexibility:** The Indian Constitution is considered as the right mix of rigidity and flexibility because the laws are easy to be amended as per the parliamentary procedure, prescribed in Article 268. The constitution is not as rigid as in the USA and nor flexible as in the UK. This is proven by the fact that since independence, it has been amended 124 times.
8. **Independent Judiciary:** The Indian Constitution has an important feature of having an independent judiciary which gives impartial justice to all. It is separate from the executive and the legislative bodies of the Government of India and there can be no interference from them.
9. **Parliamentary System of Government:** The constitution provides for a parliamentary form of government which is federal in structure with certain unitary features. The Constitutional Head of the Executive of the Union is the President. As per Article 79 of the Constitution of India, the Council of the States (Rajya Sabha) and the House of the People (Lok Sabha). Article 74 (1) of the constitution provides that there shall be a Council of Ministers with the Prime Minister as its head to aid and advise the President, who shall exercise his/her functions in accordance to the advice. The real executive power is thus vested in the Council of Ministers with the Prime Minister as its head.
10. **Judicial Activism and Judicial Review:** The judiciary has a system of public interest litigation to keep an eye on the activities of the legislature and the executive. The constitution also gives the judiciary the right to review the laws and declare them invalid if it deems it fit.

The Indian Constitution has been observed as being organic as it keeps growing embodying the spirit of the nation. Amendments to the constitution keep the Parliament and the government abreast of the needs and the changes in the socio-economic dynamics of the people. However, the amendments must not destroy the basic structure of the constitution with respect to fundamental rights. The critics do their job of criticism on the very same grounds which have been given above as its unique and salient features. Despite of the criticisms that are levelled against the constitution makers and the constitution itself, it is a great work.

***Interesting Facts About the Indian Constitution***

1. The Indian Constitution was penned by Prem Behari Narain Raizada in a flowing Italic style at Nehru's request at no cost. Each page was individually decorated by artists from Shantiniketan.
2. The original handwritten copies of the constitution are kept in special helium-filled cases in the Parliament of India's Library.
3. It is the longest written constitution in the world containing 25 Parts, 448 Articles and 12 Schedules.
4. It took two years, 11 months and 18 days to complete the Final Draft of the constitution for the Constituent Assembly beginning on 9 December 1946.
5. The completed draft was amended 2000 times before it was made final.
6. Members of the Constituent Assembly numbering 284 signed the handwritten constitution including 15 women.
7. The Constitution of India is considered the world's best constitution.
8. 'Abide with Me', a Christian hymn, is sung at the end of the Republic Day celebration. The hymn was originally sung by Scottish Anglican Henry Francis Lyte and was Mahatma Gandhi's favourite hymn.

## Notes and References


1. Constitution of India, https://www.india.gov.in, retrieved on 18 December 2018.
2. The Indian Government has shut the door on NGO's, https://www.theguardian.com, retrieved on 17 December 2018.
3. The god that failed: Nehru-Indira socialist model placed India in precipitous decline relative to the world, https://timesofindia.indiatimes.com, retrieved on 17 December 2018.
4. Confirm for error 404 Equality in India Social and Political Scenario, www.legalserviceindia.com, retrieved on 19 December 2018.
5. Address by Vice President of India at University of Lagos, Nigeria, https://mea.gov.in, retrieved on 19 December 2018.

# 5 Constitutionalism

## LEARNING OBJECTIVES

*After reading this chapter, you will learn about:*

- Emergence and Meaning of Constitutionalism
- Features of Constitutionalism
- How Constitution and Constitutionalism are different?
- The Changing Paradigm of Constitutionalism
- Problems in Constitutionalism
- Efficacy of the Measures taken to Redefine and Execute Cooperative Federalism in India

## EMERGENCE AND MEANING OF CONSTITUTIONALISM

Constitutionalism is a concept wherein the polity is governed by a constitution which limits the government's authority to keep authoritarianism away from the nation. It keeps the government in check by keeping it under the Rule of Law. Constitutionalism emerged in 1215 via a document called, 'Magna Carta' in England when a group of wealthy nobles forced King John to sign the document. According to various thinkers, Magna Carta has been overrated but it started the thought process towards establishing a limited government. The next major step was taken in 1689, when the English Bill of Rights was signed by King William III of England which laid down the rights of the citizens of England which placed limits over the monarch and the Parliament. The English Bill of Rights is called the foundational constitutional document for the American Bill of Rights.

In 1690, John Locke stated in his book, *Two Treatises on Civil Government* his famous 'Social Contract Theory' that law must be an expression of the will of the people. When the government does not fulfil its duties towards the welfare of the society, the citizens can change the leadership. The contract between the citizens and the government emphasizes their rights and the citizens can break the contract by a general will.

The United States of America added 'The Bill of Rights' to its constitution in 1791, inspired by Thomas Jefferson, the President, and it became the law of the land. This was in response to the British Colonial rulers with an objective to protect its people against any foreign or domestic threats.

### Q1 *Discuss the features of Constitutionalism.*

**Ans.** Constitutionalism represents limitations imposed on the government to remain in the scope of precisely laid down laws and rules. It has come to mean an efficient and effective governance within the constitutional limitations. It is not essential that a state which has a constitution also encapsulates

constitutionalism. According to Douglas Greenberg, 'Constitutionalism is a commitment to limitations on ordinary political power, it revolves around a political process, one that overlaps with democracy in seeking to balance state power and individual and collective rights, it draws on particular cultural and historical contexts from which it emanates and it resides in public consciousness'.[1]

Constitutionalism has various features on the basis of which its effectiveness and validity can be measured. There is no prescribed list of indicators to test constitutionalism but with respect to, India, they are:

1. **Preamble:** The first feature to test the validity of constitutionalism is to check upholding of the values given in the Preamble. There was a confusion over whether the Preamble is a part of the constitution till 1960 but this was clarified by the Supreme Court in the Kesavananda Bharati versus State of Kerala that the Preamble is a part of the constitution. (See Chapter 4, Q1).
2. **Judicial Review:** In 1803, Justice Marshall in Marbury versus Madison case in the USA said, 'It is the duty of the judge to annul the law made by the Legislature which violated the constitution or contrary to it'.[2] The Indian Constitution has the provision that through Article 368, the Parliament can amend the constitution and includes the procedure to do so. However, it is important to verify the validity of the law if it is legal and does not impinge on any Fundamental Right, the values held in the Preamble or contradicts any other law. Article 13 of the Indian Constitution provides for the doctrine of judicial review. The Supreme Court is vested with the power of judicial review by which it can review on its own judgement order or to declare the constitutionality or otherwise of a legislative enactment.

   A corollary of the doctrine is 'Law without Sanction', which is also called the 'Higher Law'. The higher law enables checking the legality and provision of the law and establish the superiority of principles enhancing the spirit of constitutionalism. The judiciary can maintain uniformity in the interpretation and application of the laws by exercising appellate and advisory jurisdiction.
3. **Rule of Law:** Rule of Law, in India, is the foundation of governance in which the administrative institutions and structures work in letter and spirit. No institution can go above the law and neither can the citizens. Rule of Law is very closely connected with constitutionalism as an agreed system of legal and ethical behaviour of man and state. In the recent times, there is a dynamic interface between the constitutional rights and the digital realm, which requires a better governance to uphold the rule of law. It is the basic pre-requisite to achieve social and economic democracy by corrective and distributive justice.
4. **Elements of Constitutionalism:** A written constitution does not guarantees that the written law will be followed by the legislative bodies if they tend towards tyranny. Many countries have to bow down in the face of terrorism in the present times under the garb of democracy. The basic elements that are essential to preserve constitutionalism are:

   - Government must be formed according to the constitution
   - Separation of power
   - Sovereignty of the people and democratic government
   - Constitutional review
   - Independent judiciary
   - Limited government subjected to a Bill of Individual of Rights
   - Control over police
   - Control over military by a civil authority
   - Limited or no state power[3]

5. **Democracy:** Constitutionalism is meant to serve as a limit to democracy extending its limits. Both the concepts of constitutionalism and democracy are interlinked and enrich each other. The objective of constitutionalism is to limit the democratic government and remain democratic. Genuine democracies are built on sovereignty of the people and not the rulers. Democracy and constitutionalism both cannot survive without each other.
6. **Primacy of Law:** An essential feature of constitutionalism is the primacy of law. In India, the Supreme Court is the final word in case of administrative law or any other rules and regulations.
7. **Entrenchment:** The feature of entrenchment of constitutionalism means that the limits on the government must be entrenched either by law or constitutional convention. It promotes long-term stability as well as fulfils the requirement of a constitutional limited government. Amendments in the constitution are so easy these days that it is difficult to preserve entrenchment which makes it imperative that constitutionalism must be seen as a check.
8. **Separation of Powers:** Another feature of constitutionalism is separation of powers into the executive, legislature and judiciary. It serves as a majority restricting constitutional solution insofar as it is not the same majority that prevails in all branches.
9. **Organic in Nature:** A constitution must be organic in nature, that is, it must be able to make amendments to have a sustainable constitutionalism.

   To sum up, one can say that constitutions have come and gone in the last millennium, constitutionalism lives on in this one. Constitutional governments are increasing in number in the world with every passing year. Although constitutionalism is closely linked to traditional nineteenth century liberalism, it still has a lot of relevance to uphold the democratic values. However, constitutionalism requires supportive and strong institutions to enable limiting the power of the government and to promote peace.

## Q2 *What is the difference between constitution and constitutionalism? Write in brief.*

**Ans.** A constitution is a document or a set of rules and laws which contain the fundamental laws under which the nation is ruled by a democratic government. It may be written or unwritten and is organic to the dynamically changing society and environment. It has been simply defined as:

- A basic norm or a law of the State.
- System of integration and organization of norms and laws.
- Organization of the government.

It decides the structure of the government, the polity in the nation, fundamental rights and freedoms.

On the other hand, constitutionalism is a system of governance which limits the powers and authority of a government to avoid autocratic or despotic tendencies to respect the collective and individual rights of its citizens.

The differences between constitution and constitutionalism are given below:

1. **Nature:** A constitution is a set of rules and laws, whether written or unwritten, by which a government and the citizens of the country abide by whereas constitutionalism is a concept or a principle which involves limiting the government, which are given in the constitution, while respecting the rule of law.
2. **Basis:** The constitutionalism in a country is based on the principles and values held in the constitution. However, constitutionalism is contrary to dictatorial values and against any type of abuses and excesses.

3. **Written Document:** With only a few exceptions, a constitution is a written document that holds the democratic principles while constitutionalism also aims at upholding them but sometimes they both do not change at the same pace. A slow or a stagnant constitution can have an extremely steady constitutionalism.
4. **Citizen Engagement:** A constitution is framed with citizen engagement in democratic countries or if it is already framed, then the amendments are made by holding public debates, discussions or seminars while constitutionalism is a principle in itself and is usually not changed. The objective of constitutionalism is basically to have a constitutional government demanding respect for the citizens and their rights.

   Even though constitution and constitutionalism are different but they cannot survive without each other in a democratic government.

## Q3 *Discuss the changing paradigm of constitutionalism with respect to the challenges being faced in India.*

**Ans.** Jawaharlal Nehru strove to combine the best (creative) elements that will somehow fuse into an 'organic whole' some forms of 'nationalism and political freedom' and 'social freedom as represented by socialism, which will promote a classless society'; the removal of 'all invidious social and customary barriers which come in the way of the development of the individual as well as of any group' constituted the *leitmotif* of Indian constitutionalism'.[4]

B. R. Ambedkar had a slightly different point of view. He summates constitutionalism as a series of contradictions; life under a constitution is for him a 'life of contradictions'. The contradictions are not just normative or institutional but material (arising from the 'economic structure').[5]

**Legal Principle:** The Supreme Court in its case in I. R. Coelho (Dead) by L. R. versus State of Tamil Nadu and Ors. (9AIR 1999 SC 3197) gave the verdict that, 'The constitution is a living document. The constitutional provisions have to be construed having regard to the march of time and the development of law. Constitutionalism is a legal principle which requires control over the exercise of governmental power to ensure that it does not destroy the democratic principles upon which it is based'. The role of constitutionalism is given in the following points:

- Check and balance model of the separation of powers.
- Diffusion of powers requiring independent decision-making centres.
- Ensures the principle of legality which requires the courts to interpret legislation assuming that the Parliament would not pass a legislation contrary to fundamental rights
- The laws that protect fundamental rights cannot be repealed by future statutes.

Traditionally, constitutionalism has had the function of limiting the government according to the laws laid down in the constitution. Constitutionalism has changed a lot in the past few decades due to the rising age of globalization and international agencies. There are so many international laws that bind nations to follow them and this changes the way one sees constitutionalism.

Some problems that are being faced in sustaining constitutionalism are:

1. **Criminalization of Politics:** It is extremely upsetting if the politics in the country is criminalized. The Supreme Court observed in September 2018, 'Criminalization of politics strikes at the very root of democracy by making the citizenry suffer at the hands of those who are nothing but a liability to the country'.[6] It further said that the Parliament must make a law regarding barring, citizens facing serious criminal charges, to fight elections. The bench further noted, 'The voters cry for systematic sustenance of constitutionalism'. There have been many instances where constitutionalism was endangered, like the Mumbai riots were a collusion of crime, politics and police.

2. **Digitalization:** Our age is witnessing a digital revolution at a very rapid pace. The government is trying its best to make new legislations to keep up with the pace of change but it is becoming difficult to preserve constitutionalism. The recent case of passing the notification which authorized ten central agencies to snoop and decrypt 'any information generated, transmitted, received or stored in any computer' is a contentious notification regarding its nature. The agencies do not work under parliamentary oversight and there is no data protection framework. Such cases raise the issue of its direct violation of the right to privacy of an individual posing a challenge for constitutionalism.
3. **Corruption:** Corruption in all areas of the governmental organizations and agencies is threatening constitutionalism and one can see its failure in preserving its values. Judiciary at lower levels is ridden with briberies and irregular payments for favourable decisions. The police, public services, land administration, tax and customs administration, public procurement, natural resources, legislations, the civil society—the list is endless. There is no governmental agency that can be called corruption free and this poses a threat to the fundamental rights and freedoms.
4. **From Liberalism to Welfare State:** The narrative of a liberal state changed to the state being a welfare state but constitutionalism associated itself with liberalism. In India, it was seen over the decades after independence that liberalism was unable to fulfil its promises because wealth increased but not its distribution. The State's role has changed to welfarism but constitutionalism has not been able to uphold its values.
5. **From the Nation State to the Member State:** The erosion of constitutionalism can be seen in the wake of internationalization of politics and international agencies. The nation states have become member states of international agencies to uphold treaties and agreements. Constitutionalism ends at the State's sovereignty and has to imbibe the international law.
6. **Judiciary:** The judiciary is the most respected organ of the Government of India but the 1970s presented a challenge for the constitutionalism as the government took an authoritative one while using brute majority in passing amendments to the Indian Constitution. The Supreme Court objected to this in the Kesavananda Bharati versus State of Kerala to check the powers of the Parliament as it could not deface the basic features of the constitution. The government reacted by ignoring seniority of the judges who had passed the judgement. Four judges resigned to inform the public about the danger that constitutionalism was in. This happened again in 2018 when four justices launched a public attack against the Chief Justice of India over cases being assigned selectively to favour certain individuals or parties. India strives hard to sustain constitutionalism by resolving such challenges and conflicts.

   The challenges and problems in a vast country like India are mammoth and diversity. It is all so complicated that constitutionalism is facing a paradigm. The constitution makers did an excellent job but its implementation is the job of the government. The provisions given in the constitution are capable of holding the country together and is an organic constitution. It has the capability of changing with time to deal with all the challenges.

## Q4 *Examine the efficacy of the measures taken to redefine and execute cooperative federalism in India.*

**Ans.** Cooperative federalism means that the national, state and local governments have an interactive relationship instead of making individual policies. The term 'Cooperative Federalism' was given by Granville Austin which simply means the cooperation between the States and the Union. Even though it has been noted that the concept of cooperative federalism has been borrowed from Canada based on disintegration but its evidence can be seen historically during the times of the Mughal King Akbar. Later, Vallabhbhai Patel used this concept to persuade the 492 princely states to join the Indian Union.

The Indian Constitution states that India has a quasi-federal structure and was included in the Government of India Act, 1935 because it has characteristic of a federation and a union. The Central Government has been provided with overriding powers rather than the states. Cooperative federalism is a concept that follows from the triple layered federal structure. The concept is getting more and more attention by scholars in the recent decades. It emphasizes on cooperation between the Centre and the States for socio-economic growth.

**Constitutional Provisions:** It is important to study the main constitutional provisions regarding Centre–State cooperation before we move on to the measures taken to redefine and execute cooperative federalism in India. They are:

**The 7th Schedule:** It clearly delineates the central, state and the concurrent list based on the Principle of Subsidiarity while the residuary powers are kept with the Centre.[7]

**All India Services:** The judicial system in India oversees the implementation of the Central and State laws with the help of All India Services Officials.

**Article 263:** It states that an interstate council shall be established by the order of President to serve public interests.[8]

**Zonal Council:** Under the State Reorganization Act, 1956, Five Zonal Councils were to be established, the zones being north, east, west, south and central while a separate North Eastern Council was created under a separate Act.

**NITI *Aayog*:** NITI *Aayog* replaced Planning Commission to act as a 'Think-Tank' for the planning in the country and majorly to promote cooperative federalism.

The above-mentioned constitutional provisions for cooperative federalism were amended many times, mostly in favour of the Union Government and sometimes in favour of the State Government. However, cooperative federalism came under threat by the misuse of the constitutional provisions when the Central Government imposed President's Rule repeatedly under the Nehruvian era.

The efficacy of the measures taken to redefine and execute cooperative federalism in India are given below:

1. **The Finance Commission:** The Finance Commission (FC) is constituted every five years by the mandate of Article 280 to recommend the sharing of tax revenues between the Centre and the States and among other States. The Terms of Reference (ToR) are decided when the FC is constituted. Some important measures taken by Finance Commission regarding cooperative federalism must be discussed here to assess their efficacy, which are given below:
   (i) **Tax Devolution:** A step forward towards cooperative federalism can be seen in the considerable increase to 42 per cent devolution of funds to states. Some examples of efficacy of cooperative federalism are:
      - The states of West Bengal, Meghalaya, Assam and Tripura cooperated with the Central Government in the Land Boundary Agreement between India and Bangladesh.
      - Central armed forces like the CRPF and BSF worked earnestly to help in the problem of Naxalism in the affected states.

   The 42 per cent tax devolution to states has definitely been seen as a step towards cooperative federalism but its efficacy has some serious doubts, like:
      - The state bureaucracy is not considered capable in utilising the funds judiciously.
      - An increasing trend of populist measures like loan waivers, freebies, etc., is seen in the states which is bad for the economy in the long run instead of making the agro-economics strengthening measures of the infrastructure.

(ii) **Discontinuance of Revenue Deficit Grants:** The Fifteen Finance Commission has given in its ToR that it will review whether the revenue deficit grants will be provided at all, keeping in line with the Fiscal Responsibility and Budget Management Act, 2003. This has raised a concern for the states how they will meet with the expectations of having a zero revenue deficit without a grant from the Centre.

(iii) **Loans:** The XV FC mentioned in its ToR—the Constitution of India states that a State cannot raise any loan without the Union's consent if it already has an outstanding loan to the Union. The FC plans to impose additional conditionalities over state borrowing which the states may be unable to meet.

(iv) **Incentives as Control:** The policy decisions taken by the states will have to meet the conditions of performance-based incentives. The issues that that the states have with incentives as control are:

- The states would not be able to take independent policy decisions if their performance does not match the standards set in the indicators.
- The sole responsibility rests upon the state government instead of the Union Government.
- The right of the FC to evaluate the performance of the state is questionable.

(v) **Population Data:** The XV FC will use the 2011 Census data which will put 12 states under duress because the rate of increase in their population has slowed down.

The measures of the Finance Commission are a welcome move and it is the states' responsibility of its proper and justified use. The states can perform better and improve their rank on the index created by NITI *Aayog*.

2. **Interstate Council:** The Interstate Council was established in 1990 but met after six years of its formulation. Its infrequent meetings and the fact that any policy matter cannot be decided by it unless it is ratified by the legislatures, its efficacy is very poor and only on paper. The Council remains a non-factor in Centre–State relations. The Council's status must be strengthened to resolve and promote issues of the States with the Centre.
3. **Environmental Issues:** There is no recognition of State boundaries when it comes to resolving environmental problems. Cooperative federalism is necessary to face the challenges of climate change, pollution and conservation. The efficacy of any measure failing regarding the burning of crops in the States around the NCR region can be viewed as an issue requiring cooperative federalism in earnest.
4. **NITI *AAYOG*:** The NITI *Aayog*, established in 2015, replaced the Planning Commission and one of its main tenets on which it works is the fostering of competitive cooperative federalism to learn the best practices of each other. The onus is on the States to develop themselves with support from NITI *Aayog*. The competitive cooperative federalism will eventually improve ease of doing business improving their economy and fiscal status. The States can hold their own global economic summits like Madhya Pradesh did, so that global companies and governments come forward to do business with the States instead of the Centre. This direct economic meet would be beneficial to all stakeholders involved.

One cannot say that NITI *Aayog* is only a nomenclature change for Planning Commission, as some would like to say, because it is a 'Think-Tank' instead of a bureaucratic commission. It does not have any financial powers to allocate funds but instead provides for an environment and acts as a driver to rapid and inclusive economic growth through competitive cooperative federalism. One has to wait and see the institution to be effective over a period as it is only a few years old and has shown considerable might in providing a direction towards growth.

Its 'Three-Year Action Plan' has streamlined its schemes and recommendations to align with the Sustainable Development Goals which found place in 2018–2019 Union Budget. Similarly, it has come out with, 'Strategy for New India @ 75' to build better, innovative and efficient policies and strategies to increase efficiency in their implementation also by 2022. The outcome of these measures is yet to be seen but a clear change is being seen in developing 'New India'.

The Government of India has continued to align its Union Budget 2019–20 to the long-term vision of Sustainable Development Goals (SDGs).

Recently, in February 2019, the *NITI Aayog* has proposed that if the *Aayog* would be given some role in allocating development expenditure to states, the that would also 'promote cooperative and competitive federalism'. As per a statement to the press, *NITI Aayog* is going to tie-up with the Fifteenth Finance Commission. In a recent research paper, Kelkar suggested setting up of 'NITI *Aayog* 2.0' that would have financial powers as part of efforts to address regional imbalances. Vijay Kelkar had also suggested that the vice-chairman of the new *Aayog* be made a permanent invitee of the Cabinet Committee on Economic Affairs (CCEA).[9]

5. **Competitive Federalism:** India is moving from cooperative federalism to competitive federalism to develop the nation. This shift is based on the fact that 'One Size does not fit All' because all states have different statistics with respect to factors like demographic differentiation, geographical location, etc., the they have to make their own plans and priorities that their state needs. Various initiatives taken in this direction are:
   - Establishment of NITI *Aayog* which has competitive and cooperative federalism as its mandatory objective.
   - The 42 per cent tax devolution towards the States have given more financial strength and autonomy to them.
   - NITI *Aayog* is promoting decentralization involving village *panchayats* to make their own plans.
   - Restructuring of the Centrally Sponsored Schemes.
   - Uday scheme has been initiated which gives bailout package to the financial sector.
   - *Swachch Bharat* Ranking System.

   Some examples of competitive federalism are of Gujarat amending its Land Acquisition Act to attract financial input for investment which was followed by Andhra Pradesh, Karnataka and Uttar Pradesh in other fields. It is hoped that other States will follow the example of these states soon.

The above-mentioned measures show how India is galloping towards becoming an inclusive and developed nation. Problems and issues are found more in the implementation of the plans and schemes rather than in the plan formulation. The vision of Finance Commission and NITI *Aayog* is great if it can be translated on the ground.

## Notes and References


1. Constitutionalism and Democracy, https://global.oup.com, retrieved on 22 December 2018.
2. Indian Constitutionalism, http://www.legalservicesindia.com, retrieved on 23 December 2018.
3. Henkin, Louis (1992), '*Constitutionalism, Democracy and Foreign Affairs*' in *Indian Law Journal, Volume 67, Issue 4,* Columbia University, USA.
4. S. Gopal (1975), *Selected Works of Jawaharlal Nehru,* Orient Longman, India.
5. Criminalization of politics strikes at very root of democracy: Supreme Court, https://timesofindia.indiatimes.com, retrieved on 24 December 2018.
6. The Principle of Subsidiarity allows the lowest unit of government and the administration to have authority and power to take their own decisions.

7. The Constitution of India, https://www.india.gov.in, retrieved on 28 December 2018.
8. Niti Aayog open to have a role in allocating developmental funds to states: Rajiv Kumar, https://www.moneycontrol.com, retrieved on 4 February 2019.
9. *ibid*

## Suggested Readings

1. Chapter 6: Social Justice Directives and Consitutionalism, http://shodhganga.inflibnet.ac.in
2. Seventh Schedule ( Article 246), https://www.mea.gov.in

# 6 Political Culture

## LEARNING OBJECTIVES

*After reading this chapter, you will learn about:*

- Political Culture and its need
- Components and Features of Political Culture
- Types of Political Culture
- Political Culture in India after Independence

Political culture is a unifying concept of Political Science after the end of the era of the imperialism and two World Wars. The emerging world nations had to cope up with change in their political status in which some nations leaned towards communist ideologies and some towards parliamentary democracies. Everyone wants to become a part of this new political culture, whether it is a totalitarian state of a democracy. Citizens want to participate in the political process and be a part of the decision-making process. The western political culture was bound to get transferred to the new emerging nations.

### Q1 *Discuss the concept and definition of political culture.*

**Ans.** Political culture is a set of norms and views held by the common masses about their political system. These shared beliefs and values become the foundation of a relationship between the government and the citizens. The point of focus is the underlying assumptions and the rules that govern the political ideals and the polity in a country. The components included in the political culture are ethics, morals, myths, beliefs and notions which combine into a political ideology. It is backed by the historical narrative of the specific nation that the political culture is being observed.

### Definition and Concept

**Lucian Pye:** The notion of political culture assumes that the attitudes, sentiments, and cognitions inform and govern political behaviour in any society are not just random congeries but represent coherent patterns that fit together and are mutually reinforcing. The concept of political culture assumes that each individual must, in his own historical context, learn and incorporate into his own personality the knowledge and feelings about the politics of his people and his community.[1]

**Almond and Verba:** With the changing world culture of representative democracies and a movement towards technology and rationality of organization, it is clear that the new political culture is going to be that of participation.[2] There are two different models of participation determining the political culture, which are:

- **The Democratic Culture:** The democratic state offers the ordinary man the opportunity to take part in the political decision-making process as an influential citizen.
- **The Totalitarian Culture:** The totalitarian state offers him the role of the 'participant subject'.

**Civic Culture:** However, there is a third culture that is emerging, that is, the civil culture. It is a mixed modernizing–traditional one. It is neither traditional nor modern but partaking of both; as:

- A pluralistic culture based on communication and persuasion.
- A culture of consensus and diversity.
- A culture that permitted change but moderated it.[3]

Every political system is embedded in a particular pattern of orientation to political actions.

Thus, the concept of political culture thus suggests that it is composed of the following:

- The traditions of a society.
- The spirit of public institutions.
- The passions and the collective reasoning of its citizenry.
- The style and operating codes of its leaders fit together as a whole.

Political culture, for an individual, provides guidelines for effective political behaviour while for a collective perspective, it gives a systematic structure of values and rational considerations which ascertains effectiveness in the government and political organizations and institutions. Hence, political culture, according to Verba, 'consists of the system of empirical beliefs, expressive symbols and values which defines the situation in which political action takes place'.

## Q2 *What elements combine into becoming a political culture?*

**Ans.** Political culture is an inclusive term which contains:

- Political ideology.
- National ethos and spirit.
- National political psychology.
- The fundamental values of the people.

Hence, political culture embraces political orientations of both, leaders and citizens, at the same time instead of just representing the political elite. Given below are the reasons what comprises political culture:

1. **Sentiments:** Political culture is important in a nation as it considers various levels of human awareness and sensitivity which is achieved by being politically literate. This implies that political education and awareness is a pre-requisite for inculcating this sensitivity through awareness. There are many factors that go in developing a political sentiment among the common people like, geographical and locational factors where the citizens reside; logical and practical reflections; ethical code of conduct or the lack of it; and expectations of the people from the polity leadership.

2. **Individual Psychology:** Individual psychology is related with individual behaviour. The political parties in a representative democracy study individual behaviour by applying data analytics and artificial intelligence these days. Major data analysis firms are progressively analysing data at a microlevel with the help of information bought from the App Developer giants like Facebook. While downloading an app on our smart phones, we agree to terms and conditions without reading them and unless we agree to the terms and conditions, we are refused to buy it. After obtaining individual information, the data analysts study individual political behaviour and views at a microlevel by using specifically created algorithms for it. The recent case of Cambridge Analytica is a fine example of this new trend. One cannot shy away from the changes that are happening in the world today. This may be considered as an upside or a downside to the political development but it is here to stay and has been included in the political culture. The upside is that individual psychology of the citizens can be understood while the downside that personal information is being used infringing upon their privacy.
3. **Aggregation of Individual Psychology:** Political culture not only studies the individual psychology but also the way in which it can be aggregated into a social sum of beliefs and norms. The objective of studying individual psychology is to reach a consensus as a collective entity involving a macroanalysis.
4. **Behavioural Revolution:** Political culture is a part of the behavioural revolution. Almond's characterization of political culture as the 'particular pattern of orientations to political action' in which 'every political system is embedded' is generally regarded as an act of coinage. The concept of political culture offers itself as an ideal token as well as a catalyst for behaviouralism since it fulfils the two central aims of the approach of defining measurable quantities and the expansion of the scope of Political Science.[4] So, the behaviouralist approach to political culture considers the psychological perspective and survey methodology.
5. **Interpretivism:** Interpretivism has the feature of a reaction like behaviouralism. Weber used the methodological principles of interpretivism in his writings. It includes the historical perspective and popular beliefs of political culture. It represents the fabric of social life and dynamics of the time period it is being referred to because the dynamics and beliefs keep changing. Political culture is defined as, 'the attitudinal and behavioural matrix within which the political system is located'.[5] However, interpretivism differs from behaviouralism as considers what political culture is, how it is viewed and how it is used.
6. **Social and Economic Factors:** Political culture in a country is determined by the social and economic factors also besides the historical perspective of beliefs and norms. The historical facts show how the political changes take place due to the changes in the social and economic fields. A nation who has been able to progress economically, its standard of living will also improve which will enable the people to access education, especially, among other amenities like means of communication. Internet, level of education, awareness of political ideologies come with the economic growth. Citizens have the tools to be more politically aware and affect the political culture.
7. **Rational and Non-Rational:** The political culture is a result of the non-rational along with the rational as the values and beliefs in individuals are formed in the childhood from the familial environment as well as in the educational and social institutions.

   To surmise, it is observed that a society does not have a single and uniform political culture. The political leadership in a country might have one approach of political thought but the citizens may have another. The divergent political views form the political culture as a whole.

## Q3 *Can political culture be categorized into types?*

**Ans.** Every country has its own specific political culture depending on various factors like geographical and locational; historical; social and economic; rational and irrational; behavioural and interpretive; sentiments; attitudes and beliefs. However, they evolve to be of a mixed character because there cannot be extremes. Political culture is the answer to how a society is going to live together and who has the power and authority to impose checks and balances. Political scientists have developed typologies of political culture and there are a number of them. Typologies have been given below by different political scientists:

**I Almond and Verba:** Gabriel Abraham Almond and Sidney Verba, in the 1950s, gave a categorization of political culture which was greatly influenced by the 'culture-personality' or 'psychocultural approach' to study of political phenomenon.[6] They referred to political culture as a set of orientations toward a special set of social objects and processes. The study of political culture will help in eradicating any confusion of dealing with anthropological or cultural environment. Almond and Verba gave a typology of the political orientation, based on Parsons and Shils, which is given below:

- **Cognitive Orientation:** It refers to the knowledge of and belief about the political system, its roles and the bearers of these roles, its inputs and its outputs.
- **Affective Orientation:** It refers to the feelings about the political system, its roles, the individuals in-charge of this system holding positions and their performance.
- **Evaluational Orientation:** It refers to the judgements and opinions about political objects which are a mix of value standards and criteria including information and feelings.

Following from the above dimensions, political culture is the frequency of different kinds of cognitive, affective and evaluative orientation towards the political system involving inputs, outputs and the self as political actors. The types of political culture are:

1. **Parochial Political Culture:** The dictionary meaning of 'Parochial' is a narrow-minded approach or a state of mind belonging to a small group. If the cognitive, affective and evaluational elements are absent, the system is a parochial one. People living in such a society are neither aware nor care for the decisions taken by the state. It is a passive society without any specialization in roles and are indifferent towards government authority. People in such a political culture have low awareness, expectations and participation and would be inclined towards the operations and structures of the community which are unspecialized. Lastly, they do not have any feelings or have negative opinions for the central authority and have no norms or beliefs about the political culture.
2. **The Subject Political Culture:** The subject culture type of political culture has a high frequency of orientation towards a differential political system. This means that the subjects are aware of the central authority but are not participative in inputs. There is an affective relationship but on the downside passivity. There may be awareness of the authority and the institutions but they do not have a cognitive reaction, that is, no legitimacy is accorded to the authority. There could be a situation where the citizens are subjected to the decisions of the state with little scope of dissent.
3. **Participant Political Culture:** The citizens in a participant political culture are responsive and participate in the decision-making. Their orientation towards the administrative and political structures is clearly expressed. The citizens are active in voicing their opinions of acceptance or rejection of the state's decisions. People have a high level of awareness, expectations and participation.

Almond and Verba clarified that there cannot be a pure form of political culture in a society as political development and cultural change also must be considered while typifying a political culture. There can be three types of systematically mixed political cultures, which are given below:

1. **Parochial-Subject Culture:** The parochial-subject culture is in a transitional phase where the majority of the population has dismissed the legitimacy of the norms and values of their tribe or the village. They have moved on to a more complex political system which entails an elaborate system of central government structures but since the entire citizenry does not accept the centralized authority, it cannot be called subject political culture but parochial-subject culture. On a scale, this type may show on a different position, while they are progressing towards a subject culture.
2. **The Subject-Participant Culture:** In this sub-type, the population shifts from subject culture to a participant one in which people have an activist tendency but at the same time, there is a part of the population who remain passive and accept the decisions made by the centralized agency. The problem in such a political culture is that there emerges a disharmony between the political culture and the political norm.
3. **The Parochial Participant Political Culture:** The input institutions are relatively local like tribal or caste associations, however, the institutional framework at the central level are well developed. The local parochial organizations and norms sometimes tend to affect the central agencies also.
4. **The Civic Political Culture:** A civic political culture accepts the authority of the state and a belief in participation in civic duties. The main features of civic political culture, given by Almond and Verba, are:
    - It is a mixture of other political cultures—parochial, subject and participant political cultures.
    - Civic culture explains the stability of a democratic society's political culture.
    - Its orientation is towards political system in both the political and governmental senses.
    - Freedom of speech, passionate about elections and civic cooperation.

The categorization of the political culture has been attempted by many other scholars and is quite endemic although the one by Almond and Verba has been the most popular. However, another categorization of political culture has been given by William S. Stewart, given blow:

1. **Anarchism:** The political culture of anarchism is found in small communities where everyone knows everyone. The features of anarchism can be enlisted briefly here:
    - They have their own norms and beliefs and there is no existence of a government.
    - It is a single-culture society under complete lawlessness and disorder.
    - Absence of Rule of Law results in anarchy.
    - It criticizes the existing society and has a poor relationship between man and society. However, there is a tendency to move to a better system.
    - In the present-day political cultures, anarchists resist appeals and favour legal action, especially in electoral and parliamentary action.
    - They prefer direct action against authority and want to remain away from any political activity.
2. **Tory Corporatism:** Tory corporatism is political culture that is established and depends on the existing shared values and norms of the society. Its features are given below:
    - It does not have a large police force.
    - It is based on hierarchy and tradition.
    - Tradition forms the rightful basis of the society.
    - The individuals do not accept equality because it is considered as a non-existent abstract and is damaging.

- In case of a conflict, order of birth takes primacy over merit.
- The society is viewed as a family and believe in cooperation.
- The concept of self-government and self-sufficiency is integral in Tory corporatism.

3. **Oligarchy:** A particular corporate group in a society works in self-interest by exploiting others. There is a wide divide between the oligarch and the society. Given below are the features of oligarchy in brief:
   - A debased form of aristocracy establishing a government by a few strong or despotic individuals or a family, usually nobles and royals.
   - The average person is excluded from governance.
   - It relies on public obedience for its survival.
   - Income inequality is prevalent in oligarchy which hinders economic growth.
   - Income inequality leads to disruption in the economy, civil unrest and wars.
4. **Classical Liberalism:** This system is based on an individual being a basic unit of the society in a competitive environment. Initially, the ideology of classical liberalism believed that the rights came from the government but later it was observed that rights came from individuals and the elected government's duty was to protect them. The main proponents of this political culture were Thomas Jefferson, Former US President in the nineteenth century and later the British philosopher, John Locke. Given below are some of the main characteristics of classical liberalism political culture:
   - Right to private property.
   - Non-interference in the market economy.
   - The Rule of Law, limited government, toleration, free markets.
   - Constitutional guarantees of freedom of religion and of the press.
   - International peace based on free trade.

   The new social liberalism involves the involvement of the state to redress the social imbalance and promotes social welfarism.
5. **Radical Liberalism:** It is different from classical liberalism in the absence of a competitive environment. It believes that the state is anti-social and wants to strengthen economic organizations. Given below are some of the features of radical liberalism:
   - No serious interest in politics.
   - All political reform is considered as visionary.
   - The citizens think that the politicians are there to exploit the weaker sections of the society.
   - Believe in the monopolistic values destroying the socialized industry.
6. **Democratic Socialism:** It resembles radical liberalism but with more leanings towards egalitarianism denoting equality in a collective society. Given below are the main characteristics of democratic socialism political culture:
   - Commitment to equality which is opposed to capitalism.
   - Democratic principle of the citizens having a voice.
   - Elected government through the ballot box.
   - Production of goods and services must be centred on human needs in the industry
   - The private sector must have social ownership.

   The democratic socialist ideology is being followed in many countries today as the government is expected to deliver public goods and services. The private sector has to mandatorily take up corporate social responsibility.

7. **Leninist Socialism:** Rationality is the foundation on which the political culture is based on in the Leninist socialism. Given below are the main features of Leninist socialism political culture:
   - The rich class lie and work in self-interest.
   - The government has a rigid hierarchy while they reject social hierarchy.
   - Humanitarian rights are disregarded.
   - Individual rights are ignored.
   - Leans towards totalitarianism.
8. **Fascist Corporation:** The fascist corporation tries to enforce a Tory corporatist political culture. It accepts rationality to some extent.

   It can be observed after reading about all these typologies of political culture that a country is usually a mix of a few types as there are no pure types. Each kind of polity, whether it is traditional, authoritarian or democratic, has one form of culture that is coinciding with its own structure.

## Q4 *Discuss the political culture in India after independence.*

**Ans.** India got its independence in 1947 and inherited a political culture from Britain. Moreover, India was done with subjugation under monarchies, the common masses had become aware and extremely passionate in the nationalist movement against the British in their freedom struggle. India is a nation with rich tradition of polity as we know from the times of Ramayana and Mahabharata to Kautilya's establishing of Chandragupta Maurya's rule. Each century brought some addition and modification of political development and political culture. In the twentieth century, India saw the earnest pacifism of Gandhi and Nehru who aimed at a universalist humanism and national self-interest. The features of the Indian political culture are given below:

1. **Traditional Values:** The first of the features of the 'Indian System' is the traditional concept of politics as an amoral, ruthless statecraft, or a dispassionate pursuit of self-interest to which many of the norms of the non-political sphere do not apply.[7] Culture plays a strong role in the Indian political culture and accepts political change without being defensive confidently touching only its less important self.
2. **Religion and Ethics:** The concept of *dharma* is all-pervading in the Indian socio-political environment but the ethical values are found to be in a varying degree in the polity. When the political sector becomes threateningly disjunctive or begins to negate some of the major assumptions of the society, the traditional lifestyle is not dramatically disoriented. It is the segmentation which allows the Indian society to incorporate the new and the original by containing them within small compartmentalized areas of behaviour.[8] The Indian society is definitely influenced and works around religion but it is totally unorganized and not centralized. Caste and religion have been a part of the political culture since Mahatma Gandhi himself brought in political and national consciousness in prayer meetings. In the present political culture of India, it is seen that the issues in politics and elections revolve around religion more than the problems in development and economy.
3. **Learning Statecraft:** The Indian political culture is not averse to learning new issues of statecraft from others. Since policy-making is a statecraft, and a part of political culture, India has been open to learning from great statesmen of the world. There is evidence of Jawaharlal Nehru studying and appreciating Kautilya's foreign policy, the shadgunya theory and it will not be an overreach or a statement of bias if it is said that under Prime Minister Narendra Modi, *Raj Mandala*, has come on its own. He has hopped over 'neighbour' Pakistan to invest in Afghanistan and Iran, tied-up with a scared UAE and embraced a grateful Saudi Arabia while getting his most crucial high-tech imports from Israel.[9]

4. **Constitutionalism:** In the past, the centralized authority was never questioned regarding constitutionalism but in the recent decades the tools like the Right to Information Act, 2005 and Public Interest Litigations (PIL) are being used to limit the government's power according to the laws and rules given in the constitution.
5. **Place of Intellectuals:** Before independence, India relied greatly on the intellectuals to steer a moralistic and ethical polity as opposed to the foreign rule. The intellectuals in politics brought about a feeling of national consciousness in a country that had traditionally accepted foreign rule and their policies. Post-independence, Nehru tried his level best to find a place for intellectuals in politics but failed. Political leaders have to rely on the civil servants to help them in policy-making but they are few and realize their power. The bureaucracy in India has become very powerful, for example, the Indian Foreign Services Officials are hundreds in number but not as powerful as in China which has over 3000 foreign diplomats. The present government has begun an experiment of recruiting officers into foreign services as a lateral entry to increase the number of foreign diplomats. This is also seen in the newly established NITI *Aayog*, where the experts have to be brought into contribute to the 'Think Tank' of India. There is a deficiency of intellectuals, except the stronghold of bureaucracy, in political culture in India.
6. **Self-Redefinition:** The politics of self-redefinition survives in some universalist forms of liberalism and radicalism. Indian political culture strives to shake itself free from external forces but the contemporary India is facing a dilemma of choosing the right path between ethics and political gains by indulging in recessive politics confined to small populations. Instead of focussing on macro issues of infrastructural development or economic progress, the political parties are putting all their attention on individualistic attacks or politics of divide and rule based on caste, religion and race.
7. **Social Media and Political Culture:** Indian politics has witnessed probably the biggest change in its mobilization. Ballot boxes have been replaced by Electronic Voting Machines (EVMs), data analytics, opinion and exit polls, sending messages, recorded calls, public gatherings, like *chai pe charcha* through hologram technology; twitter, Facebook and other platforms for political marketing, etc. The Election Commission of India uses technology to compile voter lists, to mark electoral boundaries, to conduct voter education campaigns, to record cast votes or to publish election results. The use of technology has increased efficiency, accuracy and political transparency.

   All care and caution need to be taken to avoid any data breach or misuse of technology during elections by taking into confidence all political parties. Training must be imparted to all stakeholders to understand the new technological implementation in the electoral process to ease out the whole process considering that conducting elections in India is a mammoth task. Use of technology and social media in elections and politics has come to stay and will surely increase, one can say, seeing the trends. Hence, the political culture in India is changing and evolving rapidly.

   The above-mentioned points outline the major factors that consolidate the political culture in India. Political culture is always evolving and is dynamic. It will retain the old values and new ones will be absorbed into it because that is the way Indian culture and heritage has been influencing politics since ancient times.

## CONCLUSION

Culture will always be a part of the Indian political culture to which we can add a mix of religion, ethics, traditional values and technology. If the categorization of Almond and Verba is considered, we can say that we find all the categories in our society. Political culture, as the definition states, is a set of norms, values and beliefs of a society but in India, it is seen that the norms and belief system is undergoing a sea

change and that too at a rapid pace. Since India is known for absorption and inclusion of foreign and new notions, ideologies and culture, Indian political culture has the potential to keep transforming and evolving, keeping up with the changing environment.

## Notes and References


1. Pye, Lucian. W and Verba, Sidney (2015), *Political Culture and Political Development*, Princeton University Press, USA.
2. Almond, Gabriel Abraham and Verba Sidney (2015), *The Civic Culture: Political Attitudes and Democracy in Five Nations*, Princeton University Press, USA.
3. *Ibid.*
4. Welch, Stephen (2016), *The Concept of Political Culture*, Springer Publishers, USA.
5. White, Stephen Leonard (1979), *Political Culture and Soviet Politics*, Macmillan Publishers, UK.
6. Adapted from, Almond, Gabriel Abraham and Verba Sidney (2015), *Op.cit.* regarding typology of political culture.
7. Dutta M. N. (1905), *A Prose English Translation of the Maharashtra*, Das Publications, Calcutta.
8. Singer, M. (1966), '*The Modernization of Religious Beliefs*' in Weiner, M (Ed.), Modernization, Basic Books, New York.
9. Chanakya In Our Times, India's use of his concepts of isolationism and involvements confounds Pakistan, https://indianexpress.com, retrieved on 27 December 2018.

# 7 Bureaucracy and Democracy

## LEARNING OBJECTIVES

*After reading this chapter, you will learn about:*

- Effectiveness of Bureaucracy in Democracy
- Interface between 'Political Culture and Bureaucratic Culture'
- Civil Service Neutrality
- How traditional Bureaucratic Structure and Culture hampers the process of Socio-economic Development?
- Administrative Reforms

Bureaucracy and democracy are two inextricable concepts in today's world which in no way undermine the historical perspective of bureaucracy. Scholars like Karl Marx and Max Weber have considered bureaucracy as a necessary evil having a patrimonial nature, detrimental to economic progress and found the ancient imperial bureaucracies as inappropriate in the modern world. Historians and Indologists studied the processes and structures of administration in India, Iran and China and unravelled the myth about their detrimental nature. The Indian bureaucracy was one of the finest bureaucracies of the ancient times which was written in a detailed manner. The earliest references of bureaucracy in India are found in the work, 'Arthashastra' written by Kautilya about 400 years BCE. The laws, rules and policies laid down by Kautilya made the Mauryan empire powerful. Shi Huang Ti in China and Achaemenid Empire in Iran also became dominant with equally strong administrative structures to strengthen their empires.

In India, the Mauryan administrative structures were adopted by the successor empires of Guptas in the North and Cholas in the South. They continued with some minor modifications through the Kushan empire, the Saka invaders, Sunga dynastic rule, the Empire of Harsha and then the Mughals. The administrative system did not see much change even in the Mughal rule because they were interested only in taking revenue collections and strengthening of army to acquire more territories. Anarchy and chaos destroyed the well-laid administrative system at the end of Mughal rule and the advent of Company rule and later the British rule.

The Kautilyan model continued in some ways in India and can be found present in administrative structures and procedures today also even though Weber and Marx criticized the ancient bureaucracies because according to them, they lacked a market economy to sustain administrative structures. However, one finds the basic features found in Weberian Bureaucracy of Administration, like, hierarchy, accountability, rules and regulations, ethics, division of labour and career orientation in the Indian, Persian, Han and Tang bureaucracies in China, existing in a partial monetary economy and partially barter system. Bureaucracy gained importance in France in the rule of Louis XIV's time while in the USA, its importance emerged in the early twentieth century along with the thrust on public administration.

## Q1 *'Democracy within bureaucracy is likely to reduce its effectiveness'. Do you agree with this view? Argue your case.*

**Ans.** One of the most important and persisting challenges of modern government is how to reconcile the demand of democracy with the imperatives of bureaucracy. In many countries around the world, polticos and *pundits* bash 'bureaucracy', frequently in the name of popular governance.[1] Bureaucrats have to deal with the viewpoints of politicians in the name of democratically elected representatives who have no experience in the technical issues involved. An important fact of reality here is that the bureaucracy is a permanent executive while the political executive changes after their tenure which is five years in India. The values of bureaucracy and democracy are not in alignment though the major goal is to achieve development and social welfare. Weber commented on this point that 'bureaucracies can serve any master' because they have to do their job and it does not matter whether the master is authoritative or democratic.

Democracy within bureaucracy is likely to reduce its effectiveness because of the factors enlisted in Figure 7.1 given below with a brief description thereafter.

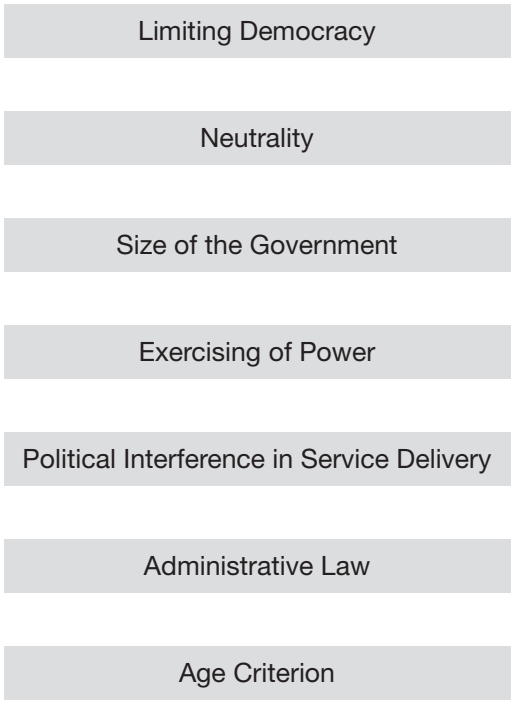



***Figure 7.1: Factors in Ineffectiveness***

1. **Limiting Democracy:** The bureaucracy has the tendency of limiting democracy because of its permanence in its office. The bureaucracy is rich in expertise and set in its tradition of handling developmental work from helping in the process of policy formulation and till its implementation. Bureaucracy is being considered as a threat to democracy because of the former's absolute pervasiveness and power.
2. **Neutrality:** Civil Service neutrality is a much discussed subject that needs some attention in analysing effectiveness of the bureaucracy in a democratic government. It is mentioned in the rules and regulations of the Civil Service Code that the civil servants will not ally themselves with any political party but the reality is absolutely opposite. Jawaharlal Nehru said in one of his

lectures at the Indian Institute of Public Administration that it was not possible to think that the civil servants will remain neutral since they are involved in every step of the policy formulation and its implementation. Their expert advice is sought by the political executive at every level. It is only human nature that when they come in contact with the politicians, they will either follow the political ideology or oppose it, which will result in reduced effectiveness in their work.

3. **Size of the Government:** The expectation of people for a smaller government has increased and the maxim, 'Minimum Government and Maximum Governance' has gained popularity as a national objective. It is linked with Sustainable Development Goals also as E-governance in India, Web 2.0, has helped reduce the size of the government and improve the efficient delivery of public services. The citizens do not want to see their money being spent on large governments on their own survival and not on the social welfare. The political executive is trying to downsize to meet up with the public's expectations to be popular but its consequence is that of an expanded bureaucracy. Their power also increases with a larger bureaucracy threatening democracy by becoming interfering and dominating.
4. **Exercising of Power:** The way in which the bureaucrats and the politicians exert power is an important factor in determining the effectiveness of bureaucracy. There is no doubt that both bureaucrats and the politicians work differently in exercising their power and tend to strain democracy. They tend to become more powerful in their ways and lose their democratic foundational values. Power needs to be curbed to preserve democracy and increase effectiveness of the bureaucracy.
5. **Political Interference in Service Delivery:** Delivery of public services by the permanent executive faces political interference in favouring their constituencies. The politicians gain vote bank if they keep the citizenry satisfied and happy with special sops. This can be done by taking favours from the bureaucrats to expedite the process or by coercing them to do so. This issue has another factor affecting service delivery effectiveness, that is, of corruption. The political executive takes bribes from the industrialists in self-interest and pressurize the bureaucrats which hampers honest and transparent public delivery of goods and service.
6. **Administrative Law:** There is an increasing trend in the world and in India also, of the administrators becoming quasi-legislators who have the authority to lay down rules and implement them. This gives more power to the bureaucrats making them autocratic in their attitude, forgetting the keyword, 'servant' in their title of being a 'civil servant' adversely affecting the effectiveness.
7. **Age Criterion:** The civil services has an age criterion in qualifying for the candidature to sit for the exams which is 32 years as a maximum limit and 21 years of age as a minimum limit in India now. By the age of 32, the civil servants have formed their political opinions and attitudes and generally have a family. Their motivation to do work effectively has already declined due to the afore-mentioned reasons and try to get a posting near their home and tend to form political alliances resulting in the much-criticized politico-administration nexus. They form a parallel government in their own right and coexist with the political executive as a power elite. If the age would be less, the civil servants can be moulded in the ethical spirit to do their work effectively.

The above-mentioned factors affect the bureaucracy in their effectiveness with its relationship with the political executive in a democracy.

## Q2 *'Bureaucrats should not play politics but understand how the political culture works.' Comment.*

**Ans.** The civil servants have to work in close proximity with politicians which reduces the gap between them. Usually, this interface leads to unethical practices which implicate the bureaucrats and sometimes

they rise against the political executive and have to face suspension or transfer. It is an obvious precept that bureaucrats must not involve themselves in politics and learn the intricacies of political culture. Sardar Patel had made the following observations in the Constituent Assembly to support the continuance of the pre-independence civil service structure:

'It needs hardly to be emphasized that an efficient, discipline and contented civil service assured of its prospects as a result of diligent and honest work, is a *sine-qua-non* of sound administration under democratic regime even more than under an authoritarian rule. The service must be above party and we should ensure that political considerations, either in its recruitment or in its discipline and control, are reduced to the minimum if not eliminated altogether.'

The concept of civil service neutrality could never find place in the Indian bureaucratic culture but the apathy of civil servants combined with self-interest of politicians has worsened the already miserable conditions of the poverty-stricken masses. The civil servants are embroiled in the political mess of one party or the other to get in the favour of elected representatives in the hope for a better position through transfer in the Union government. The Second ARC Report[2] stated that the political neutrality and impartiality of the civil services needs to be preserved.

Given below are some important functions of the civil servants, given by the Second ARC, in which they must not play politics but understand the working of politics:

1. **Advisory Role of the Civil Servants in Policy-Making[3]:** Policy-making is the ultimate responsibility of the Minister while the function of the civil servant is primarily to give policy advice to the Minister, categorized as a staff function. The implementation of the said policy has to be implemented by the civil servant once it has been approved by the elected government. It is the duty of the civil servant to give advice free form favour or fear in both the functions of policy formulation as well as implementation.

   The points of consideration to be undertaken by the civil servant in advising the political executive in policy-formulation are:

   - Have a comprehensive perspective of the sector under deliberation and the government
   - Clarity of the concept and the requisite knowledge.
   - If the policy being formulated is against public interest, he/she must advice against it to the political executive.
   - If the political executive does not agree, then the civil servant must put his objections on record and wait for the Parliament or the CAG to take recognizance or the government faces the consequences of the bad policy.
2. **Statutory Role of Civil Servants:** Some statutory functions of the civil servants are of quasi-judicial nature, for example, the role of the executive magistrate under the Criminal Penal Code or the Assessing Officer's role under the Income Tax Act. Interference has been noted from senior civil servants or Ministers in such cases of statutory laws but it is the civil servant's duty to report such pressures on record. The Prevention of Corruption Act, 1988 has recommended, that 'abuse of authority unduly favouring or harming someone' and 'obstruction of justice' should be classified as an offence under the Act.
3. **Discharge of Delegated Functions:** The government usually resorts to delegation of functions, in line with the Principle of Subsidiarity which come with authority and responsibility to civil servants at different levels of government. Care must be taken that the delegated function is carried out with principles of sound management. The political executive interferes in the delegated functions due to the centralized authority. This leads to poor effectiveness in service delivery. The 73rd and 74th Amendment support delegation and decentralization with the

underlying principle of powers being delegated to be exercised by the authority to whom the delegation has been done without any formal or informal interference.

4. **Appointments/Recruitment to the Civil Services:** The civil servants are recruited by the Union Public Service Commissions (UPSCs) and State Public Service Commissions (PSCs). Examinations for appointments to the services are held by the commissions but the State PSCs do not have a reputation for holding fair examinations. It is well-known that a huge amount in cash is asked as a bribe by the commission members from the candidates to clear interview. The Second ARC recommended the following principles to be kept in mind to avoid the political pressures for recruitment, nepotism, favouritism and corruption:
   - Well-defined and merit-based procedure
   - Wide publicity and open competition
   - Minimization, if not elimination, of discretion in the process
   - Selection must be based on written examination or on the basis for performance in existing public/board/university examination with minimum weightage to interview.

   These principles would be applicable at all levels of the government positions.
5. **Postings and Transfers of Civil Servants:** The National Commission observed that there was a trend of following collusive practices of the services with the politicians by giving undue favours to avoid transfers and gaining from their political patrons. The rules are flouted unabashedly by the civil servants which needs to stop. Kautilya, Max Weber and Karl Marx, all, stated in their theories on bureaucracy that the bureaucrats will be corrupt and this can only be controlled by imposing checks and balances. The civil servants need to remain true and honest in accepting their transfer or a promotion to whichever location they are posted to and if they do not agree to it, they must be ordered to do so.

   The politician-administrator nexus needs to be broken by making key 'Personnel Boards' as recommended by the commission. Such a board must hire management professional from the best management institutes to bring in a professional attitude, transparency and expertise. This would help in supporting the institution with knowledge and expertise rather than excluding political executive from the procedure of recruitment and transfers.

   The Indian Administrative Service (Cadre) Rules, 1955, were amended and Clause 7(c) was included which stated that the Central government, in consultation with the State government(s) concerned, may determine the tenure of all or any of the cadre posts specified for the State concerned and the cadre officer will hold the post for the prescribed tenure unless in the case of a promotion, retirement, deputation, or training.
6. **Civil Service Law:** The Second ARC recommended that there was an urgent need to safeguard the political neutrality and impartiality of the civil services. The onus of keeping their conduct ethical is usually put on the bureaucrats but the responsibility lies with the political executive also. The civil servants must understand the true nature of the politicians and stay strong and work according to the Code of Conduct of public servants.

After studying the above-given points, it is easy to understand how the bureaucrats must act and restrain from any sort of collusion with the political executive however the unholy nexus still exists and thrives in India. We read various cases of corruption and arrests made in the news daily but the situation is not improving. Punitive measures must be implemented and enforced strictly so that there is a change in the conduct of civil servants as well as the politicians.

## Q4 *'Traditional bureaucratic structure and culture have hampered the process of socio-economic development'. Comment.*

**Ans.** After studying the bureaucratic culture in relation to the political culture in India in the questions given above, it is easier to understand the Indian bureaucracy. The British Colonial bureaucracy left an indelible impact on the Indian Civil Service when they left in 1947 because the first Prime Minister of India, Jawaharlal Nehru, adopted it the way it was. He admitted in his speeches that he had to deal with the emergency situation of restructuring and resettling of refugees coming from the new nation of Pakistan. India had to face a war with Pakistan in 1948 which gave no time to the political executive to bring in the much needed administrative reforms. The bureaucratic elite were well-versed in their ways and knew how to wiggle the politicians around their perspective. The arrogant and masterly attitude instead of being a public servant did not help the socio-economic development in India. Some major causes how the traditional bureaucratic structure and culture have hampered the process of socio-economic development are:

1. **Structure:** The traditional bureaucratic structure is based on the colonial British administrative system, popularly known as 'Steel Frame' of the nation and is very slow in shaking off the hangover of colonialism. It has a top-down approach, rigid hierarchy and very less autonomy. These structural rigidities like red-tapism and time-based promotion become an obstacle in being conversant with the local problems and needs. The disconnect between the people and the bureaucrats, due to the structure they are tied in, leaves the people high and dry. The behaviour and functioning of the bureaucrats followed from the rigid structures is also rigid with the people that they are meant to serve. It did not develop compatibility with developmental projects as it required the civil servants to go to the interior regions to implement them whereas India needed was a developmentalist attitude to raise the levels of socio-economic development in India.
2. **Generalists:** There has always been a debate over the generalists versus specialists in the civil services. The civil servants are given various tasks of planning, coordination and supervision of not only the administrative system but also managing the developmental tasks beginning from planning till its implementation. This makes the nature of his job as a generalist as well as technical. On the other hand, specialists belong to the Indian Engineering Services, Indian Economic Services, etc., who have training in a specific field but when the bureaucrat reaches a senior level, he/she has to take up the job of a generalist. This problem has escalated and the debate has increased with the government's decision to induct mid-career professionals through lateral entry into the services. Generalists are considered as better administrators but tend to lack in specialist areas of development affecting the level of socio-economic development in the country. Hence, the debate continues!
3. **Corruption:** The inherited traditional bureaucratic structure from the British Colonialists got into a comfortable nexus with the politicians and corruption was accepted as a part of the system. The common man in India has to face the severe corrupt structure of bureaucracy where nothing gets done without doling out bribes. Small entrepreneurs get stuck in the rut of file and license system and mostly fail in setting up their business or face a serious cashflow problem due to a dent caused by bribes. This has impacted the economic development in India which pervades to the social development also.
4. **Political Intervention:** In cases where the administrators are not in collusion with the political executive and are honest in their approach, there is evidence of political intervention. The bureaucrats are restricted in truthful dispensation of their duties and get involved in corruption,

in cash or in kind, even if they are unwilling to do so. This has an adverse consequence for the socio-economic development as the intended goods and services for the poor does not reach them in full.

5. **Gap in Technological Adaptation:** Since India got independence, technology has been advancing rapidly, especially, in the last two decades. Digitalization and the use of Information and Communication Technologies (ICTs) has changed the system by which the Indian bureaucracy works but the adaptation has not been smooth. The programmes initiated like Make in India, Skill India, Digital India, Smart Cities, financial inclusion, etc., have included the social and marginalized sectors. The capability of the state to deliver as well as policy implementation is at an all-time low. Lant Pritchett attributes this to a systematic lack of training at the ground level, the stranglehold of bureaucracy and a high tolerance for non-working models of governance among the people.[4] Also, there is a problem that these factors become a significant threat to the country's economic growth and eventually, social development.
6. **Citizen-Centricism:** The slow decision-making in the Indian bureaucracy alienates the citizens and a growing frustration can been seen in the citizens. The recent case of farmers' suicides shows the level of disconnect between the administration and the citizens. The bureaucracy has to reform its rigid structures and become dynamic to serve the citizens. There is a growing expectation among the citizens that the bureaucrats must have a better interface for a better understanding of their needs. Citizens' Charter and the Right to Information Act, 2005 have helped in this area but it will take a lot of time to gain public trust and shake-off the centuries' long disregard for people.

To summarize, the above-mentioned issues are the causes for the slow socio-economic development in India since seven decades. The Indian economy has only recently seen a rapid increase its GDP with a consistent increase in the social development indicators. Bureaucracy in India is still struggling with the new trends that are developing to achieve an inclusive development of the marginalized sectors. The First Administrative Reforms Commission (ARC) was constituted on 5 January 1966, chaired by Morarji Desai and the Second ARC was constituted on 31 August 2005. Out of the 15 reports and 1514 recommendations of the Second ARC, submitted in 2009, all 13 reports and 1183 recommendations have been considered by the government and the progress of the action taken on the recommendations is monitored. Reforms in civil services are a continuous process and several initiatives have been taken by the present government. These reforms are meant to cater to the needs of the changing times for better socio-economic development in India.

## Q4 *'Lateral entry in bureaucracy: Is the Government of India being privatized?' Comment.*

**Ans.** Lateral entry to the Indian Civil Services is a recruitment procedure of professionals from the corporate or the academic sector for the post of joint secretary for a three-year contractual service. The direct recruitment procedure through the Union Public Service Commission is well-known by all but the lateral entry posts were advertised by the Department of Personnel and Training, Government of India. Traditionally, a joint secretary is appointed from the pool of senior bureaucrats by a Joint Secretary Level Empanelment for Central Services under the Central Staffing Scheme. As it is a post and a rank under the Central Staffing Scheme of the Government of India, the position holder is a career civil servant and a government official of high seniority.[5] The joint secretary is the head of the wing under the charge of Secretary of the Ministry/Department and he/she reports to the Additional Secretary. Their functions

involve advising in policy-making as well as policy-implementation of various schemes and programmes of the department.[6]

In mid-2018, the government in power officially notified an advertisement allowing lateral entry into the administration ten posts at the rank of joint secretary in various departments with an expertise in the areas of revenue, financial services, economic affairs, agriculture, cooperation and farmers' welfare, etc. The system of selection was made a very rigorous one by constituting a panel who will vet the applications from various sectors of private or public sector. This system will eventually become a part of the institutionalized UPSC recruitment and selection system.

The issue here is whether the lateral entry into bureaucracy is leaning towards privatization of the Indian bureaucracy. This is not the first time an attempt has been made to bring in people from the private sector into bureaucracy. Dr Manmohan Singh invited and included people from outside bureaucracy like Nicholas Stern, Jagdish Bhagwati, T. N. Srinivasan and Vijay Joshi from Oxford, in the 1990s when he undertook major economic reforms. Since the Indian Economic Services was a small wing, it did not rankle anyone by bringing in young professional economists and later Raghuram Rajan was invited as an honorary advisor to the Prime Minister while he later went on to become the RBI Governor.

**Privatization and Disconnect:** The Liberalization, Privatization and Globalization (LPG) era has somehow made governments think of privatizing everything, including bureaucracy this time. The issue has received flak from all quarters and valid too because instead of accepting weaknesses in the bureaucracy and reforming them to make them trained experts. The word 'transforming' India has come to mean privatization in the present times in India. Since the lateral entry of bureaucrats is being done at a senior level, it implies that they have not undergone the regime of working their first posting at the grassroot level as a Collector or an Assistant Commissioner. The lateral entrants come from the senior positions who do not have any connect with the marginalized sectors or an awareness of their needs. They will become desk administrators who have no field experience.

**Spoils System:** A spoils system is a tradition in which public offices are given as rewards to individuals for good political work. The lateral entry system into bureaucracy is being observed by many civil servants as a form of spoils system in which the political connections can be exploited to get high positions in the government unless the selection system is based on transparency.

***Box 7.1: Spoils System***

The 'Spoils System' of distributing government jobs as a reward for political services takes its name from an 1832 speech by the Democratic senator William L. Marcy of New York. Defending President Andrew Jackson's partisan dismissals from office, Marcy avowed that he and his fellows saw 'nothing wrong in the rule, that to the victor belong the spoils of the enemy.' By 1850, the spoils system was thoroughly entrenched as an instrument of political warfare. This practice died its slow death with the passing of Pendleton Civil Service Act in 1883 in the USA.[7]

**Accountability:** 'Hire and Fire' system in the private sector is quite common, if the employee does not perform according to the set standards but in the civil service, even after retirement, the bureaucrat is held accountable for any wrongdoing. The system of lateral entry will face a problem by privatising the personnel selection because they are being hired on a contractual basis for three years. On the other hand,

the government is left with no choice but to bring in experts from the private sector to bring in professionalism into the flailing bureaucracy full of generalists.

The retrograde bureaucracy of India needs a shot of rejuvenation to implement the new initiative and developmental projects. Lethargic and slow bureaucrats will stifle these schemes and put the emerging economy again into a back-seat. If India has to sustain itself in the global competitive market, it must enhance its administrative set-up. One may not go so far in saying that the Government of India is being privatized but it is definitely trying to bring in public management to improve the rank of Indian bureaucracy from being the slowest among the other twelve Asian nations.[8]

## Q5 *Discuss the evolution of the reforms taken in the Indian bureaucracy and its background to make it adaptable to the demands of development of India.*

**Ans.** Traditionally, bureaucracy was considered as a relationship between the government and the citizens to command, control, revenue collection and maintenance of law and order. There was no scope for a government-bureaucracy-citizen interface. However, the emerging Indian economy cannot work with a linear relationship beginning only from the government. Interface with citizens and service delivery by government are two major concerns in the present-day socio-economic environment to fulfil the expectations of the citizens. In this background continuous administrative reforms and their speedy implementation are required.

The Post-World War II period saw the emergence of many new nations and no administrative reforms could be carried out because till the 1970s, the focus was only on institution building and capacity-building. The movement of rollback of the State took precedence but developing nations like India could not sustain this movement because the State had to cater to the delivery of public services. Administrative Reforms are a necessity for the governments to be able to deliver to change its role instead of reducing it.

Before we study the administrative reforms in India regarding the bureaucracy, six phrases have become the buzz-phrases, which are given in Box 7.2 and described below in brief:

***Box 7.2: Buzz-Words in Adminsitrative Reforms***

1. **Reinventing Government:** The reinventing theme is based on the principles of citizen empowerment, leadership to give direction, competition, total quality management, decentralization, performance budgeting, civil service reform and privatization.[9] It is based on the thinking that government finds itself with a lot of very dedicated people trapped in bad systems, budget systems that provide incentives to waste money, personnel management systems that are cumbersome and yet offer little incentive to achieve results. However, the movement fizzled out because it recommended the government to behave like the corporate sector.
2. **National Performance Review (NPR):** The National Performance Review system has been incorporated in the Indian Civil Service called as Annual Confidential Reports which has now become a 360 degrees feedback system.
3. **New Public Management (NPM):** The focus of NPM is on the efficiency of the public sector in the market. All managers of the Public Sector Undertakings (PSUs) must become professional managers and maximize value for money. However, this approach in the public service delivery

system faces flak as there is no money value for the government in the distribution of public goods and services because it is difficult to measure welfare cost. The government and bureaucracy in India try to keep up with meeting quality standards in service delivery by employing grievance redressal mechanisms like the Right to Information Act, 2005 and Citizens' Charters.

4. **Compulsory Competitive Tendering (CCT):** The Government of India invites tenders for rendering public services like the sanitation, toll tax collection, garbage collection, etc., outsourcing has increasingly been used but corruption in calling out the tenders has also increased correspondingly. Monitoring contract compliance, though, is higher than the service itself which makes this system ineffective and uneconomical for developing nations like India.
5. **Best Value:** Best Value concept implies citizen-centric governance instead of considering the convenience of the service provider. The Government of India is making efforts to involve communities through various developmental programmes to understand the needs of citizens but in reality this has not worked well.
6. **Alternative Service Delivery (ASD):** Today's public service must be flexible, consultative, outcome focused and proactive in supporting innovation from the bottom up. As a new generation of public managers take over, there is renewed emphasis on innovative means to deliver government services.[10]

**Reforms:** The Indian bureaucracy has been struggling to keep with the changing times since India got independence in 1947. The rigidity of the Indian bureaucracy, inherited from the British, led to an inefficient delivery of public goods and services. Two Administrative Reforms Commissions (ARC) have been constituted in India to present recommendations and reforms to revamp the bureaucracy.

**First ARC:** The Government of India constituted the First ARC with Morarji Desai as its head on 5 January 1966 with a five-member team to:

- Evaluate Centre–State relations
- Ensure that the highest standards of efficiency and integrity in public services and for making Public Administration a capable institution to execute the government's social and economic policies, besides other aspects.[11]

The commission submitted twenty reports, containing 537 major recommendations, in 1977 before the Parliament.

**Second ARC:** The Second ARC was constituted in 2005 and it submitted 15 reports on various aspects of governance, making 1514 recommendations, in 2009. 1183 recommendations were accepted by the Central government but most of them have not been implemented.

**Initiatives taken by the Present Government since 2014:**
This brings us to the issue of their efficacy and judiciousness. The expenditure on the Second ARC was 11.92 crores.[12] Various commissions and committees are formed in India by the government to buy time and placate the opposition or the citizens. It doesn't matter which political party is in power because the results are same. When asked about the action taken on recommendations by the Second ARC, one is confronted with an evasive answer that so many were accepted and the rest have been forwarded to various departments. This does not help much in understanding what was done in reality.

The Strategy for New India @ 75, document published by the NITI *Aayog*[13] which was presented to the government in November 2018, has given a framework of reforms that have been taken by the present government, in the spirit of continuous reforms in the Indian Civil Services, which are:

- **Dispensing with Interviews at Lower Levels:** In 2014, the Prime Minister announced that all entry level interviews for Class 3 and Class 4 would be abolished. This decision has helped many young students to start their service based on their academic achievements.
- **Online filing of Returns:** The employees are required to file online returns to improve transparency and accountability.
- **Recruitment:** The Strategy @75 states the following points to be considered in the recruitment process:
  - **Teeth to Tail Ratio:** The concept of 'Tooth to Tail Ratio' has been imbibed form the army, where the amount of military personnel was matched with the support (tail) to each soldier (tooth). In the civil service, an officer-oriented culture and focus on expanding the number of officers must be promoted.
  - **Objectivity:** The recruitment and placement process must be made objective by widely disseminating job descriptions, selection criterion and eliminating elements of arbitrariness.
  - **Reduction in the Number of Civil Services:** The existing 60 plus services must be reduced and the recruits must be placed in a central talent pool. This pool would allocate the recruits by matching their competencies and job description of the post. The number of exams must be made into one exam with an all India ranking. The states can also use this central pool.
  - **Lateral Entry:** The problem of generalists can be resolved by encouraging lateral entry to get expertise.
  - **Specialization:** The civil services will be reformed by encouraging specializations based on their academic background and skills.
  - **Mentorship:** The young recruits must be given a mentor with similar specializations.
  - **Information Technology (IT):** The ITs must be upscaled to help in planning and staffing.
  - **Upper Age-Limit:** The present upper age-limit is 32 years and it must be reduced to 27 years by 2022–2023 so that the new recruits can be easily moulded according to conditions.
  - **Municipal Cadres:** There must be a conscious increase in the number of employees at the Municipal Corporations and their performance must be monitored and evaluated.
  - **Outsource Service Delivery:** Public Private Partnership Model must be explored to outsource services to relieve the administrative machinery of some burden.
- **Training:** The urban areas and settlements have been growing in their size and they need management to become productive. The following recommendations have been made by NITI *Aayog* in its document:
  - **Reorientation:** The civil servants must be trained in urban management.
  - **Mid-Career Training:** There must be mid-career training for officers in all services to keep them updated with new developments. It can be supplemented by mid-career exam/skill assessment to decide their postings. Australia has a system of advertising posts at every level and the officers have to compete in an open pool for the post. This improves the quality of work and skill-set.

- **Online Training:** E-learning platforms must be developed to conduct training modules and after the learning module has been undertaken by the officers, the competency of their skill-set must be compared before and after the training.
- **Localization:** On-going training modules must be prepared, district-wise, keeping in mind the local needs of the people and infrastructure.

- **Evaluation:** The Multi-Stakeholder Feedback (MSF) is a performance evaluation feedback system which is also called the '360 degrees evaluation system'. It began in the 1950s at the Esso Research and Engineering Company at first but it soon became popular and the private sector began using it though it has its weaknesses. It is being used to evaluate civil servants at the level of Additional Secretaries or the Secretaries for promotion. Since it takes feedback from the peers also, promotion no longer depends only on the report of the boss. The NITI *Aayog* suggested some reforms in evaluation, given below:
  - **Goal-Setting and Tracking:** Key responsibility areas must be identified and fixed to make evaluation easier. An online evaluation programme Smart Performance Appraisal Report Recording Online Window (SPARROW) template must be installed and used in all central and state cadres.
  - **Incentivization:** New schemes of incentivizing civil servants must be introduced. 'Scheme for Prime Minister's Awards for Excellence in Public Administration' was started in November 2018, by identifying priority programmes and awarding excellent work in public governance.
  - **Compulsory Retirement:** The underperforming civil servants must be retired compulsorily if they do not meet the developed benchmarks.
- **Governance:** The following recommendations regarding governance were given by NITI *Aayog*:
  - **Citizen-Centric Framework:** The civil service is meant to serve the citizens and keeping this basic premise in mind, an inclusive policy framework with citizens at the center needs to be developed. The Right to Information and Information and Communication Technologies must be expanded to give more access to the public and especially giving more coverage to the public.
  - ***Suo Moto* Disclosures:** There must be an institutionalized system for effective monitoring of *suo moto* disclosures to bring more transparency to public affairs.
  - **Capability:** The capabilities and knowledge base of public authorities like the Central Public Information Officers, Appellate Authorities and Information Commissions must be enhanced
  - **Protection of Civil Servants:** A suitable system of checks and balances must be put into place so that the civil servants are not vulnerable to political or lobbyist pressures.
  - **Allocation of Business Rules (AoBR)/Transaction of Business Rules (ToBR):** Every Ministry/Department should review their AoBR/ToBR to update them according to changing times and needs.
- **E-Initiatives and Probity:** The digitalization of all processes and procedures in government offices is integral to strengthen governance. Some suggestions are given below:
  - **Probity in Governance:** Institutional mechanisms must be strengthened to prevent and detect corruption by reviewing existing vigilance operating manuals and instructions to ensure probity and improving transparency in recruitment, placement and training. The probity includes performance review also.

- **Strengthen implementation of a Centralized Public Grievance Redressal and Monitoring System (CPGRAMs):** In continuation of the Grievance Analysis Study in respect of top 20 Ministries/Departments receiving maximum grievances on CPGRAMS, another Grievance Analysis Study for next 20 Ministries/Departments receiving bulk of the grievances has also been carried out by Department of Administrative Reforms and Public Grievances.[14]
- **E-Office:** The project 'E-Office' is already in place but its implementation must be expedited in all ministries/departments.
- **Prompt Delivery of Services:** Single window clearance and stakeholder consultations in the process of policy implementation must be strengthened by IT tools along with the simplification of processes.

Box 7.3 shows the Priority Programmes in 2019.

***Box 7.3: Priority Programmes for 2019***

For the awards to be presented on Civil Services Day 2019, the following four priority programmes have been identified:

**(i)** National Agriculture Market (e-NAM)

**(ii)** National Rural Livelihood Mission (NRLM)

**(iii)** Pradhan Mantri Sahaj Bijli Har Ghar Yojana (SAUBHAGYA)

**(iv)** Mission Indra Dhanush

Two awards shall also be given to organizations of Central/State governments/Districts for Innovations in environment conservation, disaster management, water conservation, energy, education and health, women and child-centric initiatives, etc., of which one shall be given for innovations by aspirational districts, under the Aspirational Districts Programme ( ADP).

**Source:** https://darpg.gov.in/sites/default/files/PM-Award-Scheme-2019.pdf
Assessed on 11 January 2018.

These targets, outlined in the strategy, must be achieved in the quest for building New India by 2022. It will help in paving the way for inclusive growth and ensure prosperity to all. The above-given administrative reforms will help in better delivery of public services by active participation of citizens, referred by the Prime Minister, as Team India.

## Conclusion

Bureaucracy is the administrative or the executive arm of the government to implement its policies for the socio-economic development in the country. The Centre and the State governments have to work together to become accountable and citizen-friendly through transparency and Right to Information. Unless the constraints in the bureaucracy are addressed, service delivery will be lagging as it is. Indian bureaucracy has been ranked as the last among its twelve counterparts in Asia. This is a very depressing picture for an emerging economy like India as it will discourage global corporations to invest in developmental projects.

## Notes and References


1. Meier, Kenneth J. and O'Toole Jr., Laurence (2006), *Bureaucracy in a Democratic State—A Governance Perspective,* The John Hopkins University Press, USA.
2. Second Administrative Reforms Commission (2009), *Refurbishing of Personnel Administration,* Tenth Report, Department of Administrative Reforms and Public Grievances, New Delhi.
3. Adapted from ibid
4. Pritchett Lant (18 July 2017), in Chakraborty, Subhayan, '*More digitization cannot cure India's Ills*, says Harvard's Lant Pritchett' in Business Standard, India.

   Available at More digitisation cannot cure India's ills, says Harvard's Lant Pritchett, https://www.business-standard.com, retrieved on 06 January 2019.
5. Joint Secretary to Government of India, https://ipfs.io, retrieved on 07 January 2019.
6. Alternative to IAS? Modi govt opens lateral entry for professionals as Joint Secretaries, https://www.financialexpress.com, retrieved on 07 January 2019.
7. Spoils System, https://www.encyclopedia.com, retrieved on 07 January 2019.
8. Indian bureaucracy rated worst in Asia, says a Political & Economic Risk Consultancy report, https://economictimes.indiatimes.com, retrieved on 07 January 2019.
9. Osborne, David and Gaebler Ted (1993), *Reinventing Government: How the Entrepreneurial Spirit is Transforming the Public Spirit,* Plume Publishers, USA
10. Handbook on 2nd ARC Recommendations and Related Concepts ATI Mysore, February 2014, http://ficciqualityforum.com, retrieved on 08 January 2019.
11. About ARC, https://darpg.gov.in, retrieved on 08 January 2019.
12. Impact assessment of the 2nd ARC reports, http://post.jagran.com, retrieved on 08 January 2019.
13. NITI *Aayog* (November 2018), *Strategy for New India @ 75,* Government of India, New Delhi.
14. Redresasal of Public Grievances, http://pib.nic.in, retrieved on 09 January 2019.

*This page is intentionally left blank.*

UNIT III

# PUBLIC SECTOR UNDERTAKINGS


**Chapter 8** The Public Sector in Modern India

**Chapter 9** Forms of Public Sector Undertakings in India

**Chapter 10** Problems of Autonomy, Accountability and Control in Public Sector Undertakings

**Chapter 11** Impact of Liberalization and Privatization

*This page is intentionally left blank.*

# 8 The Public Sector in Modern India

## LEARNING OBJECTIVES

*After reading this chapter, you will learn about:*

- Concept of Public Sector Undertakings
- Emergence of Public Sector Undertakings in India Post-Independence
- Rationale behind the Public Sector Undertakings in India

## MEANING AND CONCEPT OF PUBLIC SECTOR UNDERTAKINGS

The nomenclature of public enterprises creates a lot of confusion over its meaning and concept because they are also known as Public Sector Undertakings (PSU), nationalized industries, socialized industries, state enterprises, etc. The prefix 'Public' indicates that the enterprise is state-owned and in India it is known as Public Sector Undertakings (PSUs) for reference. The state ownership can be at either of the Union, State or Local level. In a PSU majority (51 per cent or more) of the paid-up share capital is held by Central government or by any State government or partly by the Central governments and partly by one or more State governments.[1] The PSUs have been defined by various scholars, some of which are given below:

**A. H. Hansen:** Public enterprises mean state ownership and operation of industrial, agricultural, financial and commercial undertakings.[2]

**W. Friedman:** 'A public enterprise is an institution operating a service of an economic or social character, on behalf of the government but as an independent legal entity, largely autonomous in its management, responsible to public, government and Parliament and subjected to some direction, by the government, equipped on the other hand with independent and separate funds of its own and the legal and commercial attributes of a commercial enterprise.'[3]

Since PSU is a vast area of operation, it does not have one clear definition but its meaning can be clearly derived from the definitions given by Hansen and Friedman. The PSUs in India have long played an important role in the Indian economy. They were created as vehicles for industrial and regional development, creation of basic infrastructure networks and employment generation.[4]

### Q1 *Discuss the emergence of PSUs with respect to various industrial policy measures in India since independence.*

**Ans.** A brief historical perspective of existence of PSUs in India must be studied before they are understood in the context of modern India. There is evidence in Kautilya's *Arthashastra* of state-owned

businesses in areas like mining, salt, fishing, ferrying and forestry. There is mention of irrigation projects and state trading also and were absolutely monopolistic. According to Kautilya, *Lavandhyaksha* was the head of manufacture of salt and price determination, the *Akaradhyaksha* was in-charge of mining, the *Rupardarsaka* headed the coinage factory and the *Suvarnashyaksha* was the head of the gold industry. India became an expert in the manufacturing of steel and muslin. The Mughal dynastic rulers were also very keen on maintaining and developing the *karkhanas* (workshops) in Agra, Fatehpur, Ahmadabad, Burhanpur and in Kashmir to maximize their profit and fill their treasury. Before India got independence in 1947, the British had developed the railways, the post, security printing press, gun and shell factory, hydroelectric power project, coal mining and manufacture of various items like aluminium, leather, pencil, glass-line and sand bricks. However, it is a well-known fact that the British developed all those sectors which they felt that helped to exploit the Indian resources to fill their coiffeurs.

**Post-Independence Evolution of PSUs:** Post-independence, India was grappling with grave socio-economic problems, such as inequalities in income and low levels of employment, regional imbalances in economic development and lack of trained manpower, weak industrial base, inadequate investments and infrastructure facilities, etc. Hence, the roadmap for public sector was developed as an instrument for self-reliant economic growth and India adopted the planned economic development policies. Given below, is a brief description of industrial policies that were formulated, beginning from 1948 onwards and were updated from time to time as per the changing economic environment:

**The Industrial Policy Resolution, 1948:** It defined the broad contours of the policy delineating the role of the State in industrial development both as an entrepreneur and authority. The highlights of the Industrial Policy, 1948 were:

- A continuous increase in production and its equitable distribution in the economy by a progressive active role of the State in the development of industries.
- The main industries, also called strategic industries, kept with the Central government as its monopoly were arms and ammunition, atomic energy and railway transport while the State was made responsible for six main industries, which were:
    - Coal
    - Iron and Steel
    - Aircraft manufacturing
    - Ship-building
    - Manufacture of telephone, telegraph and wireless apparatus
    - Mineral oil.

The existing private sector companies were allowed to continue the way they were doing so.

- The cottage and small-scale industries, as per priority status, were to be provided protection.
- Fair wage rates, social security for workers and participative management were given due importance in the policy.
- The Indian economy developed into a mixed economy based on socialism.

The Industrial Policy Resolution, 1948, faced some hiccups in its implementation because India was getting its economy on its feet and grappling with capital goods industry. The state was trying to invest only in the areas where the private industry was absent making it a 'Socialization of the Vacuum'.

## The Industrial Policy Resolution, 1956

In 1954, the Industrial Policy Resolution called for the PSUs to be granted more autonomy and to have the organizations built on business principles. The industries were classified into three categories:

- **Schedule A:** The state would be exclusively responsible for the future development of such industries.
- **Schedule B:** Such industries would be principally driven by the State but private investment and participation would be permitted to support them.
- **Private Sector:** The rest of the industries were left to the private sector.[5]

## The Nationalization of Banks, 1969 and 1980

Fourteen banks were nationalized on the midnight of 19 July 1969, and came under government control. Between 1947 and 1955, 361 private banks failed in India which brought losses to the savers because there was no depositors insurance. Moreover, the stated reason for the nationalization of banks was to facilitate easy credit availability to the priority sector which included agriculture, small industries, traders and entrepreneurs. The rural sector had been ignored while the private banks kept advancing loans to the already rich class leading to a rampant free run for capitalism. The aim of nationalization was to include the rural area by opening more branches in the remote areas. In 1980, six more banks were added to the list of nationalized banks. This major step, meant to help the poor farmers was not very successful but it had achieved to open 58 per cent of bank branches in the rural area.[6]

## The New Industrial Policy, 1970

After the passing of Monopolies and Restrictive Trade Practices Act was passed in India in 1969, the government announced its new industrial policy in 1970 and accepted the recommendations of the Industrial Licensing Policy Inquiry Committee. The major thrust of the policy was the acceptance of a list of core industries consisting of the following four categories:

**(i)** **Core Sector:** Industrial units of basic, critical and strategic importance like defence equipment.
**(ii)** **Heavy Investment Sector:** Projects having more than ₹ 5 crore of value and would be open to the private sector.
**(iii)** **Middle Sector:** Projects with investment between ₹ 1 crore to ₹ 5 crore.
**(iv)** **Delicensed Sector:** All projects with an investment less than a crore.

According to the recommendations of the Dutt Committee, the concept of joint sector was initiated. Public financial institutions had the option to convert any previously sanctioned loans or subscription to debentures into equity within a stipulated period of time.

## Industrial Policy Statement, 1973

The main focus of the Industrial Policy Statement of 1973 was the small and medium enterprises to prevent industrial activity in the large industrial houses. The main features were:

- Encouraged entrepreneurs in setting up of new capacity, particularly, in large mass consumption goods.
- Delicensing of enterprises with fixed assets of ₹ 5 crore or more and foreign companies.
- Promotion of joint sector.

## Industrial Licensing Policy, 1975

This was another policy statement in the series of economic reforms regarding delicensing and 21 industries were exempted from getting permissions and licenses. Foreign enterprises were also allowed to expand provided the excess production is either exported or sold in accordance with the directions of the government.[7]

## Industrial Policy, 1977

The Industrial Policy of 1977 aimed at removing all distortions of the 1956 policy. It initiated the concept of a 'Tiny Unit' and defined it as a unit with investment in machinery and equipment less than ₹ 1 lakh and situated in towns with a population less than 50,000 according to 1971 census.[8] The main elements of this policy were:

1. **Labour Intensive:** Areas for large scale industries to complement small-scale industries were defined. The list of items reserved for exclusive production in the small sector was increased from 180 to 500 which would help in developing the small-scale sector.
2. **Indigenous Technology:** The policy statement directed the economy towards manufacturing indigenous technology but buying sophisticated technology from abroad was permitted. This push was a prelude to achieve self-sufficiency of the economy.
3. **Balanced Regional Development:** Expansion of the public sector to meet the basic consumer needs in India was the main objective but no more licenses would be given to set-up industries within specified limits of metropolitan cities with a population more than ten lakh. The other cities had a cap of five lakh population as per the 1971 census.
4. **Viability:** The government would take over sick units after their viability was considered to prevent unemployment.
5. **Foreign Investments:** The policy prohibited any foreign investment in 'unnecessary areas' but if foreign companies diluted up to 40 per cent under the Foreign Exchange Regulation Act, 1973 would be considered as any other Indian company.

## Industrial Policy Statement, 1980

The base of the 1980 statement was the Industrial Policy Resolution, 1956, aimed at optimal utilization of the existing industrial capacity, higher productivity, employment generation, tackling regional disparities, export promotion, strengthening agricultural base of our country, consumer protection, etc. It gave major thrust on developing the domestic market. Given below are the main policy measures:

- Human resource development in public sector.
- Automatic capacity expansion of public sector units was allowed.
- Industrially backward districts must correct regional imbalances.
- Enhanced investment limits of small-scale units to ₹ 2 lakhs; 20 lakhs for medium or ancillary units and ₹ 25 lakhs for large units.
- Fully export-oriented industries were given special priorities.

## The Industrial Policy, 1991

The 1991 economic reforms made under the Industrial Policy, 1991, cemented and expanded the reforms of the previous decades. It envisioned a greater role for the private sector, opened up sectors

to competition and highlighted the need for PSUs to innovate and lead in areas of 'strategic' importance. The policy marked the beginning of the partial sale of shares of PSUs, state-owned enterprises to financial institutions and the public through the disinvestment programme. Emphasis was laid on the 'Memorandum of Understanding' (MoU) system, to give the public managers greater autonomy while holding them accountable. The reserved sectors were limited to railways, military equipment and atomic energy. The policy called for restructuring of poorly performing enterprises while developing social mechanisms to protect affected workers. Deregulation and liberalization were stressed upon in this policy.[9]

The Industrial Policy, 1991 set out directions for industrialization in an economy that began its journey in liberalization. It dealt with liberalizing licensing and measures to encourage foreign investments. A policy for public sector enterprises and the Restrictive Trade Practices Act were introduced.

### *Elements of Industrial Policy, 1991*

The government decided to take series of initiatives in key areas[10]:

- Industrial licensing
- Foreign investment
- Foreign technology agreements
- Public sector policy
- MRTP Act

The first key reform was abolition of industrial licensing except those included in a small specified negative list. Other major reforms that were included in the policy were:

- Approval of direct foreign investment up to 51 per cent of equity and access to advanced technology was enabled in high priority sectors. The Indian companies were allowed to negotiate terms of technology with the foreign parties according to market environment.
- Focus was to be laid on:
    - Essential goods and services
    - Exploration and expansion of oil and mineral resources
    - Capacity-building in management and other areas crucial to long-term economic development
    - Manufacture of strategic consideration.
- The MRTP Act would be amended to abolish threshold limits of assets and any need for prior approval of the Central government was removed.

### *Impact of Industrial Policy, 1991*

The reforms taken in the Industrial Policy, 1991 had a major impact on the economic conditions in the country. It brought India back from the brink of collapse and now it has become one of the most rapidly emerging strong economy. The impact of the policy is given below in brief:

- The list of compulsory items which required license has been reduced from 18 to only four, namely:
    - Cigars and cigarettes on tobacco
    - Industrial explosives
    - Electronics, aerospace and defence equipment, industrial explosives and hazardous chemicals.
- Foreign investment in most sectors is allowed 100 per cent.

## Industrial Policy, 2017

The Industrial Policy, 2017, has a clear vision for the role of the industry and its growth to achieve optimum economic development. Skill set development and use of latest cutting technology will be developed with the participation of private stakeholders. All strategic objectives must be described with precise measurable outcomes. Policy implementation must be framed according to the global economic cycle. Given below in Table 8.1 are the strategic objectives with their illustrative outcomes and questions that will begin the quest for solutions:

***Table 8.1: Industrial Policy, 2017***

| S. No. | Strategic Objectives | Illustrative Outcomes | Questions for Solutions |
|---|---|---|---|
| 1. | **Global Linkages**<br>• Create global brands out of India while maintain international quality and standards.<br>• Strengthening linkages between Indian and global SMEs through strong value chains to access the world market in time.<br>• Intensifying FDI[11] to facilitate greater technology transfer and leverage strategic linkages and innovation. | **Long-Term**<br>• Increasing the number of global firms in India to make it to the Fortune-500 category.<br>• Establish complete value chains within and outside India in select sectors like renewable energy, electronics, etc.<br>• FDI regime that balances the short-term and long-term benefits of inward and outward investments.<br>**Medium-Term**<br>• Try to get $100 billion FDI annually inward and support outward FDI.<br>• Increase the Indian share in top brands in selected sectors like apparel and footwear. | • How can MSMEs be included in the global value chain?<br>• How can the capacity of MSMEs be increased for them so that they can market themselves?<br>• How can the FDI policy channelize investments into potential sectors to result in domestic value addition, strengthen linkages and enable brand building? |
| 2. | **Enhancing Industrial Competitiveness**<br>• The cost of infrastructure such as power, logistics, easing regulatory/ compliance burden, reducing the cost of capital and improving labour productivity must be reduced.<br>• The Industry 4.0[12] bouquet of technologies has changed the way business is conducted and must be enhanced to increase ease of doing business. | **Long-Term**<br>• Strengthen sectors like automobiles, auto-components, electronics, new and renewable energy, banking, software and tourism.<br>• Create globally scaled-up and commercially viable sectors to achieve competitiveness.<br>• Leverage presence of a large public sector in core sectors.<br>**Medium-Term**<br>• Targeted measures to upgrade labour productivity in select sectors.<br>• Enhance industry 4.0 technologies by creating a robust and safe digital infrastructure.<br>• Reduce compliance cost and transaction time to have an easy business environment. | **Labour Reforms**<br>• What major reforms can improve labour flexibility?<br>• How can the issue of low job creation be resolved in the formal sector?<br>**Access to Capital for MSMEs**<br>• How can Peer to Peer Lending, Crowd Funding, etc. be developed to improve access to capital for MSMEs?<br>• Can a credit rating system for MSMEs provide easier access to funds?<br>**Industry Standard**<br>• Can mandatory technical regulations build industry standards? |

| | | | |
|---|---|---|---|
| 3. | **Employing Gainfully, a Growing Workforce**<br>• India must take advantage of the demographic dividend.<br>• The regional demographic disparity must be addressed.<br>• Increase employment rates to use the demographic dividend. | **Long-Term**<br>• Gainful employment<br>**Medium-Term**<br>• Creation of jobs at the lowest levels, especially, for the large number of unskilled and semi-skilled labour moving out of the primary sector. | • What measures are to be taken to ensure that the employability?<br>• What measures must be taken by the industry to complement the government's efforts? |
| 4. | **Ensuring Sustainability and Responsibility Industrialization**<br>• Policies on utilization of natural resources, including energy sources have to be aligned to support industrial growth.<br>• A balance between industrial growth and improvement and sustainability has to be achieved. | **Long-Term**<br>• India must strive to become a global leader.<br>• A dynamic -renewables sector.<br>• Establishment of a circular economy.[13]<br>**Medium-Term**<br>• Large scale adoption of smarter technologies. | **Sustainability**<br>• What are the various ways in which minimal or zero waste from industrial activities can be achieved?<br>• Which sectors need to be targeted to radically cut emissions? |
| 5. | **Enabling Ecosystem for Technology Adoption and Innovation**<br>• India to become a 'Digital Factory of the World'.<br>• Education and Research and development (R&D) systems must align with industry needs.<br>• Strengthen component manufacturing, design and R&D activities.<br>• Strengthen start-up ecosystem. | **Long-Term**<br>• Establish an ecosystem supportive of advanced and smart manufacturing.<br>• A thriving and supportive innovation ecosystem.<br>**Medium-Term**<br>• Strengthen and diversify information technology industry.<br>• Commercialization of innovation.<br>• Enable smart technologies by SMEs in select sectors. | **Technology Upgradation**<br>• What specific action points can be taken to enable MSMEs to adopt and upgrade technology?<br>• How can industry 4.0 technology can be adopted by the industry?<br>**Technology Transfer**<br>• What measures can be taken to facilitate technology transfer from foreign enterprises to domestic industries? |

**Source:** Adapted from Department of Industrial Policy and Promotion, Ministry of Commerce and Industry (2017), *Industrial Policy: 2017, A Discussion Paper*, New Delhi.

India is at the brink of becoming a global economic leader with the new industrial policy. The government is making new trade agreements and policies which have improved India's ranking in Ease-of-Doing-Business ranking. The efficient use of extrabudgetary resources (EBR) raised by public sector entities is being used for public capex as well as state-run programmes according to the Economic Affairs Secretary after the Interim Budget was presented for 2019.

## Q2 *Discuss the rationale behind the emergence of Public Sector Undertakings? Examine its relevance and validity in the present Indian economic environment.*

**Ans.** The response to mention of the mere words, 'Public Sector Undertakings' (PSUs) evokes a reaction of frustration and criticism. Heavy losses due to problems of managerial inefficiency makes it easier for the critics to pass the verdict of disinvesting the PSUs or privatizing them. None of these two solutions are an answer to the problems impact a strong and growing economy to achieve inclusive development for the marginalized sectors. The state intervention in the economy, in case of India, can be attributed to the fact that post-independence, the economy was absolutely ravaged with the private sector also lacking in having the funds required to develop the nation. It is imperative to understand the rationale of the existence and emergence of PSUs from a historical perspective too. Given below are the factors that justify the establishment of PSUs:

1. **Legislative Framework:** After independence, the PSUs were given the responsibility to achieve fast socio-economic growth. According to Articles 39 (b) and (c) of the Constitution of India, 'the ownership and control of the material resources of the community are so distributed as best to subserve the common good' and 'that the operation of economic system does not result in concentration of wealth and means of production to the common detriment.' The Government of India has not published a specific document regarding PSUs, although in 1969, it published a Memorandum on Public Sector Enterprises and various reports were submitted by the Committee on Public Undertakings to the Parliament. Hence, inferences have to be drawn from various reports and laws to understand its legislative relevance.

   The legislative framework has resulted in the growth of economic development in India for the past seven decades. Heavy doses of investment into PSUs have made them the largest commercial enterprises in the country, providing a huge leverage to the government to intervene in the economy directly or indirectly. The statistics show that they have helped in the socio-economic development rigorously.[14]
2. **Instrument for Planning:** After India got independence in 1947, the government had already established leanings towards a socialist economy and centralized planning mechanism through Planning Commission. India has seen 12 Five Year Plans through which the economy was given a direction. The Seventh Five Year Plan saw a spurt in the number and investment in the PSUs from five units in the First Five Year Plan with an investment of ₹ 29 crore to 244 units with an investment of ₹ 99,329 crore up to the end of 1990.[15]

   As of 2018, there are about 300 PSUs in India including 8 Maharatnas,16 Navratnas and 60 Miniratna Category I and 15 Miniratna Category II.

   A realistic stock of the situation of the PSUs as the instrument of planning shows a completely different picture. They are riddled with multiple issues like managerial inefficiency, poor work culture, political interference, lack of expertise in the senior executives, obsolete technology and the list goes on. If all were going so well, the situation of disinvestment would never have arisen.
3. **Social Welfare:** PSUs were established in India to maintain a balance between business goals and social welfare. Although they began as an instrument to manufacture the core goods but after seven decades, they have expanded and ventured into various sectors which are specified in the plans. The responsibility of PSUs is not only to help in rapid industrialization and profit–maximization but also to fulfil the needs of increasing employment opportunities, promote redistribution of income and wealth, balanced regional development, reduce imports and help in developing small-scale and ancillary units. The profits that they make must go back to the society's welfare in health, education, and such sectors.

The PSUs also fall into the category of fulfilling Corporate Social Responsibility (CSR) just as the private companies, as per the Companies (Corporate Social Responsibility Policy) Rules, 2014.[16] The Government of India has been pushing the PSUs to increase their spend on CSR to fulfil their responsibility towards social welfare.[17]

4. **Infrastructure Development:** The British had developed infrastructure in India to the extent of their requirement only like the post, railways, roads and ports so that they could transport the raw material and goods to the ports, to be shipped off to Britain. After independence, the Government of India was entrusted with the mammoth task of building and re-building infrastructure to develop India socio-economically. Initially, the private sector was not interested to invest in infrastructural development but with the economic reforms of 1990s, liberalization began an era of the Public Private Partnership Model.[18]

   At present, India has involved the private sector in partnership to speed up the process of infrastructural development as India lags behind the rest of the developing countries. According to Credit Rating Information Services of India Limited (CRISIL), the private investments in infrastructure was estimated to be about ₹ 20 lakh crores which had transformational impact in several sectors.[19]

5. **Defence Equipment:** PSUs not only act as an instrument to achieve a planned economy but also to provide for the necessity of having the required defence equipment. This sector has not been left open to the private sector since India got independence, keeping in mind the high capital cost to be incurred and national security. There are 9 PSUs under the administrative control of the Department of Defence Production, Ministry of Defence[20] besides the Memorandum of Understanding (MoU) signed by the Ordnance Factory Board and Defence PSUs with foreign countries for production of equipment.

   In 2018, a strategic plan to allow the private sector into the manufacturing of high-tech defence equipment has been finalized by the Government of India, under the Strategic Partnership Model. The model was prepared by the Dhirender Singh Committee which stipulates that the private companies will create a three-tier defence ecosystem, which are:

   - **Tier 1:** Big companies
   - **Tier 2:** Small vendors
   - **Tier 3:** Suppliers

   The Committee recommended four main segments for the private sector partnerships:

   (i) **Platforms:** Aircrafts, warships, submarines and armoured fighting vehicles and their major systems.

   (ii) **Weapons:** Precision hits such as anti-ship and sir-to-surface missiles.

   (iii) **Networks:** Command, control, communication, intelligence and surveillance.

   (iv) **Critical Materials:** This segment has a range of critical materials required to support the defence equipment or otherwise.[21]

   However, privatization of the defence industry requires caution and avoidance of a build-up of the nexus between the industry, politics and the armed forces.

6. **Employment Opportunities:** The PSUs not only help in developing the economy, infrastructure, increasing its GDP and balance of payments, they also help in the generation of employment. It is a well-known fact that the PSUs have not been performing very well but the employment numbers have been significant.

7. **Public Sector Banking:** Agriculture is the backbone of Indian economy as 83.3 per cent of the Indian population lives in the rural area as per the Census 2011.[22] The public sector banks are being forced by the changing government policies to make lending easy and assessible for agri-based activities. Public Banks have taken the responsibility of marketing, training and consultancy, insurance and financing for agri-produce.

The rationale behind PSUs has been justified as they have contributed to the economy consistently and helped various other sectors to grow. Employment generation, capital formation, balanced regional development, import substitution, research and development are some of the prominent areas where they have performed very well.

## Notes and References


1. Public Sector Undertakings in Inida, https://archive.india.gov.in, retrieved on 09 January 2019.
2. Hanson, A. H. (1954), *Public Enterprises and Economic Development,* Routledge and Kegal Paul Ltd., London.
3. Friedman, W. (1948–49), 'Legal Status of Incorporated Public Authorities', *Australian Law Journal,* 22: 7-29.
4. Corporate Governance of Central Public Sector Enterprises, http://siteresources.worldbank.org, retrieved on 10 February 2019.
5. Refer to this link to learn more about the schedules of the three types of industry given in the Industrial Policy, 1956.

   Chapter 1, Exhibit No. 1, Industrial Policy Resolution, https://dipp.gov.in, retrieved on 10 February 2019.
6. Was Indira Gandhi Really the Economic ogreshes made out to be https://economictimes.indiatimes.com, retrieved on 10-01-2019
7. Chandrashekhar, S. (1990) *Capacity Utilization in Indian Industry,* Daya Publishing House, New Delhi.
8. Ahmed, Faisal and Alaam, M. Absar (2017), *Business Environment: Indian and Global Perspective,* PHI Learning Pvt. Ltd., New Delhi.
9. Robinett, David, Marathe Varsha and Kikeri, Sunita (2010), *Corporate Governance of Central Public Sector Enterprises,* The World Bank.

   Available on Corporate Governance of Central Public Sector Enterprises, http://siteresources.worldbank.org, assessed on 10 January 2019.
10. Department of Industrial Policy and Promotion, Ministry of Commerce and Industry (2017), *Industrial Policy: 2017, A Discussion Paper,* New Delhi.
11. Foreign Direct Investment.
12. Industry 4.0 is a name given to the current trend of automation and data exchange in manufacturing technologies. It includes cyber-physical systems, the Internet of things, cloud computing and cognitive computing. Industry 4.0 is commonly referred to as the fourth industrial revolution. https://en.wikipedia.org, retrieved on 11 January 2019.
13. A circular economy is an industrial system that is restorative or regenerative by intention and design. It replaces the end-of-life concept with restoration, shifts towards the use of renewable energy, eliminates the use of toxic chemicals, which impair reuse and return to the biosphere, and aims for the elimination of waste through the superior design of materials, products, systems and business models.

    From Linear to Circular accelerating a proven concept, http://reports.weforum.org, retrieved on 11 January 2019
14. Log on to Public Enterprises Survey 2017-18, https://dpe.gov.in, for detailed information on how the Central Public Sector Enterprises are boosting and steering the economy in the right direction.
15. Government of India (1995–1956), *Public Enterprise Survey, Volume II,* P.91.
16. The basic information about Corporate Social Responsibility for PSUs in India can be accessed form

    FAQ on CSR Cell, http://www.mca.gov.in
17. Log on to PSU CSR, http://www.psuconnect.in for some examples of what the PSUs are doing as a part of CSR.
18. Public Private Partnership (PPP) means an arrangement between a government/statutory entity/government owned entity on one side and a private sector entity on the other, for the provision of public assets and/or public services, through investments being made and/or management being undertaken by the private sector entity, for a specified period of time, where there is well defined allocation of risk between the private sector

and the public entity and the private entity who is chosen on the basis of open competitive bidding, receives performance linked payments that conform (or are benchmarked) to specified and pre-determined performance standards, measurable by the public entity or its representative. As retrieved from FAQ's, https://www.pppinindia.gov.in on 13 January 2019.

**19.** CRISIL Infrastructure Yearbook 2018, https://www.crisil.com, retrieved on13 January 2019.

**20.** The list of the 9 PSUs is given on PSUs in Defence, http://pib.nic.in, accessed on 14 January 2019.

**21.** Government finalizes ambitious plan for private firms in defence manufacturing, https://economictimes.indiatimes.com, retrieved on 14 January 2019.

**22.** Rural Urban Distribution of Population, http://censusindia.gov.in, retrieved on 14 January 2019.

# 9 Forms of Public Sector Undertakings in India

## LEARNING OBJECTIVES

*After reading this chapter, you will learn about:*

- Forms of Department Public Enterprises
- Scheme of Status Conferred on Central Public Sector Enterprises

Public enterprises are owned and run by the government to provide public services like water, health, electricity, education, etc. They are wholly or partly owned by the government as well as controlled by a Board of Directors. A chief executive is appointed to manage the day-to-day business of the enterprise. Their purpose is to venture into those selected areas which are not undertaken by the private sector due to huge investments with little or no prospective profit in return. (See Chapter 8 for more information).

### Q1 *Discuss the forms of public enterprises in India.*

**Ans.** Primarily, there are three forms of public enterprises in India, namely, Department Undertakings, Statutory Corporations and Government Companies. The Ministry of Statistics and Programme Implementation has given the forms of PSUs into two groups[1]:

**(i)** The government sector
**(ii)** Non-departmental enterprises

**(i) The government sector:** The government sector is comprised of:

- Government departments
- Departmental public enterprises/Undertakings like railways, etc.

Non-departmental enterprises consist of financial enterprises and non-financial enterprises.

The government units may be described as unique kinds of legal entities established by political processes which have legislative, judicial or executive authority over other institutional units, within a given area. They are considered as institutional units and the principal functions of the government are to assume responsibility for:

- The provision of goods and services to the community or to individual households.
- Finance their provision out of taxation or other incomes.

- To redistribute income and wealth by means of transfers.
- To engage in non-market production.

In India, the government public sector units can be individually established at various levels of government, namely, central, state or the local level.

### Government Departments

The administrative departments produce government services and are sub-divided into the following:

- Government department
- Offices and other bodies of central, state/union territories
- Local authorities.

Their function is to organize for the community but not normally to sell the common services which cannot be economically and easily provided. The government departments act as an administrative agency for the economic and social policy of the country which is judiciously implemented on ground. The activities carried out by the government departments are like:

- Collection of taxes
- Provision of services like police and jails
- External affairs
- Supply and disposal
- Defence services
- Law and justice, etc.

2. **Departmental Public Enterprises/Undertakings (DPEs):** The DPEs, also known as Departmental Commercial Undertakings (DCUs) are unincorporated enterprises which are owned, controlled and run directly by public authorities. They do not hold or manage financial assets and liabilities except for working balance and business accounts payables and receivables. They are different from the government departments because they charge for the goods and services which they provide on a commercial basis. Some of the activities carried out by the DPEs are irrigation, forests, railways, transport, post, milk supply, printing press, mints, currency and coinage, security presses, ordnance factories and electricity. Now, these activities have expanded into newer areas like telecom, Prasar Bharati Corporation, etc.

   The DPEs are a part of the government without any individual existence but are bound by government rules. They have been in the Indian system since pre-independence and continued to grow. They are headed by a minister and all policy matters are decided by the controlling ministry, however, the general policy guidelines are laid down by the Parliament.

The DPEs can be controlled by the ministry itself, a department in a ministry or an interdepartmental committee or board.

| | |
|---|---|
| **Formation** | • DPEs are formed as a separate or a subdivision of a ministry, that is, a department of the government. |
| **Responsibility of the Minister** | • The ultimate responsibility for the DPE's management lies with the minister. He/she is further responsible to the Parliament or the state legislature regarding the working of the organization. |
| **Appropriation from the Treasury** | • The DPEs financing is done through appropriation from the treasury while a major share or all of the revenue is deposited in the treasury. |
| **Investment** | • The government is the sole investor in the DPEs and no private stakeholders are allowed to do so. |
| **Sovereign Immunity** | • The DPE cannot be filed a case against anything without the prior permission of the government. |

***Figure 9.1: Features of DPEs in India***

### *Advantages of DPEs*

The DPEs have certain advantages over the private sector, which are given below in the Figure 9.2.

| | |
|---|---|
| **Optimum Utilization of Funds** | • The allocated funds are taken from the Consolidated Fund and the surplus generated by DPE go back into the fund. This is optimum utilization of funds. |
| **Accountability and Efficiency** | • The concept of neutrality civil servants promote efficiency and public accountability. |
| **Secrecy** | • Sensitive departments like Defence maintain secrecy which would not be possible otherwise under operational autonomy. |
| **Maximum Government Control** | • If the government wants to keep absolute control over DPEs, this form of PSUs is the best. |
| **Regularized Arrangement** | • The approved rules and regulations become regularized arrangements of routine operations in the DPEs |

***Figure 9.2: Advantages of DPEs***

### *Disadvantages of DPEs*

Some disadvantages of the DPEs are given below in the Figure 9.3:

| | |
|---|---|
| **Red-Tape** | • DPEs are ridden with red-tape and bureaucracy resulting with delays.<br>• They lack flexibility which is essential for a business enterprise. |
| **Additional Taxation** | • Losses incurred by the DPEs are covered by the treasury.<br>• Additional taxes are imposed on the common masses. |
| **Competitive-ness** | • A DPE is monopolistic and develops monopolistic tendencies. |
| **Political Impact** | • A DPE becomes a bone of contention between the ruling party and the opposition adversely affecting its performance. |
| **Managerial Inefficiency** | • Frequent transfers and lack of managerial skills of civil servants results in losses. |
| **Incapability of Decision-making** | • Lack of financial independence leads to incapability in decision-making that are market-driven or are required for long-range investment. |

***Figure 9.3: Disadvantages of DPEs***

**(ii) Non-Departmental Enterprises:** The non-departmental enterprises comprise of the following forms:

- Government companies
- Statutory companies/Public corporation
- Holding companies

The forms of non-departmental enterprises are briefly described below:

**A. Government Companies:** Government companies are defined under Section 2(45) of the Indian Companies Act, 2013, as companies in which not less than 51 per cent of the paid-up capital is held-up by the Central or State government either separately or jointly.[2] They serve the purpose of achieving equitable distribution of wealth among the citizens of India and rapid economic growth.

## Features of Government Companies

In no case, a government company is to be identified with the state and its employees cannot claim to be government servants. It is a form of mixed enterprise where public as well as government are

allowed to subscribe to its capital.[3] The major features of government companies are given below in Figure 9.4.

| Legal Entity | | |
|---|---|---|
| It is registered under the Companies Act. | It can enter into contracts and agreements. | It is a legal entity on its own. It can own assets in its name and can sue or be sued against. |

| Creation by an Executive Decision | |
|---|---|
| The Government is capable to create a government company. | It does not need approval from the Parliament or the State Legislature, whatever the case may be. |

| Government Ownership | |
|---|---|
| It can be wholly or partly owned by the government. | The other party can own shares in the company. |

| Memorandum of Articles |
|---|
| It is governed by the Memorandum of Association and Articles of Association for internal management. |

| Easy Nationalization |
|---|
| The government can take over a running enterprise by securing majority of equity of a company. |

| Private Sector Participation |
|---|
| A government company is allowed private party partnership for optimum utilization of scarce resources. |

***Figure 9.4: Features of Government Companies***

**Benefits:** Government companies have many benefits as it can be easily established without any prior approval of the Parliament or the State Legislature, under the Companies Act, 1956. It can be professionally managed by a Board of Directors which usually comprise of professionals and experts. The government company has to place its Annual Report before the Parliament for its discussion, so its management is also cautious of ascertaining economy and efficiency. They enter into a healthy competition in the market with the private sector by making sure that the goods and services are provided to the public at better prices and quality.

**Limitations:** The government companies face a lot of limitations while competing in the open market with the private sector. They are given below in Figure 9.5.

**Constitutional Accountability**
The funds are allocated by the government companies but they are not accountable to the Parliament of the State Legislature.

**Legal Provisions**
They have a limited liability because the government ownership renders the legal provisions meaningless.

**Operational Autonomy**
The operational autonomy takes its legal mandate from its articles but they are so formed that there is a lot of scope of political interference interference hindering the autonomy.

**Public Scanner**
The government companies are always under the public scanner because they have to submit their annual reports to the Parliament which is wrong for the business.

***Figure 9.5: Limitations of Government Companies***

**B. Statutory Companies/Public Corporation:** The government's commercial activity can be in the form of statutory corporations or more popularly known as public corporations which are created by an Act of Parliament or Legislature. Its name is given in the Official Gazette of the Central or State government by a notification, hence, the name of statutory corporation prevailed. The public corporations derive their mandate from Article 298 which states that the executive power of the Union and of each State shall extend to the carrying on of any trade or business. All duties, functions, immunities and the pattern of management are mentioned clearly in the act. It is accountable to the Parliament or the State Legislature according to who created it. The public corporation is a device to combine public interest with operational flexibility comparable to a private company.

## Features of Public Corporations

The main features of public corporations are given below:

- **Legal Entity:** It is a separate legal entity which can sue or be sued, acquire property and assets and enter into contracts in its name.
- **Government Ownership:** It is wholly or partly owned by the government. The corporations that are wholly owned by the government are financed by it while in mixed corporations, the capital is provided by the private stakeholder.
- **Statutory Status:** It is created under a separate statute or an Act which lays down powers, duties and functions of the corporation clearly.
- **Autonomy in Finances and Administration:** A public corporations gets allocated funds through the appropriated funds from the Parliament but its revenues and expenses are not shown in

the annual government budget. It can use and reuse its revenues while it can take independent administrative decisions, however, it has to follow the government policy guidelines.

- **Staffing:** The recruitment of the personnel is done by itself without any involvement of the civil services.
- **Profit and Service Motive:** There is a combination of profit–maximizing motive and service motive because it cannot ignore the larger picture of serving the people. The corporation is run on commercial lines to maximize its profit so that it can compete in the market successfully.
- **Business Nature:** The system of public corporations is best suitable for commercial activities because it considers the market environment in taking decisions, free from political control, unlike its counterparts of departmental undertakings.

  Public corporations can be of three types. In the first case, they are wholly owned by the government or have a majority share control in it. In the second type, the government has a big share but the control is vested in the private stakeholder, called as mixed enterprises. The third type entails establishment of the corporation by a private party with some supervision of the government without its representation.

## Merits of Public Corporation

There is no single advantage that can be accrued to public corporations but they have been considered as one of the most important innovations in political organizations and constitutional practice. Given below are some of the advantages they have:

1. **Permanence:** The public corporations have a permanent character because they are established under a separate Act of the Parliament. It is not affected by any change in the government.
2. **External to Polity:** It is outside the ambit of political interference as it is free to take business decisions. It can hire technical experts outside the government to maintain market standards of quality, efficiency and economy.
3. **Operational Autonomy:** The day-to-day affairs of the corporation are handled by itself without waiting for any legislative approval, thus, saving time and money.
4. **Burden Reduction of the Legislature:** The establishment of public corporations have reduced the burden of the legislature as they carry out their activities without its involvement even, they are consistent with the national policy.
5. **Esprit de Corps:** The employees of the public corporations are aware that the profits accrued due to their hard work will go back to the service instead of the government treasury. This will boost their morale and *esprit de corps* to motivate in working harder, improving productive efficiency.
6. **Financial Autonomy:** They make their own budget without any interference from the government in accounts, audit or the surplus. However, the prepared budget is submitted by the Board of Directors to the legislature through the Minister of Finance.
7. **Professional Management:** The autonomy in recruiting the staff reflects in professional competence leading to efficiency and economy.

Public corporations has been the answer to the problem of having business enterprises that align with the government policies to deliver the best good and services possible to the public whether themselves or by using the surplus revenues for the welfare of people. Corporate Social Responsibility (CSR) applies to the public corporations also like it does to private companies. They make a significant contribution to the

social responsibilities to raise socio-economic development. However, there are some limitations to them which are given below:

1. **Constitutional Provisions:** Since public corporations are created by passing an Act, any changes that are required to be made to it have to go back to the Parliament for a constitutional amendment. This becomes difficult in terms of time and procedure and the corporation loses on the market in the time being.
2. **Conflicting Interests:** The government always makes it imperative that representation must be given to all interests on the Board of Directors but this often leads to a conflict hampering operational efficiency as a result.
3. **Red-tapism:** The government has made serious efforts to reduce the problem of licensing to improve ease-of-doing business but still the slow moving of files and corruption make it difficult for the business to run smoothly. There is no place of political involvement in public corporations yet they end-up influencing the decisions to favour their constituencies or interests. This increases the inefficiency and even sometimes the corporations to go into losses.
4. **Incentivization:** There are no schemes for individual incentives for the employees as compared to the private sector. The employees are not sufficiently motivated to deliver their best effort resulting in ineffectiveness.
5. **Appointments of Civil Servants:** The political clout affects the appointments to the Board of Directors even though the corporation is not legally bound to do so. This results in a board full of politicians and civil servants who do not have any technical expertise to deal with the marketing decisions.
6. **Public Accountability:** The public corporations tend to lose out in the market due to their excessive accountability to the public. Their reports are in the public domain which the private companies do not have to do so. They have to face pressure from the media as well as the public through RTI and debates on the social media.

However, the system of public corporations has gained momentum and the Government of India is making various reforms to improve its ranking in global ease-of-doing-business. Corporations like Air India, Unit Trust of India, State Bank of India and Food Corporation of India are some examples of service organizations who have survived since independence though with some ups and downs.

**C. Holding Companies:** As per the Companies Act, 2013, Section 2(46), 'Holding Company', in relation to one or more other companies, means a company of which such companies are subsidiary companies. A holding company is defined as 'a form of business organization (established through partial or temporary consolidation) which is created for the purpose of combining other corporations by owning controlling amount of their stock' by L. H. Haney. [4] The holding company exercises control or influence over the other corporations that are subsidiary to it. A subsidiary company is incorporated under the statute which has an identity of its own, which is different from its members and shareholders, etc. a subsidiary company has a separate identity from its holding company. According to the Companies Act, 2013, Section 2(87), a subsidiary company is defined as, 'Subsidiary Company' or 'Subsidiary', in relation to any other company (that is to say the holding company), means a company in which the holding company:

- Controls the composition of Board of Directors.
- Exercises or controls more than one-half of the total share capital either at its own or together with one or more of its subsidiary companies.

## Types of Holding Companies

In the public sector, there are five types of holding companies, which are:

1. **Primary Holding Company:** It exercises control over other companies but the other companies do not have any control over it.
2. **Parent Holding Company:** The parent holding company establishes other subsidiary companies after it has done so itself.
3. **Intermediary Holding Company:** It is under the control of another holding company and other companies are under its control.
4. **Proprietary Holding Company:** It holds all the shares of its subsidiary companies.
5. **Offspring Holding Company:** It is established to control the existing companies by acquiring majority shares of those companies.

## Benefits of Holding Companies

The benefits of holding companies are given below in Figure 9.6.

**Formation**
It is easy to form a holding company as compared to other companies.

**Economic**
It can be more economic in its operations of finance, management and marketing.

**Effective Control**
The government can have effective control as government policies can be easily communicated by the holding companies to its subsidiary companies for implementation.

**Financial Assistance**
The holding company can provide financial help to its subsidiaries.

**Policies Uniform**
There is no adverse market impact because of uniformity in policies across all its subsidiary companies.

***Figure 9.6: Benefits of Holding Companies***

## Limitations of Holding Companies

Despite of the advantages of holding companies, there are some inherent and some external limitations of holding companies. They are given in Figure 9.7.

**Power without Responsibility**
The holding companies tend to acquire majority shareholdings in their subsidiary companies but do not take the liabilities.

**Monopolization**
The concept of holding companies leads to monopolization which is not conducive to healthy business environment.

**Neglect of Minority Shareholders**
Since the subsidiary companies have a minority shareholding, they do not weild power in decisionin decision-making.

**Inefficient Management**
The increased burden on the holding companies lead to inefficeint management.

***Figure 9.7: Limitations of Holding Companies***

The forms of public enterprises described above covers the majority of public sector in India. They are being paid special attention in the present to bring them out of losses by granting them more autonomy in decision-making and their operations. The PSU dominance in India is mostly found in the energy and banking sector with Kerala having the largest state PSUs (113) while West Bengal has the fourth largest number after Karnataka and Gujarat. Most of them in the 16 largest states are non-working with winding-up process taking a long time. The latest statistics shows that the state PSUs are neither major public instruments of employment nor bloated with runaway patronage.[5]

## Q2 *Write a short note on the titles of status given to the Central Public Sector Enterprises (CPSEs) and their justification.*

**Ans.** The Government of India introduced the scheme of awarding the Central Public Sector Enterprises (CPSEs) in 1997, initially to nine public enterprises and two were added later, to grant enhanced autonomy and delegation of financial powers to make sure that they become profit making, efficient and competitive. The government recognized that the Public Enterprises could not effectively compete in the open market without the autonomy to operate commercially. Hence, the scheme of conferring the status of *Maharatna*, *Navratna* and *Miniratna* was started by the Department of Public Enterprises. This gave the impetus to the CPEs to grow and deliver to its stakeholders with greater autonomy. The three categories are given below:

1. **Maharatna:** A CPSE that would qualify for the status of *Maharatna* if it has an average annual turnover of ₹ 20,000 crores in the previous three years while the average net worth of ₹ 10,000. The main objective of *Maharatna* is to give the mega CPSEs an opportunity to become global giants. They can make an investment decision up to ₹ 5000 crores without any need for approval from the government. The *Maharatna* firms can make investment decisions up to 15 per cent of the net worth in a project but with an absolute ceiling of ₹ 5000 crores.[6]

2. **Navratna:** The CPSEs are given the status of *Navratna* if they fulfil the criteria given below:
   - Having Schedule, A and *Miniratna* Category-1 status.
   - Having a minimum of three 'Excellent', 'Very Good' Memorandum of Understanding (MoU) ratings in the previous five years.

   The status of *Navratna* empowers the CPSEs to make investments up to ₹ 1000 crore or 15 per cent of their net worth on one project with no prior approval of the government. They can make expenditure up to 30 per cent of their net worth up to ₹ 1000 crore. They have the autonomy to form joint alliances as joint ventures and also float subsidiaries outside India.
3. **Miniratna:** There are two categories of *Miniratna* given by the Government of India. They are:
   **(i)** *Miniratna Category I Status:* The CPSEs which have made a profit in the previous three years consecutively, the pre-tax profit of ₹ 30 crores or more in at least one of the three years with a positive net worth.
   **(ii)** *Miniratna Category II Status:* The CPSEs should have made a profit consecutively for three years and a positive net worth. They have the autonomy to incur capital expenditure without any government approval up to ₹ 300 crores or 50 per cent of their net worth, whichever is lower.

   They are empowered to enter into joint ventures, establish subsidiary companies and set-up offices in foreign countries. The boards of *Navratna* and *Miniratna* companies are entrusted with more powers to improve their performance. The Government of India is encouraging the CPSEs to get themselves enlisted on the stock market also.

## Notes and References


1. Chapter 23, Public Sector, http://mospi.nic.in, retrieved on 15 January 2019.
2. Publications, https://m.rbi.org.in, retrieved on 17 January 2019.
3. Hanson, A. H. (2019), *Public Enterprise and Economic Development,* Taylor and Francis Group, USA.
4. Haney, Lewis Henry (1934), *United States and a Tentative Solution of the Corporation and Trust Problems,* Macmillan Publishers, University of California, USA.
5. India's state public sector undertakings: More agony than ecstasy, https://theprint.in, retrieved on 18 January 2019.
6. Public Sector Undertakings in India, https://archive.india.gov.in, retrieved and adapted on 18 January 2018.
7. The Department of Public Enterprises (DPE) categorized the CPSEs into four schedules which are classified into Schedules, namely, A, B, C and D based on various qualitative and quantitative indicators which affect the pay scales of the chief executive and full-time functional directors. The qualitative factors include factors of national importance, complexities of problems, level of technology, etc., while the quantitative factors include investment, capital invested, net sales, profit before tax, etc.
8. Compendium of DPE Guidelines 2019, https://dpe.gov.in, retrieved on 19-04-2019

# 10 Problems of Autonomy, Accountability and Control in Public Sector Undertakings

## LEARNING OBJECTIVES

*After reading this chapter, you will learn about:*

- Reforms in Public Sector
- Challenges in Autonomy, Accountability and Control in Public Sector Undertakings (PSUs)
- Arjun Sengupta Committee Report
- Memorandum of Understanding (MoU) Guidelines with respect to Resolve Issues of Accountability and Control in Central Public Sector Enterprises

The era of 1950s and 1960s saw a major thrust on state intervention in the developing nations to deal with the problems of poverty, inequality, excessive population, agricultural stagnation and rural development, inappropriate and unequal education and urban employment. Public Sector Undertakings (PSUs) were seen as a solution to developmental problems and found prominence in the Five-Year Plans laid out by the Planning Commission. Transformation of an agrarian society into an industrial society required heavy investments in various sectors which could be achieved only by the government. The market failure in equitable resource allocation led to state intervention in dealing with the issue. However, with the economic and ideological changes in the world like the downfall of communism, a trend to reduce public expenditure was started. By 1990s, it was felt that the PSUs were not performing well and were in losses as they could not compete with the private sector due to constraints and political interference.

The performance of PSUs was scrutinized and questioned. It was believed that the public sector must enter into areas where there is no fear of market failure but the poor performance was regarded as a result of faulty control of the government over them. A right balance was needed between privatization and non-privatization by taking up some reforms. The PSUs were granted more autonomy in financial and administrative areas in the 1991 economic reforms which again led to some problems. Continuous reforms have been taken to revamp the public sector by the Government of India to increase economic growth. However, autonomy in the PSUs needs to be balanced with appropriate checks and balances to see progress and development.

### Q1 *Critically discuss the problems of autonomy, accountability and control in the background of reforms undertaken for the Public Sector Undertakings.*

**Ans.** Privatization cannot be a solution to all the woes of the public sector. Non-privatization reforms are essential to make it viable which would lead to socio-economic development. In India, the PSUs were established as separate legal entities which would cover core, strategic industries and consumer

goods but began showing problems of low productivity, lack of professional skills, overstaffing, lack of upgradation of technology and research. A study of reforms undertaken for PSUs after independence till the New Industrial Policy, 1991 is important before studying the problems in autonomy, accountability and control.

Given below in Box 10.1 is a timeline of PSU reforms.

***Box 10.1: PSU Reforms***

**1959:** The Krishna Menon Committee recommended reduction of dependence of public enterprises on Central Secretariat. The government accepted the recommendation and disallowed the Members of Parliament to be appointed to the Board of Directors.

**1968:** The issue of autonomy in public enterprises was raised by the First Administrative Reforms Commission and the government while accepting the recommendation delegated power to the public enterprises, though in reality it was found only on paper.

**1984:** The Economic Administrative Reforms Commission recommended that there must be a clear demarcation between government and the public enterprises regarding the decision-making power. The government accepted the recommendation.

**1988:** The concept of Memorandum of Understanding (MoU) was introduced by the government as a tool for performance improvement and evaluation while maintaining a balance between existing autonomy and accountability by finalising the objectives and restricting the government interference. It also helped in clarifying the roles of the government and the public enterprises by increasing the powers of the Board of Directors of the MoU signatories and foreign exchange utilization.

**1991:** The recommendations of the committees so far were incorporated in the form of Public Enterprises Reforms (PERs) on 24 July 1991 and took shape in the New Industrial Policy, 1991. There were five major PERs which are:

- High-tech infrastructure must be developed in the public sector and must be permitted in entering the private sector.
- Sick PSUs must be identified for either their revival by referring them to the Board of Industrial and Financial Reconstruction or similar high level institutions must be created for the purpose or be declared fit for disinvestment.
- A wider public participation must be developed by way of offering mutual funds, financial institutions and general public.
- More professionalism and powers must be conferred on the PSU Boards.
- More autonomy must be given to the PSUs through the MoU system and held accountable for their actions through parliamentary control.

## PROBLEMS IN MANAGERIAL AUTONOMY AND ACCOUNTABILITY

Public enterprises have well laid down rules and regulations for autonomy and accountability. Autonomy refers to the delegation of decision-making power to the managers and the extent of control by the government. Government supervision and guidance has been reported to be often excessive and not based on well-established rules and conventions. Their accountability is ensured through audits and parliamentary control. The Arjun Sen Gupta Report remarked, 'It is recognized by all that, on paper, management of public enterprises enjoy larger autonomy, sometimes much more than even by the private sector management. However, in practice, informal and formal involvement of ministers and

department, take place in areas wholly within the decision-making powers of public enterprises.'[1] The problems in autonomy and accountability in PSUs persisted even after so many reforms had been taken. They are given below:

- **Autonomy and Performance:** It is usually found in research on PSUs that more autonomy leads to better performance and state intervention leads to managerial inefficiency. Political and bureaucratic controls have adverse effect on managerial efficiency and confidence. There is no regard for morale and motivation of employees which is the real cause of inefficiency.
- **Performance Measurement and Evaluation:** There is no special legal provision within a public enterprise but are subjected to external parliamentary control. PSUs by their very nature have an obligation to social development but must be commercially viable also to use their profits for it as well as add to the government treasury. Many indicators have developed now to assess the PSUs' performance and are categorized accordingly to grant them financial and investment autonomy. The PSUs do not have the liberty to implement any incentivizing schemes or employee retention programmes. The employees who are trained and technical experts tend to leave the PSU due to poor work culture, political pressures and lack of incentives.
- **Ministerial Accountability:** Ministerial accountability was validated by the First Administrative Reforms Commission to ensure administrative efficiency and conformity with government policies and public interest. Such controls have failed to ensure the desired objective and instead have led to political interference involving favouritism and corruption. Appointments are a major area where political influence messes up the situation and untrained or non-experts are hired for a very technical field.
- ***Navratna* Programme:** The government initiated the *Navratna* Programme in 1997 to categorize the PSUs and award them with appropriate status to give them more autonomy in investment decisions-making to turn them into global giants. Many companies like Bharat Electrical Limited, Hindustan Aeronautical Limited, Hindustan Petroleum Corporation Limited were found to be in financial distress. The programme has not shown significant improvements in the performance of Central Public Sector Undertakings (CPSUs). NITI *Aayog* stated in its document[2] that the government should exit CPSUs that are not strategic in nature to attract private investment.
- **Functional Autonomy:** Ministerial interference in day-to-day operations and entering into contracts hinder the functional autonomy of PSUs. They are expected to become global giants and compete in the market with the private sector while being controlled by the government owners at every level.
- **Government Subsidization Constraint:** Even though the PSUs in India are considered as commercial undertakings, the formal and informal regulations in fixing prices by the government do not result in their profit maximization. Government subsidization of the prices of PSU products result in heavy losses for the undertaking. This is excessive constraint on the financial autonomy of the PSU and then to expect them to be in profit is unjustified.
- **Overstaffing:** The PSUs do not have the autonomy to manage their human resource due to political interference and are ridden by the problem of surplus manpower.

## Recommendations of Arjun Sengupta Committee Report

There have been considerable changes made by the Government of India to get rid of the challenges of the public enterprises. The government had constituted an *Ad hoc* Group of Experts (AGE) in November, 2004 to consider issues like autonomy, greater delegation of financial powers, corporate

governance, research and development, technology upgradation, etc. The group submitted its report in April 2005. Arjun Sengupta Report gave the following recommendations which were accepted by the government[3]:

- **Delegation:** The powers delegated to *Navratna*, *Miniratna* and other profit-making CPSEs were approved by the cabinet in 2005.
- **Empowerment:** The holding companies were empowered to transfer assets, floating of fresh equity and divestment of shareholding in subsidiaries according to the specified terms and conditions.
- **Budgetary Support:** Budgetary support must not be withdrawn due to disqualification of the CPSEs from retaining the *Navratna/Miniratna* status if they are supposed to implement projects of national interest and government sponsored Research and Development (R & D) projects.
- **Board of Directors:** The Chief Executive of the CPSE would be a member of the Search Committee to select independent Directors for the concerned CPSE Board of Directors.
- **Foreign Travel:** Guidelines must be laid down by the respective boards regarding foreign travel of the board level executives.
- **Disciplinary Action:** Internal committees in CPSEs must be set-up in CPSEs to examine disciplinary cases so that proceedings can take place while in the banking sector, an Advisory Board must be set-up to consider CPSE cases.
- **Powers:** Enhanced powers must be delegated to *Navratna, Miniratna* and other profit making CPSEs.

There has been a significant improvement in the working of CPSEs with the acceptance of the recommendations and continuous reforms. There is no budgetary support to public enterprises as they are self-financed and they are raising debts from domestic and international markets. Boards are given sufficient operational and financial autonomy in taking decisions in investment in new projects, capital expenditure, monitoring the performance of the public enterprises, technology and research and development and product-mix, and entering into agreements for joint ventures. Composition of the board has changed in respect of *Navratna* public enterprises and there is an induction of non-official directors in public enterprises Boards and Audit Committees and public enterprises boards have become more professionalized.

The government has given sufficient delegation and decision-making authority to the *Navratna/ Miniratna* public enterprises. Government interference has come down to the minimum. The Boards are functioning with dynamism and with business culture. Autonomy and accountability of the Boards have considerably increased. It is acknowledged that this measure has helped in more objective decision-making while the inducted directors have brought in fresh thinking. It will also help in injecting an enhanced dose of autonomy into the public sector. The boards are conducting more meetings than prescribed in the Articles of Association and devoting extra time in the Board Meetings. Majority of the board members are attending and decisions are taken after detailed discussions with the members. Decisions are taken unanimously. This has resulted in the reduction of time span in getting clearances from one to two years, which used to cause substantial delays and escalations. The autonomy for investment approvals now available cut down this time to about eight to ten months. The styles of management have changed and public enterprises have become more commercial and market-oriented. There is professionalization at the board and management level. The overall performance of public enterprises has improved. There is restructuring of organizations in certain public enterprises and in other public enterprises, it is in process. They are implementing schemes relating to personnel and human resource management, training and voluntary retirement schemes.

## Q2 *What is the MoU system with respect to Central Public Sector Enterprises (CPSEs) in India? Explain the important MoU guidelines to counter the perennial problems of accountability and control in CPSUs in India.*

**Ans.** The adoption of the Memorandum of Understanding (MoU) is an effort to ensure that the PSUs in India remain accountable as well as ascertaining that they retain autonomy and achieve their objectives. The concept of MoU has been designed to provide flexibility and autonomy to the Central Public Sector Enterprises (CPSEs). The Administrative Ministry, on behalf of people, has the ability to only observe outcomes and not to measure its performance. It has limited capacity to analyse the factors, internal or external, that affect the performance. A MoU is a negotiated contract which is viewed as a device to reveal information and motivate managers to exert effort. The contract can translate multiple objectives into targets which can be measured by specific criteria and could be given weights to reflect priorities. Targets can be set to consider circumstances where CPSEs managers have less control over their firms than their counterparts in the private sector.[4] The MoUs are a way to encourage governments to cause an effective decrease in *ex ante* controls to give public managers more freedom and motivation to have a better operational efficiency.

The MoU system was established in India on the recommendations of 'The Arjun Sengupta Report' in 1984. Its main objective was to achieve a balance between the autonomy of CPSEs and their accountability to the stakeholders as well as the government. The recommendations were accepted and implemented in 1986. It is important to understand various committees that were constituted to study and analyse the MoU system. They are given below in brief:

1. **Arjun Sengupta Committee:** The major recommendations of the Arjun Sengupta Report that are relevant today are:
   - Operational autonomy to result in good investment decisions and managerial practices with minimal government interference.
   - The operational autonomy has to be aligned with national plans and objectives.
   - Formulate an organizational pattern that would minimize the intervention by the government but let it retain its right to information for performance evaluation of the CPSEs.
   - The relationship between the holding company and the subsidiary company to be based on decentralization.
   - Investment decisions to be made autonomous and prudent.
   - Recommendations regarding wage policies and performance evaluation were also made in four aspects, which are:
     **(a)** Financial performance
     **(b)** Productivity and cost reduction
     **(c)** Technical dynamism
     **(d)** Effectiveness of project implementation.
   - Price control by the government must be done if required due to the nature of the product and not because a public enterprise is making it.

### THE MOU SYSTEM—FIVE STEPS

According to the Arjun Sengupta Report, the MoU system is a performance evaluation system to improve the accounting system, which includes five steps, which are:

**(i)** Criteria selection
**(ii)** Criteria weight selection

**(iii)** Criteria value selection
**(iv)** Performance evaluation
**(v)** Performance reward.

2. **National Council of Applied Economic Research (2004):** It presented a report titled, 'Study on the revamping of the MoU System' which recommended that MoU System must be considered as a tool based on the Principle of Management by Objective. Given below are the essential features that were recommended by the Council which were based on 'Balance Scorecard Framework':
   - Suggested some changes to increase productivity.
   - Performance was lined to pay in the MoU system.
   - Any interposition by institutions like the Comptroller and Auditor General (CAG), Central Vigilance Commission (CVC) and Committee on Public Undertakings (COPU) must not adversely impact on the public enterprises performance.
   - A new nomenclature of parameters with appropriate weights was introduced, given below:
     - **Static Parameter:** They reflect 'costs and benefits connected with the operations of the enterprise in a given period of time'.
     - **Dynamic Parameters:** They are qualitative parameters which lead to benefits in the future when costs are sustained in the year under consideration.
     - **Sector and Enterprise Specific Parameters:** They comprise of vital investments to achieve broader goals.
   - The concept of 'Benchmarking' was introduced but no concrete measures were suggested.
3. **Report of the Working Group (2008):** The Report of the Working Group on Review of MoU Guidelines in CPSEs gave some important suggestions, which are:
   - A mechanism of Base Target System was introduced in which Base Target (BT) was defined as the sum of the figure of the best performance year and twice the standard deviation. The anticipated capacity addition must also be considered while calculating the BT. The ranking was done as given below:
     - The CPSEs which function below 100 per cent capacity had a 'Good' ranking.
     - hose which were functioning at 100 per cent capacity were ranked with 'Very Good'.
   - Concerns over Balance Scorecard Approach were observed.
   - The financial parameters for CPSEs working under the administered pricing by the government should be 30 to 40 per cent.
   - If some CPSEs find difficulty in dealing with external factors, they must be allowed to involve the task force.
   - 'Good corporate governance' must be followed.
4. **S. K. Roongta Committee Report (2011):** The Report of Panel of Experts on Reforms in CPSEs was submitted by the Planning Commission and S. K. Roongta Committee. It studied various issues including the MoU System. Given below are the Report's recommendations regarding the MoU System:
   - More emphasis on Research and Development (R & D).
   - Better formulation of rules for joint ventures.
   - Every CPSE must make a committee for business strategy who should meet at least thrice a year.
   - Scrutiny of the process of the determination of the BT.
   - Consideration of external factors which affect the performance of CPSEs.

- There must be emphasis on Returns on Capital Employed (RoCE) and Return on Asset (RoA), optimality of input and running costs and operational efficiency.
- Benchmarking of physical parameters of CPSEs.

5. **Mankad Committee and Task Force on MoU (2012):** The Mankad Committee presented its report titled, 'Report of the Committee on the MoU[5] System', made the following recommendations to counter accountability and control in CPSEs:
   - The Department of Public Enterprises must refrain from the process of a subsidiary company signing MoU.
   - The task force must be permitted to decide the Base Target on the 'Five-Point Scale'.
   - Continuation of 50 per cent to 50 per cent balance between financial and non-financial parameters.
   - There must be negative marking for non-compliance.
   - Non-financial parameters must comprise:
     - Corporate Social Responsibility
     - Sustainable Development
     - Productivity and Internal Processes
     - Technology and Research and Development
     - Innovation
     - Human Resource Development
     - Project Management and Initiatives for Growth.

The recent initiatives and guidelines passed in January 2019, concerning the MoU system for CPSEs have made them more accountable. They are given below:

- **Exemption from MoU[6]:** India Infrastructure Finance Company Limited and its subsidiaries were exempted from signing MoU. Two cases where exemption was approved were:
  - CPSEs under liquidation where liquidator has already been appointed. However, administrative ministry would provide the list of such CPSEs to Department of Public Enterprises (DPE) along with brief write-up.
  - CPSE which is not in operation or having no employees or any other ground on the recommendation of the administrative machinery.
- **Parameters:** The guidelines regarding parameters are given below:
  - There would be uniform parameters for measuring financial performances such as revenue from operations, operating profit and return on investment in all CPSEs except the ones which are dependent on the government for grant for example Biotechnology Industry Research Assistance Council (BIRAC).
  - The Chairman of Inter-Ministerial Council (IMC) will decide on the suggestions made by the Pre-Negotiation Committee (PNC) for determining appropriate and relevant parameters for performance measurement. The PNC will help the IMC in determining MoU targets and parameters.
- **MOU Targets:** The MoU targets must be realistic, aspirational and growth-oriented. The targets will be set as:
  - **Excellent Target:** Not lower than best achieved in the last five years.
  - **Very Good:** Not lower than the expected achievement of the current year.

After signing the MoUs, the targets cannot be revised.

- **MOU Ranking:** Five ratings for performance evaluation have been identified which are 'Excellent', 'Very Good', 'Good', 'Fair' and 'Poor'. There will be category-wise ranking of CPSEs into—*Maharatna, Navratna* and *Miniratna* along with sector-wise ranking, for example, mining, power, etc.
- **Evaluation of MoUs:** The evaluation of CPSEs is done at the end of the year based on actual achievements with reference to the MoU targets. The performance evaluation reports have to be submitted by the CPSEs based on the audited accounts to the Department of Public Enterprises.[7]

The above-mentioned guidelines help the CPSEs to grow economically in a competitive environment. The MoU system has proved to be of great value in their sustenance and performance measurement.

## Notes and References


1. Arjun Sen Gupta Report (1984), *Report of the Committee to Review Policy for Public Enterprises*, Government of India.
2. NITI *Aayog* (2019), *Strategy for New India @ 75*, Government of India, New Delhi.
3. Recommendations of Arjun Sengupta Committee Report, http://pib.nic.in, retrieved on 18 January 2019.
4. Adapted from Lal Bahadur Shastri Institute of Management (2013), *Public Sector Enterprises and the Memorandum of Understanding*, New Delhi.
5. A task force for MoU is a neutral and independent body of experts that assist the High-Power Committee on MoU and Department of Public Enterprises in setting annual MoU targets of CPSEs before the beginning of the financial year and performance evaluation at the end.
6. Adapted from Office Memorandum, https://dpe.gov.in, retrieved on 06 February 2019.
7. For more information on present guidelines on MoUs, refer to Office Memorandum , https://dpe.gov.in
8. National Council of Applied Economic Research, Annual Report 2015-16, http://www.ncaer.org

# 11 Impact of Liberalization and Privatization

## LEARNING OBJECTIVES

*After reading this chapter, you will learn about:*

- About Liberalization and Privatization in Public Sector Undertakings (PSUs)
- Impact of Liberalization and Privatization in PSUs
- Global Competitiveness of India as a result of Liberalization and Privatization

Liberalization and privatization in India were a denouement of various global events as well as economic problems at home. The economic strategy in 1991 was a combination of macroeconomic stabilization and structural adjustment considering long as well as short-term objectives. The long-term objective was covered by structural reforms in the institutions while the short-term objective was taken care of by restoring balance of payments equilibrium and inflation control. The economic crisis in India did not occur as a single event but had a historical cause. Adoption of Liberalization, Privatization and Globalization (LPG) became a necessity for the survival of the nation's economy. The rigid and restrictive economic structure did not help the economy to grow as expected. Hence, the economic reforms took place in 1991 through the New Industrial Policy.

### Q1 *What were the causes that led to the era of liberalization and privatization in India through the New Industrial Policy, 1991? Discuss the main changes that the policy made in the Indian economy to liberalize the economy.*

**Ans.** India had five Public Sector Enterprises (PSEs) at the time of independence in 1947 with an investment of 29 crores. The PSEs were initiated to keep control over the core and strategic sectors for various reasons and moreover, the private sector was not interested in investing in areas where the required investment capital was higher and the profits were not relational. Its policy was inward looking and an interventionist one which comprised of import protection, complicated industrial license approval policy of the government and financial repression.

The country was busy in re-building and growing its economy and had invested major sums of money in public enterprises but corruption and managerial inefficiency led to their total failure and they went into losses. The economic situation in India had reached one step away from that of what Greece faced in 2015. The economic reforms had two major goals, the first being to change the economic environment to enhance economic activity and the second goal was to remove all impediments to achieve the first. The impediments belonged to a different era which worked at that time but the global events had changed the situation and India had to adopt to them for survival and success.

## BACKGROUND OF ECONOMIC REFORMS

It is important to understand the reasons why India came at the brink of an economic collapse and had to introduce the New Industrial Policy, 1991. They are:

- **Fiscal Deficit[1]:** The fiscal deficit which was 5.4 per cent of Gross Domestic Product (GDP) in 1981–82 shot up to 8.4 per cent of GDP in 1990–91 rendering India into a debt trap. India had begun some liberalization by relaxing export licensing which increased the export market growth. Towards the end of the decade, the situation became worse again because of a sharp increase in government expenditure on buying defence capital equipment and aircrafts. India had to rely on external commercial borrowings and high current account deficits. The International Monetary Fund (IMF) placed stringent conditions for India to get any amount of loan from it but India was left with no option but to agree to the terms because the foreign exchange reserves of India had come down to barely three weeks. The deficit further increased because of the devaluation of rupee owing to low reserves.
- **Balance of Payments[2]:** India faced an adverse balance of payments because its current account deficit[3] had increased significantly because of external borrowings, high imports and low exports. The foreign debt service increased form 15 per cent in 1980–81 to 30 per cent resulting in a sharp decline in the Forex reserves.
- **Gulf Crisis:** The crude oil prices shot up from $15 per barrel in July 1990 to $40 per barrel in October 1990. The oil import bill increased by about 60 per cent in 1991 due to the Gulf war crisis resulting in adverse balance of payments.[4]
- **Disintegration of USSR:** India had many trade agreements with the USSR and other Eastern Bloc countries but with the disintegration of the USSR, rupee trade was adversely affected and most of the trade agreements were broken.
- **Inflation:** In 1990–91 crisis, India faced a double-digit inflation which rose to 16.7 per cent despite of having a bumper monsoon crop of foodgrains for three years consecutively. The cause for this situation was the response of excessive money supply in the market leading to high fiscal deficit. High rates of inflation led to a rise in domestic goods production cost reducing the demand for goods. This deepened the financial crisis in India.
- **Political Instability:** The period from November 1989 to May 1991 was marked with political uncertainty and instability in India. In fact, within a span of one and half years, there were three coalition governments and three Prime Ministers. Considering the political instability in India, Moody's downgraded India especially since the budget could not be passed in the Parliament.[5]
- **Poor Performance of the PSUs:** The PSUs were set-up in India to achieve a rapid rate of economic growth and they performed well in the first two decades but they started to go into losses due to corruption and unprofessionalism.

India could not survive financially any longer due to the above-mentioned reasons and had to agree to the terms and conditions of IMF and the World Bank by mortgaging gold reserves and not to default on payments on the loan. India had to pledge gold in exchange for a loan to cover balance of payments which was completely conditional. The conditions laid down by the IMF led to the New Industrial Policy of 1991.

### Major Elements of the New Industrial Policy, 1991

The policy comprised of steps to liberalization of economy to foreign entities in its industries including state owned enterprises. The major reforms of liberalization that led to privatization in the New Industrial Policy are given below in Figure 11.1 and described thereafter:

***Figure 11.1: Major Elements of NIP, 1991***

- **Government Monopoly:** The first step taken was to break the government's monopoly in the public sector. The number of industries reserved for the public sector was 17 but it was cut down to eight strategic and core industries in 1991. The aim was to strengthen the strategic PSUs so that they would become global giants and let the rest be taken over by the private sector. It also implied that sick units will be identified and the process of disinvestment will be started or if they could be revived, then a rehabilitation plan would be implemented.
- **Industrial Delicensing:** The policy abolished the industrial licensing for all industries except 18 at that time which were further reduced to six in 1999. Small scale sector was still kept under licensing.
- **Foreign Investment and Capital:** Forty-seven industries were permitted to let foreign companies up to 51 per cent stake as FDI. For export trading houses, the percentage was held up to 74 per cent while keeping some industries at 100 per cent. All bottlenecks were removed by making the process simplified with some amendments which were made in the Foreign Exchange Regulation Act 1973 (which was later replaced by the Foreign Exchange Management Act, 1999). NRIs were allowed a 100 per cent equity investment on non-repatriation basis in all activities except the negative list.
- **Foreign Technology Agreements:** Foreign technology agreements were given automatic approval in high priority industries up to a sum of ₹ 1 crore while the government also eased the hiring of foreign technicians.
- **Public Sector Investments:** The policy plan promised to review the portfolio of PSUs to identify and promote strategic and high-tech organizations.
- **Monopolies and Restrictive Trade Practices (MRTP) Act MRTP, 1969:** The MRTP Act was to be amended to eliminate any threshold limits of assets regarding MRTP companies which was ultimately replaced by the Competition Act, 2002.

## Impact of Liberalization and Privatization–A Journey from 1991 to the Present

The Industrial Policy 2017 (Discussed in Chapter 8) has made some real changes to impact liberalization and privatization in the Indian economy. The impact can be studied in the points given below:

1. **Foreign Direct Investment (FDI) Reforms in India:** The impact of liberalization and privatization has taken the Indian economy to a whole new level and has emerged as the fastest growing economy. FDI is a major driver of economic growth and a source of non-debt finance for the economic development of the country. The Government of India has put in place an investor friendly policy on FDI under which FDI up to 100 per cent is permitted on the automatic route in most sectors/activities making India as the world's number one greenfield FDI destination.[6] Inflow of FDI into India in 2017–18 increased to $ 61.96 billion compared to $60.08 billion in the previous fiscal as per Commerce Minister Suresh Prabhu.[7]

   The impact of the FDI liberalization measures is seen in the increased FDI inflows into the country. This has given a boost to the programme of 'Make in India', which invites foreign collaborators to manufacture goods in India, bringing in scarce capital as well as advanced technology and management practices. Single Brand Retail Trading (SBRT) is another important area where the FDI policy has liberalized up to 49 per cent under automatic route while up to 100 per cent through government approval route. Competition is increased through privatization with more participation in governmental activities.
2. **Competition:** The government is taking measures of disinvestment in PSUs to boost business and keep them running in profit. State dominance in commercial activities has left the government with a direct stake in too many businesses. To enable the creation of a competitive market in these areas, the government needs to devise a better regulatory approach so that the domestic manufacturers are not discourages in the drive to invite foreign investment. India can participate in the global value chains only if the domestic manufacturers get an economic environment free of entry barriers.
3. **India's Defence PSUs/Ordnance Factories (OF):** Liberalization measures taken by the Government of India have increased the Value of Production of India's Defence PSUs and OFs to account for $8.3 billion. It has resulted in an increase of 14 percent and the profit after tax is around 8.9 percent. However, it must be mentioned here that the profit earned is due to the monopolistic character and lack of competition from the private sector.[8] Liberalization, as a result of 1991, 2001 and later of the Government of India in the production of defence equipment economic reforms, has been on the rise with the government liberalizing 87 rules cutting across many sectors like construction, retail trading and food processing, to spur economic growth. Nonetheless, there is still demand of the need to liberalize the FDI Policy in the defence sector, by the private sector.
4. **Privatization:** Privatization has been a by-product of liberalization policy implemented by the Government of India. The size of the public sector is being reduced by decreasing its expenditure on it and collecting taxes from the privatized businesses. Privatization of the PSUs in India can be done through:
   - Sale of PSU shares.
   - Disinvestment of PSUs.
   - Reduction of the size of public sector.

   Privatization of the public sector helps in greater influence on demand and supply force like in the banking and insurance sector.
5. **Judicious Use of Government Resources:** Privatization has moved the majority of PSUs to the private sector and freed the government financial and human resources for the betterment of the society through more developmental projects.

From the above account, it can be said that privatization is helping the Indian economy to grow rapidly and make a global presence. The problems of PSUs like managerial inefficiency and going into losses are

being dealt with by reducing the size of the public sector. Delivery of public services is now called as the new service that can be done by reinventing the government role and functions. Contracting out services like refuse collection, hospital cleaning and catering, street cleaning, tree pruning, etc., has helped ease off the pressure off on the governments.

## Q2 *Examine the global competitiveness of India at present in light of the recent reforms of privatization and liberalization.*

**Ans.** Public sector and private sector, both, need to play a complementary role in the nation's growth and development. The public sector is responsible for building the capital goods and heavy industry in the country and the private sector needs to follow suit. The recent economic reforms of liberalization and privatization have led India to improve its ranking in the following indices:

**World Bank's Doing Business Report, 2019[9]:** The World Bank's ranking out of 190 countries regarding five major parameters is given below in Figure 11.2

| Parameter | Rank |
|---|---|
| Ease of Doing Business | 77 |
| Starting a Business | 137 |
| Dealing with Construction Permits | 52 |
| Getting Electricity | 24 |
| Registering Property | 154 |

*Figure 11.2: India's Ranking in Doing Business*

**Global Competitiveness Index[10]:** According to the World Economic Forum's 'Global Competitiveness Report, 2018', India has improved its ranking. India rank improved from 63 in 2017 to 58/140 countries in 2018. The 13 parameters have been given below with India's ranking in Figure 11.3.

| Global Competitiveness Index | Rank |
|---|---|
| Institutions | 58 |
| Infrastructure | 69 |
| Information and Communication Technology (ICT) Adoption | 28 |
| Macroeconomic Stability | 90 |
| Health | 59 |
| Skills | 54 |
| Product Market | 51 |
| Labour Market | 58 |
| Financial System | 70 |
| Market Size | 93 |
| Business Dynamism | 61 |
| Innovation Capability | 54 |

*Figure 11.3: India's Ranking in Global Competitiveness*

Programmes like 'Start-up India', a flagship initiative by the Government of India, 2016, have improved the business scenario in India becoming the third largest ecosystem around the globe. There were 11,129 start-ups recognized till July, 2018. The Micro, Small and Medium Enterprises have contributed about 45 per cent of the manufacturing output, over 40 per cent of the total exports of the country and around 8 per cent of the country's GDP[11]. The Indian renewable energy sector is the fourth most attractive renewable energy market in the world. As of October 2018, India ranked fifth in installed renewable energy capacity. Installed renewable power generation capacity has increased at a fast pace over the past few years, posting a Compound Annual Growth Rate (CAGR) of 19.78 per cent between FY14–18. With the increased support of government and improved economics, the sector has become attractive from investors perspective.[12]

It can be observed from the above statistical evidence that India is gaining in ranking in the global indices of business competitiveness. This has been possible with the changes brought about by liberalization and privatization.

## Notes and References

1. Fiscal deficit is defined as the government borrowings due to disproportionate expenditure over its revenue in a fiscal year. It is measured as a percentage of GDP and the higher it is, poorer is the financial health of the economy, especially if the expenditure does not convert into developmental projects. It is conducive to a higher rate of inflation making it difficult for people to meet their expenses and a toxic economic environment which slows down economic growth.
2. Balance of payments deficit means the difference between the total receipts and total payments of a country arising out of global transactions in exports and imports.
3. The current account measures the flow of goods, services and investments into and out of the country. We run into a deficit if the value of the goods and services we import exceeds the value of those we export. The current account includes net income, including interest and dividends and transfers, like foreign aid.

   What is current account deficit, and why does it matter? https://www.thehindu.com, retrieved on 20 January 2019.
4. Who caused the August 1990 Spike in Prices?, https://www.econlib.org, retrieved on 19-04-2019
5. Since John Moody devised the first bond ratings more than a century ago, Moody's rating systems have evolved in response to the increasing depth and breadth of the global capital markets. Much of the innovation in Moody's rating system is a response to market needs for clarity around the components of credit risk or to demands for finer distinctions in rating classifications. Retrieved from

   Rating Symbols and Definitions, https://www.moodys.com on 20 January 2019.
6. 8 Key Developments in India, http://www.makeinindia.com, retrieved on 21 January 2019
7. FDI inflow increased to $61.96 bn in 2017-18, https://www.thehindubusinessline.com, retrieved on 21 January 2019.
8. Towards a More Vigorous Made-In-India in Defence Manufacturing, http://www.indiandefencereview.com, retrieved on 20 January 2019.
9. For more information on 'Doing Business Report' by World Bank, log on to

   World Bank Report 2018 http://www.worldbank.org
10. India, Global Competitiveness Index 4.0 2018 edition, Log on to http://reports.weforum.org for more information.
11. MSME, http://www.makeinindia.com, retrieved on 20 January 2019.
12. Renewable Energy Industry In India, https://www.ibef.org, retrieved on 20 January 2019.

UNIT

# IV UNION GOVERNMENT AND ADMINISTRATION


**Chapter 12** Executive, Parliament and Judiciary—Structure, Functions, Work Processes, Recent Trends

**Chapter 13** Intragovernmental Relations

**Chapter 14** Cabinet Secretariat, Prime Minister's Office (PMO)

**Chapter 15** Central Secretariat, Ministers and Departments

**Chapter 16** Boards, Commissions, Attached Offices and Field Organizations

*This page is intentionally left blank.*

# 12 Executive, Parliament and Judiciary–Structure, Functions, Work Processes, Recent Trends

## LEARNING OBJECTIVES

*After reading this chapter, you will learn about:*

- Executive—Nominal and Political
- Powers and Functions of the President
- The Powers of the President in the Situation of a Hung Parliament
- Powers and Functions of the Political Executive—The Prime Minister and the Council of Ministers
- The Indian Judiciary System
- The Evolution of the Judiciary with respect to its Powers

Parliament is the supreme legislative body of India. The Indian Parliament comprises of the President and the two Houses—Rajya Sabha (Council of States) and Lok Sabha (House of the People). The President has the power to summon and prorogue either House of Parliament or to dissolve Lok Sabha. The Constitution of India came into force on 26 January 1950. The President of India is known as the nominal executive and the Prime Minister and his/her Council of Ministers form the political executive.[1]

### Q1 *Why is the President of India known as the nominal executive? Discuss the powers and functions of the President.*

***Or***

### *'The President of India acts like grandparent of the family. If younger generation does not follow his/her advice, he/she is just unable to do anything'. Comment.*

**Ans.** In India, there are two types of executive, namely, the nominal and the political, which are the parts of the Indian Parliament. The political executive is the Council of Ministers which is headed by the Prime Minister. The President of India is the nominal executive in the Indian parliamentary system. The executive which constitutionally enjoys all powers of execution of laws but practically exercises no authority in administration is known as the nominal executive.[2] The office of President of India is the creation of the Indian Constitution.[3]

## The Legal Framework

The legal framework for the nominal executive in India is:

**Article 52:** It creates the 'President of India' with all the executive powers of the Union vested in him and he has a vital role to play in the other wings of the government as well. The constitution neither calls him the head of the state nor the head of the executive. The omission was deliberate.

**Article 53:** It says that 'the executive power of the Union shall be vested in the President and shall be exercised by him either directly or through officers subordinate to him in accordance with the constitution.'

**Article 74 (1):** There shall be a Council of Ministers with the Prime Minister as its Head, to aid and advise the President in the exercise of his powers.

**Article 54:** The President shall be elected by an electoral college consisting of:

- The elected members of both houses of Parliament.
- The elected members of the legislative assemblies of the States.

The election of the President shall be held in accordance with the system of proportional representation by means of single transferable vote and the voting at such election shall be by secret ballot.[4] The justification for an indirect method for election for the President of India is that the constitution framers wanted the President to reign and not to govern and secondly, on the contrary, direct elections would have involved excessive human and financial resources. This also avoided any possible conflict between the President and the Council of Ministers in the future.

**Article 56 (1):** The President shall hold office for a term of five years from the date on which he enters upon his office: Provided that:

- The President may, by writing under his hand addressed to the Vice-President, resign his office.
- The President may, for violation of the constitution, be removed from office by impeachment in the manner provided in Article 61.
- The President shall, notwithstanding the expiration of his term, continue to hold office until his successor enters upon his office.

Any resignation addressed to the Vice-President under Clause (a) of the proviso to Clause (1) shall be communicated by him to the Speaker of the House of the People.

**Tenure:** The President is elected for a term of five years and can tender the resignation.

The constitution gives power to the Parliament to confer 'by law functions on authorities other than the President' Hence, it can be said that the President is the constitutional head of the Union and the elected nominal head existing in the Indian parliamentary system.

## Functions of the President

According to Article 60, the primary duty of the President is to preserve, protect and defend the constitution and the law of India as a part of the oath that he/she has to take. The role of the President involves being the common head of all independent constitutional bodies. The President's actions are not liable for contesting in the court of law. All executive powers are vested in the President but are executed by the Cabinet in reality. The powers of the President define his functions which are classified into six categories, given below in Figure 12.1, described thereafter.

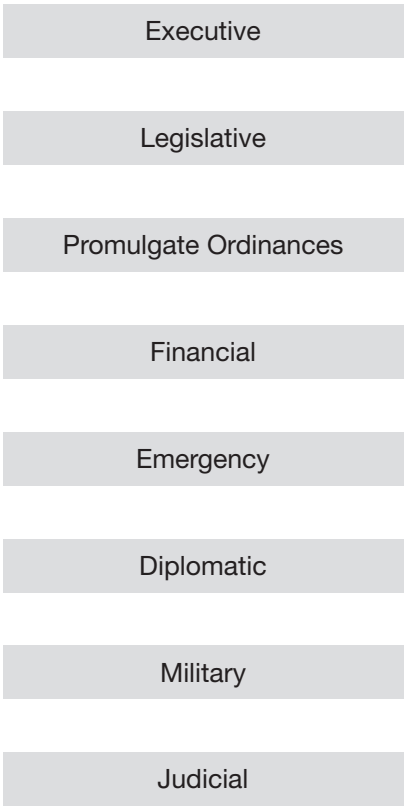



***Figure 12.1: Powers and Functions of the President of India***

**(I) Executive Power and Functions:** Given below are the executive functions of the President.

1. **Head of the Union:** All executive actions and orders will be taken in the name of the President as per Article 53 (1). He/she has the right to be informed of all affairs of the nation. The executive power of the Union to be exercised by the President has power to make laws, conclude any treaty, contracts, assurances of property or an agreement.
2. **Appointments:** The President, as the head of the executive, makes appointments of Governors, judges of the Supreme Court and the high courts, the Auditor and General of India, members of the Finance Commission, Election Commission, Union Public Service Commission, etc.
3. **Appointment of the Prime Minister and Ministers:** As per the law, the President appoints the Prime Minister and his other Council of Ministers on the advice of the Prime Minister. The President has discretionary powers in this matter under exceptional circumstances like in the case of a 'Hung Parliament' and a judicious choice has to be made in appointing the Prime Minister.
4. **Ask about Majority:** The President can ask the party in power to prove their majority in the Parliament, if there is some doubt, under Article 75(2), for example, H. D. Deve Gowda was asked to do so because the Congress party had withdrawn its support.
5. **Supreme Commander:** The President, the Head of the State, is also the Supreme Commander of the Armed Forces of India. The powers of the President include declaring a war or concluding a treaty.

**(II) Legislative Powers and Functions:** The legislative powers and functions of the President are given below:

1. **A Part of the Parliament:** The President is an integral component of the Parliament or the Union legislature. He/she has the power to summon either of the two Houses or dissolve the Lower House, Lok Sabha, if the government loses the majority. The President can also prorogue[5] the Houses or either of them.
2. **Summoning and Addressing the Parliament:** The President has the power to summon either of the Houses or both the Houses to make an address. Usually it is a joint address of the Parliament every year in the first session or after the elections. He/she can send a message to either of the Houses or to both the Houses, which is seldom done, in case of a disagreement.
3. **Nomination:** In lieu of giving equal representation to all sections of the population in the Parliament, the President nominates under Article 80 of the Constitution, the Council of States (Rajya Sabha) is composed of not more than 250 members, of whom 12 are nominated by the President of India from amongst persons who have special knowledge or practical experience in respect of such matters as literature, science, art and social service.[6]
4. **Powers regarding Bills:** According to Article 111, the President has to give his assent after a Bill has been passed in both the Houses. In case he/she gives his/her dissent, then the Bill can be returned for reconsideration to the Houses, with a message containing the reason of dissent, except for a Money Bill. The Houses can agree or not to the changes suggested by the President and send it back for the President to sign. In case, there is a Bill for formation of a new State or altering the existing boundaries of State/States, prior approval of the President is required.
5. **Bills passed by State Legislature:** In some cases, under Article 200 and 201, the Governor can reserve the assent for the President after the Bill has been passed in the State Legislature. The President shall declare whether the Bill has his/her assent or not. If there is disagreement, then the Bill goes back to the legislature, then a period of six months is given to the Legislature House or Houses, to reconsider and return as amended or unamended for the President's approval.

**(III) Power to Promulgate Ordinances:** According to Article 123, the power of the President to promulgate Ordinances during recess of Parliament entail having the same force and effect of an Act of Parliament. The President must be satisfied with the need to promulgate an ordinance when the Houses are not in session. Such an ordinance shall cease to exist after the expiration of six weeks from the reassembly of the Parliament and withdrawn by the President but the maximum possible life of an ordinance can be six months, making the total time period is six months plus six weeks.

**(IV) Financial Powers and Functions:** No Money Bill or a proposal for taxation and expenditure can be introduced in the Parliament without recommendation of the President.

**(V) Emergency Powers and Functions:** The President has powers and functions in case of Proclamation of:

- National Emergency as per Article 352
- Failure of constitutional machinery in a State as per Article 352
- Financial Emergency as per Article 360.

**(VI) Diplomatic Powers:** All international treaties and agreements are negotiated and made in the name of the President even though they are carried out by the Prime Minister with his Cabinet (or the Foreign). These treaties have to be approved by the Parliament. All Foreign Service Officers are sent or received by the President.

**(VII) Military Powers:** The President is the Supreme Commander of the Indian Armed Forces and can declare war or conclude peace on the advice of the Union Council of Ministers with the Prime Minister as its Head. He makes appointments of the chiefs of the service branches of the armed forces.

**(VIII) Judicial Powers:** The President has the power to grant pardons, reprieves or remissions of punishment to any convicted individual, according to Article 72. Such decisions do not require approval of the Parliament.[7]

Hence, the above-mentioned powers and functions make the position of the President a strong one even though he/she is a nominal executive. However, being a nominal head, the President is like a grandparent in the family because of the above-mentioned provisions made in the Indian Constitution. If the Council of Ministers does not agree to the advice of the President but the Council still goes ahead with their plan and action, the President's hands are tied and is like a grandparent in the family.

## Q2 *'The veto power of the Indian President is a combination of the absolute, suspensive and pocket veto.' Comment with examples.*

**Ans.** The veto powers of the President of India are derived from Article 111 of the Constitution of India which states that the President has to give the agreement or disagreement for the mandatory assent after a Bill has been passed in both the Houses. The President has the power to either accept it or return it to the House with a message. The House may make amendments or not and can send it back to the President for approval and signature. The main purpose of veto power is to prevent hasty and imprudent action by the Legislature.

The President has three types of veto powers, which are given below:

1. **Absolute Veto Power:** When the President refuses to give assent to any Bill passed by the Legislature, it cannot become a law. Such power is called absolute veto power but in India, the President does not have it because he/she has to give his/her assent, no matter what, after the period of fourteen days. However, there are two cases in which absolute veto power can be exercised:
   - Regarding private members' bill
   - Regarding the government bills when the Cabinet resigns after the passage of the Bill but before the President's approval but the Cabinet advises him/her not to approve it.
2. **Suspensive Veto Power:** The literal meaning of suspensive is 'deferral' which in this case implies that the President sends the Bill back to the Parliament for reconsideration with a message. It is obligatory for the President to give the assent with or without amendments, which is why the President does not have the power to veto over the Bill.

   Suspensive veto power was used once when former President A. P. J. Kalam asserted his power and objected to the Office of Profit Bill in 2006. He sent the Bill back to the Speaker instead of the Prime Minister which made the Congress party nervous. According to Article 111 of the Indian Constitution, he had no choice but to act 'under the advice of the Council of Ministers or the Prime Minister', but can take an independent view.
3. **Pocket Veto:** In this case, the President does not ratify or reject the Bill and keeps the Bill pending for an indefinite period. This can take place only if the constitution allows an indefinite period but this is not the case in India. This situation arose only once in the independent India's history when Gyani Zail Singh refused to sign The Indian Post Office (Amendment Bill) 1986 which proposed to censor personal mail. The President sat on the Bill indefinitely and killed it by not doing anything.

## Q3 *'In the era of "Hung Parliaments" the power of the President expands, more so when the incumbent decides to be assertive.' Comment on the statement with reference to the situation in India during the last two decades.*

**Ans.** Hung Parliaments are definitely the main element of the political culture in India for the past two decades. The power of the President in this era was somewhat confusing till Sarkaria Commission under the Chairmanship of Justice R. S. Sarkaria which made recommendations in 1987 to the then Prime Minister Rajiv Gandhi. It is important first to understand the concept of 'Hung Parliament' before the powers of President are analysed and understood.

India follows a multiparty system according to the Constitution of India and the party with the majority votes forms the government. Realistically, in a vast country like India with so many political parties, it is difficult for a single party to get majority seats in the Parliament. The regional parties have to get together and align themselves into a coalition to form a government.

Another point of concern here is that according to the Indian Constitution, Articles 74 and 75, there is no compulsion that the Prime Minister must have an absolute majority in the Parliament. So, from a constitutional perspective, there is the option of making a government by a coalition and there is no concept of 'hung'. A 'hung' situation can arise in India only if the does not throw up any government but if a group of parties can come together and form a majority, the situation can be resolved. Moreover, in India, the term to be used shall be 'Hung Lok Sabha' instead of 'Hung Parliament' because according to Article 75 (3), the Council of Ministers is accountable to Lok Sabha and not the Parliament which includes Rajya Sabha and the President also. The term 'Hung Parliament' is more relevant to the British political system than in India.

When there is a situation of 'Hung Parliament', the President's powers are expanded and it needs to be understood how the government shall be made in case the incumbent tries to be assertive.[8] The Sarkaria Commission gave its recommendations regarding the powers of the President which are given below:

- The President must give the first preference to a pre-poll alliance commanding a majority in the House.
- The second preference must be given to the single largest party without a majority of its own.
- A post-election alliance with all partners joining the government is the third preference to be followed.
- The fourth and the last option is to be given to an alliance wherein some may join the government and others provide 'outside support.'

## Q4 *Discuss the powers and functions of the political executive and their accountability in the Indian Parliament.*

**Ans.** The political executive in India consists of the Council of Ministers with a Prime Minister as its leader to aid and advise the President. Administration is ensured by the elected government-in-power. The Council of Ministers are heads of the government responsible for policy-formulation and the supervision of policy-implementation. The civil services is not a part of the Council of Ministers but are like an extended arm of the political executive. The Council of Ministers is the most important political elected body in the country with the legal mandate.

Given below are the relevant Articles in the Constitution of India with respect to the Council of Ministers and the Prime Minister[9]:

**Article 74: The Mandate for a Council of Ministers:** There shall be a Council of Ministers to aid and advise the President with the Prime Minister at the head. The President shall exercise his functions and acts in accordance with such advice.

**Article 75: Appointment and other Provisions:** The Prime Minister shall be appointed by the President and other ministers shall be appointed by the President on the advice of the Prime Minister. The total number of ministers including the Prime Minister must not exceed more than 15 per cent of the total number of the members of the House of the People and will hold office during the pleasure of the President.

**Article 75 (1A): Conditions of Disqualification:** A member of Parliament who has been disqualified from either House of the Parliament shall also be disqualified to be appointed for being a member of that House until the period for which he/she has been disqualified or he/she contests an election and gets elected before the expiry of such period.

**Article 75 (3):** The Council of Ministers shall be collectively responsible to the House of the People.

**Article 75 (4):** The ministers are given an oath of taking the office by the President to do his work diligently and maintain secrecy.

**Article 75 (5):** A minister shall cease to be so if he/she is not a member of either of the two Houses of the Parliament at the expiry of six months.

## Duties and Functions of the Prime Minister

The duties of the Prime Minister, according to the Indian Constitution require the Prime Minister to communicate to the President all administrative decisions and proposals of legislation of the Council of Ministers or any other information that the President may call for. Given below are the functions of the Prime Minister:

1. **Head of the Council of Ministers:** The Prime Minister, Head of the Council of Ministers, assigns portfolios to ministers as he desires. The desire is hampered in a situation of a coalition government if the incumbent political party is in minority and has to depend on other parties for survival. He/she does the reshuffling whenever required. However, a Group of Ministers always make a caucus and become the centre of power.
2. **Leader of the Parliament:** The Prime Minister is the leader of the Parliament and decides the schedule for summoning and proroguing the House and advises the President to do it. He/she has the responsibility of deciding which Bills would be introduced in both the Houses of the Parliament and when and if the Lok Sabha has to be dissolved. This implies that the Prime Minister has the choice to ask for a fresh mandate from the people at a time of his choice. Lastly, he/she has to keep up with the dignity of the position and the Department of Parliamentary Affairs helps to do that.
3. **Duties to the Party:** The Prime Minister is the leader of his/her political party although there is a post of the Party President also. Congress did not have a separate person in the initial years after independence and Jawaharlal Nehru held both the positions from 1951 to 1954. Presently, the NDA Government has two posts filled in separately of the Party President and the Prime Minister. Both the positions are very strong as being a Prime Minister is extremely powerful and the Party President controls the party cadre.[10]
4. **Coordination among Ministers:** The Prime Minister as the leader of the Council of Minister is responsible for general coordination of the work of various ministers. He supervises over them and

resolves any disputes among them. Coordination between the policies and programmes is important to avoid any clashes among them and this calls for the Prime Minister to ensure it.

5. **International Relations:** The Prime Minister is responsible for maintaining India's international relations with other countries and this is why he/she keeps the External Affairs portfolio with him/her. Another function of the Prime Minister is to represent India on all international forums and conferences.
6. **Patronage:** The Prime Minister has the power to give patronage because all appointments are made by the President on his/her advice. Non-entities can be elevated to the most important positions like Governor, Chairmanship of Boards, Committees, Commissions, etc.

The Prime Minister has, no doubt, an important role to play and our country has had many strong leaders. However, it is not only the powers or functions of a Prime Minister that makes the position so important and strong but the leader's personality too. There can be some timid and hesitant leaders while some can be bold decision-makers taking on the opponents by their sheer confidence. Individual differences of leaders make them different if one studies about all the Prime Ministers of India.

## The Council of Ministers

The political executive in India consists of the Council of Ministers who are appointed by the President on the advice of the Prime Minister. Articles 74 and 75 of the Indian Constitution cover the powers and functions of the Council of Ministers. The legal framework applicable to the Council of Ministers is:

**Article 74 (2):** What advice was tendered to the President cannot be inquired into any court.

**Article 75 (1):** The Prime Minister shall be appointed by the President and the other ministers shall be appointed by the President on the advice of the Prime Minister.

**Article 75 (2):** The ministers shall hold office during the pleasure of the President.

**Article 75 (3):** The Council of Ministers shall be collectively responsible to the House of the People.

**Article 75 (4):** Before a minister enters upon his office; the President shall administer to him the oaths of office and of secrecy according to the forms set out for the purpose in the Third Schedule

**Article 75 (5):** A minister must be a member of any of the houses within six months.

**Article 75 (6):** Parliament will decide the salary and allowances of the ministers and until Parliament decides, so shall be as specified in the Second Schedule.

According to the law, the Council of Ministers is the real executive as the President acts on its advice. When the Prime Minister asks resignation from a minister and advices the President to act on it, it becomes individual responsibility of a minister. The Council of Ministers is collectively responsible to the Lok Sabha which implies that if one Ministry loses the confidence of Lok Sabha, the whole Council has to resign. The maximum number of Council of Ministers cannot be more than 15 per cent of the total number of Lok Sabha, that is, 552, which comes out to be not more than 82 members.

It can be derived from the above that the Council of Ministers and the Prime Minister as its head is accountable to the Parliament.[11] He/she is the head of various primary institutions like NITI *Aayog* (earlier, Planning Commission), National Development Council, Department of Atomic Energy, Prime Minister's Council on Climate Change and many more. It is the duty of the Prime Minister to keep the processes and procedures transparent and be accountable to the Parliament along with the Council of Ministers.[12]

## Q5 *Examine the Indian judiciary system since independence.*

**Ans.** The Government of India's structure includes three main branches—the executive, the legislative and the judiciary. The judicial system in India has its beginnings in the British colonial rule in India called the Common Law System in which the judges develop the laws with their judgements, orders and decisions. India has three tiers of courts—the apex court called the Supreme Court, the high courts and the subordinate courts, also known as the lower courts. They are described below in brief:

**Supreme Court:** The Supreme Court was established in India in 1950 which substituted the Judicial Committee of the Privy Council and the Federal Court of India under the colonial rule. There is one Chief Justice of India and 30 judges, appointed by the Indian President and their retirement age is 65 years.

### Jurisdiction of the Supreme Court

The Supreme Court's jurisdiction falls into three categories, which are:

**(I) Original:** The Supreme Court's exclusive jurisdiction extends to any dispute:

- Between the Government of India and one or more States or;
- Between the Government of India and any State or States or;
- Between one or more States or;
- Between two or more States.

Article 32 of the Indian Constitution gives an extensive original jurisdiction to the Supreme Court in regard to enforcement of fundamental rights.

### Powers of the Supreme Court

- **Writs:** The Supreme Court is empowered to issue directions, orders or writs, including writs in the nature of habeas corpus, mandamus, prohibition, quo warranto and certiorari to enforce them.
- **Transfer of Cases:** It has been conferred with the power to transfer any civil or criminal case from one State high court to another State high court or from a court subordinate to another State high court. If it finds that similar kind of cases are pending before the high courts, it can withdraw those pending cases and dispose of all such cases itself.
- **Arbitration:** Under the Arbitration and Conciliation Act, 1996, international commercial arbitration can also be initiated in the Supreme Court.

**(II) Appellate:** The Appellate Jurisdiction of the Supreme Court can be invoked by a certificate granted by the high court under Articles 132 (1), 133 (1) or 134 of the Constitution in respect of any judgement, decree or final order of a high court in both civil or criminal cases, involving substantial questions of law as to the interpretation of the constitution.

**Appeals:** Appeals also lie to the Supreme Court in civil matters if the high court concerned certifies:

- That the case involves a substantial question of law of general importance.
- That, in the opinion of the high court, the said question needs to be decided by the Supreme Court.

In criminal cases, the appeal lies to the Supreme Court if the high court:

- Has an appeal reversed an order of acquittal of an accused person and sentenced him to death or to imprisonment for life or for a period of not less than ten years.
- Has withdrawn for trial before itself any case from any court subordinate to its authority with the same verdict.
- Certified that the case is a fit one for appeal to the Supreme Court.
- Powers conferred by the Parliament: The Parliament can confer powers on the Supreme Court to entertain and hear appeals from any judgement, final order or sentence in a criminal proceeding of a high court.

The Supreme Court has appellate jurisdiction also over all courts and tribunals. Under Article 136 of the Indian Constitution, it can grant special leave to appeal from any judgement, decree, determination, sentence or order in any cause or matter passed in any court or Tribunal in India.

**(III) Advisory:** Under Article 143 and various other Acts, the Supreme Court has special advisory jurisdiction in matters specifically be referred to. It has the power to punish for contempt of court and may act *suo moto*, or a petition made by Attorney-General or Solicitor General or on a petition made by any person.

## Functions of Supreme Court

The Supreme Court majorly:

- Settles the disputes within several governments of the country, being the supreme authority.
- Works for the protection of the fundamental rights of the citizens of India.
- Reviews any judgement or orders passed earlier.
- Has the power to transfer cases from one high court to another or one district court to another.

Besides these activities, the Supreme Court's functions include the following:

1. **Public Interest Litigation (PIL):** The Supreme Court, in a recent trend in 1986 initiated by Justice P. N. Bhagwati, has started taking matters in which public interest at large is involved. The court can be moved by any individual or a group of persons in two ways, which are:
   - A writ petition at the filing counter of the court.
   - By addressing a letter to the Chief Justice of India.

   The letter to the Chief Justice must emphasize the matter of public importance to invoke his/her jurisdiction. In cases where the victim is distressed and is unable to file a PIL, the Supreme Court can take cognizance itself.[13]
2. **Provision of Legal Aid:** The Supreme Court has been established on the principle of providing justice to all but in many cases, the victim does not have the means to afford legal aid. The conditions to avail legal aid from the Supreme Court are:
   - If an individual's annual income is less than ₹ 18,000
   - Belongs to Scheduled Caste or a Scheduled Tribe
   - A victim of natural calamity
   - A woman, child, mentally ill or disabled
   - Is in custody, or a protective home.

   The victim desiring legal aid must apply to the Supreme Court Legal Aid Committee which scrutinizes and decides whether the applicant meets the conditions or not. There is a provision of

granting aid to the middle-income group with income above ₹ 18,000 and below ₹ 1,20,000 also by the Supreme Court from the Supreme Court Middle Income Group Society, on nominal payments.[14]

3. ***Amicus Curiae***: An advocate is appointed as amicus curiae if a petition is filed from the jail or if the accused is unrepresented, for example, in the case of Mohd. Ajmal Amir Kasab versus State of Maharashtra, S. G. Abbas Kazmi was appointed as amicus curiae.

Besides the above elements of the Indian judicial administration, there are:

**High Courts:** There are 24 high courts in India which are at the head of a State's judicial administration. The judges in high courts are appointed by the Chief Justice of India in consultation with the Chief Justice of the State concerned.[15] The procedure of appointments is same as that of the Supreme Court. Each high court has the powers to issue to any person within its jurisdiction, directions, orders and writs (habeas corpus, mandamus, prohibition, quo warranto and certiorari) to enforce fundamental rights and for any other purpose.

**District Courts:** The district courts are established by the State governments in the districts based on population and number of cases. Each district court has one district judge and assistant judges. The number of assistant judges is decided on the basis of the number of cases.

**Advocate General:** Each State in India has an Advocate General who is appointed by the Governor and hold office during his pleasure. He/she must be qualified to be a judge and his duties include advising the State government on legal matters. He/she has the right to speak and participate in the proceedings of the State legislature but does not have the right to vote.

**Lok Adalats:** The Lok Adalats are voluntary agencies which are monitored by the State Legal Aid and Advice Boards. They are a successful alternative forum for conflict-resolution via conciliation.

## The Recent Trends

However, all is not hunky-dory in the highest level of judiciary in India. India ranks 62/113 countries in the Rule of Law Index[16], although it jumped four places in 2016 at rank 66/113. In 2018, the pending cases for the last five years was 56 lakh cases. There are more than 60 per cent fake lawyers as stated by the Bar Council of India and the cost of judicial services is very high for a common man seeking justice. Moreover, the appointment of judges through the system of collegium faced some flak on grounds that the seniority is being ignored in many cases but the system is being made transparent now. Judicial reforms are very important to improve the system by sensitizing judges, reducing the long periods of undertrials, bringing in better judgements by removing all bias and various other steps need to be taken. The judiciary in India is not as accountable as the executive. The judges sit on small benches and instead of using precedents are making new case laws in numerous PILs. This poses a problem in understanding and reducing lacunas in the continuously evolving law.

## Notes and References

1. Indian Parliament, https://www.india.gov.in, retrieved on 21 January 2019.
2. Sarmah, Durga Kanta (2005), *Political Science—Volume II*, New Age International Publishers, New Delhi.
3. Rao, K. V. (1965), *Parliamentary Democracy of India*, World Press, Calcutta.
4. The Constitution of India, https://www.india.gov.in, retrieved on 22 January 2019.
5. Prorogation means the termination of a session of the House, which can be in session also, by an order made by the President under Article 85 (2)(a) of the Constitution.

6. Nominated Members of The Rajya Sabha, https://rajyasabha.nic.in, retrieved on 23 January 2019.
7. Adapted from: Powers and Function of President in India, http://law.uok.edu.in, retrieved on 23 January 2019.
8. An 'incumbent decides to be assertive' implies that the political party makes a claim to form the government.
9. The Constitution of India, Adapted from the Constitution of India from https://www.india.gov.in, retrieved on 24 January 2019.
10. Adapted from: Singh, Hoshiar and Singh, Pankaj (2011), *Indian Administration*, Pearson Education, New Delhi.
11. For information on accountability measures on the floor of the House, log on to: Parliamentary Oversight of the Executive, http://www.prsindia.org, retrieved on 25 January 2019.
12. The WJP Rule of Law Index measures rule of law adherence in 113 countries and jurisdictions worldwide based on 11,000 household and 3000 expert surveys. It measures rule countries' rule of law performance across eight factors, which are:
    - **(i)** Constraints on government powers
    - **(ii)** Absence of corruption
    - **(iii)** Open government
    - **(iv)** Fundamental rights
    - **(v)** Order and security
    - **(vi)** Regulatory enforcement
    - **(vii)** Civil justice
    - **(viii)** Criminal justice.

    Adapted from WJP Rule of Law Index 2017-2018, https://worldjusticeproject.org, retrieved on 25 January 2019.
13. https://www.sci.gov.in/jurisdiction, retrieved on 25 January 2019.
14. ibid
15. The collegium system is a system under which appointments/elevation of judges/lawyers to Supreme Court and transfers of judges of high courts and apex court are decided by a forum of the Chief Justice of India and the four senior-most judges of the Supreme Court. There is no mention of the collegium either in the original Constitution of India or in successive amendments. The collegiums system of appointment of judges was born through 'Three Judges Case' which interpreted constitutional articles on 28 October 1998. The recommendations of the collegium are binding on the Central government, if the collegium sends the names of the judges/lawyers to the government for the second time.

    What is the Collegium System and how it works? https://www.jagranjosh.com, retrieved on 25 January 2019.
16. Adapted from Re-imagining India's judicial System, https://www.thehindubusinessline.com, retrieved on 25 January 2019.

# 13 Intragovernmental Relations

## LEARNING OBJECTIVES

*After reading this chapter, you will learn about:*

- Concept of Intragovernmental Relations
- Intragovernmental Relations since Independence
- Present Status of Intragovernmental Relations

## CONCEPT OF INTRAGOVERNMENTAL RELATIONS

The Indian polity is based on the parliamentary democratic structure which has three wings— 'the Executive, the Parliament and the Judiciary'. The Union of India is a federal structure in which there is a union government, 29 State Governments and six Union Territories. After independence, India has seen changes in government organizations and performance improvements emerging due to more stress on decentralization. The concentration of power in the Centre has been 'let-go' to the state and local governments. Power-sharing has increased along with the bureaucracy's evolution to improve governance over the large and ever-growing population in India. The union government initiates various programmes and projects for the development of the nation with the help of government departments and specifically involved ministries.

There must be good coordination among multiple organizations involved in developmental work and this requires smooth intragovernmental relations so that there is no duplicity of work or if there is any dispute between two or more than two government departments or ministries. Intragovernmental relations simply mean relationships between various levels or arms of the same government. The developmental work in a country depends on how fast and efficient the policy could be implemented otherwise it results in cost escalation and loss of opportunities.

**Q1** ***Intragovernmental relations are usually ignored in the light of developmental schemes, programmes and projects. Discuss how intragovernmental relations have been managed till today in addition to intergovernmental relations.***

**Ans.** The need for good intragovernmental relations is to have a coordinated effort to develop India. It is often seen that there is duplicity and overlapping of projects which hamper the pace of development instead of increasing it, for example, the Public Works Department comes and builds a road and no later the Telecom Department starts digging up the road to lay cables. This is nullifying each other's work because there is no agency that keeps good intragovernmental relations so that the governments

communicate with each other to carry out a project. The main purpose of good intragovernmental relations, hence, is to have a smooth functioning of all departments so that the efforts of the government are seen on the ground.

In India, since independence, there has been no special government department, ministry or agency that has been specially given the duty to coordinate all the works of government departments and states carrying out developmental projects. However, Group of Ministers (GoM) and Empowered Group of Ministers (EGoM) have always been formed since independence to achieve specific goals by building good and productive intragovernmental relations. They are briefly explained below:

**Empowered Group of Ministers:** The EGoM and the GoM are appointed under the Government of India's Transaction of Business Rules, 1961, which gives a legal status to the EGoM and GoM. Given below are the provisions:

**Para 6(4):** It provides that '*Ad hoc* Committees of Ministers including Group of Ministers may be appointed by the Cabinet, the Standing Committees of the Cabinet or by the Prime Minister for investigating and reporting to the Cabinet on such matters as may be specified, and, if so, authorized by the Cabinet or the Prime Minister, for taking decisions on such matters.'

**Para 6(6):** It provides that 'any decision taken by a standing or *Ad hoc* Committee may be reviewed by the Cabinet.'

In 2014, the Prime Minister of India scraped 21 GoMs and 9 EGoMs to 'usher in greater accountability in the system', while the United Progressive Alliance (UPA) II Government had 27 GoMs and 24 EGoMs. The pending issues before them would be processed by respective ministers and departments themselves and any decision-making difficulties would be facilitated by the Cabinet Secretariat and the Prime Minister's Office. The decisions in a matter taken by the EGoM remain subjected to review by the Cabinet at the latter's discretion. The system of GoMs and EGoMs operated as a single window clearance on issues related to various ministries with the objective of expediting policy-making. Such groups cover more than one ministry to see that there is coordination among them for a specific objective.

A few examples of GoMs and EGoMs are:

- In 2017, the Central government introduced Alternative Mechanisms (AM) to achieve quick decision-making involving strategic disinvestments and amalgamations. Some areas where they work are the HPCL-ONGC deal, the merger of public sector banks, sale of minority stakes in Central Public Sector Enterprises (CPSEs) and the buy-back offer of Oil India Limited. It is headed by the Finance Minister, Arun Jaitley with only three ministers.[1]
- In 2018, the government made a GoM to frame law against lynching, headed by Union Minister Rajnath Singh and a Committee headed by Home Secretary Rajiv Gauba. The Gauba Committee included secretaries of Departments of Justice, Legal Affairs, Legislative Department and Social Justice and Empowerment as its members.
- In December 2018, an EGoM was formed to examine the recommendations of the High-Level Empowered Committee to look into the issues in the power sector. The ministries included are Road Transport and Highways, Shipping and Water Resources, Commerce and Industry, Civil Aviation, Railways and Coal and Petroleum and Natural Gas.[2] This will ensure that there is a coordinated effort towards improving the power sector with no duplicity and overlapping

**Problems in GoMs and EGoMs:** The government in 2014 observed that the GoMs and the EGoMs did not take concrete decisions due to coalition issues. There was no coordination among the government departments and lacked a broad vision. They worked in silos without dealing with the other departments directly and preferred to go to the court to settle their disputes. The government proposed an institution to overcome these issues by establishing an institution that can supervise and monitor all projects at the same time to make all concerned departments to work in tandem.

**PRAGATI—A Mechanism:** The purpose of good intragovernmental relations is to have a coordinated effort to achieve the goal of higher economic growth and inclusive development. There are numerous projects initiated by the government but the involvement of many departments and ministries needs cordial and cooperative intragovernmental relations which the Government of India is doing now through PRGATI which is a mechanism to accomplish two goals, which are:

1. To have good intragovernmental relations.
2. To have smooth and coordinated functioning of the departments so that inclusive development can be ensured.

The Prime Minister launched PRAGATI—Pro-Active Governance and Timely Implementation, in 2015. It is a unique integrating and interactive platform aimed at addressing common man's grievances and simultaneously monitoring and reviewing important programmes and projects of the Government of India as well as projects flagged by state governments.[3] This implies that, it is a mechanism to not only maintain intragovernmental relations but also intergovernmental relations.

**Technological Innovation:** This tool is a technological innovation which primarily uses three latest technologies, which are:

1. Digital data management
2. Video-conferencing
3. Geospatial technology

**Intergovernmental:** It is a unique combination in the direction of cooperative federalism since it brings together on one stage, the Secretaries of Government of India and the Chief Secretaries of the States. The Prime Minister is able to discuss the issues with the concerned Central and State officials with full information and latest visuals of the ground level situation. This is a first such effort in e-governance and good governance. In light of maintaining good intragovernmental and intergovernmental relations, it is important to understand the key features of PRAGATI:

- A three-tier system comprising of—PMO, Union Government Secretaries and Chief Secretaries of the States
- A monthly programme is held by the Prime Minister to interact with the Government of India Secretaries and Chief Secretaries through video-conferencing enabled by geoinformatics visuals
- Every fourth Wednesday is called PRAGATI Day
- The agenda to be discussed before the Prime Minister is set in advance from the database with respect to public grievances, on-going programmes and pending projects
- Enhancement of the databases of the Centralized Public Grievance Redress and Monitoring System (CPGRAMS), Project Monitoring Group (PMG) and the Ministry of Statistics and Programme Implementation through PRAGATI by providing a platform
- The design is such, that when Prime Minister reviews the issue he should have on his screen the issue as well as the latest updates and visuals regarding the same.

As the name suggests, it is aimed at starting a culture of 'Pro-Active Governance and Timely Implementation'. It is also a robust system for bringing e-transparency and e-accountability with real time presence and exchange among the key stakeholders.[4]

**Cabinet Secretariat:** Discussed in Chapter 14

To summarize, intragovernmental relations are as important as intergovernmental relations to have developmental productive efficiency. They save time and resources by integrating efforts of various

organizations instead of wasting time in sending files back and forth or in the courts trying to settle disputes. This will reduce the burden on the judiciary also.

There are many situations where the governments at the Centre and the State belong to a different political party which result in conflicts and affects good governance.

## Notes and References

1. For faster decision making, Modi govt replaces GoM with Alternative Mechanism, https://economictimes.indiatimes.com, retrieved on 26 January 2019.
2. Ministers' panel to look into power sector stress issues, https://www.thehindubusinessline.com, retrieved on 26 January 2019.
3. PM launches PRAGATI: a multi-purpose, multi-modal platform for Pro-Active Governance And Timely Implementation, http://www.pmindia.gov.in, retrieved on 27 January 2019.
4. *Ibid*.

# 14 Cabinet Secretariat, Prime Minister's Office (PMO)

## LEARNING OBJECTIVES

*After reading this chapter, you will learn about:*

- Origin and Development of Cabinet Secretariat
- Functions of Cabinet Secretariat
- Evolution of the PMO in India
- Structure and Functions of the PMO
- Growing Power of the PMO

**Q1** ***Discuss the origin, development and functions of the Cabinet Secretariat.***

***Or***

***'The attached offices and subordinate offices are integral to the functioning of the Cabinet Secretariat.' Discuss.***

## ORIGIN AND DEVELOPMENT OF THE CABINET SECRETARIAT

**Ans.**

All government business in India was done by the Governor-General-in Council with the council functioning as a Joint Consultative Board prior to the adoption of the portfolio system. Gradually, the government's work increased and the work of the various departments had to be distributed amongst the council members while only the more important cases were taken-up by the Governor-General or the council collectively. The procedure evolved in the following years as given below:

**1861:** During the tenure of Lord Canning, this procedure was legalized by passing the Indian Councils Act, 1861 which prescribe the system of allocating portfolios and the inception of the Executive Council of the Governor-General. The council was set-up with a secretariat headed by a Private Secretary to the Viceroy who did not attend any meetings.

**1935:** The Private Secretary of the Viceroy was given a place by the side of the Viceroy to attend meetings in the time of Lord Willingdon and got an additional designation of the Secretary to the Executive Council.

**1946:** The interim government was set-up in 1946 and the Executive Council was named as Cabinet Secretariat and developed into a full-fledged organization to have effective coordination between the ministries.[1] It was legally backed by Article 77 that the President make the 'Government of India (Allocation of Business) Rules.'

**1949:** An Economic Committee of the Cabinet was set-up with its Secretariat at the Ministry of Finance.

**1950:** The Economic Committee was transferred to Cabinet Secretariat.

**1954:** The Organization and Management Division was established under the Cabinet Secretariat.

**1955:** It was merged with the Cabinet Secretariat.

**1957:** The Defence Committee of the Cabinet was constituted under the Cabinet Secretariat with officers from the Defence Services which was transferred out to the Ministry of Defence in 1991.

**1964:** The Organization and Management Division was transferred to the Ministry of Home Affairs.

Various departments were set-up under the Cabinet Secretariat and then transferred or made into independent departments.

## Directorate of Public Grievances (DPG)

Directorate of Public Grievances (DPG) was established in the Cabinet Secretariat in March 1988 and entertains grievances from the public. Citizens can file grievances, either on paper or online to the DPG in respect of any government services

### *National Authority, Chemical Weapons Convention (NA, CWC)*

The NA, CWC, was established under a resolution of Cabinet Secretariat in 1997 to fulfil the obligations enunciated in the Chemical Weapons Convention initially signed by 130 countries in a conference for the purpose of prohibition of the development, production, execution, transfer, use and stockpile of all chemical weapons by Member-States in a non-discriminatory process.

#### *Direct Benefit Transfer (DBT) Mission*

DBT is a major reform initiative where benefits, cash or in-kind are delivered directly to identified beneficiaries using Aadhar. It envisages efficiency and inclusion in the delivery processes leading to greater accountability and transparency in the system. It was created in the Planning Commission to act as a nodal point for implementation of DBT. The mission was shifted to Cabinet Secretariat with effect from 14 September 2015.

#### *Project Monitoring Group (PMG)*

The PMG is an institutional mechanism for resolving a variety of issues to fast track approvals for setting up and expeditious commissioning of large Public Private Partnership Projects (PPP) in 2013. It also promotes and monitors the digitization of clearance/approval process for setting up new projects at the Central and State level.

#### *Office of Principle Scientific Adviser (O/o PSA)*

It was set-up in 1999 to primarily to:

- Evolve policies, strategies and missions for the generation of innovations and support systems for multiple applications.
- Generate science and technology tasks in critical infrastructure, economic and social sectors in partnership with government departments, institutions and industry.

#### *Prime Minister's Science, Technology and Innovation Advisory Council (PM-STAIC)*

It was placed administratively under the Cabinet Secretariat in August 2018.

### *Disaster Management*

There is a National Crisis Management Committee under the Chairmanship of the Cabinet Secretary. It comprises secretaries and other senior officers of relevant ministries/departments, depending upon the nature of crisis. Whenever there is a warning or occurrence of a disaster, the committee meets regularly and coordinates all actions and assists State governments in mitigating the loss of life and property and in providing relief and rehabilitation.[2]

### *E-Governance Initiatives*

The Cabinet Secretariat has started various e-Governance initiatives which include:

- **Online Monitoring and Compliance Mechanism:** It tracks the compliance of pending action points, decisions, proposal targets, etc., of various ministries/departments/organizations of Government of India and Government of States/UTs. e-Samiksha portal has been replicated in many other ministries and departments to monitor their activities.
- **Online Investment Tracking Mechanism:** It fast tracks the infrastructure projects and the same has been replicated in many State governments and the UTs through esuidhs.gov.in.[3]
- **e-Nivesh:** It is a monitoring e-Platform system regarding the status of disposal of applications of private entrepreneurs for setting up new projects processed through various digitized Central government level portals.
- **Executive Video Conferencing System (EVCS):** EVCS was implemented to facilitate holding Committee of Secretaries meeting in a convenient and expeditious way.

### *Functions of the Cabinet Secretariat*

The Cabinet Secretariat provides secretarial assistance to the Union Cabinet, under the charge of Prime Minister. The Cabinet Secretary, an *ex officio* Chairman of the Civil Services Board, is the administrative head of the Cabinet Secretariat. The business allocated to the Cabinet Secretariat, under the (Allocation of Business) Rules, 1961, includes:

- Secretarial assistance to the Cabinet and Cabinet Committees
- Rules of Business.

Some of the main functions of the Cabinet Secretariat are:

- Smooth transaction of business in ministries/departments.
- Assists in decision-making in government by ensuring Inter-Ministerial coordination.
- Ironing out differences amongst ministries/department.
- Evolving consensus through instrumentality of the standing/*ad hoc* Committees of Secretaries.
- Managing major crisis in the country and coordinating activities of various ministers.

## Q2 *Examine the evolution of the PMO since independence. Discuss its structure and functions of the PMO.*

**Ans.** The Prime Minister's Office (PMO), also called the Prime Minister's Secretariat (PMS), was created on 15 August 1947. It was an extra-constitutional institution which does not have any mention in the constitution. The evolution of PMO from PMS is given below:

**1947:** The first Prime Minister (PM), Jawaharlal Nehru, was in favour of organizing a high-powered secretariat to assist him in addition to the Cabinet Secretariat and the Ministry of External Affairs, with him as the Minister but was not met with favour from his colleagues. He worked with a small PMS in his tenure

and appointed a Joint Secretary, M. O. Mathai, as the head of the PMS along with four other secretaries from the ministry who helped him on external as well as domestic affairs. He intentionally kept the size of the government small as he did his Secretariat to give more importance to the Cabinet Secretariat.

**1964:** Lalbahadur Shastri took the reins as the Prime Minister after Nehru's demise. He appointed one Secretary, L. K. Jha, one Joint Secretary and two Deputy Secretaries to assist him.

**1966:** Indira Gandhi took over as Prime Minister following the death of Lalbahadur Shastri. She built the PMS into what it is today with P. N. Haskar as the Secretary in 1967 who popularized the term PMS. On his advice, Indira Gandhi became more independent and stronger in her actions. Another important figure was Ashok Parthasarthi who was appointed as the Science and Technology (S&T) Special Assistant to the PM with two Joint Secretaries, an Information Adviser, two Deputy Secretaries and one Under Secretary.

During Indira Gandhi's tenure, the government worked through small cliques and undermined the Cabinet Secretariat too with little or no coordination. The PMS became a centre of power but with the split in Congress in 1969, it became stronger by taking direct and indirect control of most governmental organizations. Decisions regarding judicial appointments, the Department of Personnel and the Ministry of Industries reporting to the PMS and the PMS became the major power centre by the end of 1970s which changed nature with Sanjay Gandhi's entry into politics and power shifted to the PM's residence which was nicknamed as 'the palace', eroding the sheen off the PMS.

**1979:** The Janata Government came to power and was dedicated to correct all misrepresentations of the offices and positions. Morarji Desai and his government worked towards diluting the PMS and re-designated its title to PMO and all Ministries and the Cabinet Secretariat were returned to their original status. However, it turned out that not much changed in reality because the number of staff officers was reduced by only18.

**1980:** Indira Gandhi returned to power and things went back to how they had been in her time.

**1984:** Rajiv Gandhi took over as PM after Indira Gandhi was killed in a terror attack. He did not change at all. There was even a Minister of State, Sheila Dixit, managing the PMO and the PMO continued to be a power centre reducing the power of Cabinet Secretariat.

**1989:** The period from 1989 to 1991 did not see much changes as there were various other unstable political factors in India with V. P. Singh and Chandrashekhar as Prime Ministers.

**1991:** P.V. Narsimha Rao became the PM and the political executive was attached to the PMO, as centralized as it could be, to deal with a coalition government.

**1996:** The PMO got further strengthened under Brijesh Mishra during the tenure of Atal Behari Vajpayee as the PM. The PMO further got strengthened to cope with rising functional demands of Prime Ministerial democracy and its role was drawn-out to many parallel organizations.

**1998:** The PMO under B.R. Mishra got more powerful to deal with the increasing functional demands and extended the role to various parallel organizations.

**2004:** As far as the functions of the PMO were concerned, the PMO was separated from the security aspects on recommendations of the K. Subramanian Committee. A. Nair handled the PMO efficiently.

**2014:** The PMO is the most powerful since independence and a major power centre. All campaigns and policies originate from the PMO although a complete rigorous online feedback system from the people has been put in place to include citizens in policy-formulation and projects. The PMO has been levitating however the coordination with Cabinet Secretariat is also visible as there is no tussle for gravity. The office has more than 800 staff persons structured in terms of formal, informal and many shadowy groups.

The PMO is closed to powerful media as there is no media advisor and has abandoned the practice of taking them to foreign tours. The PMO has changed its fast tracking of decisions and the style of governance is marked by transparency and accountability. The PM is quite critical of unprepared and inappropriately dressed Ministers and has known to send them back if they do not meet up to expectations of the PM. He even scrapped the large number of Group of Ministers and Empowered Group of Ministers.

## STRUCTURE OF PMO

The Prime Minister is at the apex of the Prime Minister's Office with his staff. The hierarchical structure is depicted below in the Figure 14.1.

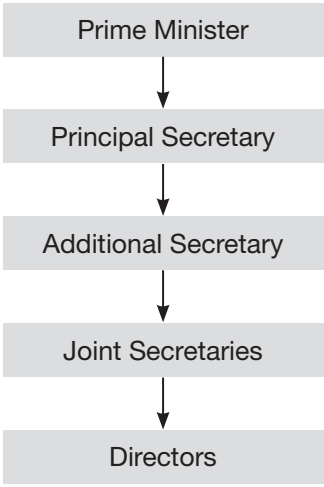



***Figure 14.1: Hierarchical Structure of PMO***

The number of Additional Secretaries, Joint Secretaries and Directors vary in number from one government to another.

### Functions of PMO's Staff

Given below are the functions of the staff of the PMO as per hierarchy:

**Prime Minister:** The head of the PMO is the Prime Minister and he determines the structure of the PMO and selects which officers he wants for specific positions.

**Principal Secretary:** He is the bureaucratic head of the PMO and deals with the Ministers and the files in the office as per the PM's directions.

**Additional Secretary:** The Additional Secretary looks after the personnel and policy matters of various ministries.

**Joint Secretary:** There are usually three Joint Secretaries who are in-charge of:

- Home Affairs, Law and Justice.
- Administrative system of the PMO and the Ministries of Surface Transport, Railways, Civil Aviation and Communications.
- Ministries of External Affairs, Defence and Atomic Energy.

**Directors:** There are usually four Directors but the number can vary if the PM desires and are in-charge of:

- An Officer on Special Duty who looks after rural development and civil supplies.
- In-charge of Home Affairs.
- Non-specific duties and acts as a trouble fixer.
- Deals with the matters of State governments with special reference to North East.[4]

The PMO is the power centre which advises the PM in all government matters, allocation of portfolios and various other matters. The PMO is helped by the Legal Service which deals with the constitutional law regarding the right to access to documents and legislation for which the PMO has responsibility. It examines and reviews all the legislations introduced by the government. The Department of Cabinet Affairs takes care of the affairs of the Cabinet like the budget, accounts, Information Technology, etc. Earlier, the PMO used to help the PM in the Planning Commission's affairs but since the inception of NITI *Aayog*, it helps the PM by taking care of its affairs. It also helps in keeping a good face of the PM by public relations.

## Q3 *Do you think that the Union Cabinet and the PMO are evolving into more powerful offices than the Parliament? Comment critically.*

***Or***

## *Critically analyse the changing role of PMO in India.*

**Ans.** It is clear from the study of evolution of the Cabinet Secretariat and the PMO (Q.1 and Q.2) that the PMO has grown immensely from the time Nehru was the Prime Minister with a handful of officers to help him to a staff of over 800 in Narender Modi's government. Both the organizations have become integral to the Indian polity but the Parliament is the supreme law-making body in India. The Prime Minister is the most powerful constituent in a parliamentary democracy helped by both the organizations of the PMO and the Cabinet Secretariat are there to help him/her. All decisions taken by the PM have their input with respect to policy formulation, information, technology upgrades, coordination, etc.

The executive and the legislature though have to maintain a balance so that they are in sync to make effective laws and decisions. Given below are some major situations depicting how the Union Cabinet and the PMO are becoming excessively stronger:

1. **Parallel Cabinet:** The PMO is emerging as a parallel cabinet as it becomes stronger and stronger by the day. Both the organizations have seen ups and downs previously, after the independence. The strength of the PMO depends on the how the Prime Minister shapes it. Presently, it has become very strong under the PM.
2. **Appointments:** The PMO directed, in 2014, that the Ministers could not appoint their staff at will because bureaucratic appointments were being made. Directives were given to the Ministers that they could not appoint their relatives to their staff. Also, the PM asked the bureaucrats to come directly to them instead of the ministers, thus, bypassing their Ministers. A secretary going to the PMO implies that the concerned Minister is being marginalized and the Cabinet Secretary is overshadowed.
3. **Centralized Control:** The PMO has become a centralized power centre where all the decisions are taken. The PM has even begun a programme PRAGATI which is an online portal where the PM gets a clear vision of how all the projects are progressing. The centralized and technocratic approach of the PMO in political decision-making is limiting in transparency regarding the work processes. It has undermined the cabinet, government, employed greater use of special prerogatives to circumvent Parliament scrutiny and sought to restrict critical voices in the civil society.

5. **Collegial Responsibility:** Concentration of power in the PMO has led to a decline in collegial responsibility which resulted in a formally legitimized cabinet government. The Council of Ministers has been reduced to a rubber stamp as all the decisions are being taken at the PMO.
6. **Cyber Surveillance:** There has been a recent controversy of an order passed by the Government of India in December 2018, as per Section 69 of the IT Act, 2000. The order permits ten security and intelligence agencies to monitor or maintain surveillance where sovereignty and integrity is feared to be threatened, with the prior approval of the Home Secretary. However, this order created a fear among the ministers and the staff that their phone lines had been tapped.
7. **Pressure over the Judiciary:** The PMO hurriedly appointed Gopal Subramanium to the Supreme Court in the pretext of the case of Radia tapes in the 2G scam. This step exposed a murky political nexus between cabinet ministers, big industrial houses and senior journalists.

The Cabinet Secretariat is being overshadowed and the authority of the Cabinet Secretary is being undermined as the PMO is becoming stronger. However, the Parliament is a strong institution and one cannot ignore its importance. The PMO has a lot of good initiatives to its credit which are improving the socio-economic fabric of the society. The changes that are happening have changed the role of the PMO but it has to be conceded that change is constant and one must adapt to it. The excesses can be limited by checks and balances in the system.

The position of the Parliament is as strong as ever and cannot be challenged. The PMO and the Cabinet Secretariat are there to help the PM in taking quick decisions by providing him with the latest information and technology available. The two organizations have definitely become stronger as the decades have passed and have you helped in the growth of the country.

## Notes and References


1. Adapted from Cabinet Secretariat, https://cabsec.gov.in, retrieved on 27 January 2019.
2. https://cabsec.gov.in, retrieved on 27 January 2019.
3. https://esuvidha.gov.in/, retrieved on 10-05-2019
4. Sharma, M. P. (1968), *The Government of the Indian Republic*, Ved Publications, India.
5. Adapted from: Sarkar, Suili (2018), *Public Administration in India*, PHI Learning Private Limited, Dehli.
7. Adapted from:
8. Ruparelia, Sanjay. (2015). 'Minimum Government, Maximum Governance': The Restructuring of Power in Modi's India. South Asia: Journal of South Asian Studies. 38. 755-775. 10.1080/00856401.2015.1089974, retrieved on 30 January 2019.

# 15 Central Secretariat, Ministers and Departments

## LEARNING OBJECTIVES

*After reading this chapter, you will learn about:*

- How Central Secretariat evolved?
- Functions and Role of the Central Secretariat
- Central Secretariat Service
- The Desk System
- The Tenure System
- Weaknesses in the Central Secretariat
- Organizational Structure and Functions of Departments

The Central Secretariat is an office to assist the government in discharging their duties efficiently. It draws legal mandate from Article 77 (3) even though it does not mention the word, 'Secretariat.' It states that the President shall make rules for the more convenient transaction of the business of the Government of India and for the allocation among ministers of the said business. The word 'Secretariat' is derived from the word, 'secret' which implies that the information is kept conceal from the public. Moreover, the word 'Secretary' relates to the British period also because it was a secretary government. The Central Secretariat is a British legacy.

**Q1** ***Discuss the evolution of Central Secretariat in India with its functions and role.***

**Ans.**

### The Central Secretariat in the British Period

Given below is a timeline about how the Central Secretariat develop in India:

- **1756:** The history shows that the Central Secretariat in India took roots when the President and the Council at Fort William carried out their business via a few secretaries and assistants through a single department.
- **1919:** The Montague-Chelmsford reforms were implemented which resulted in separate Secretariats for the Central and State governments.
- **1939:** Due to Second World War in 1939, the administrative machinery had to increase its capacity to deal with the requirements of the war. The strength of the Secretariat increased form 29 in 1919 to 200 in 1939. Hence, the size of the Central Secretariat increased to 19 departments and 200 staff members.

## Post-Independence Period

After India got independence in 1947, the Government of India had to deal with the rehabilitation of the population which had been misplaced due to partition and the Indian economy was in ravages. Soon in 1948, India had to make heavy expenditure for war with Pakistan and the Secretariat had to step-up to deal with buying of defence equipment. The government's activities increased manifold which the ministries had to handle it. More staff had to be recruited in haste to manage the whole situation. The Central Secretariat consists of various ministries, departments and its field agencies help in implementing the policies formulated by them.

**Meaning:** The Government of India is divided into three constituents:

1. The minister, who is responsible for policy formulation.
2. The secretary, who has the responsibility of providing information to the minister to make policy decisions and implement the policies.
3. The executive head executes the policy decisions.

The first two constituents, the minister and the secretary, are assisted by the Secretariat which is a group of ministries and departments. It works as a single unit having collective responsibility like the Council of Ministers.

## Principles of the Functioning of the Central Secretariat

The functions of Central Secretariat are based on two major principles, which are:

1. **Principle of Separation:** It states that policy must be separated from its implementation. Policy formulation is supposed to be done by the Council of Ministers while its execution must be done by independent agencies.
2. **Principle of Control:** There must be control by permanent staff which can be drawn from the states' cadre for a fixed tenure, over the personnel to achieve efficiency in the administration.

Both the principles are important for national development because policy formulation is of utmost importance. A policy can be implemented well but if the policy has flaws, it will have flawed results only. This can be achieved with the help of following the split system derived from these two principles of separation and control. The main benefits of the split system in India are:

- The policy-makers can concentrate on making balanced and well-informed policies without the additional task of implementing them.
- The Central Secretariat examine and evaluate the policies without any subjectivity and bias towards any one particular minister. The Secretary is responsible to the government as a whole and not to any individual minister.

**Advantages of the Split System:** The split system helps in carrying out the policy formulation tasks efficiently. Some major advantages of this system are:

- **Operational Functions:** The split system lets the policy-makers carry out their work without getting overburdened with operational functions leaving them free to make policies to achieve national objectives.
- **Objectivity:** The Secretary is objective about the policies coming in from the ministers and interpret them. They consider them from all perspectives because they are responsible to the government as a whole and not individually to the ministers.

- **Size:** The Secretariat manages to keep its size small due to the split system.
- **Overcentralization:** The split system allows the government to execute the policies freely without the fear of overcentralization.

The Central Secretariat does not involve itself in the actual execution of routine implementation of the policy, hence, it is free from daily worries. Hence, it performs the functions of policy formulation as well as its execution. In any large organization, the imperative of efficient management requires that higher echelons concentrate more on strategic decisions and policy-making whereas the lower echelons focus on operational decisions and implementation of policies. In the context of government, this would require the ministries to give greater emphasis to the policy-making functions while delegating the implementation functions to the operational units or independent organizations/agencies. This is all the more necessary because policy-making today is a specialized function which requires a broader perspective, conceptual understanding of the domain and proper appreciation of the external environment. Implementation of the policies on the other hand requires in-depth knowledge of the subject and managerial skills.[1]

## Functions and Role of the Central Secretariat

The Central Secretariat is an organization responsible for:

- Policy formulation
- Coordination and supervision
- Principal executive agency.

The Central Secretariat is housed in New Delhi and occupies a superior position to assist in the administration of all ministries and departments with the following functions given in Box 15.1.

***Box 15.1: Functions of The Central Secretariat***

- Helping in policy-making and making changes if required.
- Framing laws, rules and regulations.
- Programme formulation and planning regarding specific sectors.
- Budgeting and expenditure control.
- Facilitating administrative and financial approval for operational and programmes and also for any changes made thereafter.
- Monitoring, evaluating and controlling policy execution by field agencies.
- Coordinating with the State administrations and giving explanation about policies.
- Increasing organizational capacity building.
- Coordinates activities of national importance.
- Providing necessary information to the ministries and departments.
- Ensures that field offices execute with efficiency and economy.

## The Way Ahead 2019

The Government of India is planning Central Secretariat in each state capital in a bid to take governance closer to the people ahead of parliamentary elections in 2019. These will be developed as high-security offices on the lines of Delhi's Central Government Complex and general pool office administration. They will have space for the Central ministries to interact with the public and house those that have been waiting for office

accommodation in states. The move follows a detailed discussion in the Cabinet at which the requirement for centralized offices for all government programmes and functions was underlined.[2]

This move has been approved by the Cabinet and will be saving financial and human resources. Central government offices are currently scattered across cities but the PMO has sent a formal proposal to the Central Public Works Department to identify land that can be used and on the other hand has written to other central ministries to identify any plots in their possession can be used for the purpose.

## Q2 *Discuss the Central Secretariat Service (CSS), the desk system and the tenure system in place in the Central Secretariat in India in brief.*

**Ans.** In pursuance of the Central Secretariat Service Rules, 1962, Government of India in the Ministry of Personnel, Public Grievances and Pensions conducts the Central Secretariat Service Section Officer's Grade Limited Departmental Competitive Examination through Union Public Service Commission. The section officers are selected on a merit-based system with the eligibility of being a regularly appointed assistant with not less than five years approved and continuous service in the assistant grade. The section officers can be promoted to undersecretaries who have put in eight years of approved service in the grade by a duly constituted Departmental Promotion Committee.

**The Desk System:** The Central Secretariat has introduced 'The Desk System' under which a ministry's or a department's work is organized into different functional desks. An officer of the undersecretary or an assistant rank is in-charge of the desk with a stenographer or a clerk and a couple of section officers. The functionary of each desk is known as 'the Desk Officer' and assistants and their equivalents are designated as 'Desk Attaches'. The hierarchical order in which the cases are submitted are depicted in Figure 15.1, given below.

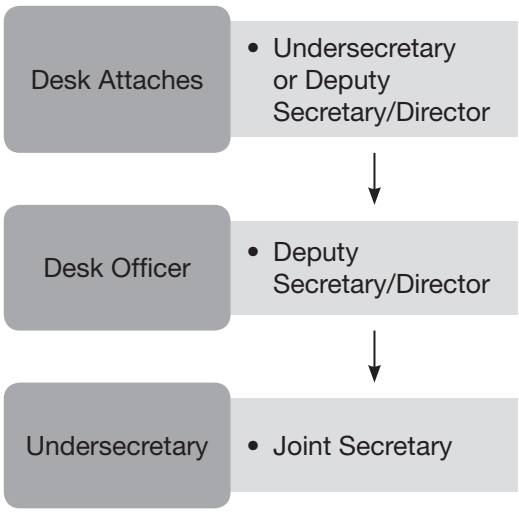



***Figure 51.1: Submission of Cases***

**The Tenure System:** A transitory cadre of officers is drawn from the States cadres based on a tenure system in the Central Secretariat. The officer class is drawn from the civil services. The tenure system was inherited from the British administration which was started by Lord Curzon in 1905. He believed that the officers coming from the districts understand the problems of the people more in the field. The Secretariat positions were filled up by officers drawn from the provincial government for a fixed period of three to five years. Going back to their State cadres, the officers get an opportunity to get in touch with the field

again. The Government of India follows the tenure system in today's time also. However, this system is not applicable to all government departments and ministers like foreign, Indian Audit and Accounts, Post and Customs and Income tax. Given below are the periods for which different positions are drawn from the State Cadre in Box 15.2.

***Box 15.2: The Tenure System***

Secretary: Five years
Joint Secretary: Five years
Deputy Secretary: Four years
Undersecretary: Three years

## Advantages of Tenure System

The tenure system has its advantages to bring about efficiency in the Central Secretariat. They are:

- **Field Experience:** The tenure system allows civil servants to bring their field experience to the Central Secretariat and they again get a chance to do that after their tenure is over. Reciprocally, their Secretariat experience helps them to approach the field problems from a different perspective and bridges the gap between the Secretariat and the field giving a fresh attitude to the State policies.
- **Helps the Federal System:** The federal structure in India has led to many Centre-State issues that hinder in the way of development. The officers who come from the State cadre to the Central Secretariat smoothen the Centre–State relations, especially, if there are different political parties in power.
- **Benefit to States:** The State governments are benefitted from the officers who return from the Central Secretariat as they have the experience of how things work in New Delhi regarding central policies.
- **Flexibility:** The tenure system allows flexibility in the management of personnel as inefficient officers can be sent back.
- **Administrative Unity:** The officers come from different State cadres and work with each other as a team in the Central Secretariat displaying a unique element of administrative unity.
- **Morale of the Officers:** The officers keep a high morale in their work as they have new challenges in their way. A permanent or a longer stay at the Central Secretariat will only lead to a divide amongst the bureaucrats because they all worked very hard to get where they did.

## Issues with the Tenure System

Even though the tenure system is working quite well in the Central Secretariat, some weaknesses have been pointed out by its critics. They are:

- **Specialization:** The civil servants come to the Central Secretariat as generalists but the present-day issues demand specialist capacities which they are unable to provide.
- **Field Experience:** It has been observed that many Secretarial issues do not require field experience and the practice of tenure system must be modified accordingly. Postings to the Secretariat must be done only in those ministries/departments where field experience is necessary.
- **Over bureaucratization:** The officers become overdependent on the office which leads to over bureaucratization.

Hence, the tenure system is a good way to ensure all-round efficiency in policy-making and their execution though there is always room for improvement.

## Q3 *Briefly examine the status of efficiency and delivery of the Central Secretariat.*

**Ans.** The Central Secretariat's main function is to help the ministries and departments in the existing structure of Government of India in policy formulation and policy execution. However, in the light of new challenges and digital innovations in the world, the Central Secretariat lacks on certain areas, which are given below:

1. **Excessive Routine Work:** The Second ARC noted that there was undue importance being laid on routine functions. The ministries of Government of India are often unable to focus on their policy analysis and policy-making functions due to the large volume of routine work that they are saddled with.[3] The national priorities take a backseat in the light of this although these routine functions can be outsourced to State and local governments.
2. **Lack of Coordination:** There is a lack of coordination among the Ministries and Departments owing to the trend of coalition governments. The division of work is irrational even on closely-linked subjects. As the Prime Minister remarked that the Ministries work in their isolated silos, ignoring more pressing national issues. A more integrated approach is required to coordinate their work. The digital platform of PRAGATI has made it possible to coordinate the work of concerned ministries.
3. **Too Hierarchical:** The Government of India has an extended vertical hierarchy with too many levels which leads to frequent delays in decision-making and lack of accountability. A fresh look must be taken into the extended levels of hierarchy which have become redundant.
4. **Avoidance of Risk:** Multilayered structure of the Central Secretariat has resulted in reverse delegation and avoidance of risk in decision-making. Consultations through movement of files have become a substitute in decision-making which is conducive to multiplication and duplicity of work. Efficiency indicators go down due to avoidance of risk in decision-making.
5. **Teamwork:** Since there are excessive levels of hierarchy, there is absence of teamwork. There is a need for interdisciplinary approach to respond effectively to emerging challenges.
6. **Fragmentation of Functions:** The operational functions have been fragmented into many levels which makes it difficult to make delivery of services delayed and inefficient. The ARC gave an example of a cartoon made by Shankar Cartoon of an official appointed as 'Deputy Assistant Director General, Envelopes (Glue)'!

   All the above-mentioned areas need to be reformed. One can say that many areas are being revamped with the help of digitalization but it's a long way to reduce bureaucratization.

The above discussed issues in the Central Secretariat must be reformed by the Government of India to improve the delivery system of public services as the main purpose of the Central Secretariat of policy-making and its delivery must be fulfilled.

## Q4 *Discuss the functions of government departments and their functionaries in India.*

**Ans.** The work of Government of India is distributed into different departments. The functions and the functionaries of a department, given by General Financial Rules, are depicted below in Figure 15.2 and explained thereafter:

- **Policy-Making:** A department is responsible for formulation of policies of the government in relation to business allocated to it and also for the execution, monitoring and review of those policies.
- **Structure:** For the efficient disposal of business allotted to it, a department is divided into wings, divisions, branches and sections/units/cells.

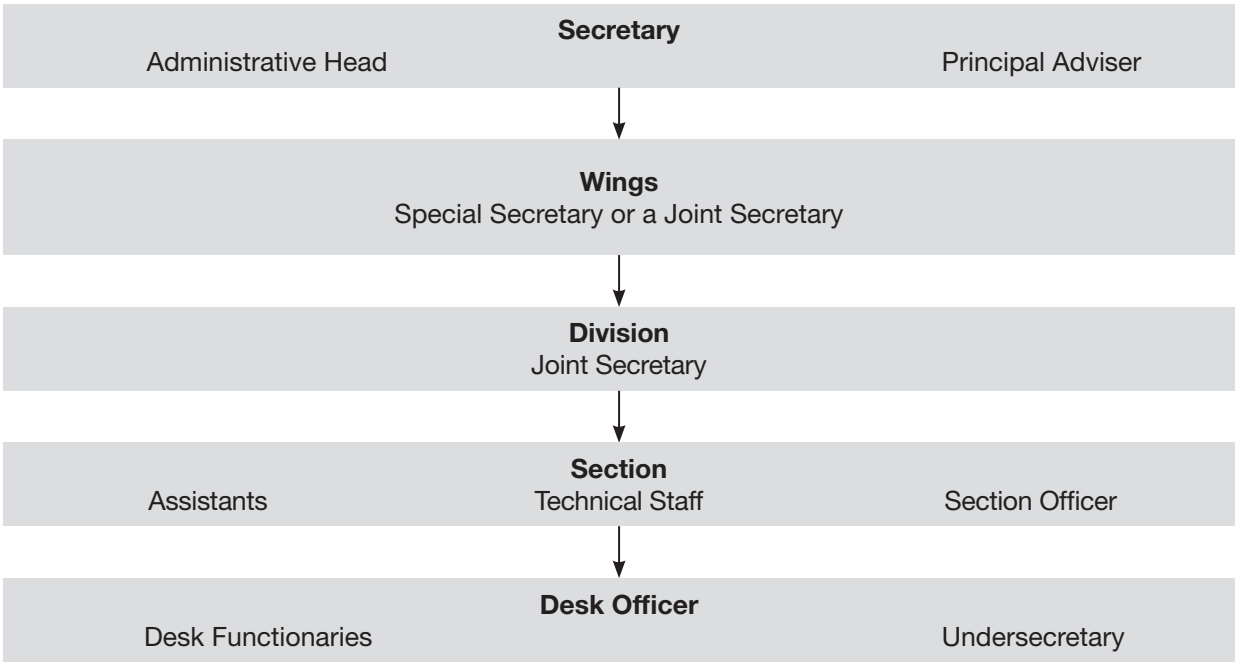



***Figure 15.2:***

- **Secretary:** A department is normally headed by a Secretary to the Government of India who acts as the administrative head of the department and Principal Adviser of the minister on all matters of policy and administration within the department.
- **Department Work:** The work in a department is normally divided into wings with a Special Secretary/Additional Secretary/Joint Secretary in-charge of each wing. Such a functionary is normally vested with the maximum measure of independent functioning and responsibility in respect of the business falling within his wing, subject to the overall responsibility of the Secretary for the administration of the department as a whole.
- **Wing:** A wing normally comprises a number of divisions each functioning under the charge of an officer of the level of Director/Joint Director/Deputy Secretary. A division may have several branches, each under the charge of a undersecretary or equivalent officer.
- **Section:** A section is generally the lowest organizational unit in a department with a well-defined area of work. It normally consists of assistants, technical staff such as investigators, research assistants, technical assistants, data entry operators, etc., and clerks supervised by a section officer. The assistants and the other staff are known as dealing hands because they handle the case in the initial stage.
- **Variations:** Besides the above-mentioned structure, there can be some variations in a department. The most notable is the 'Desk Officer System' in which the work of a department at the lowest level is organized into distinct functional desks manned by two desk functionaries of an appropriate rank like undersecretary or a section officer with the help of a stenographer and clerical assistance.

  Another variation in a departmental structure is the Integrated Headquarters of Ministry of Defence where the Vice Chiefs of Staff, the Principal Staff Officers of the concerned branches and other appropriate authorities, exercise the powers delegated by the Raksha Mantri through various branches and directors of Integrated Headquarters of the Ministry of Defence.[4]

## Organization of a Department

A department in the Government of India is different from a ministry. A department is a unit in a ministry which is permanent whereas a ministry can be dissipated anytime. After independence, a department and a ministry were not considered any different but with the increase and complexity of activities of the government, some ministries have departments in varying numbers.

## Functions of Various Functionaries

The various levels of functionaries in the departments have the following functions:

- **Secretary:** A secretary of the Government of India is the administrative head of the Department. He/she is the Principal Adviser of the minister on all matters of policy and administration within the department/ministry. His/her responsibility is complete and undivided.
- **Additional Secretary/Special Secretary/Joint Secretary:** There maybe one or more than one wings in a Department depending upon the volume of work. Each wing has a dedicated additional secretary in-charge who has the maximum measure of independent functioning and responsibility but the Secretary is responsible for the whole department.
- **Director/Deputy Speaker:** He/she is an officer who acts on behalf of the Secretary and is in-charge of a Secretariat division. He/she is responsible for the work in his division and must use discretion in taking orders from the Secretary.
- **Undersecretary:** An undersecretary is in-charge of the branch in a ministry/department having two or more sections and is responsible of the work that comes into the branch. He/she provides the necessary leadership to the sections under his control.[5]

The above given functions of the department in Government of India show what and how they perform with through given functionaries. The hierarchy followed in a department is strictly adhered to so that all works are done through proper processes and procedures, however, they sometimes slow down the deliverables.

## Q5 *Critically examine how the Government of India departments and ministries are instrumental in achieving Sustainable Development Goals (SDGs) in India.*

**Ans.** The UN General Assembly, in its 70th Session, considered and adopted the Sustainable Development Goals (SDGs) for the next 15 years. The 17 SDGs came into force with effect from 1 January 2016. Though not legally binding, the SDGs have become *de facto* international obligations and have potential to reorient domestic public expenditure till 2030. India has pledged to work for the achievement of SDGs by 2030. Developmental work in India has been on the spotlight ever since India got independence in 1947 but the framework of SDGs has given a consolidated and holistic approach to achieve inclusive and sustainable development through 17 SDGs and 169 'integrated and indivisible' targets. The SDGs are placed better than the Millennium Development Goals (MDGs) because the MDGs had been imposed on the developing countries whereas the United Nations has been incredible in making all member-nations to arrive at a general consensus in pledging to the achievement of SDGs.

Given below are the ways in which the SDGs are being initiated and worked for in India by the Government of India through ministries and departments:

1. **NITI *Aayog*:** NITI *Aayog*, chaired by the Prime Minister of India, has been assigned the role to 'coordinate' the achievement of India's SDGs, both, in quantitative and qualitative terms. Mapping SDGs on to 'nodal' ministries maybe an administratively easy mechanism for assigning

responsibilities but lacks in its delivery outcomes.[6] However, it does not have the authority to demand policy coherence to certify all programme expenditures for their impact on sustainability. It requires performance and appraisal and recognition systems of responsible functionaries to get a concrete quantitative assessment of interlinkages, life cycle economic analysis of integrated, systematic interventions and the design of alternative governance mechanisms for optimized impacts. The delivery of public services is being helped by space technology by embedding an RFID, a geotag, to the mid-day meals being delivered to schools to develop more accountability.

2. **Decentralization and Environment:** Institutional framework is very important in the delivery of public services to achieve the SDGs. The Union government can only plan and formulate schemes and programmes but they need to be executed at local levels of governments. Decentralization of power to village level has not improved the efficiency of rural development. Decentralization of power, it is said, by facilitating the empowerment of people in local communities can contribute to more sustainable development.

   Preservation of the environment, essential for sustainable development, cannot be achieved unless the pressure on forest and natural resources is reduced. This cannot happen in absence of appropriate property rights of local communities and rural women. In West Bengal as well as in the central Himalayan region in India, it has been found that the disappearance of community control and restrictions on the user rights of villagers reduced the incentive and ability of villages to use forest sustainability.[7]

3. **Inclusive Cities and Human Settlements:** The SDG #11 relates to making cities and human settlements inclusive, safe, resilient and sustainable. The Government of India is facing four major challenges in achieving SDG #11, which are given below:

   **(i) Unsustainable Transport Infrastructure:** India's cities are moving rapidly towards urbanization which has led to overburdening of the existing transport infrastructure. Economic growth creates problems of its own which requires readiness and capacity building of institutions. Urbanization needs to be coupled with sustainable urban transport system. Public transport system must be made easy and updated technologically with dedicated corridors for rapid transit. This would promote usage of public transport instead of using their private modes of transport resulting in cost-effectiveness, reduction of road traffic and pollution.

   **(ii) Energy Consumption:** India still uses energy mostly from natural resources while only 3 per cent of the total energy used is generative energy. The climate damage is done through the emissions from carbon dioxide. Biofuels can be produced through biomass plants. The private sector must be involved by the government to get speedier results.[8]

   **(iii) Shortage of Drinking Water:** The majority of Indian population is deprived of hygienic drinkable water. The demand of water has increased due to more pressure of increase in population and the boreholes have been unsustainably dug deeper than the stipulated limits. The government can initiate innovative systems of incentives to people who install rain harvesting systems and recycling systems. Water ATMs are being installed in villages without water or in grand fairs like the *Kumbh Mela* at Prayagraj.

   **(iv) Substandard Education:** India has a large number of government schools to provide education but they give a very low quality of education. The dropout rate from schools is very high and even those who complete their education are not unemployable. Urban development education schemes must start sustainable education to create equitable society.

4. **Huge Gaps and Contradicting Policies in SDG Challenges:** The mainstream policies in the government since the last three years have a leaning towards being biased towards the private sector partnerships and private financing, for example, 100 per cent FDI has been permitted to attract capital investments. Private sector dependence might seem an affordable option to achieve the desired

goals but the results have not seen any improvement in public service delivery. The approach has shifted its focus from being based on human rights to profit-driven. The key role of the private sector, questioned by civil society groups continues to be a bone of contention regarding the intrinsic approach suggested by the United Nations.

5. **Natural Capital Gap:** The huge gap opening up in India between the amount of natural resources that the country uses and the amount that it possesses is alarming. The mounting natural capital gap was reported by the Global Footprint Network even as India is struggling to deal with the global financial crisis.[9] India now demands the biocapacity of "Two-India's" to provide for its consumption and absorbs its wastes. As compared to 1961, India's ecological footprint has doubled which is calculated on the basis of a report by Global Footprint Network and Confederation of Indian Industry.
6. **Limited Knowledge of Foreign Officers:** The foreign officers have a limited knowledge of technical matters who negotiate in international deals, for example, concerning environment, technology, etc. By the time they get to know an in-depth knowledge of things, they get transferred to some other posts. The aim for the government departments and ministries must be to achieve sustainable development and human development must be complementary to each other instead of being contradictory. India ranks at 130 out of 189 countries at the Human Development Index, 2018 jumping one place since 2017. It is placed in the 'middle' group of countries as compared to being 'low' in the 1990s. However, it is not increasing at the same level as the economic growth.[10]
7. **Inequitable Economic Growth:** Besides all the efforts of the government ministries/departments, India has not managed to achieve equitable growth although it has become an emerging economic power. If one looks at the GDP numbers India has improved remarkably but the number of poor people constitute 35 per cent of the poor of the world. Inclusive growth is still a challenge due to lack in agricultural growth, employment generation and social growth (health, education, hygiene).
8. **Women Empowerment:** Women, constituting half of the population, must evolve from a 'Life Cycle Approach' to a 'Capability Approach', as proposed by Amartya Sen. All government schemes must be assessed and measured to see where the leak is so that it can be plugged. Implementation is more important for the success of these well-planned schemes.

There are many other ways that the governments are working to achieve SDGs through schemes, programmes and projects. The Union Budgets as well as State governments have been aligned with SDGs. After the funds are appropriated for the schemes by the Parliament or the State legislatures, the schemes for SDGs get a legit approval for implementation. Hence, it can be said that the government departments and ministries are working towards the attainment of SDGs.

## Notes and References


1. Thirteenth Report, Organizational Structure of Government of India, https://darpg.gov.in, retrieved on 31 January 2019.
2. Government plans central secretariats in states, https://economictimes.indiatimes.com, retrieved on 31 January 2019.
3. Organizational Structure of Government of India, https://darpg.gov.in, retrieved on 1 February 2019.
4. *Ibid*.
5. Cabinet approves National Monitoring Framework on Sustainable Development Goals, http://www.pmindia.gov.in, retrieved on 02 February 2019.
6. The Governance Of Sustainable Development Goals In India, http://www.businessworld.in, retrieved on 02 February 2019.

7. C. Roy, K & Tisdell, Clement. (1998). Good governance in sustainable development: the impact of institutions. International Journal of Social Economics. 25. 10.1108/03068299810212775, retrieved on 02 February 2019.
8. www.niti.gov.in, retrieved on 10-05-2019
9. The real challenges to sustainable development, http://www.indiatogether.org, retrieved on 03 February 2019
10. India ranks 130 on 2018 Human Development Index, http://www.in.undp.org, retrieved on 03 February 2019.
11. Earth Overshoot Day is a compelling concept, 'the methodology used to calculate it and the ecological footprint on which it is based is conceptually flawed to estimate when Earth Overshoot Day will arrive, the Global Footprint Network calculates the number of days in a given year for which Earth has enough biocapacity to provide for humans' total ecological footprint. The rest of the year represents 'global overshoot.' When the footprint of consumption worldwide exceeds biocapacity, the authors assert that humans are exceeding the regenerative capacity of Earth's ecosystems. This year, they estimate that humans are using natural resources 1.7 times faster than ecosystems can regenerate, or, put another way, consuming 1.7 Earths. Earth Overshoot Day highlights unsustainable uses of natural resources, but we need scientifically robust ecological indicators to inform environmental policy and a broader understanding of ecological risks.

    Assessed from Earth Overshoot Day, https://www.footprintnetwork.org, on 03 February 2019.

# 16 Boards, Commissions, Attached Offices and Field Organizations

## LEARNING OBJECTIVES

*After reading this chapter, you will learn about:*

- Types of Boards/Commissions
- Function of Boards/Commissions
- Advantages of Boards/Commissions
- Attached Offices and Field Organizations

In the Government of India, the departments and ministries are headed by a single chief executive, whereas when a group of executives head an organization, it is a board or a commission. In India, boards have been a part of administration since 1873. Decision-making in a government organization has to pass through many levels before it is finalized as compared to an organization headed by a single chief executive. An organization which is headed by a single executive head is called a 'Bureau' which falls under a department and performs a single function or interlinked functions. It has a homogeneous structure which is coordinated by the department. In general discussions and indeed in legislation, the two terms 'boards' and 'commissions' are used almost interchangeably as synonymous expressions.

### Q1 *What are the different types and classification of boards and commissions in the Indian Administrative System?*

**Ans.** Boards in the Government of India are of various types, which are as follows in Figure 16.1 and briefly described.

***Figure 16.1: Types of Boards and Commissions***

**The Administrative Board:** When a department is headed by a board, it is termed as an administrative board, for example, The Central Board of Direct Taxes, The Railway Board, etc. Their functions are majorly policy formulation and administrative functions.

**Advisory Board:** An advisory board is formed for advisory functions, as the term suggests, and is usually attached to the departmental head on relevant matters. It comprises technocrats or experts in a specific field for which the board has been constituted. They are not included in the hierarchical order of the department and neither are they a part of the policy formulation process. The advisory boards are commonly known as committees, for example, Higher Education Commission of India, Small Scale Industries Board, etc. The commissions which are established as a result of their legal status by an act of Parliament like the Election Commission, the Union Public Service Commission, the Finance Commission, etc., and are also called constitutional commissions or statutory boards.

**Boards (included in the hierarchy):** There are some boards or commissions which are included the hierarchical order of a department and is required to perform quasi-legislative/judicial functions but do not have any responsibility to carry out administrative functions of the department, for example, *Khadi* Board.

**The Bi-Partisan Boards:** These types of boards are constituted to dispel with interpolitical party hostilities and work together to get the desired results.

**The Regulatory Commissions:** The boards or commissions which are established to carry out control functions are regulatory commissions like the Securities and Exchange Board, etc.

The classification in India is not rigid because they are constituted according to the needs of the services to be delivered. To sum up, three main types of boards and commissions emerge, the first established by the constitution (Finance Commission); the second type is which are established by a special statute (The Railway Board) and the third is the ones that are set-up by a Cabinet resolution (Planning Commission).

## Functions

A board/commission has the following functions:

- **Formulation of Rules and Regulations:** They formulate rules and regulations having the force of law in determining the rates and conditions of service of public utility corporations. The board/commission has to perform quasi-legislative/judicial functions. Education and Health Boards have been doing these functions to improve their systems.
- **Exercise of the Rules and Regulations:** To pass upon such issues affecting public and private rights arising under such rules and regulations or the statutes authorizing their formulation and promulgation and lastly determining the conditions that must be observed by the board/commission in their operations. It is their duty to sit as quasi-judicial tribunals for the hearing of causes and giving their decisions of the issues. Such decisions can be put under review by the regular courts.
- **Oversight and Control:** Some organizations have to exercise wide discretionary powers or control like the Union Public Service Commission. Such boards/commissions carry out the functions of oversight and control over the operations, for example, the Central Board of Directors established under the RBI Act serve as an oversight board for the RBI. Such controlling actions have far-reaching effects on the economy.

### Composition of Commissions

The members of the boards or commissions can be:

- Full time serving members and receive compensation on the same basis as other officers of the government.
- Private persons receiving no compensation from the government but giving only part-time services.
- Members holding other offices under the government and by virtue of such offices being *ex officio* members representing combinations of these methods of selection.

### Advantages of a Board/Commission

According to Willoughby[1], the issue of decision-making being made by a group of persons is paramount in boards and commissions but it is well-accepted throughout the private industry and government that a prime essential of efficient operation is the definite location of administrative authority in the hands of a single individual rather than the division of much authority among a number of persons. However, if the duties to be performed by a service are not primarily of an administrative nature but the ones involving the exercise of discretion or policy formulation or drafting of rules and regulations affecting the private sector or adjudication of claims, then the commission/board type of organization has to deal with such services.

Given below are the advantages of a board/commission type of organizations in Figure 16.2 with brief description.

***Figure 16.2: Advantages of a Board/Commission***

1. **Decision-Making:** Decision-making in an organization which provides the services afore-mentioned requires collective judgement of a number of persons is likely to be superior to that of a single individual as the head of a department.
2. **Quasi-legislative/judicial Services:** A board/commission is best suited in the departments or organizations providing services of a quasi-legislative/judicial character, for example, public utility commissions.

3. **Representation of Diverse Interests:** A board/commission can be instrumental in representing diverse interests, for example, the boards dealing with arbitration and conciliation, made by the Union or the State governments. Such boards include citizens, employers, employees and the board members.
4. **Reduction of Party Politics:** The board/commission is best-suited in situations where party politics is rampant and there is no effective work happening. The directing authority is vested in a board/commission in which the members selected from among the adherents of major political practices. This ensures non-partisan ship in performance of their duties. The tenure of members cannot be more than the appointing authority and can end at a different time for each of the member. This dispels the concentration of power in the appointing authority, for example municipalities.

   However, it is generally observed from the research studies world over that a non-partisan board/commission generally fails at the municipal level while it is successful at the national level because the functions are more of a general nature and political partisanship is more active and aggressive at the local levels rather than at the national level. Moreover, the national services are better protected against political pressure through civil service laws and regulations.
5. **Special Competence:** Boards and commissions comprise of a group of members who are expert in their fields giving technical expertise with respect to rules and regulations and adjudication of personal disputes or cases of misconduct.
6. **Communication Channel:** The boards/commissions provide a communication channel between the elected officials and the society which increases the array of ideas to take effective and micro as well as macro decisions.

As a canon of a correct administrative practice, where the work to be done is essentially of an administrative character, that is, calling for the direct performance of work, the bureau type of organization should be adopted. It has been observed that boards/commissions are advantageous but sometimes division of opinion in the boards/commissions, members creates confusion and chaos in its administration. The subject of boards/commissions is very important and a lot attention is paid to it because of the fact that the principles which should govern in organizing administrative services as a bureau or a board/commission.

Mostly, the problems of ineffectiveness in the delivery of government services arises due to the selection of wrong type of organization that is established for a specific purpose. A very common error is to appoint a bureau in public distribution system, public health or education whereas responsibility could have been given to a board or a commission. The other factors for the failure of such organizations are corruption, inefficient office management practices, red-tapism and the arrogant attitude of public servants.

## Q2 *Discuss the functions and role of attached offices and field organizations in the Government of India.*

**Ans.** The attached offices and field organizations are the executing agencies of the government to translate its policies into action on the ground because the policies are nothing but words on paper unless and until they are implemented successfully. A ministry/department is responsible for formulation of policies of the government in relation to the subjects allocated to it under 'Allocation of Business', rules and also for execution, monitoring and review of those policies.

**Attached Offices:** Attached offices provide detailed executive directions required in the implementation of the policies, as laid down from time to time by the ministry/department to which they are attached. They also serve as a repository of information and also advise the department on various aspects of matter dealt with by them (e.g., Central Public Works Department, Central Water Commission, Central Electricity Authority, Directorate General of Foreign Trade, Directorate General of Factory Advice and Labour Institutes, etc.).

**Organization:** The head of an attached office is generally a technical official with different nomenclature like the registrar, director, chief engineer, etc. The attached offices vary in their recruitment, proportion of technical to non-technical executives and status of the heads. The head may be an Additional Secretary or a Joint Secretary. The rest of the staff is drawn from the Central Secretariat Service.

**Functions:** The basic function of the attached offices is to implement the policies laid down by the ministry/department. The review of policies also falls as a responsibility of the civil servants but they are more pressed for time to do so. Since they are also charged with the administrative and operational functions, their performance efficiency is adversely affected. Separation of the two activities of policy implementation and policy execution must be separated so that there is adequate time for the executives to fulfil their duties.

**Field Organizations:** The field agencies work under the directorates which are responsible for detailed execution of the policies and schemes which are formulated by the ministry/department. Such field agencies are set-up at the regional, district and lower levels. Their importance is integral to make the developmental plans reach the public on the ground. Regulatory agencies also have field agencies to uphold accountability in their working and officials. The number of field agencies that are set-up at various levels depends on various factors, like the size of the state or amount and nature of work.

The field agencies are called field stations also as their work can be categorized as 'field service.' The field offices can be set-up either by a legislative enactment or by an administrative order.

Since the developmental work is ultimately carried out by the field agencies, they are the line agencies. The administrative departments have the discretion of deciding the number, location and grade of the field stations to get optimum results in their operations. However, the field offices must be graded to facilitate proper allocation of funds, number of staff personnel. This helps in putting in a proper unified system in place for easy transfers of the officers from one location to another. The field agencies can have subfield stations under them to establish a good line of authority.

The line of authority can either be an integrated one with all field station/agencies under one ministry/department which is called a unitary or an integrated type of organization or have a hierarchical line of authority with one sub agency under an agency.

**Growth of Field Agencies:** In the recent times, the number of field agencies has been increasing to perform the increasing developmental functions of the government. The reasons for their growth are:

- **Centralization or Decentralization:** The number of field agencies increases as an instrument due to an approach of centralization or decentralization. If the purpose of the field organization is to tighten the central supervision and control over autonomous local governments through agents located at that point, then it is a centralized approach. On the other hand, if field offices of a central agency are established to allow administrative adaptation to local conditions, then the major share of decision-making is done by the field officers, then the result is decentralization.
- **Growth in Governmental Activities:** The government's activities have grown tremendously over the decades after the independence as many new areas of developmental work has come into the foray which was never heard of due to technology and development. The government can make policies through its ministries and departments but the work has to be carried out by the field agencies to execute the policies on ground.
- **Technology:** There is a giant leap in technological advancement in the world and India has to keep up with it. The 'Age of Digitalization' demands that all regions and areas of the country are connected digitally, for example, the government is making a rigorous effort to connect all the 2.5 lakh *Panchayats* digitally to avail benefits from various schemes.

## Modalities of a Decentralized Field Agency

A decentralized agency has the following modalities/characteristics:

- Freedom in decision-making as it understands local needs and problems.
- Delegated power and authority in broad terms without interference in small matters.
- Decisions taken by the field agencies are final.
- Subfield agencies also should have freedom in decision-making.

The trend in the present times is that the field agencies are moving towards centralization because the channels of communication are much more advanced. Digitalization has made it possible for the field agencies to report their progress through various specifically prepared software and on the other side, the headquarters can direct how things have to progress. The ministries/departments are accountable to the legislature and have to ensure that the policy is fairly executed and cannot let things go wrong and waste resources. A centralized agency will speed up things because it has its own established and tried ways. Rest depends on the functional character of the tasks and activities to be done. If there is a multifunctional agency, it tends to be decentralized to have better efficiency and quality of performance.

## Notes and References

1. Adapted from: Willoughby, W. H. (1929), *Principles of Public Administration*, The Brookings Institution, Washington.
2. Central Secretariat, Manual of Office Procedure, 14th Edition, https://darpg.gov.in, retrieved on 14 February 2019.

UNIT

# V PLANS AND PRIORITIES


**Chapter 17** Machinery of Planning—Role, Composition and Functions of the Planning Commission and the National Development Council—Indicative Planning; NITI *Aayog*

**Chapter 18** Process of Plan Formulation (The Union and State Levels; Decentralized Planning)

*This page is intentionally left blank.*

# 17 Machinery of Planning—Role, Composition and Functions of the Planning Commission and the National Development Council—Indicative Planning; NITI *Aayog*

## LEARNING OBJECTIVES

*After reading this chapter, you will learn about:*

- Why plans and priorities are important?
- Emergence, Composition, Functions and Role of the Planning Commission
- How does committees work in the Planning Commission?
- Five-Year Plans of the Planning Commission
- Achievements and Failures of the Planning Commission
- NITI *Aayog*
- Functions, Composition and Role of NITI *Aayog* through Cooperative Federalism
- Critical Examination of the Document 'Strategy for New India @ 75'
- Critical Examination of the Role of NITI *Aayog*
- National Development Council—Composition and Functions
- Indicative Planning

Plans and priorities are essential for a developing nation. Planning involves a basic framework to get its process on its way. The machinery of Planning in India has been limited to the Planning Commission, National Development Council and NITI *Aayog*. However, some major steps are necessary to be taken prior to planning. Given below are the essential obligatory requirements:

**Statistical Data:** Quantifiable parameters are needed to arrive at the solutions to the problems of our country. Statistical data helps in successful planning to accomplish outlays and outcomes. The data collected must fulfil the standards of reliable data.

**Economic Structure:** Before any planned development can take place, it is important that the economic structure of the country must be pliable and conducive to the implementation of plans. The Central government must take steps to do land reforms, community development programmes, etc.

**Administration:** Indian government departments are beset with the problems of mismanagement, corruption and inefficiency. Therefore, the administrative set-up needs to be overhauled to make the plans successful.

**Institutions:** Capacity-building of human resources and coordinating it with physical and financial resources strengthens the institutional structure. To implement the plans successfully, it is imperative to induct institutional changes.

**Citizen Participation:** No plan can be implemented if satisfaction of people is lacking. Citizens must be educated and have awareness to receive the intrinsic value of the plans.

## Q1 *Discuss how Planning Commission came into existence. What was its objective, composition, functions and role?*

**Ans.** It was Mr Visvesvaraya in 1934, who attempted to set in motion planned economic planning in India via his book, *Planned Economy for India*. It took shape as the 'National Planning Commission' under Jawaharlal Nehru as its Chairman in 1938 by the then Indian National Congress but it did not get on its way owing to the Second World War. In 1944, another initiative was taken by eight renowned business persons of Bombay known as the 'Bombay Plan' which published its first document in 1948 after the National Planning Commission had begun its work. The 'Gandhian Plan' was proposed by Sriman Narayan Aggarwal based on the concept of 'Sarvodaya' while M. N. Roy gave the 'People's Plan' which was shaped by J. P. Narayan in 1950. All these efforts led to the setting up of the 'Planning Commission', finally in 1950, through a resolution that was passed by the Cabinet.

The commission keeps a close channel of communication with the Cabinet. Their meetings involve major economic and social issues and plan formulation. The Planning Commission generally has discussions concerning the Indian economy before taking the matter to the Cabinet.

### Objective

It follows from the above-given historical background that the main objective of the Planning Commission was to achieve a well-designed and structured economic planning to achieve an accelerated growth in the standard of living of Indians. It aimed at the gainful exploitation of physical and human resources of the nation, thereby, increasing the means and ends of production. It evaluated the resources to understand the areas lacking development and would make plans for optimizing efficiency in resource mobilization. The Planning Commission aim was increasing the national income and per capita income while aiming to bring in industrialization but not neglecting agricultural production. Its aim was to remove regional disparity and poverty by increasing employment base. This would lead to a decrease in income and wealth disparities.

### Composition and Organization

With the setting up of Planning Commission via a Cabinet Resolution in 1950, it was established as an extraconstitutional and a non-statutory body. It was set-up under Article 39 of the Constitution of India which is a part of the Directive Principles of the State Policy. Its *ex officio* Chairman was the Prime Minister and the Deputy Chairman was appointed by the Prime Minister who was given a full Cabinet Minister rank. It also appointed full-time members selected from various fields like economics, industry, science and general administration.

The organization of the Planning Commission consisted of two divisions, namely:

1. General planning division
2. The programme administration division.

**Functions of Planning Commission:** The Planning Commission began its journey in 1950 and ended in 2015 which will be discussed later. First, we shall understand its functions, which were determined in 1950, in brief:

- **Assessment:** Its first function was outlined to assess material, capital and human resources of the nation and technocrats thereby looking for ways to increase resources to cater to the nation's needs.

- **Plan:** An efficient plan to be formulated for an effective and balanced resource mobilization.
- **Stages:** The plan must have prioritized defined stages for its implementation and make proposals for appropriation of funds.
- **Factors:** The Planning Commission must determine the factors impeding economic development as well as the methodology to remove such factors considering the social and political environment in the country.
- **Machinery:** The Planning Commission must develop the machinery required to execute all stages of the plan in a productive fashion.
- **Periodic Review:** The Planning Commission would conduct a periodic review in all the stages of the plan and suggest any amendments required in the policy for its successful execution.
- **Recommendations:** Recommendations would be made periodically for efficiency in connection with the current economic situation, policies or programmes or any specific problems.

## Role of the Planning Commission

The Planning Commission had to keep up with the changing economic and social situations considering the country's issues. It determined the areas and regions that required development and worked out a framework to direct the economy towards progress.

The Planning Commission role was to formulate and develop an all-inclusive strategy while making plans for social and economic development. There was a need for a cohesive approach to coordinate various parameters of social infrastructure. Optimum utilization of resources is important because of scarcity of funds. Instead of continually looking at an increase in allocation of funds, the Planning Commission aimed at maximizing the inputs efficiently. It acted as a bridge between the Centre and the States to reduce the fiscal strains so that a wholistic growth of the nation was possible. This goal can be achieved by finding ways to improve managerial efficiency in governmental organizations. Its role also included the dissemination and analysis of data.

Gradually, the Planning Commission evolved and worked through its three divisions which are discussed below in brief:

1. **Programme Advisers:** The Planning Commission had four senior officers who are *ex officio* Additional Secretaries to the Government of India and are given the designation of advisers. Their major function was to help the Planning Commission members in issues of field study, schemes, projects and their execution. The issues of finance, citizen participation and administration were addressed by the advisers to execute the plan efficiently.
2. **General Secretariat:** The General Secretariat had four branches:
   (a) Administrative
   (b) Plan coordination
   (c) Information and publicity branch
   (d) Branch of general coordination.
3. **Technical Divisions:** The Planning Commission had a total of 20 technical divisions and sections termed as the general divisions and branch of subject divisions which were headed by specialists with designations like the Chief or Director, their assistants, deputies and their team of researchers.

   The general divisions dealt with the macro issue of social and economic planning spanning the solutions and progress of the issues. On the other hand, the subject divisions handled specific problems

such as education, health, food and agriculture, etc. The two groups were eventually responsible to examine and analyse the various developmental schemes and projects. They were also responsible to prepare and submit reports on their progress.

## Advisory Bodies

The Planning Commission consisted of advisory bodies in the shape of committees like the Committee on Irrigation and Power Projects, Coordination Committee and Research Programme Committees.

## Task Force

The Planning Commission formulated a task force from time to time to look into various issues. Given below are a few task forces that were set-up to:

- Review guidelines on Scheduled Castes sub-plan and tribal sub-plan by Central ministries/departments.
- Review problems of hill states and hill areas and also to give recommendations regarding these states' peculiarities.
- Review housing and urban development.
- Study skill development.
- Revamp and refocus on National Agricultural Research, etc.

Eventually, the Planning Commission was dissolved in 2015 and replaced by NITI *Aayog*. The Planning Commission was considered to have a top-down approach of 'one size fits all' which did not involve the states in policy planning. The commission had remained powerful over the decades because it emerged as a sort of parallel cabinet with the Prime Minister as its Head. The Planning Commission power in allocating central funds to States and sanctioning capital spending of the Central government was deeply resented by States and various government departments.[1]

## Q2 *Discuss the working and role of various committees constituted under the Planning Commission.*

**Ans.** The Planning Commission established various committees to carry out its work in various sectors. The Five-Year Plans were formulated on the basis of their reports concerning the existing challenges in India and the ways they can be removed. The Planning Commission constituted a few committees discussed below:

## (I) National Knowledge Commission

The National Knowledge Commission (NKC) to the Prime Minister was constituted in 2005 via an order of the Cabinet's Secretariat.

### *Terms of Reference*

The terms of reference of the commission are:

- Build excellence in the educational system to meet the knowledge challenges of the 21st century and increase India's competitive advantage in fields of knowledge.

- Promote creation of knowledge in science and technology labs.
- Improve the management of institutions engaged in intellectual property rights.
- Promote knowledge applications in agriculture and industry.
- Promote the use of knowledge capabilities in making government an effective, transparent and accountable service provider to the citizen.
- Promote widespread sharing of knowledge to maximize public budget.

### *Technical Support*

A technical support group would be set-up to help the commission, which would consist of ten contractual professionals from premier educational organizations like the IIMs or IITs. Their salary would be funded from a large sum of grant. The NKC would have full freedom to get appropriate terms of engagement of this support team. Officers on Special Duty (two-third in number) would be selected to promote administrative coordination. The one-time sum total of money that would be given to the commission would also cover the expenses incurred on the offices, travelling and staying of the members on official duty, etc.

### *Co-opt Experts*

The NKC can also have co-opt experts to assist and coordinate in its task's management.

### *Working*

The NKC would deal with the issues fixed in the terms of reference via working groups which will be set-up by the ministry associated with the terms of reference as follows:

- Education system—Human Resource Development Ministry
- Creation of knowledge—Science and Technology Ministry
- Improvement of institutional management in intellectual property—Commerce and Industry Ministry
- Knowledge application in agriculture and industry—Agriculture Ministry and Commerce and Industry Ministry
- Making effective and transparent government in the promotion of knowledge sharing—Department of Information and Technology

### *Mechanism of Oversight*

The NKC would have an oversight mechanism with the Prime Minister as its Chairman and other members—Human Resource Development Minister, Agriculture Minister, Commerce and Industry Minister, Minister of Communication and Information Technology, Deputy Chairman of Planning Commission and the Minister of State of Science and Technology.

### *Timeline and Deliverables*

The NKC was supposed to formulate a precise framework of deliverables by October 2005 and make a 36-month plan till October 2008 after having detailed interactions with the working groups.

### *Managerial Support*

The NKC would have the Planning Commission as its nodal agency for administrative, logistics, planning and budgeting purposes as well as dealing with legislative responses.

### *Impact*

The NKC submitted about 300 recommendations on 27 subjects to the Prime Minister in 2009.[2] The Eleventh Five-Year (FY) Plan included its recommendations with a 3 trillion proposed allocation (2.7 trillion was allocated) for education from one-fourth of it in the Tenth Plan. This was a major step towards building an equitable society.[3] The Eleventh FY Plan was called as the 'India's Educational Plan' by the former Prime Minister Dr Manmohan Singh.[4]

## (II) Study Group on Reforms in State Public Sector Undertakings

Public Sector Undertakings (PSU) were set-up in the states to form an integral part of the nation's developmental plans and the industrial policy. Although they were established to generate profits but over the years, most of them went into losses and are continuing to do so. The reasons for this situation are lack of labour, capital and technology on one hand and overstaffing of personnel on the other. So, reforms in State PSUs is an essential step to redeem the worsening state of affairs.

### *Observations made by the Study Group*

Given below are a few important observations made by the study group in its report in two volumes in 2002[5]:

1. **Individual Reforms:** It was observed by the study group that uniform reforms cannot be applied to all the states. The reforms will have to be worked out individually from state to state. The Disinvestment Commission needs to take care if the public purpose served by the PSU is being done successfully and if it can be retained or needs to be disinvested.
2. **Individual Disinvestment Commission:** Each State must have an Individual Disinvestment Commission via a State legislation specifying the particular PSUs to be privatized, the evaluation methodology, time frame and the reporting methods.
3. **Form of Disinvestment:** Assessment of the form a unit will eventually take while winding up, partial disinvestment or complete transfer or even some other alternative like restructuring of PSU must be done before disinvestment so that some marginal additions of capital can fetch a higher price on the sale of equity.
4. **Prompt Disposal:** It was suggested that once the PSU is referred to the Board for Industrial and Financial Reconstruction (BIFR), it must be ensured that the delayed process of formulating a revival package is avoided at all costs. A revival package usually takes about one to three years, which further puts a strain on the resources. The BIFR would also deal with the bankruptcy of the units referred to it.
5. **Sound Commercial Principles:** The need for running the PSUs on sound commercial principles was considered important so that all decisions taken would be based on profit motive rather than political interference except for the ones constituted in the first place for social welfare. The problem

with the social welfare PSUs is that once they obtain institutional finance, they run into losses and become a burden. Such PSUs must be made departmental enterprises.

6. **Proper Assessment:** Delays in disposal of assets of a sick unit leads to unnecessary delays. This calls for a proper assessment of such disposal of assets and issues of capital, technology, labour and management to expedite the process.
7. **Employment:** The issue of employment needs to be addressed while dealing with the disinvestment/privatization of the State PSUs. Deployment of new technology, Voluntary Retirement Scheme (VRS), Retrenchment Scheme, etc., requires offloading manpower on one hand and funds on the other. State renewal fund can be set-up in each State, sourced from the disinvestment/fund, that could be created out of the funds accruing from the sale of the PSUs.
8. **Labour Opposition:** Since, in India, we have very old and obsolete labour laws, it becomes difficult to carry out the disinvestment/restructure of PSU reforms. Our system is deficient in providing assured employment, social security or insurance which leads to labour unrest. A uniform National Policy for this issue would be helpful in this regard. Social Safety Net (SSN) can be set-up in every state instead of the VRS to encourage retraining, redeployment and employment insurance. The SSN would also mitigate social disparities and unrest. This scheme would be applicable to those workers who are eligible for VRS.
9. **Ownership Stake:** It was suggested that motivation and efficiency of the employees can be increased if they would be offered an ownership stake in the PSU. This can also be achieved by giving the employees an equity. It was recommended that a concept of employee stock ownership must be initiated in PSUs.

## (III) Special Group on Targeting Ten Million Employment Opportunities Per Year Over the Tenth Plan Period

This special group was constituted by the Planning Commission to explore policies and programmes for generating employment for 50 million persons over the Tenth Plan. Relevant studies and data were used to assess the employment situation and the effects of such an achievement of this target. The main objectives of this study group were given in the approach paper which suggested that jobs must be provided to all the new workforce. Secondly, unemployment must be reduced significantly by the end of the decade.

### Policies to Generate Employment

A few policies that were worked out to generate employment were:

- **Macro Policies:** The 'Harrod Domar Model' was considered as the basis to bring in macro policies for growth. It states that for growth a higher investment as a percentage of Gross Domestic Product and a lower incremental output ratio was required to obtain a higher growth. To achieve this, free and competitive market needs to be promoted for goods.
- **Sectoral Policy:** Land and water utilization policies must be formulated to have a higher rate of growth in agriculture. A subsidy scheme with respect to reclamation of degraded lands was started to benefit the victims. Land must be acquired only for development of infrastructural needs. Land records need to be computerized and stamp duties be reduced by a 5 per cent.

There were many other issues taken up like food processing, Small and Medium Enterprises, employment generation in *khadi* and village industries, services sectors—community, social and personal, nutrition, education, information technology, tourism, etc.

## (IV) Advisory Group of Tax Policy and Tax Administration Reform

The Planning Commission formulated the advisory group in July 2000 to:

- Consider and assess tax policy
- Tax administration questions
- Problem areas.

And thereby suggest suitable suggestions and recommendations at various levels of government so that the Tenth Plan would be funded adequately. The group suggested that major complementary steps be taken to generate more revenue so that the productivity of revenue would be increased at all three tiers of the government—Central, State and local.

### *Terms of Reference*

The terms of reference of this group are given below in brief:

- To analyse how much was the tax revenue collected in relation to GDP in the 1990s at the Centre and the States.
- To evaluate personal income tax and suggest ways to widen its base by reforming tax incentives.
- To study the corporate tax structure and suggest ways to expand its base in a simplified manner.
- To examine CENVAT and suggest ways to improve its structure and revenue raising capacity.
- Resource mobilization through taxes and ways to implement tax policy reforms.

## (V) Poverty Line

An expert group was constituted to recommend the detailed methodology for identification of families living Below Poverty Line (BPL) in the urban areas.

## (VI) Efficient Management of Public Expenditure

A High-Level Expert Committee was constituted to suggest measures for efficient management of public expenditure. The Eleventh Plan document brought out lack of consistency due to the existing classification of expenditure into 'plan and non-plan'. These inconsistencies lead to inefficient management of public resources. The scope of the PSUs also needs to be defined clearly.

The above-given committees helped the Planning Commission to execute its plans.

## Q3 *Briefly examine the contributions of 'Five-Year Plans' in the Indian economy. Briefly discuss the achievements and failures of the Planning Commission.*

**Ans.** India followed the economic strategy of Five-Year Plans after independence to achieve equitable and rapid industrialization and economic growth. There was a considerable impact of the plans but ultimately the Planning Commission had to be dissolved as it was rendered useless. The States became dependent on Central assistance while implementation and monitoring of the plans was considered negligible. The Planning Commission called for economic reforms because of its linear policies and stodgy working. However, the Planning Commission made the country kick-start on the path of economic development. A brief summary of the twelve Five-Year Plans is given below in Table 17.1.

***Table 17.1: Five Year Plans in India***

| Plan | Main Points |
|---|---|
| First Plan<br>1951–56<br>Target Growth: 2.1%<br>Actual Growth: 3.6% | • Formulated on the Harrod Domar Model<br>• Began Community Development Program in 1952<br>• Emphasis on agriculture, price control, power and transport<br>• The plan received success because of bumper crop in its fourth and fifth year. |
| Second Plan<br>1956–61 | • Was named the Mahalanobis Plan owing to the great economist with the same name.<br>• Speedy industrialization as its focal point<br>• Promoted imports extensively with the help of foreign loans<br>• Transferred its focus from agriculture to industry albeit a bit too soon<br>• This plan period witnessed a 30% price rise in comparison to a 13% during its preceding plan<br>• The growth achieved in actuality was 4.2% against the target growth of 4.5% |
| Third Plan<br>1961–66 | • Its objective was to make India self-reliant and self-generating economy<br>• Agriculture was considered to be its top-ranking priority so that it could support exports as well as industry and commerce<br>• The two wars with China and Pakistan resulted in non-accomplishment of targets |
| Three Annual Plans<br>1966–69<br>Plan Holiday for three years due to failure of first three plans | • Acute food shortage was the core emphasis of this plan<br>• Use of high-yielding crops' seeds, fertilizers and irrigation projects<br>• Drought led to various problems like a higher rate of inflation<br>• Soil conservation schemes were made to increase growth |
| Fourth Five-Year Plan<br>1969–74<br>Target Growth: 5.7%<br>Actual Growth: 3.3% | • Nationalization of 14 major Indian banks<br>• Launched the Green Revolution to promote agriculture<br>• Funds outlined for industrial development got siphoned off to fund the Indo-Pakistan War of 1971 and Bangladesh Liberation War.<br>• Education and employment took precedence to increase the standard of living.<br>• Family Planning Programme to control population |
| Fifth Plan<br>1974–79<br>Target Growth: 4.4%<br>Actual Growth: 3.8% | • To curtail inflation, health, etc.<br>• Employment, poverty alleviation<br>• Self-reliance in agriculture and defence<br>• Amendment of the Electricity Supply Act to enable the<br>• Union government to move into power generation and transmission<br>• The Indian highway system was geared up to promote tourism<br>• The Janata Party Government discontinued the plan in its fourth year |
| Rolling Plan<br>1978–1980 | • Two Sixth Plans<br>• No fixation of dates in the commencement or termination of Plans which resulted in vagueness<br>• Revised targets every year made it extremely difficult to achieve targets leading to an unstable economy |

(*Continued*)

***Table 17.1: Five Year Plans in India (Continued)***

| | |
|---|---|
| Sixth Plan<br>1980–1985<br>Target Growth: 5.2%<br>Actual Growth: 5.66% | • Focus on agriculture and infrastructure.<br>• Increase in nation income as its objective.<br>• Emphasis on modernization of technology, unemployment, family planning, etc. |
| Seventh Plan<br>1985–90<br>Target Growth: 5.0%<br>Actual Growth: 6.01% | • Due to too much political instability Annual Plans were implemented<br>• There was adverse balance of payments<br>• Free market reforms launched by Dr Manmohan Singh to save India from bankruptcy<br>• A beginning of the era of liberalization and globalization |
| Eighth Plan<br>1992–97<br>Target Growth: 5.6%<br>Actual Growth: 6.7% | • Shift towards industrial modernization, reduction of poverty, employment<br>• Free market reforms to check the bulging deficit and foreign debt<br>• Also called the Rao and Manmohan Model of Economic Development<br>• Energy got an outlay of 26.6%<br>• Issue of concern was devaluation of rupee, licensing liberalization and decreasing trade barriers<br>• The plan was considered successful |
| Ninth Plan<br>1997–2002<br>Target Growth: 6.5%<br>Actual Growth: 5.4% | • Complete poverty removal, an increase in national growth<br>• 48% hike in terms of the plan expenditure and 33% in plan outlay as compared to the Eighth Plan<br>• Special Action Plans (SAPs) started to aim at fulfilling targets on time with sufficient funds<br>• Focus on four important areas:<br>○ Quality of life<br>○ Productive Employment<br>○ Regional balance<br>○ Improvement in trade and current account deficit |
| Tenth Plan<br>2002–2007<br>Target Growth: 8%<br>Actual Growth: 7.6% | Goals:<br>• 8% GDP growth rate<br>• A decrease of 5% points in poverty ratio by 2007<br>• Provision of high-quality employment<br>• Primary education for everyone by 2007<br>• A 50% reduction in gender gaps and wage rates by 2007<br>• A 72% hike in the literacy rate by 2007 and 80% by 2012<br>• Reduction of population growth by 16.2% by 2011<br>• Forest and tree cover to increase by 25% by 2007 and 33% by 2012<br>• All villages to have potable drinking water by 2012<br>• Cleaning of all major or polluted rivers by 2007<br>• The plan was successful in decreasing the poverty ratio by 5% and an increase of 25% of forest cover was seen. The literacy rate was raised to 75% and the resultant was an increase of 8% of the economic growth. |

(*Continued*)

***Table 17.1: Five Year Plans in India (Continued)***

| | |
|---|---|
| Eleventh Plan<br>2007–2012<br>Target Growth: 9%<br>Actual Growth: 8% | Goals:<br>• Increase the GDP from 8% to 9% and the agriculture GDP growth rate to 4% per year<br>• A need of 70 million new employment generation thereby decreasing unemployment by 5%<br>• An increase of 20% decrease of elementary school dropout rate by 2012 and an 85% increase of literacy rate<br>• Gender gap in literacy to be reduced by 9%<br>• Decrease in infant mortality rate by 28 and maternal mortality ratio to 1 per 1000 live births<br>• Sex ratio of age group 0–6 to be raised from 935 to 950 by 2017 by 2012<br>• Ascertain that the gainers of government schemes must be women and girls<br>• Ensure all-weather road connection to habitats of 1000 and above 500 in hilly and tribal areas by 2015<br>• Provision of telephone connection and broadband connection to villages by 2012 |
| Twelfth Plan<br>2012–2017<br>Target Growth: 8% | • A 10% reduction in poverty by 2017<br>• Twelve strategy challenges being dwelled upon<br>• Reduction of poverty by 10% in the 12th Plan and 2% annually<br>• Higher growth in capital intensive sector and high-skilled sector. |

The Five-Year Plans led the nation on the path of economic growth taking all the sectors forward. India's national income and GDP increased at a fast rate increasing rate. Given below are the achievements and failures of the Planning Commission:

**Achievements of Planning Commission:** The main goal of public policy in India has been promotion of rapid balanced economic development. The First Five-Year (FY) Plan's aim was to strengthen the institutions at the base to increase capacity to implement the plan as an instrument of development policy by Jawaharlal Nehru. The achievements of the Planning Commission are given in Figure 17.1 and described thereafter:

1. **Agriculture:** The First FY Plan fell in the period right after India's independence and the government had to deal with the mass inflow of refugees and food shortages. The objective of increasing agricultural production was achieved which was helped by a favourable monsoon. It achieved a growth rate of 3.6 per cent. In the First Plan, the increase in agricultural production reached about 17 per cent whereas the Second and the Third Plan were not so successful, bringing down the index to 16. The agriculture production was targeted at a higher goal in the subsequent plans to offset the expenditure on heavy industries. The Ninth Plan included agricultural sector reforms such as the Rashtriya Krishi Bima Yojana and the Eleventh Plan introduced the National Food Security Mission and Rashtriya Krishi Vikas Yojna which have improved the performance of the agricultural sector.
2. **Public Sector:** The Planning Commission kick-started the economy towards industrialization and was labelled as the Industrialization Model which held its hold from 1950 to 1980. The industrialization in the capital goods through the public sector was impressive. The 1950s were called the Mahalanobis Plans assisted by Mahalanobis and Pitambar Pant in making a development strategy.[6] The capital goods industries like iron and steel got a big impetus and self-sustaining growth with

***Figure 17.1: Achievements of the Planning Commission***

economic planning. The road length was 4 lakh kilometers at the beginning of economic planning in India which increased to a total road network of approximately 55 lakh kilometers at the end of the economic planning period of Planning Commission.[7] This has made India having the second largest road network in the world.[8] Same is the case in the education, health and sanitation sectors.

3. **Community Development:** A major share of allocated funds was directed towards community development at the block and village levels to mobilize the rural community to intensive agricultural development.
4. **Capacity Building:** The institutions were enhanced in capacity by developing the Indian Institutes of Technology, Indian Institutes of Management, Commissions for Atomic Energy and Space and the Council of Scientific and Industrial Research labs so that India could progress rapidly. The capacity-building extended to agricultural research and rural credit network.

5. **Gadgil Formula:** The Gadgil Formula emerged in 1960s in the face of non-Congress governments in the States. It entailed Central assistance to the States to pull them into the mainstream.
6. **Public Private Partnerships:** The 1991 economic reforms led to the emergence of Public Private Partnerships (PPPs) to galvanize infrastructural development.
7. **Technological Advancements:** The First FY Plan set the agenda for the need for promoting research and technological advancements. Proper utilization of natural resources also requires high-end technology besides other fields. India is a popular destination for technology investments.
8. **Prospective Projections:** The Planning Commission was exhaustive in its future projections right from the First Plan. It gave projections for the next 25–30 years keeping the rate of population growth in mind in its 1952 report.
9. **Economic Self-Reliance:** India has been successful in getting rid of imports and become self-reliant by increasing its domestic production of foodgrains and in almost all public sector basic, capital and consumer goods.
10. **Service Sector:** The service sector has contributed heavily to the economic growth in India. The growth rate has been an immensely high rate in the last ten years.

The Planning Commission changed in the decade starting from 2004 to 2014 and became a dynamic institution with healthy tensions, checks and balances and public accountability.[9] The Planning Commission started quarterly and half-yearly reviews that were called for to determine what distance had been covered towards the defined goalposts. Two changes were made in the Planning Commission:

- Taking people on board from the beginning of the planning stage
- Slackening the rigid Centrally Sponsored Schemes.

The then Prime Minister Manmohan Singh directed that one size does not fit all. At annual plan discussions, the States were asked what changes to Centrally Sponsored Schemes would address their special needs.[10] India achieved higher growth and poverty numbers were brought down but the Five-Year Plans could not promote inclusive development, ranking very low on the Human Development Index. However, Planning Commission was scrapped in 2015 after it was considered irrelevant to the needs of the economy.

## Failures of Planning Commission

Despite all the benefits enumerated above, the Planning Commission has had its fair share of failures. They are briefly given below in Figure 17.2.

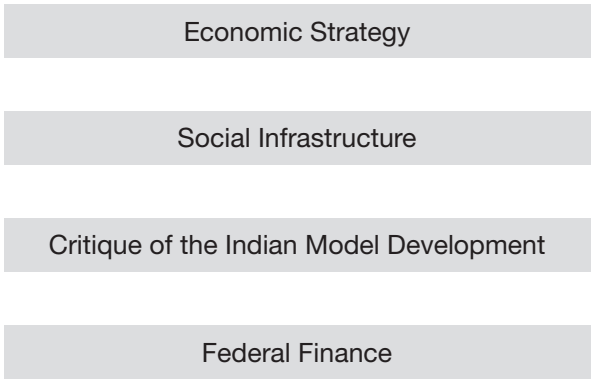



***Figure 17.2: Failures of Planning Commission***

1. **Economic Strategy:** The economic strategy given by the Planning Commission was to build capital-goods-based industrial strategy but it emerged as the main constraint on economic growth. It conflicted with the employment objectives embodied in the plans. The limits placed on the industries through licensing, import controls, subsidization of exports, administered prices and foreign investment policy did not allow them to expand to capacity. The Planning Commission did not believe in any alternative strategy, for example, by Vakil and Brahmananda favoured concentration on textile exports and reliance on market forces to achieve industrial development.[11] The Indian economy grew at a much slower pace than its Asian counterparts mainly due to lack of robust structural changes required at critical times.
2. **Social Infrastructure:** The focus of the Planning Commission was to develop social infrastructure comprising education, health, water, sanitation, women and child development but in comparison to other Asian countries, the statistics shows that India is lacking in them. However, in 1980s India was one of the six countries in the world to have built a nuclear station of its own.
3. **Critique of the Indian Model of Development:** The Indian Model denotes planned economy by the Planning Commission which was criticized by Mr Isher J. Ahluwalia, a Chairperson, Board of Governors, the Indian Council for Research on International Economic Relations (ICRIER). She gave the following points of criticism, given below:
   - No permission of entry into individual industries that limited the scope of domestic competition.
   - Protection of domestic industries from foreign competition.
   - Disallowing companies in losses to exit.
   - Excessive physical controls.
   - Enhanced incentives for rent-seeking activities that slowed down the entrepreneurship.
   - Lack of upgradation of technology.
   - Adverse effects of universal credit rationing through the nationalized banking systems.
4. **Federal Finance:** The Planning Commission role was diminished due to the Centrally Sponsored Schemes. The States got so much assistance that they became utterly dependent on the Central government and stopped delving on State planning. It is only recently that cooperative federalism and competitive federalism has come into practice. Some states have started having Global Economic Forums like Chhattisgarh and Madhya Pradesh to develop their own economy.

Planned economy did not lead to the achievement of targets of poverty alleviation. The 1991 economic reforms led to the delicensing of major sectors and public sector was forced to compete in a market economy. This rendered the Planning Commission off the track because quantitative targeting of domestic production became irrelevant. Public spending shifted its focus from productive investments to boost the economy to giving out the social welfare subsidies. Except for the First FY Plan, there was no concerted effort in the agriculture sector and farmers became poorer bringing them to the brink of suicide and throwing their produce on the road instead of sending it to the market because they don't get prices that cover even the cost.

The Planning Commission was dissolved due to the inertia in its strategies and plans in 2015 and was replaced by NITI *Aayog*.

## Q4 *Discuss the need of a new Planning Body, NITI* Aayog, *in India. How does its composition and role promote competitive and cooperative federalism?*

***Or***

***'Planning in India has failed to meet the challenges of economic development and social change.' Discuss the statement in the context of the emergence of NITI* Aayog.**

**Ans.** The need for replacing Planning Commission with The National Institution for Transforming India *Aayog* (NITI *Aayog*) arose to deal with the inefficiencies and failures of planning of Planning Commission. There was a need to separate the policy process from the governance strategy. The organization has evolved into a force behind him in developing innovative agenda and bringing neglected sectors into the forefront like the inorganized economic sector, the eastern states, the waterways and the list goes on. Bringing NITI *Aayog* into the larger vision of economy, it has been an answer to dissolve the power of the Planning Commission in allocating central funds to the States and sanctioning capital spending of the Central government which was resented by the States.

### *Reasons for the Dissolution of the Planning Commission*

There were many reasons why the Planning Commission was dissolved of which policy fatigue is the major cause. The Planning Commission was ridden with policy fatigue which required structural changes in the central planning process, according to an internal evaluation in the government. The assessment observed that public investment had collapsed due to:

- Rising subsidies
- Heavy allocation of funds to meet the demands of the Right to Education
- Rigid labour laws impeding progress
- Difficulties of releasing land for public housing and other public projects
- The national Rural Employment Guarantee Act
- A poorly targeted Public Distribution System.[12]

The plans may have not worked to bring India on the world map as compared to other developing nations in the world, it surely mapped the physical and social infrastructure in an extremely poor society. It was realized by everyone that the commission had come to its end and purpose. The world had changed and India needed a planning organization that would be responsive to the current rapidly changing economic needs in a global environment.

The Government of India has replaced the Planning Commission with a new institution named National Institution for Transforming India (NITI *AAYOG*). Its aim is to serve as the 'Think Tank' of the government, a directional policy dynamo. NITI *Aayog* will provide Governments at the Central and State levels with relevant strategic and technical advice across the spectrum of key elements of policy. This includes matters of national and international import on the economic front, dissemination of best practices from within the country as well as from other nations, the infusion of new policy ideas and specific issue-based support.

Transformation in the acronym 'NITI' comprises two approaches, which are:

- Consequences of market forces
- Planned changes.

### *Functions and Role of NITI Aayog*

The NITI *Aayog* formulated its objectives through its vision of national development priorities, sectors and strategies with the active involvement of States keeping in mind the national objectives. The main functions in the words of the NITI *Aayog* to be followed by the NITI *Aayog* are given below:

1. **Cooperative Federalism:** It would foster cooperative federalism through structured support initiatives and mechanism with the States on a continuous basis, recognizing that strong states make a strong nation.
2. **Credible Plans:** It would develop mechanism to make credible plans at the village level and make them permeate to the higher tiers of the government.
3. **National Security:** The issues of national security would be considered and coordinated with any specific issue in economic strategy and policy.
4. **The Weaker Sections:** The NITI *Aayog* would lay special emphasis on the weaker sections of the society.
5. **Policy and Strategy Formulation and their Monitoring:** Policy and strategy formulation would be undertaken by the *Aayog* and make arrangements for monitoring and feedback to encourage innovations and required mid-course corrections.
6. **Partnerships:** It will make provisions to give advice and promote partnerships between like-minded 'Think Tanks' at national as well as international levels. Educational and policy research institutions would be encouraged to work together with new ideas.
7. **Experts:** It would have a build-up of a support system that would initiate creativity and entrepreneurship by bringing in national and international experts from various fields.
8. **Resolution Platform:** A platform would be set-up to resolve intersectoral and interdepartmental disputes to increase the level of execution of developmental projects and activities.
9. **Resource Centre:** A state-of-the-art resource centre would be set-up and become a repository of research on good governance and best practices in sustainable development of all regions and sectors and help the stakeholders to receive the information.
10. **Assessment and Evaluation:** Proper monitoring and evaluation of programmes must be done along with an assessment of funds and other resources needed to implement effectively on time.
11. **Technical Upgradation:** There would be special focus to upgrade technology in all spheres to have better implementation of projects. Finally, the NITI *Aayog* can plan various other activities to execute the national development goals given above.

The very first objective of NITI *Aayog* is cooperative federalism which involves the Chief Ministers all the States and Chief Administrators of Union Territories. Decentralization has been kept at the forefront to extend the reach of programmes and projects to the village level.

### *Composition of NITI* Aayog

The NITI *Aayog* would have the Prime Minister as its Chairman. The Governing Council would include in the Chief Ministers of all States and Lieutenant Governors of all Union Territories. Regional Councils would be established to deal with state/region specific problems. They would be convened by the Prime Minister and will comprises the Chief Ministers and all Lieutenant Governors of all Union Territories of that region to be chaired by the Chairperson of the NITI *Aayog* or his nominee. The PM can call for specialists and experts as special invitees via nomination. So, the formal organization of the NITI *Aayog* can be laid out as follows:

1. Vice Chairperson appointed by the PM
2. Full-time members

3. Part-time members (Maximum number would be two on rotation from the best research universities or organizations, in *ex officio* capacity).
4. *Ex officio* members: A maximum of four members of the Union Council of Ministers who would be nominated by the Prime Minister.

The NITI *Aayog* aims to consolidate the vast reserve of the entrepreneurial, scientific and the highly brainy resources by having an all-inclusive approach with the help of the non-resident Indian community. To become a reckoning power in the global economic platform, it must make its presence felt by participating in all such summits. Use of modern technology in all strata of society must become a goal.

## NITI *Aayog* and Cooperative Federalism

The NITI *Aayog* works on the principle of cooperative federalism through its subgroups of Chief Ministers, Governing Council and Task Forces. NITI *Aayog* is not only a think tank but also an action tank as it cuts across the silos within a government so that all departments and ministries work in tandem to bring all the States to a ranking with lesser gaps. Given below are some of the ways through which NITI *Aayog* is working on the principle of competitive and cooperative federalism:

- **Power of Grading:** The NITI *Aayog* has taken cooperative federalism to the level of competitive cooperative federalism by grading States via performance measurement of the States. A portal has been dedicated to measure the performance of States and Union Territories on 100 parameters and outcome measures, devised and agreed upon, by the Chief Secretaries. The ranking is calculated and prepared by KPMG, the World Bank and third-party audit. In the year 2015–2016, Gujarat was ranked at number one while the next year Andhra Pradesh and Telangana beat Gujarat with their sheer hard work. Chhattisgarh and Jharkhand also did fairly well. Poor ranks put the low-ranking States in shame through the public domain and inspires the leaders to push the programmes and projects harder. The NITI *Aayog* has identified 115 aspirational districts belonging to the most backward areas to rank them.
- **Real Time Data and Decentralization:** Cooperative and competitive federalism is enhanced by ranking on a real time data collection instead of historical data otherwise, states like Kerala and Gujarat would always get a top place in the ranking. An example of how the hurdle is being overcome is a big team of volunteers from Tata Trusts and Melinda Gates helping NITI *Aayog* to get real time data from the 115 aspirational districts across 48 parameters. This is creating a baseline in these districts and a comparison is made to identify which districts are doing better. The NITI *Aayog* holds workshops where the best performers are called to teach the low-ranking districts about the best practices that they followed to achieve targets. Cooperative federalism is not only cooperation among the States but also among the districts to bring planning and development to the lowest levels of governance.[13]

  Cooperative federalism can be seen also in the efforts made by NITI *Aayog* in the last couple of years by bringing in some qualitative changes in States. The main objective of cooperative federalism is to achieve decentralization in effect. Some of them are:

  - **Rajasthan:** The NITI *Aayog* managed to convince the State government to repeal 65 old and obsolete laws and statutes.
  - **Jammu and Kashmir:** The NITI *Aayog* worked on the same goal of repealing obsolete laws by persuading the State.
  - **Poverty:** It is working with the States to make a unified and mutually accepted poverty line and its definition.

- **Jharkhand:** The State has made remarkable progress by starting various developmental projects with the assistance from NITI *Aayog* and has asked for more help from the NITI *Aayog* in schemes in the areas like farm sector, irrigation, rail, road, etc., by coordinating with the Centre.
- **Skill Development:** The NITI *Aayog* has focussed on skill development by rationalizing 66 schemes through three CM subcommittees. The CMs were asked to give special attention to the factors that slow down the projects. This puts the responsibility on the CMs and promotes cooperative as well as competitive federalism.

- **Increased Funding:** The allocation of funds based on the proposals of The NITI *Aayog*, under the approach to governance of competitive cooperative federalism, has increased from ₹ Five lakh crores to Eleven lakh crores. There is a strong push for doubling the income of farmers and converging the Mahatma Gandhi National Rural Employment Guarantee Scheme with agriculture with the help of States. This is a clear dimension of cooperative federalism.
- **Cooperation from States:** The Prime Minister has urged the States to cooperate in the following areas:
  - Formulate policies that promote corporate investment in areas such as warehousing, transportation, value addition and food processing, etc.
  - Auctioned mining blocks must start production as soon as possible and can be helped by the District Mineral Foundations, to help the poor and tribals.
- **Role of States:** The States have risen to the challenge of building cooperative federalism in policy formulation through subgroups and committees on issues such as *Swachh Bharat* mission, digital transactions and skill development.

It cannot be said that all is smooth sailing for NITI *Aayog* with of share sale of CPSEs hitting a record high of ₹ 77,417 crores in 2018 and is playing a new strategy of merging public companies instead of outright sale. The Fourth Governing Council meeting was held amidst a constitutional crisis triggered by the Chief Minister of Delhi whereas the Prime Minister has named the States and the Union Territories as 'Team India' which must work together to build a New India. It cannot be said that all is well between the States and the Centre. There have been instances where the Chief Ministers have sent their representatives to attend meetings of the NITI *Aayog*. Cooperative federalism takes a hit in such an environment but there are more benefits of it rather than issues, so it is prudent for the States and the Union territories to support the endeavours of NITI *Aayog* to build a strong India as well as their own States.

## Q5 *Critically examine the strengths of 'Strategy for New India @ 75' Document in making India future ready. (NITI* Aayog*)*

**Ans.** India has emerged as a nation with an efficient, transparent and accountable governance. NITI *Aayog* has published a document 'Strategy for New India @ 75', that is, in 2022 and be future ready for its centenary of our independence by 2047 as one of the two largest economies in the world. The document has identified 41 areas that require either a sharper focus on implementing the existing flagship schemes or a new design and initiative to achieve India's true potential. The document itself shows cooperative federalism as 23 States and 4 Union Territories have given their input and suggestions to highlight specific issues. It aims to join forces with the States to formulate specific development blueprints. The strategy has been divided into four parts, which are given in Figure 17.3 and described thereafter:

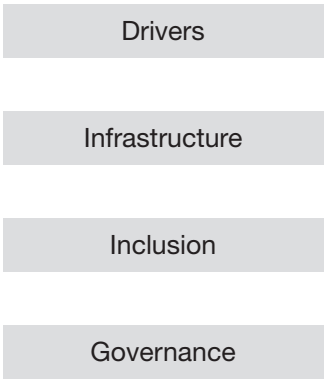



***Figure 17.3: Strategy for New India @ 75***

**(I) Drivers:** The private sector, civil society and the citizens of India, all have to come together to achieve the goal of India becoming a forceful developed nation. At present, India's economic growth is on an accelerating path. The macroeconomic drivers of growth that are essential for the way forward are given in Figure 17.4.

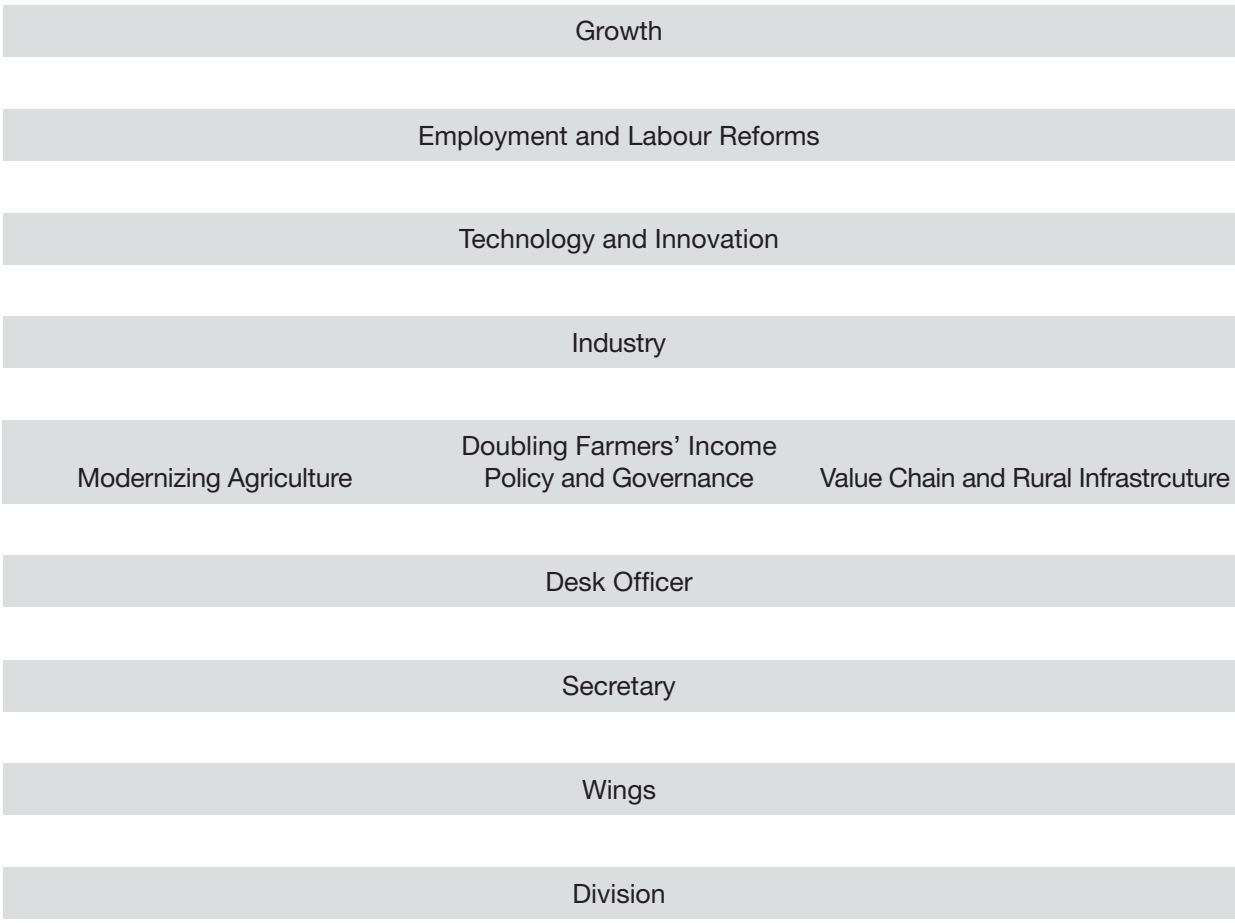



***Figure 17.4: Drivers***

The drivers of the Indian economy, as seen from the Figure 17.2, have been given a specific map of being future-ready to push ahead economic growth. The drivers cover the Sustainable Development Goals (SDGs) 1, 8 and 17 which deal with poverty, decent work and economic growth and partnerships to achieve the goal, respectively. The drivers present the strategies in the following areas:

- Doubling of farmers' incomes
- Boosting Make in India
- Upgrading the science, technology and innovation ecosystem
- Promoting sunrise sectors like fintech and tourism
- An annual rate of growth of 9 per cent by 2022–23 to generate sufficient jobs.

### *Steps to achieve 9% GDP Growth Rate*

The Strategy @ 75 document lays down four key steps to achieve the target of 9 per cent GDP growth rate, which are:

1. **Investment Rate:** The investment rate must be increased as measured by Gross Fixed Capital Formation (GFCF) from present 29 per cent to 36 per cent of GDP by 2022. About half of this increase must come from public investment which is slated to increase from 4 per cent to 7 per cent of GDP. Government savings have to move into positive territory. This sharp increase in investment-to-GDP ratio will require significantly higher resource mobilization efforts.[14]
2. **Agriculture:** In agriculture, emphasis must shift to converting farmers to 'agripreneurs' by further expanding e-National Agriculture Markets (e-NAMs) and replacing the Agricultural Produce Marketing Committee (APMC) Act with the Agricultural Produce and Livestock Marketing (APLM) Act. The creation of a unified national market, a freer export regime and abolition of the Essential Commodities Act are essential for boosting agricultural growth.
3. **Sustainable Farming:** A strong push would be given to 'Zero Budget Natural Farming' (ZBNF) techniques that reduce costs, improve land quality and increase farmers' incomes. This is a tested method for putting environment carbon back into the land. Therefore, ZBNF allows India to significantly contribute to reducing the global carbon footprint.
4. **Reforms in Labour Laws:** To ensure maximum employment creation, codification of labour laws must be completed and a massive effort must be made to upscale apprenticeships.

**(II) Infrastructure:** The second section of the NITI *Aayog*'s Strategy document deals with the infrastructure concerning the physical foundations of growth. India has made a remarkable progress in building physical infrastructure but it needs to be strengthened by reinforcing the competitiveness of Indian business and to ascertain that the citizens of India have a good ease of living. The main parameters that have been covered in the strategy document are given below in Figure 17.5.

The strategy document by the NITI *Aayog* gives three key steps to achieve success in the parameters of building infrastructure:

1. **Rail Development Authority:** The establishment of the Rail Development Authority has been approved which will advise or make prudent decisions on an integrated, transparent and dynamic pricing mechanism for the railways. There will be more public expenditure on railways along with monetizing the prevalent railway assets.
2. **Coastal Shipping and Inland Waterways:** The share of freight transported by coastal shipping and waterways will be doubled. The infrastructure will be first developed by facilitating a viability gap

***Figure 17.5: Strategy for Infrastructure***

funding. An IT enabled platform would be established to integrate different modes of transport and promoting multimodal and digitized mobility.

3. **Bharat Net Programme:** *Gram Panchayats* must be digitally connected to enable and empower them so that they can avail of all the benefits of the schemes and projects that are in place. The Bharat Net Programme will be operational in 2019 which will digitally connect all the 2.5 lakh *gram panchayats*. By 2022–23, all government services will be delivered digitally at the state, district and *gram panchayat* levels to eliminate the digital divide.

**(III) Inclusion:** The third section concerns about a very important issue of inclusion to bring out the potential and capabilities of Indians. The parameters covered in this section are given below in Figure 17.6.

School Education

Higher Education

Teacher Education and Training

Skill Development

Public Health Management and Action

Comprehensive Primary Care

Human Resources for Health

Universal Health Coverage

Nutrition

Gender

Senior Citizens, Persons with Disability and Transgender Persons

Scheduled Castes, Scheduled Tribes, Other Backward Classes and Other Tribal Groups and Minorities

***Figure 17.6: Strategy for Inclusion***

The section on inclusion in the strategy document deals with three main themes of education, health and bringing the marginalized sections of the society into the mainstream. The main four key steps given in this section are:

1. **Ayushman Bharat Programme:** The goal of the government is to build 150,000 health and wellness centers across the country under the Ayushman Bharat Programme and a new scheme Pradhan Mantri Jan Arogya will be rolled out.
2. **Education:** The quality of education needs to be brought up to standard to make the youth employment worthy. The main emphasis will be on improving the quality of the school education system and skills. A new innovation ecosystem at the ground level will be established with at least 10,000 Atal Tinkering Labs by 2020.
3. **Housing:** In the past, rural housing has been covered but now urban housing will be given emphasis to improve living conditions of workers to ascertain equity to act as a catalyst to economic growth.
4. **Regional Equity:** Aspirational Districts Programme will be started to achieve regional equity with special focus on the North Eastern region.

**(IV) Governance:** Governance is very important to implement all the new schemes and plans of the government. Outcomes can be achieved only if there is good governance with accountability and performance-based evaluation. The government is committed to revamp the data systems and analysis to ensure that all policy interventions and decision-making has its roots in evidence and real time data. The main parameters included in this section are given below in Figure 17.7.

***Figure 17.7: Strategies for Governance***

Three steps were laid down in the strategy document, which are:

1. **Second Administrative Reforms Commission:** The government will implement all recommendations given by the Second Administrative Reforms Commission. This will open up the scope of constituting another commission to study and make recommendations with respect to emerging technologies and growing complexities of the economy.

2. **Arbitration Council of India:** Arbitral institutions will be graded by a new autonomous body, Arbitration Council of India, to establish a speedy and cost-effective arbitration process to avoid any court intervention.
3. ***Swachh Bharat* Mission:** The *Swachh Bharat* mission may be extended to cover initiatives for landfills, plastic waste and municipal waste and generating wealth from waste.

The civil society, the private sector and all Indians need to come together and work with the government to bring in a 'New India', making this a mass movement for development. The NITI *Aayog* states in its Strategy for New India @ 75 that 'with the *Sankalp* (resolve) of all Indians, India will have *Siddhi* (success).

### *Critical View of the Recommendations made by the NITI Aayog*

The 'Strategy for New India @ 75' which contains proposals and suggestions for building a 'New India' is an effort based in innovation and technology in 41 critical areas to build a strong case for policy formulation and its implementation with public participation. The proposals and strategies contained in it are commendable and now the focus should be its efficient implementation through good governance. However, a few areas for concern in this document are:

1. **New India but Old Goals:** The recommendations made by the NITI *Aayog* are based on two commonly referred phrases by the Prime Minister, 'mass movement' and 'new vision'. The mass movement draws a similarity with Mahatma Gandhi's ideological call for independence and the articulation of a 'New India' resounds with Jawaharlal Nehru's 'tryst with destiny'. The goals given within the strategy document of employment, economic growth, doubling farmers' income and urban housing do not give a sense of newness. These have the goals in planning and policy formulation since India began planning through Planning Commission. The goals are definitely important but it is to be seen how they are implemented and achieved.
2. **Overdependence on PPPs and Privatization:** A closer look at the recommendations made by the NITI *Aayog* in the strategy document reveals that there is reliance on PPP Model and privatization for all set objectives of the delivery of public goods and services.
3. **Gross Fixed Capital Formation (GFCF):** It is proposed that the target of an increase in GFCF from the present 29 per cent to 36 per cent by 2022 will be achieved but there is no proposal of a plan of how it will be achieved. Huge amount of public investment is required to achieve such a target but it has not been mentioned. Since this is a development plan, public expenditure will have to be made but that is not on cards for now. It implies that there is reliance on the private sector or foreign investments to increase the GFCF.
4. **Unrealistic GDP Growth:** The projected increase of tax–GDP ratio is from the current 17 per cent to 22 per cent by 2022 by reaping in the benefits from demonetization and GST but the benefits have yet to be seen. Both the mega reformative steps have not been accepted favourably by the people or the opposing political parties.
5. **Unrelatable Methodology:** The agripreneurship built on digital platforms based on business principles might not be relatable to the illiterate farmers in the rural areas. It will be difficult for the farmers to transform the labour-intensive agriculture sector into a business-oriented sector, for example, skill enhancement of the farmers, transparency in labour inspection, etc.
6. **No Viable Plan for Small and Medium Scale Enterprises (SMEs):** The SMSEs have been adversely impacted by the twin moves of demonetization and GST and are finding it difficult to survive while many had to wind-up their work. The strategy document does not include any specific or a viable plan for the SMSEs.

As a wholistic perspective on the strategy document outlaying the plans for the coming years till 2022, it has many commendable and exceptional proposals. It remains to be seen how these proposals are accepted and implemented for the nation to be future ready.

## Q6 *Critically discuss the role of NITI* Aayog *in brief.*

**Ans.** NITI *Aayog* replaced the long-standing Planning Commission which was the premier Planning Body for the Indian economy since independence. NITI *Aayog*, headed by the Prime Minister as its Chairman, has a different approach to planning and has been termed as a think tank with specialists and experts who give their inputs for economic planning for India. If one observes the working of NITI *Aayog* critically, it can be said that it is a Non-Statutory Body lacking any compulsion to follow the proposals given by it. At present, the government in power is in sync with the NITI *Aayog* but if and when the government changes, the political change may not support the existence and the policies of the NITI *Aayog*.

The Planning Commission's role was also always confusing as most of the revolutionary laws that came into force like the right to Information Act, National Rural Employment Guarantee Scheme, etc., had no link with the Planning Commission. Coming to NITI *Aayog*, it has been criticized on the grounds that it is an old wine in a new bottle doing exactly what the Planning Commission had done for the past so many decades. Given below are some of the issues concerning the role of NITI *Aayog*:

1. **Influence of International Organizations:** From a historical perspective, all the Development Models in developing countries as well as India failed because they originate from the West which had no inkling of the ground realities in India. The West provided with large amounts of loan which made India and such other developing countries to get caught in the debt-trap. NITI *Aayog* has profusely propagated the following of PPP Model to provide the public services, whether it is health or it is education. It is being touted as the best way to implement the policies while critics say that it could be a short time fix to withstand political pressures.
2. **Confusion about NITI *Aayog's* Role:** The NITI *Aayog* is itself in a state of confusion over its role. The government and NITI *Aayog's* Vice Chairman, Rajiv Kumar, both seem to be undecided about the defined role of its newest institution. Since the NITI *Aayog* has favoured the PPP Model and privatization, it is somewhat difficult to understand its Vice-Chairman's stand on the issue. He has recently lamented on his predecessor's viewpoint being 'Anglo-Indian' and unconnected with the ground realities. He strongly opposes the privatization of the health sector, primary education and other basic services. He says leaving these functions to the private sector will increase inequality and lead to looting by some at the cost of public welfare. He described it as the Reagan-Thatcher-International Monetary Fund Model.[15] However, only a week ago, he had given a totally opposing statement regarding promotion of privatization of health sector.
3. **Strategic Disinvestment:** It had been decided that the Public Sector Undertakings going into losses would be disinvested in the prescribed manner but till now not even one transaction in this regard and only a share sale is taking place. This criticism is a little baseless since the bigger PSUs are buying out the shares of non-performing public companies, for example, Oil and Natural Gas Corporation (ONGC) acquired six companies but could not disinvest in Air India.
4. **A Pale Shadow of Planning Commission:** The NITI *Aayog* is being called a pale shadow of Planning Commission even though it is coming out with newest strategies and upgrading digital technologies which are improving transparency and accountability. If NITI *Aayog*'s ways are in conflict with

the government, the government tends to show its intolerance and replacements of the personnel is made to align the institution with the government's intent.

The NITI *Aayog* is aiming to achieve the objectives of improving social as well a physical infrastructure. It has aligned the Sustainable Development Goals and with other indices of international agencies. Despite of criticism, it has made a brilliant document to realize its vision through cooperative federalism and breaking the obstacle of centralization in the planning bodies.

## Q7 *What is the composition, functions and role of the National Development Council?*

**Ans.** The National Development Council (NDC) or the Rashtriya Vikas Parishad was set-up on 6 August 1952 by a Cabinet Resolution to strengthen and mobilize the effort and resources of the nation in support of the plan. The basic objective of the NDC was to push forward the shared and mutual economic policies in strategic areas to ascertain balanced and rapid economic growth of the Indian economy. It was the second most important agency in formulating the plans. It has been the apex policy-making body in the country although it had its ups and downs depending upon the political culture at the time. It reviewed the status of the development plans in a common platform with the Chief Ministers to ensure the 'unanimity and uniformity in its working'.

**Composition:** The NDC makes recommendations to the Central and the State governments. It comprises the Prime Minister, all the Chief Ministers of the States, the Administrators of all Union Territories and the Cabinet Ministers. The Planning Commission's Secretary acts as a Member Secretary to the NDC.

The composition of the NDC was modified after the First ARC reorganized its structure, which comprised of the following constituents:

1. The Prime Minister
2. The Deputy Minister, if any
3. The Central Ministers of:
    - Finance
    - Food and Agriculture
    - Industrial Development and Company Affairs
    - Commerce
    - Railways
    - Transport and Shipping
    - Education
    - Labour, Employment and Rehabilitation
    - Home Affairs
    - Irrigation and Power
4. The Chief Ministers of all States
5. The Members of the Planning Commission

**Functions:** The functions of the NDC are:

- To prescribe guidelines for the formulation of the National Plan, including the assessment of resources for the plan.
- To consider the National Plan as formulated by the Planning Commission.
- To consider important questions of social and economic policy affecting national development.

- To review the working of the plan from time to time and to recommend such measures as are necessary for achieving the aims and targets set out in the National Plan.[16]
- To act as a coordinator between the Central government, State governments and the Planning Commission.
- To act as a channel between the Centre and the States in determining Centre–State responsibility load sharing.

The NDC is a non-statutory and non-constitutional body and cannot pass any formal resolutions. It keeps records of all meetings to draw a consensus. The decisions of the council are undisputedly agreed upon by all. In addition to the functions mentioned above, it also identifies problems requiring urgent attention and finds solutions to them, for example, it resolved the problem of shortage of food through State Trading Corporations or undertaking land reforms. It also makes practical formulae which resolve centre–state issues like the Gadgil-Mukherjee Formula.[17]

**First ARC Recommendations:** The First ARC studied the NDC's working for the last 15 years from 1952 to 1967 and made recommendations in the areas of its functions of being a planner for India's economic development. The functions specified by the ARC are:

- An evaluation of the resources needed to execute the plan and the means to raise them.
- An appraisal of the implementation of the plan periodically and if it finds any slack, the it must identify and suggest ways to correct that to achieve the targets in time.
- Its main function must be to make and recommend guidelines for the national plan formulation.
- An assessment of the national plan made by the Planning Commission.
- Study and make changes if required concerning socio-economic factors influencing the development.
- Ensuring that there is public participation in the plans.
- Build an efficient bureaucracy.
- Ascertaining development of the marginalized sectors.
- Advise and make recommendations to the Central and State governments.

**Committees of the NDC:** The NDC constitutes Standing or *Ad hoc* Committees from time to time as the need arises, for example, on population, microlevel planning, price control, savings, etc. The committee members are generally selected form the Chief Ministers and other members of the NDC. The functions of the committees are changing with the changing economic and political environment.

**Appraisal of the NDC:** The NDC gained a status superior to the Planning Commission rendering the commission as its research arm. Its composition clarifies the importance of its constitution and functions which are more of a policy-making nature rather than having just an advisory role. It acts like a parallel Cabinet for all states instead of just the Centre. It has known to be interfering in some matters in the working of other governmental agencies. Most of the times it has not been regular in having its mandated meetings twice a year. It holds a strong sway over the policy-making activity of the Central government despite of it not even being a constitutional body.

Another limitation of the NDC relates to the agenda of its meetings. Normally the agenda is prepared by the Planning Commission. Sometimes, however, the NDC members might stress that a few issues ought to be discussed in its meetings. But those who pertain to a few specific issues and not to the overall character of the agenda. While socio-economic policies of the government are presented for reporting and approval to the NDC, these are generally presented as the decisions of the Union government and possible alternative policies to the existing approaches are generally not presented.[18]

Sarkaria Commission opined that the NDC have not been able to act as an effective instrument for developing consensus and commitment to the national policies. Yet, it has been observed that the NDC has acted as a forum of informal consultation between the central and the state governments on a number of critical and economic issues. However, decisions containing resource allocation between the two have been dominated by the viewpoint of the centre and, this has strained, to a certain extent, the Centre–State relations as regard planning.[19]

The last meeting of the NDC was the 57th meeting held on 27 December 2012. It has not met after that. Since the establishment of NITI *Aayog*, NDC's relevance is under question because NITI *Aayog* has its own governing council.

### Q8 *Write a short note how Planning Commission and the National Development Council reflect indicative planning.*

**Ans.** Indicative planning is defined as a form of economic planning that is followed by the government to make corrections in misinformation in a market economy to achieve the targets of economic production. In India, indicative planning was adopted since the Eighth Five-Year Plan by the Planning Commission. The objective was to lay out an indicative path of development by establishing the essentialities for other options but it remained socialist in nature till 1997. It brought in changes after liberalization of the economy took place although it failed miserably because it took up the social engineering without any stake or control in private investment. It is usually taken for specifically selected sectors and not the whole economy by consensual approach between the private sector and the government. This approach gives boost to specific sectors if they are failing or lagging behind by only indicating instead of directing it. So, the Planning Commission and the National Development Council had a mixed strategy of centralized as well as indicative planning.

## Conclusion

Planning has come a long way in India since independence. It began with the Planning Commission which made economic developmental plans to improve the socio-economic status of the citizens in India. National Development Council supported the Planning Commission in its plans but the Planning Commission was dissolved in 2015 to be replaced by the NITI *Aayog*. The emphasis of the plans and programmes in India now is on improving the social and physical infrastructure covering all possible sectors and regions in alignment with Sustainable Development Goals formulated by the United Nations in 2015. India, being a member nation of the UN, has pledged along with 193 other member nations to work towards their achievement. Hence, India's Union budget as well as State budgets are a reflection of the SDGs.

## Notes and References

1. NITI Aayog Replaces Planning Commission: 10 Points on What You Need to Know, https://www.ndtv.com, retrieved on 07 February 2019.
2. Government of India (2009), National Knowledge Commission: Report to the Nation, 2006–2009, National Knowledge Commission, New Delhi.
3. Log on to National Knowledge Commission, Report to the National 2006-2009, https://www.aicte-india.org, for more information on the recommendations of the National Knowledge Commission.
4. Log on to 11th Five Year Plan India's Education Plan, https://digitallearning.eletsonline.com, for more information on which recommendations of the NKC found place in the Eleventh FY Plan.

5. Log on to the following links to read the Reports (Volume 1 and 2) by the Study Group on Reforms in State Public Sector Undertakings:
   a. Study Group on Reforms in State Public Sector Undertakings, Volume 1, http://planningcommission.nic.in
   b. Study Group on Reforms in State Public Sector Undertakings, Volume 1, http://planningcommission.nic.in, retrieved on 07 February 2019
6. Development of the Economy: Achievement and Perspective, http://planningcommission.nic.in, retrieved on 08 February 2019.
7. Total road length in India from 2001 to 2015, https://community.data.gov.in, retrieved on 08 February 2019.
8. Road Infrastructure in India, https://www.ibef.org, retrieved on 08 February 2019.
9. Why Nehru's Planning Commission didn't fail India—but Modi's Niti Aayog might, https://qz.com, retrieved on 08 February 2019.
10. *Ibid.*
11. The state and industrialization in India: successes and failures and the lessons for the future, https://mpra.ub.uni-muenchen.de, retrieved on 08 February 2019.
12. Adapted from Planning Commission to NITI Aayog, Making strategies for transforming India, http://pib.nic.in, retrieved on 09 February 2019.
13. Adapted from Competitive federalism is a good thing: NITI Aayog CEO Amitabh Kant, https://economictimes.indiatimes.com, retrieved on 09 February 2019.
14. For more information, log on to: Strategy for New India @75, http://niti.gov.in, retrieved on 10 February 2019.
15. Opinion: An article by Rajiv Kumar shows that there is still confusion about NITI Aayog's role, https://scroll.in, retrieved on 11 February 2019.
16. Summary Record of Discussions of the National Development Council (NDC) Meetings, http://planningcommission.gov.in, retrieved on 11 February 2019.
17. For more information on the Gadgil-Mukherjee formula, log on to Planning Commission (Plan Coordination and Management Division) , http://planningcommission.gov.in, retrieved on 12 February 2019.
18. Choubey, R. K. (2007), *Federalism, Autonomy and Centre–State Relations*, Satyam Books Publications, New Delhi.
19. Jana, Anil Kumar (2004), *Administering District Plans in India*, Concept Publishing Company, New Delhi.
20. Chapter 7, Five Year Plans, http://mospi.nic.in, retrieved on 24-04-2019

# 18 Process of Plan Formulation (The Union and State Levels; Decentralized Planning)

## LEARNING OBJECTIVES

*After reading this chapter, you will learn about:*

- The stages of multilevel planning in India:
  - National Level
  - State Level
  - District Level
  - Block Level
  - Panchayat Level
- Constitutional Amendments (1992) and Decentralized Planning for Economic Development and Social Justice.
- Issues and challenges being faced by the panchayati raj institutions (PRIs) and urban local bodies (ULBs) even after the constitutional amendments.

Planning is viewed as a procedure which can be highly effective in a democratic developing country, especially, in a vast country like India. The failures of economic planning in India happened due to political interference, bureaucratic inefficiencies, unrealistic targets and stodgy implementation. Effective and good plans are formulated with reliable information but must refrain from routinization and old data. In India, planning is done at multiple levels, starting at the national level and going down to the village levels.

### Q1 *Discuss how the process of plan formulation takes place with a multilevel planning approach in India.*

**Ans.** A multilevel planning process is a complex one and its effectiveness is enhanced through a process of comprehensiveness in coverage of public sector agencies, rational decentralization and subjecting the plan process to a more continuous and effective popular participation at all levels primarily through elected representative.[1] In India, multilevel planning covers all areas and regions by including the five levels explained hereafter.

There are five stages of multilevel planning in India:

- National level
- State level
- District level
- Block level
- *Panchayat* level

Given below is the planning process at the National and the State level (Level III, IV and V are discussed in Q.2.):

## (I) NATIONAL LEVEL

Since 1950, the Planning Commission (PC) had been the major planning agency of the Government of India for the purpose of plan formulation till 2015 when it was dissolved and NITI *Aayog* replaced it. The principal task of the Planning Commission was to formulate the Five-Year and Annual Plans for the most effective and balanced utilization of the country's material, capital and human resources, appraise from time to time the progress in their implementation and recommend adjustments of policy and measures that are considered to be necessary in the light of such appraisal.[2] The Planning Commission coordinated and made provisions to oversee the development programmes at the Central as well as State levels to integrate them into one National Plan. The multilevel planning comprises the national and State Plans simultaneously, which we study first. The three-tier planning at the *Panchayat* Institutions will be dealt later as it includes a study of evolution of decentralization brought about constitutional amendments. Some preliminary functions of the Planning Commission concerning planning are given below in Figure 18.1:

| | | | |
|---|---|---|---|
| **Specific Schemes of Financing** | Additional Reource Mobilization | At Centre and State levels | |
| **Integration of Financial Requirements** | With the Overall Scheme of Flow of Funds | | |
| **Investment Planning** | Objective Method of Resource Allocation | Reconcilliation of Claims of Various Ministries | Consideration of Broad National Objectives and Priorities |
| **Annual Plans** | Operational Plans | Sum Total of Centre and State Outlays Must Equal the Resources Estimates | |
| **Plan Outlays** | Public and Private Sector | Aim of Relative Stablility | |

***Figure 18.1: Coordination of Developmental Programmes by the Planning Commission***

**Source:** Adapted from The Planning Commission Document

## The Planning Process in the Centre and State Plans

The planning process followed by the Planning Commission is given in the following steps[3]:

1. **Approach to the Plan:** The first step in the planning process is to prepare a paper on 'Approach to the Plan'. It involves the steps given below:
   - **(i) Committees and Groups:** Various Steering Committees and Working Groups are set-up to review the implementation progress of the Five-Year Plan in progress. Its duty is to make detailed recommendations regarding programmes, projects, schemes and policies as well as outlays and targets both financial and physical for the various sectors and subsectors.
   - **(ii) Selection of Members:** The members of this Working Group are selected from the Planning Commission's officials, Central Ministries/Departments, other institutions, State governments and experts.
   - **(iii) Preliminary Exercises:** The Approach Paper preparation comprises some preliminary exercises, which are:
     - Projection of growth profile of the economy over a period of 15–20 years commencing from the ensuing Five-Year Plan
     - Consideration of the papers prepared by the sectoral divisions which deal with the problems in specific sectors in the plan period
     - Past projected requirements are taken into account
     - All views of relevant ministries and experts are considered.
   - **(iv) Approval:** The Approach Paper is considered in a procedural way with the following steps:
     - Consideration in the meeting of the full Planning Commission
     - Union Cabinet
     - National Development Council
     - Parliament.
   - **(v) State Level:** The States are also advised to start taking their preliminary steps in the same way it was done at the national level.
2. **Detailed Proposals:** Once the Approach Paper has been approved, the Planning Commission urges the Central Ministries and the State governments to begin preparing the detailed proposals for the Five-Year Plan based on suitable guidelines given by the NDC during the approval of the Approach Paper.
3. **Development Strategy:** The Planning Commission prepares its development strategy regarding some important issues, which are:
   - Micro and macro parameters, for example, savings, investment, employment, exports, imports and sectoral targets
   - Inputs are given by the Working Groups
   - Alignment of targets with the Approach Paper.
4. **Forecasts of the State:** The Financial Resources Division of the Planning Commission asks the State governments to submit their detailed forecasts of their resources for the plan and their estimates of state resources for the plan. These are prepared by the Working Group on State resources while at the Centre, the estimates for the resources are made by the Steering Committees/Working Groups on Financial Resources of the Centre.

5. **State Plan Adviser:** The State Plan Sectoral Working Groups makes recommendations on the plan proposals of a State and are considered by the State Plan Adviser. He prepares a report on detailed recommendations which covers the entire developmental activities' targets, programmes and outlays. The State Plan is finalized based on this report in the joint discussion between the Planning Commission and the State government.
6. **Consultative Committee of Members of Parliament:** The finalization of the plan is done with discussions with the Consultative Committee of members of Parliament, if required, which are attached to the Ministry of Planning, representatives of organized groups of industrialists, social scientists and other experts. Opinions expressed in the Parliament and individual suggestions from the MPs are also considered.
7. **Draft Plan:** The Draft Plan of the States and the Centre are finalized after the approval of the Planning Commission and the Union Cabinet, after which they are presented to the NDC. The NDC approved plans are laid on the table of Parliament and passed by it.

Hence, the Central Plans are passed to be implemented by the executive. The Planning Commission laid emphasis on improving the planning process and capabilities in the States because they create the social and economic infrastructure. The planning system had been transformed from a centralized investment planning to a more directional planning methodology by evolving a long-term strategic vision of the economy and prioritizing sectoral targets.

## (II) STATE LEVEL

The State Plans account for over half of the public sector outlays. The sectors in which the State governments plan have great significance to the daily life of a large section of the people.[4] It is known that more than 70 per cent of the rural population is dependent on the agricultural sector. Subjects like education, water and hygiene and health are also at the heart of the needs of the people. These needs are better dealt with in State Plans which are made by a Department of the Secretariat in most of the states. State planning is done more or less on the same lines as it is done at the Centre. A State Plan has to be formulated along the same lines as the Centre's priorities to have effective outcomes. The subject of planning is mentioned in the Concurrent List of the Indian Constitution making planning a shared responsibility of the Centre and the States.

### Organization for Planning

Mostly, every State in India has a State Planning Boards and a State Planning Department having distinct functions. The State Planning Board is a policy planning organization whereas the State Planning Department is like any other department of the State government as an executive agency. It formulates the plans, reviews its progress during the mid-term and to monitor performance appraisal to the Planning Commission and to implement State Plans.[5]

### The State Planning Board (SPB)

The SPB is the policy-making agency. Its organization is given below in Figure 18.2 which is responsible for the plan formulation in alignment with the national plans.

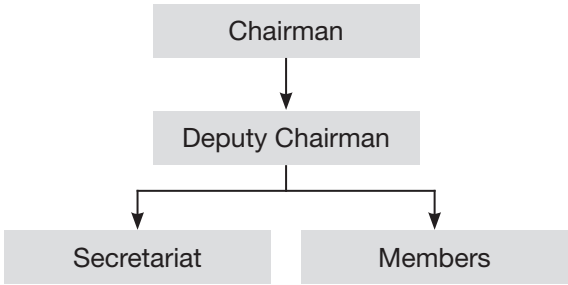



***Figure 18.2: Organization of the State Planning Board***

The Secretariat includes the staff members and the members comprise:

- All Cabinet Ministers
- All members of Parliament
- Selected MLAs
- All Administrative Secretaries
- All Vice Chancellors of State Universities
- Eminent Scholars of different fields
- Finance Commissioner-cum-Secretary
- Planning-Member Secretary

There is no similarity of the SPB with the Planning Commission except for the fact that their function is planning. The SPB was established on the recommendation of the Planning Commission in 1962. Its main function is to coordinate among the various departments and take decisions concerning the plan outlays presented by various departments in accordance with the long-term objectives of the state's socio-economic development.[5]

## The State Planning Department

The State Planning Department (SPD) functions through a system of Working Groups and formulates the plans as per the guidelines of the Planning Commission. It also has a Planning Advisory Board or a Committee to help the Planning Department. It discusses with other departments of the State, advisory bodies and development and planning bodies set-up in the districts. The plan is then submitted to the Council of Ministers of the State which is then submitted to the State Development Board or Planning Advisory Committee.

Until the Fourth Five-Year Plan, the State Plans were formulated as the Planning Commission directed the States to do so but after that the States established regional and district planning boards.[6]

### *Process of Plan Formulation at The State Level*

The State Plan is divided into three stages:

- The Five-Year Plan is formulated, edited and aligned with the national plan.
- The State Annual Plan is made, edited and aligned in the same way.
- Cooperation of the Centre and the States in the process of plan implementation.

Given below are the main steps that are taken in the formulation of the State Plan:

1. **Draft Outline:** The State officials and heads of departments/ministries discuss the plan and prepare a Draft Outline.
2. **Working Groups:** The Working Groups of the State Planning Board discuss the Draft chapters and approved.
3. **Submission:** The Draft Plan is submitted to the State Planning Board and changes made if required.
4. **Approach Paper:** As per the Planning Commission's general instructions, an Approach Paper is made after the National Development Council's meeting.
5. **Council of Ministers' Approval:** The plan is then approved by the Council of Ministers for approval.
6. **Proposals:** Sector-wise expenditure ceilings are sent to each department so that they can prepare their detailed proposals for developmental projects.
7. **Discussions:** The proposals that are received from various departments, a series of discussions take place with the concerned officials to identify proposed targets and allocation of funds for the schemes and programmes.
8. **Preliminary Memorandum:** After the preliminary memorandum on the Five-Year Plan has been approved by the Council of Ministers of the State and submitted to the Planning Commission.
9. **Revert back:** The Planning Commission reverts back to the State Planning Department with doubts and clarifies them. Meetings take place and the plan is finalized.
10. **Resources:** The final stage is the State considering its resources and needs to finalize its plan with the specific information and data available to it.

## Annual Plan Formulation

On the lines of the plans made at the national level, the States make Annual Plan which majorly depends on the Central financial assistance that they are going to get from the Central government. The Annual Plan is made before the budget is presented to the Council of Ministers considering three main things:

- Central financial assistance
- Resources of the State
- Overall priorities.

The process of the Annual Plan Formulation is given in Figure 18.3.

The State Planning, hence, in coordination with the Planning Commission, is in alignment with the National and Five-Year Plans. This is an integral constituent of the multilevel planning in India.

In accordance with the recommendations of the Balwanthrai Mehta Committee (1975), Panchayat Raj Institutions were established. These were set-up almost in all the States with a three-tier structure of local self-governing bodies, at the village level, called '*Panchayats*.' At the Block level, they are known as the 'Samitis' and at the District level, as '*Zila Parishad*.' The three levels are interlinked providing a necessary basic framework for developmental activities in the rural areas. However, the transfer of power and funds was not done as was expected.

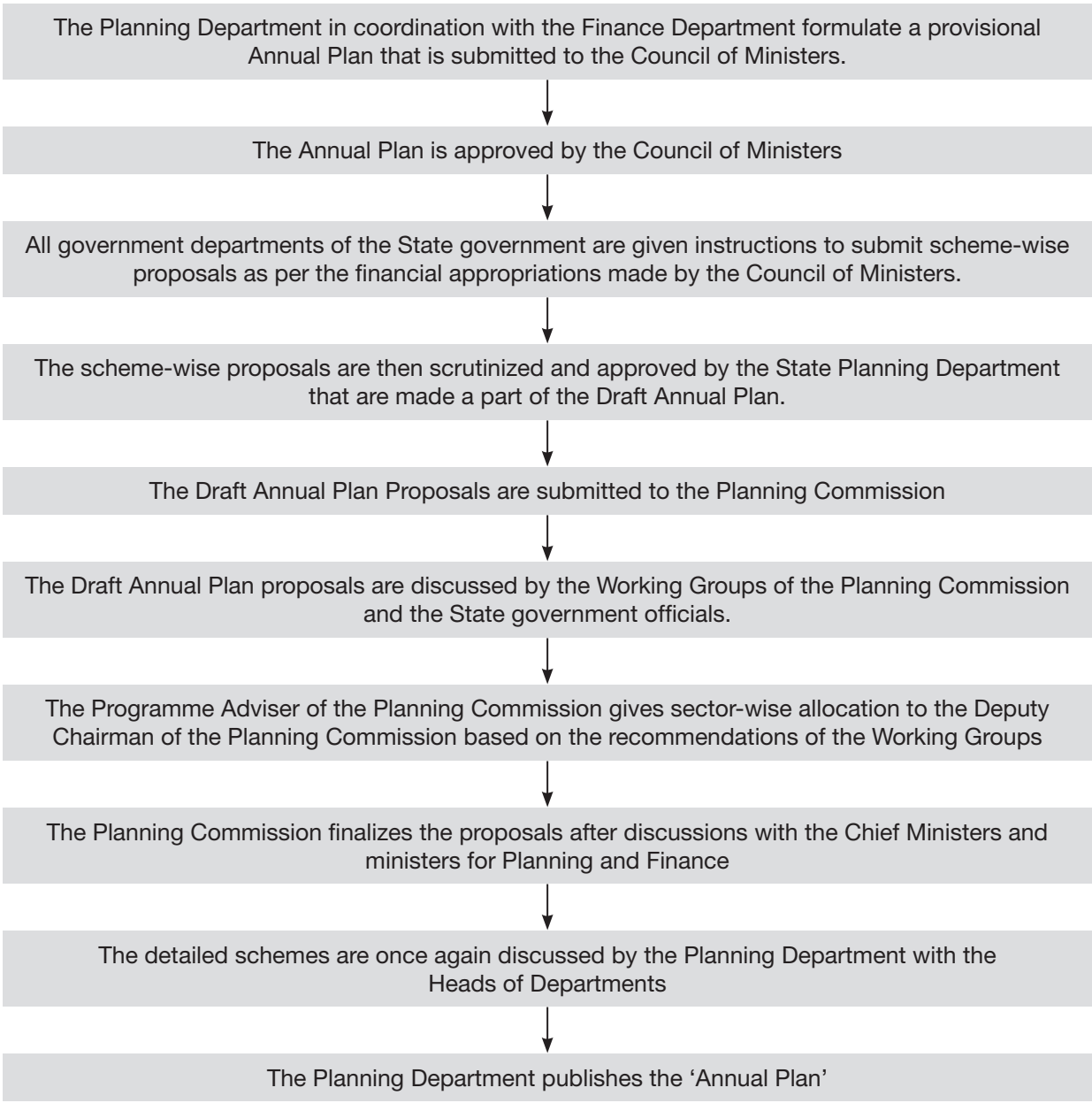



***Figure 18.3: Annual Plan Formulation***

## Q2 *Discuss the constitutional amendments (1992) and decentralized planning for economic development and social justice.*

**Ans.** The 73rd and the 74th Constitutional Amendments were passed by the Parliament in 1992 to institutionalize the concept of decentralized planning by autonomous Panchayats to formulate plans for economic development and social justice. The issue of social justice is embedded in development planning

as 29 of the items intended to be transferred to the Panchayats under the constitution, at least 16 relate to social sector development meant to expand the capability of people. The local level plans should accordingly aim at what is understood as 'human development'.[7]

## The 73rd Constitutional Amendment

The 73rd Constitutional Amendment of the Article 243, the Indian Constitution introduced a framework for a minimum level of decentralization and democratic local governance in rural areas in all the States of the Indian Union. The key points given in the 73rd Amendment are:

1. The creation of a three-tier local government. structure called the Panchayati Raj Institutions (PRIs).
2. PRI elections after every five years to be held regularly with seat reservation for Scheduled Castes/ Schedule Tribes and Women.
3. Setting up of *Gram Sabha* or the Village Assembly to exercise control over the local government.
4. Auditing of the accounts of the local government at regular intervals.
5. Mandatory reservation of the position of *panchayat* Chairperson at all levels of Dalits and *Adivasis* in proportion to their share in the state population.
6. Mandatory reservation of one-third of the positions of *Panchayat* Chairperson at all three levels for women.

The basic objective of the 73rd Amendment was to administer social justice to the rural people and empower them so that they could be major instruments of economic development.

**The State Finance Commission:** In continuance of the multilevel planning approach, according to the Article 243, the State government, the Governor, constitutes a Finance Commission which reviews the financial position of the *Panchayats* and make recommendations to the him/her in the matters given below:

1. The principles which should govern:
   - The distribution between the States and the *Panchayats* of the net proceeds of the taxes, duties, tolls, fees leviable by the State and the allocation between the *Panchayats* at all levels of their respective shares of such proceeds.
   - Determination of taxes, duties, tolls, fees which may be assigned to, appropriated by, the *Panchayats*.
   - The grant-in-aid to be given to the *Panchayats* from the States Consolidated Fund.
2. The measures required to improve the fiscal position and, make it sound, of the *Panchayats*.

The classification of rural PRIs is given in Figure 18.4, given below:

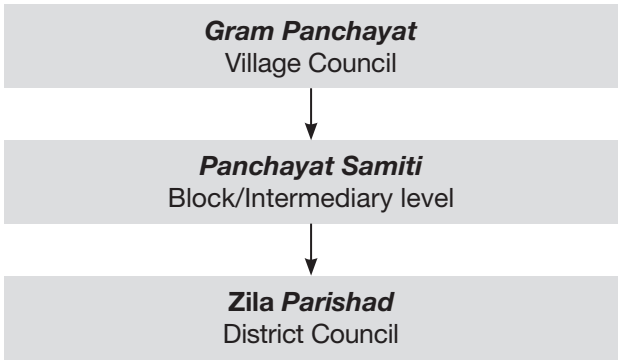



***Figure 18.4: Rural PRI Classification***

## Main Highlights of the 74th Amendment

The Constitution (Seventy-fourth Amendment) Act, 1992 gave a Statement of Object and reasons which stated that 'In many States local bodies have become weak and ineffective on account of a variety of reasons, including the failure to hold regular elections, prolonged suppression and inadequate devolution of powers and functions. As a result, ULBs are not able to perform effectively as vibrant democratic units of self-government.' This Act deals with the urban bodies who will become the 'institutions of self-government'. The ULBs has been incorporated in the constitution particularly for the areas given below:

- **Firm Relationship:** It focussed on building a firm relationship between the State government and the ULBs regarding:
  - The functions and taxation powers
  - Revenue sharing
  - Regular conduct of elections
  - Timely elections in case of supersession
  - Adequate representation of the SC/ST and women.
- **Structure:** It related with structure of ULBs and gave the provision for:
  - Constitution of three types of municipalities—*Nagar Panchayat*, *Nagar Palika* (Municipal Councils) for smaller urban areas and *Mahanagar Nigam* (Municipal Corporation) for larger urban areas.
- **Composition of Municipalities:** The State legislature will decide the composition of municipalities which would have the following features:
  - Persons to be chosen by direct election
  - Representation of experts without voting rights
  - Elections of Chairpersons at a municipality as specified in the State law
  - Constitution of committees as per the State law
  - Reservation of seats in every municipality for backward classes, SC/ST and not less than one-third shall be for women.
- **Elections of Municipalities:** The following issues are considered in conducting elections of municipalities:
  - Fixed tenure of five years and re-election within six months of end of tenure.
  - If the municipality is dissolved before expiration of its duration, elections to be held within a period of six months of its dissolution.
- **Powers and Responsibilities:** The State legislature provides for the devolution of powers and responsibilities upon the municipalities with respect to preparation of plans for economic development and social justice and for the implementation of development schemes as may be required to enable them to function as institutions of self-government.
- **Taxation:** The levy of taxes and duties by municipalities, assigning of such taxes and duties to municipalities by State governments and for making grants-in-aid by the State is done to the municipalities as may be provided in the State law.
- **Finance Commission:** A State Finance Commission will be constituted to review the finances of the municipalities and to make recommendations for:
  - Determining the taxes which may be assigned to the municipalities
  - Tax sharing between the State and the municipalities
  - Grants-in-aid to the municipalities from the Consolidated Fund of the State

- Audit of accounts of the Municipal Corporation by the Comptroller and Auditor-General of India and by laying the reports before the State legislature and the concerned Municipal Corporation.[8]

The classification of Urban Local Bodies (ULBs) is given below in Figure 18.5.

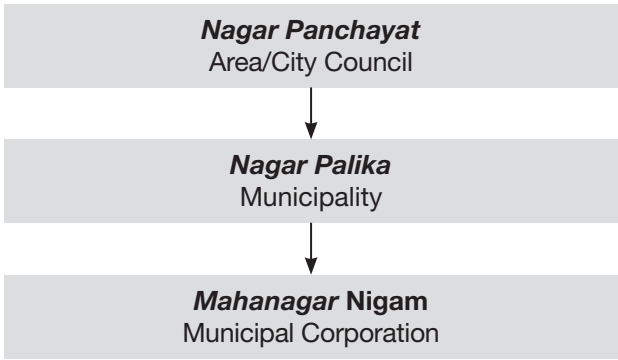



***Figure 18.5: Classification of Urban Local Bodies***

## (III) DISTRICT LEVEL PLANNING

The approach of multilevel planning includes the District, Block and Village Level Planning form the next level. We have already discussed the 73rd and 74th Constitutional Amendments and now we will understand the District and Block Level Planning. The responsibility of decision-making which affects the people, in a direct manner, lies with the elected representatives. According to the 73rd Constitutional Amendment and Supreme Court's rulings, the local authorities are also to be treated as 'Government of State'. In India, the district has always been the pivot of the administrative structure as a concept but in reality, little was being done although guidelines had been outlined in the First and Second Five-Year Plans. In 1969, the Planning Commission firmly recommended the 'district' as a unit of planning and implementation and issued 'Guidelines for the formulation of District Plan'. The guidelines emphasized the requirement for decentralized planning with the involvement of local self-government bodies in participation with progressive farmers and entrepreneurs.

### Evolution of Decentralization

The evolution of decentralized planning at the district level is tabulated below from 1951 to 1985 in Table 18.1.

| Year | Item | Ideas and Concepts |
|---|---|---|
| **First Plan 1951–56** | Community Development Blocks | To break-up the planning exercise into national, state, district and local community levels. |
| **Second Plan 1956–61** | District Development Councils | Drawing up of village plans and popular participation in planning through the process of democratic decentralization. |
| **1957** | Balwant Rai Mehta Committee | Village, block, district *Panchayat* institutions established. |
| **1967** | Administrative Reforms Commission | Resources to be given/local variations accommodated, purposeful for area. |

| Year | Item | Ideas and Concepts |
|---|---|---|
| **1969** | Planning Commission | Formulated guidelines, detailed the concept of the district plan and methodology of drawing up such a plan in the framework of annual plans, medium-term plans and perspective plans. |
| **1978** | Prof. M. L. Dantwala | Block-level planning to form link between village and district-level planning. |
| **1983–84** | CSS/Reserve Bank of India | Strengthen district plan/District credit plan |
| **1984** | Hanumanth Rao Committee | Decentralization of functions, powers and finances. Setting up of district planning bodies and district planning cells. |
| **1985** | G. V. K. Rao Committee | Administrative arrangements for rural development. District *Panchayat* to manage all development programmes. |

**Source:** planningcommission.nic.in (govt owned)

The 73rd and 74th Constitutional Amendments have mandated the establishment of *Panchayats* at the district, intermediate and village levels. The 74th Amendment mandated an establishment of the District Planning Committee (DPC) for consolidating plans which are prepared by the *Panchayats* and municipalities in the District into the Draft District Plan.

The District Collector/Magistrate heads a district and is usually characterized by a command structure. In district planning bodies, the Collector plays the role of the Chief Coordinator and the departmental functionaries must be considered as on deputation from their parent organization to help him/her. They are responsible and accountable from the plans they formulate for their respective departments.

## Constitutional Provisions for District Planning

Article 243 ZD deals with the setting up of Committee for District Planning. The main points of the article are given below:

1. There shall be constituted in every State at the district level a DPC to consolidate plans prepared by the *Panchayats* and the municipalities in the district. It has the responsibility to prepare a draft development plan for the whole district.
2. The State legislature shall make provision with respect to:
    - The composition of the DPC.
    - The manner in which the seats shall be filled, provided that not less than four-fifths of the total number of members of such committee shall be elected by, and from amongst, the elected members of the *Panchayat* at the district level and of the municipalities in the district in proportion to the ratio between the population of the rural areas and of the urban areas in the district.
    - The functions related to district planning which may be assigned to the DPC.
    - The way the Chairperson of the DPC shall be chosen.
3. Every DPC shall prepare a Draft Development Plan with respect to:
    - Matters of common interest between the *Panchayats* and the municipalities including subjects of:
        - Spatial planning

- Sharing of water, physical and natural resources
- The integrated development of infrastructure and environmental conservation
- The extent and type of available resources.

4. The Chairperson of every DPC shall forward the development plan to the State government.

The DPCs can help in integrating planning at all districts which are aggregated at a State level. However, many research studies regarding district planning show that they have been formed but hardly have any meetings and when they do have, it is a consultation between the Chairperson and the Secretary. The members' voice is not heard leaving participative planning a myth. Rural–Urban coordination hardly happens with the Chairperson usually coming from the State legislature, who politicizes every issue. The decentralized planning process is not devoid of state influence. Local bodies cannot initiate the planning process till the state government issues guidelines for plan preparation. These guidelines often contain sectoral priorities and key issues to be addressed along with methodological instructions. These are binding on all local bodies and hence may actually hinder the independent nature of people's planning.[9]

### Composition of a DPC

The DPC is composed of the elected members of the local bodies from the rural as well as the urban bodies including some nominated members based on population size of the districts.

## (IV) BLOCK LEVEL PLANNING

A block is a rural area marked for development which are also called *Tehsils* in some States. It is the second lowest level of microlevel planning, above the *Gram Panchayats*. They were initiated to implement the Community Development Programme in the First Five-Year Plan. The Block Development Officer (BDO) was appointed as the head of the block. The general supervision of the blocks was done by block *samitis*.

The block level planning comprises seven stages, which are:

1. Identification of targets and objectivesInventory taking of the available and requisite resources
2. Plan formulation
3. Employment plan
4. Layout plan
5. Credit plan
6. Integration and implementation
7. Integration .
8. Implementation

The BDO integrates the plan and submits it to the DPC for further integration and aggregation.

## (V) VILLAGE LEVEL PLANNING

**Economic Development and Social Justice through Decentralized Planning:** In India, a system of constitutional mandate of democratic governance with multilevel planning and multilevel public finance is followed to achieve economic development and social justice. The 73rd and 74th Constitutional Amendments in 1992–1994 coincided with economic reforms. However, in a market economy, achievement of economic development and social justice are a complex function. Regional development is not so easy to impact with a liberal economy. India needs a bottom-up planning, as affected by the 73rd

and 74th Amendments, to do so because a market economy tends to exclude those sectors and regions which do not have any exchange value. Creation of a DPC according to Article 243ZD and inclusion of the marginalized sections of the society have helped to dispel the complications of equitable development. The institution of *Gram Sabha* has increase public participation in the process of planning since the Amendments.

**Pros and Cons of the Mandate:** The *Panchayats* have been mandated to formulate 'plans for economic development and social justice' based on area planning. Multilevel planning coordinates plans of all levels, from microlevel to the national plans at a macrolevel. The factors that impede the process of decentralized planning to achieve economic development and social justice are given below in brief:

1. **Overlapping Institutions:** The good intentions of decentralized planning have not materialized very well due to the overlapping of institutions and structures. This belies the Principle of Subsidiarity which states that the functions intended to be carried out at a lower level of government must be done there and not by a higher authority to ensure higher levels of economies, coordination and better outcomes. However, little attention has been paid to zoning in areas of transport, roads, river basin development, etc. Most of the Centrally Sponsored Schemes pass on directions on how to carry out the plan instead of the need and planning originating from the village level or the tribal areas. Some changes are taking places through the newly established planning agency, NITI *Aayog*, by formulating plans for coastal regions, north eastern region and such in consultation with the concerned States.
2. ***Gram Panchayat* Development Programme (GPDP):** Until 2014, grass roots level planning could not be successful despite of giving mandatory powers to the PRIs to plan and implement projects related to economic development and social justice. However, the devolution of 3Fs—functions, funds and functionaries, to the PRIs could not take except in Kerala and Karnataka. The grass root level planning according to Article 243 ZD could not be successfully implemented. The line departments in the district implemented the programmes without involving the PRIs and the community and assessment of local needs.

   Since 2014, abolishing of difference between the plan and non-plan expenditure has changed the planning architecture in India. NITI *Aayog* is a non-constitutional body as the Planning Commission was and link between the NITI *Aayog*, the State Planning Boards and the District Planning Committees is dwindling in aligning them into one National Development Agenda.

   In 2015–2016, a new concept of GPDP has been introduced by the Union government to prepare a holistic plan for *Gram Panchayats* (GP) pooling resources. Although the GP level planning had existed with the process of annual district plan formulation carried out by the DPC but it did not connect with the block and district level planning process and was dependent only on financial sources of Centrally Sponsored Schemes, State Finance Commission Grants, Member of Parliament Local Area Development Scheme (MPLAD), Member of Legislative Assembly Local Area Development Scheme (MLALAD) and devolved funds from States. The PRIs could not implement their plans according to their own needs and the concept of GPDP failed miserably.[10]
3. **Aspirational District Programme by NITI *Aayog*:** The NITI *Aayog* identified aspirational districts to emphasize on the district level planning once again. The indicators developed by it are health and nutrition, education, agriculture and water resources, financial inclusion and skill development, basic infrastructure including access to road, potable rural electrification and individual household toilets. Its basic objective is to improve Human Development Index in the districts in districts and also help in the country in achieving Sustainable Development Goals by 2030.

   The flaw in the aspirational district by NITI *Aayog* is that it has been unable to assess the capacity of planning institutions as well as the challenges faced by Central and State Schemes and the gap in the resources needed and available in the backward aspirational districts.[11]

4. **Issue of Ambiguity:** Despite of the constitutional mandate regarding the role of *Panchayats*, there is an issue of ambiguity in having distinct roles of centralized as well as decentralized actions in service delivery. This ambiguity in division of functions and funds has led to power-concentration with the States rather than the elected representatives with sensitization of local needs.
5. **Lack of Participation:** *Panchayats* are becoming a clone of slow-moving bureaucracy because the higher-level bureaucracy overshadows the *Panchayats*. This is also due to the factor of British legacy which is not so amenable to development planners and implementors.

The agencies of decentralized planning have to work harmoniously with the administration by people's participation and exchange of ideas at public platforms. This can be possible only of the structure of administration adapts to decentralization. Institutional capacity-building at the lower levels is integral to achieve decentralized planning. Innovation and flexibility are essential to have an accountable and transparent system. Digitalization is one of the major reforms in this direction. The Union government intends to complete digitalization of 2.5 lakh *Gram Panchayats* in the coming year. Hence, the above-mentioned bottlenecks need to be removed to have an effective and successful implementation of plans for economic development and social justice.

## Q3 *What are the issues and challenges being faced by the PRIs and ULBs even after the constitutional amendments. Discuss what more can be done to meet these challenges.*

**Ans.** In the early 90's economic and local governance reforms were carried out on a large scale. The economic field was opened after the economic reforms and there was an increase in economic development but it lacked regional parity whereas the reforms of local governance did not result in real empowerment in practice. The 73rd and 74th Constitutional Amendments brought in a new chapter in the process of democratic decentralization. Despite of all the constitutional reforms that were made to make the PRIs an instrument of the government and have created participatory structures of grass roots democracy for the rural people. However, most *Panchayats* continue to be treated as only agencies of the State for the implementation of prescribed schemes, even though essential services such as provision of drinking water, rural sanitation, preventive health and primary education are accepted as their legitimate core functions. Given below are the issues that the PRIs and ULBs face despite of the constitutional amendments:[11]

1. **Potential Tax Collection:** The PRIs have a varied menu of potential taxes such as on professions, entertainment, tolls, user charges, etc., but remain crippled by lack of elastic revenue sources and its internal revenue mobilization has been under two digits. Although they received grants from the Finance Commissions, their financial capacity has remained suspect and exist as over-structures and underpowered organizations. They suffer from lack of effective devolution of powers and functions from the State governments.
2. **Structure of District Administration:** The structure of district administration is under the control of the Collector/District Magistrate, characterized by a command structure and lack of horizontal coordination at the grass root level and has become anachronistic in the modern democratic framework of our polity. There is a lack of capacity at the PTI and ULB levels due to absence of trained personnel and financial incapacity. This is being improved by digitalization and training of *Gram Panchayats*. The issue of providing essential services like water highlights the problem of division of functions between the organizations and the local authorities impede greater decentralization.

   The ULBs also faces the problem of poor finances since independence and the only reference of ULBs was that it is a part of the 'State List' of the Indian Constitution. However, the 74th

Constitutional Amendment attempted to rectify this problem. The devolution of functions and finances has been hesitant and slow. The growth of specialized developmental agencies at the State level has weakened the authority of ULBs and they work in isolation. In the planning process at the State and National level, there is mention of *Gram Panchayat* and ULBs but in reality, it has not been possible because there is a lack of trained experts at the village level to formulate plans. They are deficient in terms of technical manpower and organizational ability and the situation is worsened by increasing woes of urbanization which is why they are performing poorly.[12]

3. **Autonomous Space:** It has been observed that the local rural and urban governance institutions need more autonomous space. The functions and responsibilities of the State authorities must be confined to areas beyond the jurisdiction of the local bodies. Local governments must have more autonomy in respect of devolved functions, free of the State governments' bureaucratic control. The 73rd and 74th Constitutional Amendments have not defined the relationship between the local level bureaucracy and municipal bodies which has resulted in over domination of the bureaucracy. The autonomy is found to be superficial in the scenario of a lack of district list.
4. **Rural Urban Divide:** The wide rural urban divide is increasing at an alarming rate. The population analysis shows a sharp variation in their occupation profiles. This variation led to the creation of DPC but could not root itself. There must a greater convergence between rural and urban convergence.
5. **Parastatal Bodies:** The parastatal bodies function absolutely independent of the local governments and are directly accountable to the State government which relieves major functions from the local governments. This is contrary to the Principle of Subsidiarity on one hand and confuses the citizens as they have to deal with so many institutions for simple amenities. This must be resolved to make local governance accessible and responsible for essential services.[13]

   There is no separate local government functional list leaving them high and dry with a very few functions. The MP's 'Area Development Scheme' has further increased their hold over the *Panchayats* and narrowed their functional span which shows that there is a lack of political will to implement the 73rd and 74th Constitutional Amendments.
6. **Weak DPCs:** In many States, the DPCs are weak and do not function effectively. The District Council must be strong and effective with representatives from all rural and urban areas and ends up being a large body with too many members and defeats the objective. The 74th Constitutional Amendment has made the DPC a constitutional body whereas the Planning Commission was made by a Cabinet Resolution, which is an executive order. Legally, the DPC has more authority as it is constitutional but in practice the Planning Commission overrides the decisions of the DPC.
7. **Article 234K:** It is stated in Article 243K that for removal of the State Election Commissioner can be done in the Parliament just as the process of a judge from the high court. The main objective of establishing a State Finance Commission was to provide finances of PRIs in place of the State governments, which undermines the power of States affecting the PRIs.
8. **Hierarchical Administrative and Social Structure:** There is very less scope of decentralization owing to a certain rigid attitude and behaviour in a dysfunctional environment. The reservation for women is also found to be on paper because of the social structure in rural areas where the women is left to do household or farm chores but not to have a voice. It has been found in various research studies that women representatives were only in name and their husbands even attended the meetings.

   On an administrative front, the developmental agencies like the District Rural Development Agency (DRDA) do not fall in the purview of the PRI framework but under the *Zila Parishad* and get a major share of development budget. This results in conflicts from the side of *Gram Panchayats* and

impedes progress. Some programmes like Integrated Child Development Services, Development of Women and Children in Rural Areas are totally outside the jurisdiction of the PRI system.[14]

The initial positive enthusiasm for the constitutional amendments was quite high but of late has been found dwindling. The following changes can be made to improve local governance:

- There must be a clear link in citizens' minds between their votes and the results in terms of the public good it promotes.
- A link between resource generation and outcomes must be developed to uphold decentralization. The relation between the taxes and user fees levied and the services delivered is extremely integral for decentralization. The local governments must take serious responsibility in the delivery of public services to achieve fiscal prudence, resource mobilization and greater value of public money.
- India's labour force works mostly in the unorganized sector and only about 8 per cent works in the organized sector resulting in asymmetrical power in the society. The imbalance must be seriously taken into consideration to promote local governance through decentralization.
- Citizen participation must be improved shifting focus from the bureaucracy.[15]

The above-mentioned discussion leads us to the conclusion that the PRIs are the prime instruments of decentralization of the grass roots level. They assume importance due to the need to contain the relentless demographic pressures and optimum use of scarce resources for development.

## Notes and References


1. www.plannincommission.nic.in, retrieved on 15 February 2019.
2. *Ibid*.
3. Reddy, Venugopal Y. (1978), *Multilevel Planning in India*, The Indian Institute of Public Administration, New Delhi.
4. Adapted from: Nayak, Prasad Kumar, Sen, S and Mansukhani G. S (1996), *Indian Administration,* Unique Publishers, New Delhi.
5. Reddy, Venugopal Y. (1978), op.cit
6. http://documents.worldbank.org, retrieved on 16 February 2019.
7. Constitution - India Seventy Fourth Amendment Act 1992 https://www.india.gov.in, retrieved on 16 February 2019.
8. An Agenda for NITI Aayog: Revitalizing District Planning Committees, https://www.pria.org, retrieved on 17 February 2019.
9. Need Decentralized Planning Better Outcomes, http://www.cbgaindia.org, retrieved on 17 February 2019.
10. *Ibid*.
11. Adapted from ARC.
12. *Ibid*.
13. Parastatals are organizations owned, partially or wholly, by the government.
14. For more information on local governance, log on to Second Administrative Reforms Commission, Sixth Report, Local Governance, https://darpg.gov.in, retrieved on 17 February 2019.
15. For more information on the ICT and participative district planning log on to: Manual for Integrated District Planning, www.planningcommission.nic.in, retrieved on 17 February 2019.

*This page is intentionally left blank.*

UNIT

# VI STATE GOVERNMENT AND ADMINISTRATION


**Chapter 19** Union-State Administrative, Legislative and Financial Relations

**Chapter 20** Role of Finance Commission

**Chapter 21** Governor, Chief Minister, Council of Ministers, Chief Secretary, State Secretariat, Directorates

*This page is intentionally left blank.*

# 19 Union–State Administrative, Legislative and Financial Relations

## LEARNING OBJECTIVES

*After reading this chapter, you will learn about:*

- Introduction
- Union-State Legislative Relations
- Union-State Administrative Relations
- Union-State Financial Relations
- Current Status of Union State Relations

## INTRODUCTION

India has a federal structure with two tiers of government, one at the Union level and the second at the State level. The Constitution of India is organic which can be amended as with the changing times by the Parliament. The balance between the Union and the States sometimes gets disturbed by centrifugal and centripetal forces dictated by political, economic and social environment. The imbalance endangers the governance and it needs review of Union–State relations from time to time. The Union–State relations are studied on three grounds:

1. The administrative
2. The legislative
3. The financial

The Union–State relations depend on the maxim, 'consensus and cooperation' but it is threatened by politics of confrontation. In India's history of Union–State relations, two commissions have been established to review them, which are:

1. **Sarkaria Commission:** The Sarkaria Commission was established on 9 June 1983 under R. S. Sarkaria, a retired judge of the Supreme Court, Shri B. Sivaraman and Dr S. R. Sen. Its 'Terms of Reference (ToR)' were:
   - Review of the working of the existing arrangements between the Union and the States regarding powers, functions and responsibilities in all spheres.
   - Considering the social and economic developments that have taken place over the years within the framework of the Indian Constitution to uphold the unity and integrity of the country while making recommendations.

   The recommendations would be submitted by the commission which came to be known as the Sarkaria Commission. It began its work in February1984 and presented 22 reports in 1987 to the then Prime Minister, Rajiv Gandhi.

2. **Punchhi Commission:** The economic crisis of 1991 prompted an earlier liberalization process and brought in many economic changes to the head altering the governance all around. India had to meet international obligations along with national issues. The commission on Union–State relations was constituted on 27 April 2007 under the Chairmanship of Shri Justice Madan Mohan Punchhi (Retd), Former Justice of India. Its ToR were:
   - To examine if the existing arrangements governing the Centre–State relations—legislative, executive and financial, meet the aspirations of the Indian society in an increasingly globalizing world,
   - To determine the impediments and their remedies without violating the basic structure of the constitution.

   The Punchhi Commission submitted its report in seven volumes on 30 March 2010.

## Q1 *Discuss the recommendations given by the two commissions regarding legislative Union–State relations in India.*

**Ans.** The Union Powers Committee submitted its report on 5 July 1947 to the President of the Constituent Assembly, declared that the 'soundest framework for our constitution is a federation, with a strong Centre'. Simultaneously, it decided to decentralize and distributed powers between the Union and the States on a federal principle. A strong Centre was not only essential to protect India's independence and preserve unity and integrity but also to coordinate policy and action between the Union and the States on basic issues of national concern.[1] The Constitution of India has outlined a three-fold distribution of the subjects of legislative power into three lists, which are:[2]

1. Union List
2. State List
3. Concurrent List

The recommendations (See introduction) regarding Union–State relations in India have been given by two commissions given below:

**(I) Sarkaria Commissions:** The Sarkaria Commissions gave in detail recommendations regarding legislative powers.[3] They are given briefly here:

1. **Residuary Powers:** The taxation matters must remain exclusively with the Parliament but the rest of the residuary powers must be included in the Concurrent List. The constitution must be accordingly amended.
2. **Concurrent Sphere:** Action on the items on the Concurrent List can be taken only by the cooperation of policy and action of the State machinery to result in a smooth working of the dual system. Individual as well as collective non-constitutional consultations with the State governments must be carried out at the forum of the Intergovernmental Council (under Article 263) with respect to coordination in the items in overlapping jurisdiction.
3. **Education:** The norms and standards of performance in education must be set by professional bodies of experts like the University Grants Commission which was established under the Central enactment but authority of its implementation on ground must be with the States. Monitoring of such professional bodies must meet the essential requirements of:
   - Their composition, functioning and *modus operandi* must be absolutely objective and must have an expert opinion so that the universities and State governments show confidence in them.
   - The Union and the States must work in coordination with each other.

4. **Inquiries and Statistics for the purposes of any of the matters specified in List II or List III:** This entry number 45 of the List III has a potential for misuse which requires some defences to be put in place, which are given below:
   - The Union government can appoint a commission of inquiry against an incumbent or Former Minister of a State government on charges of misconduct or abuse of power only if both Houses of Parliament pass a resolution by the majority of members present and voting or the concerned ministers concerned can request in writing about such a commission.
   - The Commissions of Inquiry Act, 1952 must include the above-mentioned safeguards.
5. **Article 252 Clause (2):** The Clause (2) of Article 252 must be replaced by a new clause for the provision that any Act passed by the Parliament under Clause (1) may be replaced or amended as per the constitution. However, it must be for a specific period, not exceeding three years.
6. **Legislative Council:** In a situation where the State Legislative Assembly passes a Resolution to abolish or create a Legislative Council, the President shall cause the Resolution to be placed before the Parliament for its acceptance or rejection. The Parliament will introduce the necessary legislation if the Resolution has been accepted and the Union government shall introduce necessary legislation and make amendments to Article 169.
7. **Revision of Rates:** The local bodies face challenges in getting affordable rates of properties and find it difficult to cope with the procedures. [Under Article 285, Clause (1), with the saving clause in Entry 32 of List I and (Local Authorities' Taxation) Act, 1941]. The Union government must consider, at the recommendation of a judge of a high court or a district judge.
8. **Taxation:** States may feel aggrieved on account of taxes imposed by the Union government on the trade or business in terms of Clause (2) of Article 289. The recommendation is to have adequate consultation with the State governments or the National Economic and Development Council to afford relief in terms of Clause (3) of Article 289.

**(II) Punchhi Commission:** The recommendations regarding Union–State Legislative relations by the Punchhi Commission which was set-up in 2007 and submitted its report in 2010[4], are:

1. **Consultation with States while legislating on Matters in Concurrent List:** The Concurrent List comprises subjects on which both the Union and the State governments have the power to legislate. The Union and the State governments must reach an agreement before they introduce any legislative matter in the Parliament. This can be done by institutionalizing the Interstate Council and can also use an independent mechanism like a Committee of State Ministers to sort out any disagreements. The proceedings of the meetings must be recorded and made available to the Parliament while introducing the Bill on Concurrent subjects.
2. **Transfer of Entries from List II to List III:** The Parliament can amend any law under Article 368 (2). The commission recommended that the Union should be restrained in asserting parliamentary supremacy in matters assigned to the States. Centre–State relations can be improved if more flexibility is given to the States with respect to subjects in the State List and 'transferred items' in the Concurrent List. A joint institutional mechanism can examine if the administration of the relevant subject under the Union Law (on transferred subject) has achieved the objective or the arrangement must be continued by restricting the States' jurisdiction. If it does not work out, restoration of the item back to the State List can be done. This will hopefully result in the States devolving the powers and functions regarding the subject to the *Panchayats* and municipalities.

   To summarize, the Union should take on only those items in the Concurrent List which are absolutely essential to attain uniformity of policy in national interest.

3. **Concurrent Jurisdiction:** All Concurrent List matters must be resolved in a continuous consultative process. The Interstate Council must also take on a continuing auditing role in the management of overlapping jurisdiction.
4. **Bills reserved for the President's Consideration:** The President has the power to withhold or give assent to the Bill presented for his consideration under the Article 201. In case the President returns the Bill, the State government shall reconsider the Bill within six months so that it can be presented again to the President.

   This provision does not allow the States the liberty to function, so the time that is given to the President to withhold or accept the Bill must also be six months to uphold the democratic will of the State legislature.
5. **Treaty-Making Powers:** The commission recommended streamlining various issues in treaty making powers by making a law on the subject of Entry 14 of List I regarding treaty making and implementing it through parliamentary legislation. The following recommendations were made in this regard:
   - **Legislation:** There is a need for legislation to regulate treaty-making powers of the Union Executive so that there is fair and just treatment for all concerned States and people.
   - **Separate category:** A separate category relating to defence or foreign relations must be made on which the Union can act on its own will without any need for prior parliamentary discussion. However, before its ratification, such an agreement must be referred to a Parliamentary Committee.
   - **Treaties affecting citizens:** The treaties that affect the rights and obligations of citizens, directly impinging on the subjects in the State List must have more involvement of the States and members of the Parliament. They can be informed of the treaty by circulating a note.
   - **Treaties affecting States:** There might be treaties or agreements which affect the financial and administrative capacities of some States. There must be an agreed formula between the Centre and the States by which the Centre assures additional liability of the concerned States.
   - **The Finance Commission:** Any financial obligations and its implications arising out of such treaties and agreements should be a permanent term of reference to the Finance Commission. The Finance Commission can recommend a compensatory formula to neutralize the financial burden that may fall upon the States due to the implementation of such a treaty.
6. **Appointment and Removal of Governors:** Article 157 states that an individual of 35 years and above in age with Indian citizenship is eligible for becoming the President of India but this does not clarify eligibility conditions on various grounds. The Sarkaria Commission had recommended Jawaharlal's concept of eligibility criteria in selecting Governors for the States of India but even they were ambiguous. This has resulted in politicization of the post of Governorship which is unhealthy for Union–State relations and also undermines the constitutional governance. The Punchhi Commission recommended the following:
   - The Governor must have a fixed tenure of five years and their removal must not be at the 'sweet will of the government'.
   - The phrase 'during the pleasure of the President' in Article 156 (i) must be replaced by an appropriate procedure for removal or reprimand of the Governor;
   - The Governor must be given a fair chance to defend himself.
   - The procedure for impeachment of the Governor must be the same as that of the President in Article 61 of the Constitution.
   - The 'pleasure doctrine' is unfair and works against the concept of constitutionalism.

7. **Discretionary Powers of the Governor:** Article 163(2) is interpreted as him/her having wide and undefined discretionary powers which is not true. The following points were recommended by the commission:
   - **Caution:** The Governor does not have a general discretionary power to act against the Council of Ministers and the decision should be based on rationality and caution.
   - **Limit of Bill Assent:** There must be a prescribed time limit in which the Governor is obliged to give the assent to a proposed Bill, of six months.
   - **Hung Assembly:** In case of a hung assembly, the Governor's role in appointment of Chief Minister are the same as the President's at the Centre. The same conditions of the order of preference apply here also:
     - The party or combination of parties which commands the widest support in the Legislative Assembly must be called upon to form the government.
     - If there is a pre-poll alliance, it should be treated as one political party and if it attains a majority, the leader of such a party should be called to form a government.
     - In case there is no party or pre-poll coalition with a clear majority, the Governor must select the Chief Minister in the order of preference given below:
     - **Hung Assembly:** In case of a hung assembly, the Governor's role in appointment of Chief Minister are the same as the President's at the Centre. The same conditions of the order of preference apply here also:
       **(i)** The party or combination of parties which commands the widest support in the Legislative Assembly must be called upon to form the Government.
       **(ii)** If there is a pre-poll alliance, it should be treated as one political party and if it attains a majority, the leader of such a party should be called to form a Government.
       **(iii)** In case there is no party or pre-poll coalition with a clear majority, the Governor must select the Chief Minister in the order of preference given below:
         **(a)** The group of parties with pre-poll alliance with the largest number;
         **(b)** The largest single party staking a claim to from the government with the support of others;
         **(c)** A post-electoral coalition with all partners joining the government; and
         **(d)** A post-electoral alliance with some parties joining the Government and the remaining supporting from outside.
     - **Dismissal of a Chief Minister:** The Governor's role in this issue is to insist upon the Chief Minister to prove majority on the floor of the House within a prescribed limit (given by the Governor).
     - **Prosecution of a State Minister:** Criminal Procedure Code must be suitably amended to reflect the position of law in granting sanction for prosecution of a State Minister in situations where the Council of Ministers advised to the contrary.
8. **University Chancellor:** The Governor is usually the Chancellor of the Universities as per the statutory powers conferred upon him which increases the burden on the Governor. The Governor should not be assigned additional functions and they must be restricted to Constitutional provisions. This will also reduce conflicts with the Council of Ministers.
9. **External or Internal Aggression:** The Union Government has the duty to protect the States in situations of internal or external aggression. It must advise the States on the most appropriate deployment of its resources to control the situation. It can help the States by rendering assistance in men, material and money after seeking the cooperation of States. In case of a serious threat, it can also deploy Union forces. Article $356_4$ must be invoked in case of external

or internal aggression if the Constitutional machinery breaks down after all options given in Article $355_5$ have been exhausted

10. A post-electoral coalition with all partners joining the government.
11. A post-electoral alliance with some parties joining the government and the remaining supporting from outside.
    - **Dismissal of a Chief Minister:** The Governor's role in this issue is to insist upon the Chief Minister to prove majority on the floor of the House within a prescribed limit (given by the Governor).
    - **Prosecution of a State Minister:** Criminal Procedure Code must be suitably amended to reflect the position of law in granting sanction for prosecution of a State Minister in situations where the Council of Ministers advised to the contrary.
12. **University Chancellor:** The Governor is usually the Chancellor of the Universities as per the statutory powers conferred upon him which increases the burden on the Governor. The Governor should not be assigned additional functions and they must be restricted to constitutional provisions. This will also reduce conflicts with the Council of Ministers.
13. **External or Internal Aggression:** The Union government has the duty to protect the States in situations of internal or external aggression. It must advise the States on the most appropriate deployment of its resources to control the situation. It can help the States by rendering assistance in men, material and money after seeking the cooperation of States. In case of a serious threat, it can also deploy Union forces. Article 356[5] must be invoked in case of external or internal aggression if the Constitutional machinery breaks down after all options given in Article 355[6] have been exhausted.
14. **Localized Emergency:** It was recommended that a legal framework for exercising the power of 'localized emergency' is provided by an independent statute borrowing from the Disaster Management Act, 2005. Situations marking the 'localized emergency' were enlisted by the commission, which are:
    - Separatist and such violence threatening sovereignty and integrity of India
    - Communal or sectarian violence
    - Natural or man-made disasters beyond the capacity of the State to cope with.
15. **Union Power in giving Directions to a State:** The States have protested against powers given in Articles 256 and 257 deeming them destructive of State autonomy and federal structure. The main points of dispute are:
    - In case of communal violence or insurgency, the Centre gives directions to States which is resented by the States. However, this must be done with the cooperation and understanding of the States.
    - Presidential ordinances, international treaties and customary international law applicable to the State concerned form the 'existing laws' in Article 265. The States must comply with all such laws.
    - The scope of Article 257 Clause (3) is recommended to be widened by Amendment so that other vital installations besides railways, like major dams, strategic bridges, space and nuclear stations, etc., are protected.
16. **Rajya Sabha and the Rights of the States:** The commission recommended that the factors inhibiting the composition and functioning of Rajya Sabha as a representative forum of the States must be removed even if some constitutional amendments have to be made. A Committee of Rajya Sabha comprising of representatives of concerned States must have permission to hold discussions and arrive at alternative courses of action which are acceptable to the Centre and the States.

17. **Reforms in Rajya Sabha Functioning:** A balance of power between the States *inter se* is desirable and this is possible by equality of representation in the Rajya Sabha. The commission recommended that the functioning of Rajya Sabha must be reformed to achieve the original purpose of federal equilibrium. The relevant provisions must be amended to give equality of sets to States in the Rajya Sabha, irrespective of their population size. Section 3 of the Representation of People Act must be restored to its original status to redeem the federal balance in shared governance.
18. **Decentralized Governance:** The scope of devolution of powers to local bodies to act as institutions of self-government must be defined clearly by making relevant constitutional amendments based on the Principle of Subsidiarity.

Hence, the above-mentioned recommendations given by the Punchhi Commission regarding legislative Centre–State relations are important and were given after many serious consultations and meetings. The Standing Committee of the Interstate Council completed its deliberations on the recommendations made by the Punchhi Commission in 2018 and the government is working to implement them.

## Q2 *Discuss the recommendations given by the two commissions regarding administrative Union–State relations in India.*

**Ans.** The Constitution of India has made provisions for the sharing and distribution of the administrative, that is, the executive power between the Union and the States. The exercise of executive function 'comprises both the determination of the policy as well as carrying it into execution…. the maintenance of order, the promotion of social and economic welfare…. in fact, the carrying on or supervision of the general administration of the State'.[7] The authority in the execution of laws rests with the Parliament but its exercise does not necessarily rely on the prior legislative sanction.

Two major commissions, Sarkaria and Punchhi, have been constituted to look into the administrative issues that need reform or constitutional amendments and make recommendations among other issues. The recommendations regarding the administrative Union–Centre relations, given by both the commissions have been discussed below:

### (I) Sarkaria Commission

Some issues regarding some Constitutional provisions had become disputable regarding executive powers of the Union and the States. Jurisdiction for administration of Union as well as State laws is conferred on the same hierarchy of courts through legislations enacted by the Union and the State legislatures under the relevant entries, for example, 46 of List III, 95 of List I and 65 of List II. The general provisions which have been grouped together in the same chapter of the constitution under the caption, 'Administrative Relations', are contained in Articles 256, 257, 258 258A, 260 and 261. Articles 262 (Disputes related to waters) and 263 (Coordination between States) have also been placed in the same Chapter besides some other provisions. The States asked for the deletion of some of these articles to avoid serious inroads into the functioning of the States.

Given below are the constitutional provisions which were dwelled upon by the Sarkaria Commission to give clarifications and recommendations:

#### *1. Coordination between the Union and the States*

**Article 256:** Article 256 states, in simple words, that the existence of a law made by Parliament or an 'existing law' of the State. The Union government cannot issue a direction with respect to a matter, for example, the dissolution of the Legislative Assembly under Article 174, which is exclusive concern of the State.

**Article 257:** There are three clauses of Article 257 which need to be understood before its recommendation is studied.

Article 257 (1) provides that the State shall exercise its powers without obstructing or distorting the Union government's exercise of power. The Union government can give directions to a State when it needs to regarding:

- Clause (2): Construction and maintenance of means of communication of military and national importance.
- Clause (3): Protection of railways within the State.
- Clause (4): The Union government shall pay the costs incurred by the State government.

**Article 365:** According to Article 365, the President has the power to hold the situation in which the State government cannot continue if it fails to comply with directions given by the Union government under any of the constitutional provisions. This article cannot be invoked if such a situation does not arise because the power conferred by it is not absolute and is open to judicial review.

**Recommendation:** Articles 256, 257 and 365 are wholesome provisions, designed to secure coordination between the Union and the States for effective implementation of Union laws and the national policies indicated the rein. Nonetheless, a direction under Articles 256 and 257 and the application of the sanction under Article 365 in the event of its non-compliance, is a measure of last resort. Before issue of directions to a State or application of sanction under Article 365, utmost caution should be exercised and all possibilities explored for setting points of conflict by all other available means.[8]

### *2. Federalism*

**Article 258:** Federalism is more of a functional arrangement for cooperative action, than a static institutional concept. Article 258 provides a tool, by the liberal use of which, cooperative federalism can be substantially realized in the working of the system. A more extensive and generous use of this tool should be made, than has hitherto been done, for progressive decentralization or powers to the governments of the States and/or their officers and authorities.

**Recommendation:** Federalism is more of a functional arrangement for cooperative action, than a static institutional concept. Article 258 provides a tool, by the liberal use of which, cooperative federalism can be substantially realized in the working of the system. A more extensive and generous use of this tool should be made, than has hitherto been done, for progressive decentralization or powers to the governments of the States and/or their officers and authorities.[9]

## (II) Punchhi Commission

Regarding the nature and scope of Centre's directions to the States in matters which are in the domain of the State's executive power, the Punchhi Commission also endorsed the recommendations of Sarkaria Commission of upholding the Articles 256 and 257. It gave the following recommendations regarding Centre–State administrative relations:

1. **Power of Union to give Directions to State:** As mentioned earlier, the Punchhi Commission was clear about Articles 256 and 257, keeping in mind about them to be the foundation of a federal structure, however, they must be considered as a safety valve. The issue of 'existing laws' used in Article 256 relate to the other laws included in the Presidential ordinances, international treaties and customary international law applicable to the State concerned. The States of the Union of India have the obligation to comply with the existing laws.

2. **Coordination between States, Centre–State Relations and Interstate Council:** The Punchhi Commission recommended that the Interstate Council must be strengthened. Article 263 envisages the Council to inquire into and advise on disputes between States. The Council must be vested with powers and functions as per Article 263 (a) to deal with intergovernmental issues, uphold federal principles with the help of expert and technical advisory staff and strive to hold regular meetings. Article 263 must be suitably amended to make the Council a powerful and a fair mechanism for management of Centre–State disputes.
3. **Zonal Councils and Empowered Committees of Ministers:** The commission recommends twice a year meeting of the Zonal Councils with the Home Minister as its Chairman and the Chief Ministers of the Zonal States with an agenda proposed by the States. They can use the Interstate Council Secretariat for their administrative work.

   The Empowered Committees of Ministers can be appointed in areas of energy, food, education, environment and health to facilitate public policy development and good governance.
4. **Interstate Water Disputes:** Change in the law and procedure is required to resolve interstate water disputes.
5. **All India Services:** The commission agrees with the Second ARC Report on All India Services and recommends that there must be a proper integration of All India Services regarding the third tier of governance by strengthening capacity-building. It suggested constitution of an/advisory Council under the Chairmanship of the Cabinet Secretary with the Secretary Personnel and the concerned Chief Secretaries of States.

   In case of emergencies, under the President's rule, the State government must comply with the directions given by the Union government.

   The above given provisions and recommendations regarding the Centre–State relations form the foundation of federalism for the welfare of the Indian citizens. They have to work together to achieve national goals and objectives.

## Q3 *'The main problem of Centre–State relations in India is bottlenecks in fiscal federalism'. Comment.*

***Or***

## *Discuss the Centre–State Financial relations as given by the Sarkaria and the Punchhi Commissions.*

**Ans.** India is based on a federal system in which mobilization, sharing and utilization of financial resources play an integral role but there are many intergovernmental relations which need resolution after a careful study. India has a fiscal system of concurrent powers regarding certain taxes, borrowings and outlays but it has led to many problems of jurisdiction of concurrence which go to courts. The fiscal mechanisms in place to keep the sharing of taxes and revenues streamlined are the Finance Commission and Planning Commission (till 2014) and now NITI *Aayog* since 2015.[10]

### Constitutional Provisions

The Union State financial arrangements have been given in the Indian Constitution in Chapters I and II. The constitutional provisions regarding the Union–State financial arrangements are given below:

**Articles 268 to 272:** They deal with the taxes levied by the Union, the proceeds of which are either assignable to the States or optionally sharable with the States.

**Article 274:** It requires prior recommendations of the President to Bill affecting taxation in which the States are interested.

**Article 275:** It provides for grant-in-aid of revenue made under a law by the Parliament to States in need of assistance.

**Article 280:** It requires the constitution of a Finance Commission after every five years or earlier.

**Article 281:** It requires the recommendations of the Finance Commission together with an explanatory memorandum about the action taken thereon, to be placed before Parliament.

**Article 282:** It contains a provision for grants by the Union or a State for any public purpose.

**Articles 276, 285 to 288:** They put limitations on the taxation powers to the States.

**Article 289:** It exempts the property and income of the State from Union taxation.

**Articles 292 and 293:** It defines the borrowing powers of the Union and the States.

**Article 292 and 293:** They define the borrowing powers of the Union and the States.

**Articles 246, 248 and 265:** They read with the Legislative Lists I and II which constitute the core of the first aspect, while the main provisions relating to the second aspect are contained in Chapters I and II of Part XII of the constitution.

## Recommendations given by the Sarkaria Commission

The Sarkaria Commission gave the following recommendations concerning Union–State financial relations:

1. **Duties under Article 268:** The duties on all items covered in Article 268 is not a large source of revenue, hence, it was recommended that they must be revised in Union–State consultations and specified in the budget and other relevant publications. Same is the case of the Entry 60 in List II in which ₹ 250 was levied on various professions and it must be revised.
2. **Agricultural Income, Corporate Tax, Agricultural Tax and Other Duties:** Given below are the recommendations:
    - The constitution must be suitably amended to make the net proceeds of corporate tax sharable with the States. This would necessitate the adjustments in the shares of States in Income Tax and Union Excise Duties. The Union government should not levy the surcharge on Income Tax except for a short-limited period of time.
    - The National Economic and Development Council must consider increasing tax on agricultural income.
    - The Union government must make constitutional amendment to enable levying Consignment Tax.
    - Certain cesses and Union Excise Duties must be included in the divisible pool of resources.
    - Items covered in Article 269 have a limited scope, so an Expert Committee must be constituted to widen its operational feasibility.
    - Suitable constitutional amendment must be made to add the subject of taxation of 'advertisement broadcast by radio or television' to the present Entry 92, List I and Article 269 (1) (f).
    - The Finance Commission's recommendation regarding the grant *in lieu* of the Railway Passenger Fare Tax along with other items.

- The Finance Commission must submit its report of recommendations in time and efforts must be made by the government at the Centre to accept it in the Parliament.

3. **Resource Mobilization:** Reforms must be carried out after considerable deliberations regarding taxation so that the potential of resource mobilization between the Union and States can be exploited. Populist measures of announcing schemes have an opportunity cost that compromises the development due to the diversion of funds. These measures must be examined and suitable action must be taken.
4. **Subsidies:** The Planning Commission must prepare a document annually regarding the Union and States subsidies to be informed of the availability of resources for the plan execution.
5. **Finance Commission Cell/Division and the Finance Commission:** It must be located in the Planning Commission which would benefit in the following:
   - Monitoring of the behaviour of States' finances.
   - Annual estimation of deviations from the Finance Commission's norms.
   - Enabling the Planning Commission to bring the deviations to the National Economic and Development Council.
   - Consensus on the resource mobilization for non-developmental expenditure.
   - The Finance Commission Division must conduct studies with the States on trends in growth of public expenditure while considering the previous Finance Commission's findings.
   - The strengthening of the Finance Commission Division will improve coordination between both the commissions.
   - A formula must be worked out for recoupment of revenue from the States by the Finance Commission.
6. **State Bodies:** It was recommended that expert bodies like the Finance Commission must be set-up at the State level also to keep an adequate flow of funds going to the backward regions in the States. The issue of regional disparity must be added in the ToR to reduce the interstate gap in administrative capabilities.
7. **The Disaster Situations:** The Centre must keep a more favourable cash flow of Central assistance for floods, cyclones, droughts, etc. Other recommendations regarding disasters were:
   - The past practice of the Planning Commission to evaluate the damage caused by natural calamities under the Advisor-in-charge of the Central Team must be restarted.
   - Relief must be sent immediately after the disaster to the victims which can be expedited by making suitable norms and formats on a uniform basis.
   - The states should have a reasonable discretion to make inter-district or intersectoral adjustments in case of a natural disaster by evolving the norms in a Union directive.
   - Relief assistance should not be restricted by a fiscal year.
8. **Capital Head and Revenue Budget:** The non-productive schemes and programmes must be put under the revenue budget. Other recommendations include:
   - More revenue transfers from the Union to the States of making a suitable mix of budgetary and non-budgetary access to capital resources must be allowed for the development in the advanced States because such States are in a better position to service commercial borrowings.
   - The capital funds flow from various sources to the States must be a part of the plan of the Planning Commission.
   - The States must be allowed to borrow freely from banks and financial institutions for periods less than a year under Clause (4) of Article 293.
   - Tax-free municipal bonds should be introduced in India.

9. **Ways and Means Demand:** The 'Ways and Means Demand' must be studied annually for the preceding triennium (a period of three years) to consider the price trends for each State by the Reserve Bank of India. The overdrafts period must be extended from 7 to 14 days to adjust the time lag of gathering information from the treasuries.
10. **Foreign Exchange:** Free foreign exchange must be given access to the State governments' annual budget to introduce flexibility. A designated officer of the State Bank of India must be posted in the important districts of larger States. He/she must be given the power of Deputy Controller of Foreign Exchange of the Reserve Bank of India to help the local population in building small and medium businesses.
11. **Remote Districts:** An Expert Committee must study the special problems of remote districts in areas like the issue of shares, bonds, licenses, etc., for which these people have to come to New Delhi.

Hence, these recommendations given by Sarkaria Commission were submitted in 1987 for the Union government's approval and thereafter acceptance.

## Punchhi Commission

Many economic changes took place after the Sarkaria Commission submitted its reports which had a bearing on Centre–State fiscal relations. Many issues raised by it have been resolved since then like the inclusion of Corporate Tax in the divisible pool of Central taxes with the 80th Constitutional Amendment. Many other problems arose after the economic reforms and 73rd and 74th Constitutional Amendments, which are briefly given below:

- **Service Tax:** In 1994, service tax was imposed on three services and later to others as well that increased the indirect taxation in the country and the total gross revenue of the Centre.
- **73rd and 74th Constitutional Amendments:** These amendments led to the amendment of Article 280 which mandated the Central Finance Commission to make recommendations to augment the Consolidate Fund of a State so that the local bodies have more resources available to them. There is a demand for the constitution of a separate fiscal space for local bodies.
- **Tax Reforms:** The time period that is being discussed here had the GST as a proposed tax which has now been imposed. At that time, the VAT was introduced which ended the cascading effect of sales taxation and rate wars among States but it has led to a healthy cooperative federalism.
- **GST:** The introduction of GST as the 101st Constitutional Amendment has subsumed most of the Central and State taxes making taxation easier however, it had been proposed at that time.
- **Fiscal Responsibility Legislation:** The Fiscal Responsibility and Budget Management Act (FRBMA) was enacted which brought in an era of rule-based management of public finances.
- **Borrowings by States:** Termination of on lending by the Centre has cast a burden on the States in terms shorter duration of market borrowings.

Later in 2010, the Punchhi Commission submitted its report which contained the following recommendations regarding Union–State Fiscal relations:

1. **Issues in Centre–State Financial Relations:** All transfers from the Centre to the States through Centrally Sponsored Schemes (CSS) must be reviewed to minimize discretionary transfers, for example, the political party at the Centre will try to use this discretion in granting more transfers to the States which are ruled by the same party in the Centre. The commission recommended the following:
    - Higher transfers to backward States to improve their human and physical infrastructure.
    - Maintenance of assets created in the past.

- Adoption of a multipronged strategy in the backward regions by public investment in physical infrastructure that will attract private investment and higher public expenditure on the social sectors.
- Greater focus on governance problems in less developed States.
- Improvement of Credit-Debt ratio of bank credit and financial inclusion.
- All future Central Legislations involving States must provide for cost-sharing, for example, the Right to Education Act or the proposed Right to Food or the Centre must provide for such expenditures to the States which can be permanently included in the ToR of the Finance Commission.
- Royalty rates of minerals must be revised every three years and offshore royalty can be shared with the States.
- A part of sale proceeds of spectrum must be devolved to the States for expenditure on infrastructure projects.
- Endorse the Finance Commission XII's recommendation of sharing of proceeds of service tax.
- Current ceiling on profession tax must be abolished by a constitutional amendment.
- **FRBM Legislation:** There were a number of recommendations made regarding the FRBM which are:
  - State-specific targets of fiscal deficit.
  - Quality of fiscal adjustment must be built-in the FRBMA targets.
  - All off-budget liabilities must be brought into fiscal accounting.
  - The FRBMA must be amended to specify the circumstances that might warrant deviation from the targets.
  - Annual assessment of all reports by an independent body that should be laid in both Houses of the Parliament.
  - Direct transfers to implementing agencies should be stopped and the State governments must pay interest in case of delays in the repayment beyond 15 days of their receipt from the Central Ministries.

2. **Finance Commission Transfers:** The Finance Commission ToR must be evenly handed between the Centre and the States. Given below are the recommendations with reference to the Finance Commission:
   - The Union government must review all the existing cesses and surcharges with a view to bring down their share in the gross tax revenue.
   - Issue of plan and non-plan expenditure must be sorted out (however, presently, this distinction has been abolished).
   - Better coordination of Finance Commission and the Planning Commission by synchronizing their periods (With the dissolution of Planning Commission, NITI *Aayog* is changing the schema of plans).
   - Finance Commission Division in the Finance Ministry should be converted into a department.
   - More sophisticated methods to evaluate the requirements of the backward states to give them larger funds by linking their performance to grants.
   - Relative shares of tax devolution and grants must be the Finance Commission's prerogative.
3. **Planning Commission and Plan Formulation:** The commission made the following recommendations:
   - Changes sought by the ministries must not be allowed but sectoral allocations must be continued.

- A Medium-Term Fiscal Policy Statement must be accompanied by a three-year budgeting by the Central as well as the State budgets.
- The States must be given autonomy in making their annual plans.
- Plan outlays must be based on realistic estimates of resources within the FRBMA targets.
- Revision of Gadgil formula by increasing the transfers in a phased manner.
- The CSS must be reduced while only flagship programmes of national importance must be given priority but also must suit the State-specific needs.
- A 'stand-alone' Ministry for the North-Eastern region must be abolished and the Planning Commission must establish a Regional Unit by subsuming the NEC Secretariat with the necessary empowerment and funds for the North-Eastern region.
- The Planning Commission must not micromanage sectoral plans of the Central Ministries and the States.

4. **Fiscal Domain of Local Bodies:** The period of tenure of the State Finance Commission and the Central Finance Commission must be the same according to The National Commission to review the working of the constitution. It was recommended that there must be a common template for the Finance Commissions at both the levels. The qualifications required to be a member of the Finance Commission must be given clearly and laid down. The Action Taken Reports must be tabled on the State legislature. The local bodies must be allowed to levy and collect some State taxes and proceeds to be shared by the State government. Devolution of funds must be made in a time-bound frame for the local governments.
5. **Goods and Services Tax:** The commission had recommended the imposition of the GST but the study of this proposition is irrelevant today as the GST Act has been passed.[11]
6. **Unified and Integrated Domestic Market:** There must be a reduction in the number of essential commodities under the Essential Commodities Act and amendments in the APMCA[12] to achieve uniform liberalization of agricultural trade across States. If there are some market demand–supply imbalances or dislocations, only then trade and marketing restrictions must be imposed. Given below some other recommendations that had been made by the Punchhi Commission:
   - Operationalize the Warehousing (Development and Regulation) Act, 2005.
   - Encourage the private sector and cooperatives to establish godowns specifying standards for warehouse receipt system.
   - Promotion of free trade.
   - Setting up an Interstate Trade and Commerce Commission under Article 307 vested with advisory and executive powers with a decision-making role binding on all States and the Union of India with an option to appeal to the Supreme Court.

**NITI *Aayog's* Study Report:** The NITI *Aayog* conducted a study on Central transfers to State in India which covered the reward of performance while ensuring equity.[13] India is ridden by fiscal imbalances which are corrected by transfers through the Finance Commission recommendations on tax devolution and grants-in-aid of revenues. The study group gave the following observations:

- **Capital Mobility:** Since there are numerous obstacles in the mobility of the rural masses, it is better that capital must be moved towards people.
- **Specific Purpose Transfers:** There are large variations in fiscal disabilities of the States in India, transfers are made for general purposes but the per capita income of the highest income State is five times that of the lowest income State. So, the general purpose transfers are unable to offset the revenue and cost disabilities. It is suggested that there must specific purpose transfers.

- **Equalizing Objective:** The recommendations of XIV Finance Commission have been implemented which have passed the difficult test of making equitable transfers of funds but it was found in this study that the CSS have been unable to do so. This results in higher income States incurring larger per capita expenditures on all major social and economic services as well as in totality. The consequence of this situation is that the social and economic inequalities have been increased.
- **Problems in Specific Purpose Transfers:** There are many problems being faced by the Union government in giving grants for specific purposes which are:
  - Thin resources
  - Grants not linked to outcomes but are incremental
  - States with largest shortfall do not receive higher grants

The Centre needs to rationalize its CSS and determine the design itself. The number of schemes must be restricted and reduced so that adequate funding can be done to improve the service level. More emphasis must be laid on attaining minimum standards.

## Conclusion: The Current Status

After the 273 recommendations made by the Punchhi Commissions Report was deliberated upon by the Standing Committee of the Interstate Council in 2018, it was decided that the deliberations would be submitted before the Interstate Council. The NITI *Aayog*'s publication of Strategy for New India @ 75 has laid emphasis on financial inclusion of the population by providing banking for the unbanked and digital payment services. This will provide the much-needed infrastructure to improve the Centre–State relations in all spheres. The main strategy is to disburse financial benefits through the Direct Benefit System based on Aadhar. The Interstate Council must have more meetings to resolve disputes between the States and between the Union and the States. It is extremely important to link the needs of specific States with funding being given to them. A State that has achieved complete electrification or a hundred per cent literacy must not be given funding for such schemes.

Since NITI *Aayog*, the planning organization that replaced the Planning Commission in 2015, has taken charge as the largest 'think tank' planning body, all sights are set upon seeing whether it will be able to improve the Centre–State relations in all spheres. Its existence is based on cooperative federalism, and now also competitive (based on Gandhian philosophy), the States are equally involved in planning. It offers technical expertise by bringing experts from beyond the civil service pool of officers and has given the Finance Commission full freedom to make its recommendations without any encroachment. It has abolished the strategy of 'one-size-fits-all' in CSS and makes state-specific programmes.

With the acceptance of Finance Commission XIV recommendations, it is clear that more devolution of funds is being done with the additional revenue coming in through the implementation of the GST Act. The advantage here is that there is no restriction from the NITI *Aayog* for the States on where to spend the funds. The State Chief Ministers have a position in the executive body of the NITI *Aayog* to bring in their views and an active voice to share their issues of their State.

## Notes and References

1. Chapter II, Legislative Relations, http://interstatecouncil.nic.in, retrieved on 19 February 2019.
2. Report of the Sarkaria Commission, interstatecouncil.nic.in
3. *Ibid*.

4. Adapted from: Commission on Center-State Relations, Report Volume II, http://interstatecouncil.nic.in, retrieved on 19 February 2019.
5. Refer to National Commission to Revive the Working of the Constitution, Article 365 of the Constitution, http://legalaffairs.gov.in for Article 356.
6. *Ibid*.
7. Adapted from:
   Chapter III, Administrative Relations, http://interstatecouncil.nic.in, retrieved on 20 February 2019.
8. *Ibid*.
9. *Ibid*.
10. For information on the historical background of the Indian financial system log on to: http://interstatecouncil.nic.in, retrieved on 24 February 2019.
11. Refer to Chapter 52 on Goods and Services Act in: Mahajan, Anupama Puri (2018), *Public Administration for Civil Services*, Pearson India Education Services Pvt. Limited, New Delhi.
12. Agriculture Produce Market Committee Act.
13. Adapted from:
    Central Transfers to States in India Rewarding Performance While Ensuring Equity, http://niti.gov.in, retrieved on 25 February 2019.

# 20 Role of Finance Commission

## LEARNING OBJECTIVES

*After reading this chapter, you will learn about:*

- Mandate Behind the Finance Commission
- Functions of the Finance Commission
- Appointment of the Finance Commission
- Twelfth Finance Commission
- Thirteenth Finance Commission
- Fourteenth Finance Commission
- Impact of the Finance Commission
- Fifteenth Finance Commission

## INTRODUCTION

In India, the Finance Commission was constituted under the Article 280 of the Constitution of India. Its basic purpose is to recommend the tax revenue distribution between the Centre and the States and also amongst the States. The two basic objectives of the Finance Commission are checking the vertical imbalances between the powers of the taxation and the expenditure responsibilities of the Centre and the States respectively and secondly, the equalization of all public services all over the States. Finance Commissions are mostly constituted in a federal system with the purpose of resolving the horizontal and vertical imbalances.

The First Finance Commission was constituted vide a Presidential Order dated 22 November 1951 under the Chairmanship of K. C. Neogy on 6 April 1952. Presently, the Fifteenth Finance Commission (XV FC) has been appointed under the Chairmanship of Shri N. K. Singh. The XV FC is required to submit its report by 30 October 2019 while its recommendations will cover the period commencing from 1 April 2020.

### Q1 *Discuss the mandate behind the Finance Commission, its appointment and functions.*

**Ans.** Article 280 of the Constitution of India States about the Finance Commission as given below:

**(i)** The President, shall, within two years from the commencement of this constitution and thereafter at the expiration of every fifth year or such earlier time as the President considers necessary, by order constitute a Finance Commission which shall consist of a Chairman and four other members to be appointed by the President.

**(ii)** Parliament may by law determine the qualifications which shall be requisite for appointment as members of the commission and the manner in which they shall be selected.

**(iii)** It shall be the duty of the commission and the manner in which they shall be selected.

**(iv)** It shall be the duty of the commission to make recommendations to the President as to the distribution between the Union and the State of the net proceeds of taxes which are to be, or may be, divided between them under this chapter and the allocation between the States of the respective shares of such proceeds.

### Functions of the Finance Commission

The Finance Commission makes recommendations to the President as to:

- The distribution between the Union and the States of the net proceeds of taxes which are to be, or maybe, divided between them and the allocation between the States of the respective shares of such proceeds.
- The canons should manage the grants-in-aid of the State revenues out of the Consolidated Fund of India.
- The ways the Consolidated Fund of a State can be increased so that the State *Panchayats* may have more funds.
- The measures required to raise the Consolidated Fund of a State to increase the funds of the Municipal Corporations in the State.
- Any other matter which is referred to the commission by the President in the areas of finance.

### Appointment of the Finance Commission

The Finance Commission is appointed by the President of India as per Article 280 of the Constitution. The Chairman of the Finance Commission is selected from among such individuals, who are experienced in public affairs, as per the provisions contained in the Finance Commission Act, 1951 and the Finance Commission (Salaries and Allowances) Rules, 1951.

Four other members are also selected who may:

1. Have been appointed or qualified as a judge of a high court; or
2. Be a specialist of the finance and accounts of the government; or
3. Be experienced in financial matters and administration; or
4. Be an economist.

### Implementation of Recommendations of the Finance Commission

The implementation of the Finance Commission recommendations is done by:

- An order of the President with respect to distributions of Union taxes, duties and grants-in-aid.
- An order of the executive with respect to profit petroleum, debt relief, mode of central assistance, etc.

## Q2 *Briefly discuss the Twelfth, Thirteenth and Fourteenth Finance Commission.*

**Ans.** It is integral to study and analyze the last three Finance Commissions to understand their role.

## TWELFTH FINANCE COMMISSION

It is important here to discuss the Twelfth Finance Commission (XII FC), the XII FC of India was appointed on 1 November 2002 to recommend the dynamics of distribution the net receipts of the taxes accrued to the Union and the States. The commission was headed by C. Rangarajan, a well-known Indian economist for the period spanning from 2005–2010.

The main recommendations made by the XII FC are as follows:

1. **Macroeconomic Stability:** It was suggested that the whole amount of fiscal deficit for the Centre and the States needed to be reduced to 3 per cent of the GDP. Also, it was recommended that:
   - The total tax–GDP ratio was to be raised to 17.6 per cent of the GDP in 2009–10.
   - The revenue deficit for both, the Centre and the States, must be decreased to nil by 2008.
2. **Distribution of Union Tax:** The XII FC recommended that:
   - The total distributable allotment of central taxes must be fixed at 30.5 per cent.
   - The share of the States will reduce to 29.5 per cent provided that the States will impose sales tax on sugar, textiles and tobacco.
3. **Grants to Local Bodies:** For the period from 2005 to 2009:
   - A grant of ₹ 20,000 crores was to be given to the Panchayati Raj Institutions.
   - The Urban Local Bodies (ULBs) were to get a grant of ₹ 5,000 crores.
4. **Calamity Relief Fund:** The XII FC suggested that:
   - The Calamity Relief Fund was continued as earlier with the Centre contributing 75 per cent and 25 per cent.
   - The fund was granted ₹ 56,856 crores as non-plan revenue and ₹ 10,172 crores to 8 educationally backward states.
   - Grant was also given to keep public buildings and heritage monuments well maintained.

### *Terms of Reference (ToR)*

The XII FC states its ToR to make recommendations concerning the issue given below:

1. **Net Proceeds:** As per Chapter 1, Part 12 of the Constitution of India, the net proceeds of taxes were to be shared between the Union and the States.
2. **Increase in the Consolidated Fund of States:** The Finance Commission was to recommend formulating policies to eventually have an increase in the Consolidated Fund of States to ultimately boost the funds of the Municipal Corporations and *Panchayats* in the States.

   The XII FC would consider the following additionally:
   - The funds of the State governments as well as the Centre for the time period of five years starting from 1 April 2005.
   - The Finance Commission would pay special attention to the Union government for funds required for civil administration, law and order, defence, debt servicing and other ongoing liabilities.

## THIRTEENTH FINANCE COMMISSION

The Thirteenth Finance Commission (XIII FC) was constituted in 2005 for five years under the Chairmanship of Vijay Kelker. A brief overview of recommendations made by the XIII FC is given below given below:

- The XIII FC recommended an increase of 1.5 per cent in the share of states in the net proceeds of the shareable Central taxes.
- There needs to be a considerable reduction leading to an eventual end of revenue deficit which should transform into a revenue surplus by 2013–2014.
- The fiscal deficit must be decreased by 3 per cent of the GDP by 2014–2015.
- An objective of 68 per cent of GDP must be set for the debt of Union and States.
- The term of statement of the Medium-Term Fiscal Plan (MTFP) must be changed to a statement of commitment.
- Amendments regarding the Fiscal Responsibility and Budget Management Act (FBRMA) must be made in such a way that there is some abatement of relief to absorb shocks.
- The Goods and Services Act must be executed. The Finance Commission suggested a grant of ₹ 500 billion as an incentive for the States to grow.
- There must be a reduction in the number of Central Sponsored Schemes (CSS) and increase the grants with respect to formula-based plans.
- The power sector in the States must be revamped to check losses within a time limit.

The ToR of the Finance Commission after the 73rd and 74th Constitutional Amendment Acts were to make necessary recommendations to increase the Consolidated Fund of the States to augment funds of *Panchayats* and Municipal Corporations.

### *Disaster Relief Under the XIII FC*

After a series of discussions and studies of the existing Disaster Management Act concerning relief mechanisms, the XIII FC gave the following recommendations:

1. **Financing Arrangements:** The post-disaster relief measures require big amounts of funds. Funding is done at three levels:
   - **(i)** National
   - **(ii)** State
   - **(iii)** District

   The Act is silent on the source of funding for state and district levels. The Finance Commission mentioned that at the national level, it is imperative that a mechanism be put into place to fund a mechanism be put into place to fund the relief measures because the States do not have such funds. The National Calamity Contingency Fund must be merged into National Disaster Relief Fund with effect from 1 April 2010. The funds must be provided by the Central government duly sanctioned by the Parliament.

   The Act fixes the responsibility of disaster relief upon the States but does not state the source. So, the existing system of Calamity Relief Fund can be enhanced by evaluating the system central funding for the State Disaster Response Force (SDRF). The ratio of sharing of funding for the Centre and the States would be fixed at 75:25. Some States may be incapable of such a ratio, so the funding of SDRFs may be fixed at 90:10 of Central and State governments for special category states.

2. **Disaster Mitigation:** Disaster mitigation should be included in the plan process and its funding be done out of the plan resources of the respective ministries of the Union and the States.
3. **Administration:** The disaster relief administration must be as per the Disaster Management Act and funding to be continued as it is.
4. **Accounting:** The Central assistance to the States must be accounted according to ordained accounting system.

## Grants-In-Aid

The XIII FC ToR made it imperative to recommended principles to be followed while sanctioning grants-in-aid of the State revenues from the Consolidated Fund of India as per Article 275 of the Constitution of India. Grants-in-aid is a mechanism to transfer funds from the Central agency to the state agencies.

Given below are such grants which the XIII FC recommended:

1. **Non-Plan Revenue Deficit (NPRD) Grant:** The XIII FC recommended 16.26 per cent of the total grants which was the lowest ever number given by any Finance Commission. This became possible because the states came out of the non-plan revenue deficit by making the fiscal reforms given by fiscal responsibility and budget management a reality. Three states, namely, Uttarakhand, Assam and Sikkim, were given a recommendation of performance grants as an incentive to continue in their good efforts.
2. **Education:** Elementary education as a constitutional right of children in the age group of 6 to 14 was focussed on by the Finance Commission. This 'focussed' grant would help the states to deal with the shortage of funds thereby making the National Programme of Education a success.
3. **Quality:** The emphasis needs to be on the outcomes and outputs by improving the quality of public expenditure. The second issue to be taken-up was to give attention to better administration of ecology, environment and climate change. Grants were planned specially for furtherance of renewable energy, improved water sector management and a decrease in infant mortality.
4. **Road Infrastructure:** Road infrastructure is vital for all-round economic development. It influences education, basic health services and good public service delivery. Pradhan Mantri Gram Sadak Yojana was started to have better roads.
5. **Non-Intrusive Approach:** The Finance Commission followed a non-intrusive approach while giving grants. Forests were freed for use to some extent to be utilized by States as development resources. Corrections such as fertilizer subsidy, etc., need to be done at the Centre.
6. **Better Targeting of Subsidies:** It was felt by the Finance Commission that there is a need for better targeting of subsidies as the expenditure on it is about 18 per cent of the non-plan revenue expenditure whereas the State level shows it is quite less owing to the losses incurred in the power sector. This occurs due to lack of identification and its verification. It is important that a countrywide biometric-based unique identity system for Indian citizens be launched and completed successfully so that the subsidies reach the right person.
7. **Better Justice Delivery:** Delay in disposal of cases becomes an obstacle in economic development. A few areas that need special attention to improve service delivery include:
    - Current filings to be disposed of as soon as possible.
    - Number of working hours in court can be increased by having shifts.
    - Reinforcing Lok Adalats to decrease the workload of courts.
    - State legal services authorities were to get additional funds to help the have-nots to provide justice to them.

- Alternate dispute resolution mechanism will be put into place to encourage out-of-court settlement.
- Training workshops must be organized to capacitate judicial officers and public prosecution.
- Each State was recommended to have a judicial academy for the provision of such training.

8. **Police Training:** There is a shortage of police personnel and their training. The XII FC made available appropriate funds to fill vacancies and their training. It also recommends gender sensitization to be a part of their training to promote them as protectors.
9. **Promoting Innovation:** This decade has been named as the 'Decade of Innovation' by the former President. The National Innovation Foundation has noted many such innovations by including the private sector in areas of health, education, tourism, natural resource management, etc. The Centre for Innovations in Public Systems and District Innovation Fund received a grant from the Finance Commission.
10. **Transparency in Government Accounts:** Efforts in increasing transparency in government accounts would improve the feedback and show the financial effect of all policies leading to higher productivity. The Finance Commission recommended accrual accounting, consistency in accounting across states and auditing. The Finance Commission noted the following issues needing action:
    - **Gross State Domestic Product:** Gross State Domestic Product (GDSP) at market prices must be appraised in congruence with the national estimates in place of factor cost. This would help the Finance Commission to do away with comparable GDSP series.
    - **Environmental Considerations:** The Finance Commission must consider environment by estimating Green GDP, as suggested earlier, to focus on depreciation of natural assets.
    - **Horizontal Distribution:** Data of various services available in different states and their unit cost must be generated to achieve horizontal distribution in our economy.
11. **Pensioner's Database:** The States must prepare a database regarding the number of employees and pensioners, their salary and pension payable in future to calculate and plan its development outlays. Such data bases must be continually updated. This would enable better implementation of the New Pension Scheme because it will enable the basis for payroll linked deduction and its disbursing to the service providers. Management Information System will help build this data base to facilitate the Grants by the Finance Commission.
12. **Roads and Bridges and their Maintenance:** The XIII FC recommended additional grants to the states for the maintenance of roads and bridges. This came as a response to the memoranda submitted to the Finance Commission by the states saying that they do not have the funds for the same. After calculating the cost for this purpose, the Finance Commission decided to increase the Grant by 20 per cent.
13. **State-Specific Grants:** The Finance Commission conducted visits to various states to assess their local and specific needs. The Central ministries gave their input regarding the need of the states.
    Given below are some issues that required state-specific needs:
    - Particular needs of remote areas and marginal groups in various States.
    - Infrastructural development along the international borders.
    - The archeological sites and monuments not falling under the Archeological Survey of India to be given protection.
    - Solving the issue of drinking water.
    - Health care especially for children.
    - Developing employable skills.
    - Police training requirements.

The ToR of the XIII FC highlights the need for a transformational change in India than the incremental development by balancing it with the global needs. The Finance Commission was required to assess the federal finance. The Finance Commission took steps to identify areas—long-term as well as short-term, to combat the challenges of the future keeping in mind the medium and long-term planning notwithstanding the time period of the commission. They are given as below:

(i) **Goods and Services Tax (GST):** There would be many benefits of Goods and Services Tax (GST) when implemented. The proposed GST would ultimately have the indirect tax system keeping in tandem with the international practices as well as decreasing the vertical imbalance between the Centre and the States. It will have a common market in India making the manufacturing sector more competitive resulting in an increase in exports. The GST also needs to work with the local bodies to do away with distortionary taxes like octroi, etc.

(ii) **Better Governance:** The Finance Commission recommended an improvement in governance to transmute the quality of public expenditure. The existing parameters that are used by Finance Commissions are population and area but the XIII FC needs to add indicators of the Millennium Development Goals (MDGs). The lack of data regarding the MDGs makes it difficult to include them by the Finance Commissions.

(iii) **Data on Gross State Domestic Product (GSDP):** The XIII FC urged the statistical organizations to deliver more timely data on GSDP to decrease time lags. The Finance Commission faced this issue of having to use old data in preparing its report and taking decisions.

(iv) **Classification of Revenue and Capital Expenditure:** Currently, there is no provision to classify a 'capital grant' to give a grant for creation of assets on a medium term. This needs to be done keeping in mind the use of disinvestment at the State and local body levels.

(v) **Institutional Overhaul:** The Finance Commission recommended an all-inclusive institutional transformation for fiscal policy design within the Finance Ministry. The Finance Ministry must delegate its regulatory and administrative functions to specialized agencies such as creation of National Debt Management Agency.

(vi) **State Finance Divisions:** The XIII FC recommended establishing new State Finance Divisions to advice on issues of intergovernmental fiscal arrangements which is at present provided only by the Reserve Bank of India. Also, research projects must be started to study intergovernmental fiscal federalism in India which must be taken-up by national organizations.

By incorporating all the above-discussed recommendations, the Finance Commission aimed to have a comprehensive growth of India.

## FOURTEENTH FINANCE COMMISSION (XIV FC)

The Fourteenth Finance Commission was constituted by the President on 2 January 2013 for the period 2015–2020. The XIV FC was required to submit its report by 31 October 2014 but it was extended to 31 December 2014. The information on the report is yet awaited. The former RBI Governor Y V Reddy was appointed as its Chairman while the well-known economist and former member of the Planning Commission Abhijit Sen, Former Finance Secretary Sushma Nath, Director of National Institute for Public Finance and Policy Dr M. Govinda Rao and former Acting Chairman of the National Statistical Commission Sudipto Mundle are members. The Secretary appointed to the Finance Commission is Ajay Narayan Jha.

### *Proposals to the XIV FC*

The proposals to the XIV FC are given below in brief:

1. **Interstate Migrants:** The issue of interstate migrant workers as well as illegal migrants from the neighbouring countries will be considered as it is impacting most of the State. The Finance Commission shall give this issue a justifiable measure while working on the distribution of the total taxes. The demographic transition of a state, being an established real index, measures overall human as well as economic development.
2. **Coastline States:** The XIV FC proposed to give a share, due to the coastline states, out of the royalty/taxes accrued to the Central government from the minerals produced (including oil and natural gas) from the territorial waters region and also a dedicated economic zone like the land-based minerals production but such parts would be constitutionally a part of states/union territories under the Indian Union.
3. **Autonomy:** As per Article 282, financial autonomy would be given to the states to incur expenditure as they feel it necessary for public purposes thereby keeping itself away from specific expenditure of grants-in-aid to the states sourcing from specific expenditure from the Consolidated Fund of India.
4. **Financial Emergency:** According to Article 360, the President has the power to declare financial emergency if such a situation arises where the credit or fiscal stability is in danger. It will be the commission's duty to work out guidelines to avoid such situations.
5. **Government Advertisements:** The Finance Commission must consider and assess if the government advertisements expenditure is justified, as per Article 282.
6. **Government Spending:** The Finance Commission shall evaluate and make recommendations on expenditure made by various Law Commissions.

### *Terms of Reference*

The terms of reference with the respect to the XIV FC are given below in brief:

1. **Tax Sharing:** The XIV FC shall recommend with respect to the following:
    - As per Chapter I, Part III of the Constitution, the Finance Commission would recommend the distribution between the Union and the States of the net proceeds of taxes and also appropriation of funds between the States of the respective shares of such receipts.
    - Grants-in-aid principles must be framed to execute the grants-in-aid of the State revenues out of the Consolidated Fund of India along with the money to be allocated to the States in need of financial help as per Article 275 of the Constitution of India other than the Clause (1).
    - The Finance Commission would make efforts to increase the Consolidated Fund of a State so that the *Panchayats* and Municipalities have more funds.
2. **Deficit and Debt Levels:** The Finance Commission will evaluate the deficit and debt levels of the Union and the States based on the fiscal consolidation framework given by the XIV FC. The commission would recommend ways for a stable fiscal environment in line with equitable growth by making suitable amendments to the Fiscal Responsibility and Budget Management Act (FRBMA). The effect of revenue collected and expenditure by way of grants-in-aid on the deficit to create capital assets also must be studied. The States' assets must be urged to follow the FRBM Act.

3. **Recommendations:** The XIV FC would also recommend with respect to:
   - The Union government resources based on the taxation levels and non-tax receipts during the period 2014–2015.
   - The requirements of money to be spent on civil administration, defence, internal and border security, debt-servicing, etc., from the Union government.
   - The call for funds from the Union government for various purposes including debts based on taxation levels and non-tax revenues.
   - The aim to have a surplus for capital investment besides maintaining a balance of receipts and expenditure on revenue account of all States as well as State governments.
   - The level of granting equitable subsidies that are imperative for sustainable and a comprehensive growth of the Union as well as State governments.
   - The norms to determine the amounts to be recommended for the expenditure on the non-salary portion of maintenance of capital assets and non-wage expenditure on plan schemes to be accomplished by 31 March 2015.
   - Keeping control over pricing of essential services like drinking water, irrigation, power and transport provided by the government by making it legal.
   - Pushing public sector undertakings to become efficient and move to profit-making while disinvesting in non-priority enterprises.
   - Look into an efficient management of ecology, environment and climate change along with sustainable economic development.
   - The effect of the GST on the finances of the Centre and States and the methodology to cope up with any loss of revenue.
4. **Demography Factor:** The XIV FC would consider 1971 census population figures to take decisions in devolution of taxes and duties and grants-in-aid wherever the deciding factor becomes population. The Finance Commission may consider changes in demographic logistics after 1971 where required.
5. **Public Expenditure Management System:** The Finance Commission would assess and review the public expenditure management system in areas of budgeting and accounting norms and principles, the present working of classification of receipts and expenditure, connecting outlays to outcome and output and to make suggestions to improve them in tandem with the international practices.
6. **Disaster Management:** The Finance Commission will provide for funds for disaster management as per the Disaster Management Act, 2005 and make recommendations if required.
7. **Report:** The Finance Commission will mention the basis of making recommendations and submit its report by 31 October 2014. Though the deadline got extended and as mentioned earlier, to 31 December 2014.

   The Finance Commission is a vital instrument to keep the mechanism of tax sharing of the Union and the States in balance. It acts as a bridge between the two levels of government—Union and the States. Their fiscal relations are kept healthy by the Finance Commission to come out stronger to achieve a stable and sustainable fiscal stability leading to planned all around development. This keeps the nation strong and competitive in the international market emerging as a rapidly growing economy.

   Since the Centre–States fiscal relations are perpetually liquid and keep changing, it is this institution of Finance Commission which keeps on striving to maintain a balance between the two. There has been a tremendous change since the 1950s when the I FC had presented its recommendations. The main change is regarding the scale of distribution of tax proceeds from 10 per cent of the total tax receipts of the Centre in 1950 to a record 42 per cent. this makes the earlier awards look restrictive and orthodox in keeping with the spirit of cooperative federalism.

## Q3 *Discuss the Fifteenth Finance Commission regarding its Terms of Reference and the issues that it shall be exploring.*

**Ans.** The Fifteenth Finance Commission (XV FC) was constituted by the President under Article 280 of the Constitution under the Chairmanship of Shri N. K. Singh and is required to give its report by 30 October 2019 and its recommendations will cover the five-year period from 1 April 2020.

### *Terms of Reference*

Given below are the ToR besides the ones given in Article 280 that shall be taken into consideration by the XV FC in making its recommendations:

1. **Resources:** The resources of the Central government and the State governments for the five years commencing on 1 April 2020 based on the levels of tax and the non-tax revenues which are expected by 2024–25. The Commission shall consider tax and non-tax revenues in relation with their potential and fiscal capacity. The demand on the resources that shall be studied shall be:
   - Defence, internal security, infrastructure, railways, climate changes and other committed expenditure and liabilities.
   - On account of financing socio-economic development and critical infrastructure, assets maintenance expenditure, balanced regional development and impact of the debt and liabilities of their public utilities.
   - Impact on the fiscal situation of the Union government of substantially enhanced tax devolution to States following the recommendations of the XIV FC and with the national development programme, 'New India 2022'.
   - Impact of GST with respect to:
     - Payment of compensation for possible loss of revenues for five years
     - Abolition of a number of cases
     - Compensation to be given.
   - Any other condition that the Government of India may impose on the States under Article 293 (3).
2. **Performance-based Incentives:** The XV FC may consider proposing measurable performance-based incentives for States at the appropriate level of government in the areas given below:
   - In expansion and deepening of tax net under GST.
   - Replacement rate of population growth.
   - Achievements in implementation in flagship schemes of Government of India, eliminating losses of power sector, and improving the quality of such expenditure in generating future income streams.
   - Progress made in increasing tax/non-tax revenues, promoting savings by DBT and Public Finance Management System.
   - Progress made in promoting ease of doing business and making regulatory changes and promoting labour intensive growth.
   - Basic human services, quality human resources and improving delivery of services.
   - Control or lack of it in incurring public expenditure for populist measures.
   - Progress made in sanitation, solid waste management and attitudinal change in open defecation.

3. **Census Data:** The Census 2011 data will be used while making its recommendations.
4. **Disaster Management:** The existing arrangements for funding of disaster management initiatives will be studied under the Disaster Management Act, 2005 and make recommendations if needed.

**Basis:** The XV FC will state its basis on which it has made its recommendations and submit its report by 30th October 2019 covering a period of five years starting from 1 April 2020.

## Conclusion

The role of the Finance Commission is explicitly explained in this chapter. Its role has been outlined while introducing the Finance Commission in a chronological order and then moving on to discuss its functions and working. The Twelfth, Thirteenth, Fourteenth and Fifteenth Commissions have been discussed with their terms of reference and recommendations.

# 21 Governor, Chief Minister, Council of Ministers, Chief Secretary, State Secretariat, Directorates

## LEARNING OBJECTIVES

*After reading this chapter, you will learn about:*

- Legal provisions of the executive power of the Governor
- Article 156
- Problems faced during the Appointment of Governor
- Appointment, Duties, Functions and Role of a Chief Minister and the Council of Ministers of a State
- Role of the Governor in an Era of Coalition Governments
- Role of Chief Minister as the Real Executive
- How the Cheif Secretary is elected?
- Role and Functions of the Chief Secretary
- Challenges Faced by the Chief Secretary
- Role of State Secretariat
- Reasons of Ineffectiveness of the State Secretariat
- Structure of Directorates
- Conflict Between the State Secretariat and the Directorates and its Resolution

## Governor

### Historical Perspective

**1858:** As per The Government of India Act, 1858, the Governor became the Crown's agent working under the Governor-General.
**1919:** The Montague-Chelmsford Reforms were enforced and the position of the Governor was reinforced as a pivot in the Provincial Administration.
**1935:** According to The Government of India Act, 1935, the Governor was responsible to act on the advice of ministers responsible to the legislature. He had the responsibility of maintenance of peace, safeguarding of the interests of minorities and could use his discretion in specified matters but under the Governor-General.
**1937:** The Government of India Act, 1935 came into force in 1937 and some issues were of a grave concern for the Congress party regarding the powers of the Governor. It assumed office on the condition that the Viceroy accepted that no conflict would arise between the elected ministers and the Governor.
**1947:** The role of the Governor changed as words like, 'in his discretion', 'acting in discretion' and 'exercising his individual judgement' were omitted from the Provisional Constitution Order, 1947. The Governor was obliged to act on the advice of the Council of Ministers.

## Q1 *What are the legal provisions given in the Constitution of India regarding the Executive Power of the Governor?*

**Ans.** The Constitution of India deals with the executive power of the State that is vested in Governor in Chapter II in Articles 152 to 162. Given below are the constitutional provisions[1] about the Governor's powers and role:

**Article 153 Governor in Each State:** There shall be a Governor for each State, however, in some cases, the same person can be appointed as the Governor for two States.

**Article 154 Executive Power of State: Clause (1)** This article deals with the executive powers of the State which shall be vested in the Governor and exercised by him either directly or through his subordinate officers as per the constitution. This implies that even if the order did not come from the Governor himself and was passed by a subordinate official authorized by him, the Governor is responsible for the actions taken by the subordinate in his name.

**Clause (2):** It states that nothing in this article shall:

- Be deemed to transfer to the Governor any functions conferred by any existing law on any other authority.
- Prevent Parliament or the legislature of the State from conferring by law functions on any authority subordinate to the Governor.

Clause (2) simply means that the Governor does not have the power to dismiss any public servant and that he has the power to act by using his discretion regarding the powers, duties and functions in his name.

**Article 155 Appointment of Governor:** The Governor shall be appointed by the President by warrant under his hand and seal.

**Article 156 Term of Office of Governor:**

- The Governor of a State shall hold office during the pleasure of the President.
- The Governor, may, by writing under his hand addressed to the President, resign his office.
- Subjected to the foregoing provisions of this article, a Governor shall hold office for a term of five years from the date on which he enters upon his office:

Provided that a governor shall, notwithstanding the expiration of his term, continue to hold office until his successor enters upon his office.

Since the President acts on the aid and advice of the Council of Ministers as per Article 74, in reality, the Central government appoints and removes the Governors. Hence, the 'Pleasure of the President' is in fact the will of the Central government.

The interpretation of Article 156 is given in Box 21.1.

***Box 21.1: Interpretation of Article 156***

The Supreme Court's interpretation in 2010, a constitutional bench of the Supreme Court interpreted these provisions and laid down some binding principles (B. P. Singhal versus Union of India). In this case, the newly elected Central government had removed the Governors of Uttar Pradesh, Gujarat, Haryana and Goa in July 2004 after the 14th Lok Sabha election. When these removals were challenged, the Supreme Court held:

1. The President, in effect the Central government, has the power to remove a Governor at any time without giving him or her any reason, and without granting an opportunity to be heard.
2. However, this power cannot be exercised in an arbitrary, capricious or unreasonable manner. The power of removing Governors should only be exercised in rare and exceptional circumstances for valid and compelling reasons.
3. The mere reason that a Governor is at variance with the policies and ideologies of the Central government, or that the Central government has lost confidence in him or her, is not sufficient to remove a Governor. Thus, a change in Central government cannot be a ground for removal of Governors, or to appoint more favourable persons to this post.
4. A decision to remove a Governor can be challenged in a court of law. In such cases, first the petitioner will have to make a *prima facie* case of arbitrariness or bad faith on part of the Central government. If a *prima facie* case is established, the court can require the Central government to produce the materials on the basis of which the decision was made in order to verify the presence of compelling reasons.[2]

**Article 157 Qualifications for Appointment as Governor:** A candidate to be appointed as a Governor must be an Indian citizen more than 35 years of age.

**Article 15 Conditions of Governor's Office:** There are four clauses in this article, which are:

1. The Governor cannot be a member of either of the Houses of the Parliament or the legislature of any State. If it is so, then his seat will be deemed to have vacated his/her seat from the date he takes office as a Governor.
2. The Governor cannot hold any office of profit.
3. The Governor shall be entitled to privileges like rent-free house, allowances, etc.
4. The emoluments and allowances shall not be reduced in his tenure.

**Article 159 Oath or Affirmation by the Governor:** He/she, on taking the office of the Governor, must take an oath as prescribed in the presence of the Chief Justice of the high court exercising jurisdiction in relation of that State or in his absence, the senior most judge of the high court.

**Article 160 Discharge of Functions of the Governor in certain Contingencies:** The President may make provision as he thinks fit for discharging the Governor's functions in certain contingencies not given here.

**Article 161 Grant of Pardon:** This article deals with the powers of the Governor to grant pardons, reprieves or remissions of punishment or to suspend, remit or commute any person's sentence convicted of any offence against any law within the executive power of the State.

**Article 162 Extent of Executive Power of the State:** The executive power of a State shall extend to matters with respect to which the State legislature has the power to make laws.

**Article 163 Duties of the Chief minister:** This article does not directly deal with the powers and functions of the Governor. However, it states that the Council of Ministers advises the Governor in the exercise of his functions except when he is required to use his discretionary powers under the constitution.

From the constitutional provisions discussed above, it is observed that the Governor's position is very important to keep the constitutional machinery in a State working in a democratic manner to uphold the federal structure of the Union of India.

## Q2 *Discuss briefly the role and discretionary powers of the Governor.*

**Ans.** Article 167 of the Indian Constitution imposes duties on the Chief Minister to inform the Governor of all decisions taken by the Council of Ministers, proposals for legislation, administration related information or as the Governor may call for. The information must also be related with the discharge of his constitutional amendments. The role of the Governor as the constitutional head of the State involves his/her right to be consulted, to warn and encourage. His/her role is overwhelmingly that of 'a friend, philosopher and guide' to his Council of Ministers. The Governor can discharge his/her duties effectively with the information available with him, as expected by the prescribed role in the constitution.

**Persuasive and not Dictatorial:** The Governor's role, according to Article 167, gives him/her persuasive and not dictatorial powers to override or veto the decisions or proposals of his Council of Ministers relating to the administration of the affairs of the State. These powers are only related at best with counselling and guidance or having diplomatic relations with the opposition if needed. It all depends on how much the Council of Ministers and their leader, the Chief Minister, needs guidance and advice.

**Non-Executive:** The Governor does not exercise the executive functions individually or personally but the State government takes executive action in the name of the Governor as per the Rules of Business that are framed under Article 166 (3). If there is any fault in the executive action taken in the name of his/her office, the liability lies with the State government and not the Governor (Articles 361, 299 (2) and 300).

**Discretionary Powers:** Article 163 states the discretionary powers of the Governor which are very limited. It states that:

- There shall be a Council of Ministers with the Chief Minister as the head to aid and advise the Governor in the exercise of his functions, except in so far as he is by or under this constitution required to exercise his functions or any of them in his discretion.
- If any question arises whether any matter is or is not a matter as respects which the Governor is by or under this constitution required to act in his discretion, the decision of the Governor in his discretion shall be final and the validity of anything done by the Governor shall not be called in question on the ground that he ought or ought not to have acted in his discretion.
- The question whether any, and if so what, advice was tendered by ministers to the Governor shall not be inquired in to in any court.[3]

Clause 1 relates to discretionary powers of the Governor where he is by or under the constitution required to function. The word, 'required' implies that the Governor can use his discretionary powers only if there is a compulsion to do so. Hence, such powers are restricted to need based as in case of a failure of constitutional machinery.

Some other cases where the Governor may use his/her discretionary powers are:

- After an election, the Governor cannot get advice from the Council of Ministers since it has not been formed.
- The Governor selects the Chief Minister after an election when a single party or a coalition emerges as a single largest party (Refer to Chapter 19, Q1.).
- In case of the dismissal of a ministry if it has lost the Vote of Confidence.
- In case the Governor requires that any matter decided by a minister maybe considered by the Council of Ministers.

- A Governor may seek from the President Governor's rule from the President if the State government cannot continue according to the constitutional provisions where he will forgo the advice of the Council of Ministers.
- Exercising his discretion if the Governor reserves a Bill for the President's consideration
- The Governor is assigned the role of a constitutional sentinel if a potential situation of external aggression or internal disturbance arises.

**Administrative Role:** The Governors of Arunachal Pradesh and Nagaland have special responsibility to maintain law and order in the States and carry out the functions as an administrator. They have the power to exercise their 'individual judgement' in consultation with the Council of Ministers.

In case of Union Territories, the Governors are appointed by the President as the Administrator, in such cases, the Administrator acts independent of the Council of Ministers and acts as the agent of the President.

To sum up, the Governor must be impartial and work with fair play by commanding respect of all parties. He/she must act as a link between the Union and the State government.

## Q3 *What are the problems in the appointment of Governor? Should the Governor's post be abolished?*

**Ans.** The appointment of a Governor has faced a lot of flak from critics because of the wrong selection of person and ignoring of the sound principles. The problem lies in the selection of disgruntled politicians who cannot be accommodated elsewhere for the post of Governor. They tend to function as the Union government's agents instead of being impartial constitutional executives. The statesmanship required of such a post has been declining. The Sarkaria Commission conducted a survey in which they concluded that more than 60 per cent of the Governors had taken active part in politics, many of them prior to their appointment.[4] According to Jawaharlal Nehru, 'The Governor should not be intimately connected with the local politics of the province. The individual must be a more eminent and detached figure, acceptable to the provincial government.' Many Governors have fallen short of the standards expected, according to the ARC Study Team on the Centre–State Relationships. It suggested that there must be a systematic methodology to look for a candidate for governorship.

**Criteria of Appointment:** With the growing demands of the political complexities, it is critical that the Governor should be selected with utmost care and caution based on some sound principles. The criteria of selecting a Governor is same as it was how Jawaharlal Nehru had suggested. It cannot be better said than what he had established. The criteria are:

- He should be an eminent person in some walk of life.
- He should not be of the State of which he has to be made a Governor.
- He should be a detached figure and not intimate with active politics.
- He should not have taken part in active politics in the recent past.
- Individuals from minorities must be given a chance.

The Sarkaria Commission suggested involvement of the State government in the appointment of the Governor. It should be made:

- From a panel made by the State legislature.
- From a panel prepared by the State government with the concurrence with the Chief Minister.
- In consultation with the State Chief Minister.

The functions and role of a governor are varied and integral to strengthen the federal structure of the Union of India. Its position is so strong that its abolishing will leave the constitutional set-up in a chaos and anarchy. All the situations where Governor's functions are put to use will be threatened (discussed in Q2). The office of the Governor is indispensable according our constitution, framers, otherwise they would not have given it so much importance. The political culture in India has evolved to a stage of coalition politics where the role of a Governor has increased exponentially in the present stage.

## Q4 *Discuss the constitutional provisions regarding the appointment, duties, functions and role of a Chief Minister and the Council of Ministers of a State.*

***Or***

***'The Chief Minister and his Council of Ministers symbolize the ruling power structure and is the real executive head of the state government'. Discuss the above statement in the light of a coalition government.***

***Or***

***'In the era of coalition governments, the role of the Governor becomes more challenging'. Comment.***

**Ans.** The Chief Minister is the Head of the State Executive who represents the leadership of the political party in the legislative assembly. The Chief Minister is the parallel of the Prime Minister in a State. He advises the Governor in the functions of the State which are carried out in the name of the Governor. The Chief Minister is the head of the Council of Ministers and the Constitution of India has given provisions for Council of Ministers which are applicable to the Chief Minister also, being their leader. The constitution is silent about the qualifications of the Chief Minister except that:

- He/she must be a citizen of India.
- The age must be 25 years and above.
- As per the Representation of the People Act, 1951, the candidate must be an elector for any constituency in the State he is representing from.
- The candidate must not hold an office of interest under the Government of India.
- The candidate must be of a sound mind.
- The Representation of the People Act, 1951, states that any MLA found guilty and convicted by court cannot remain in the post.

However, the real power rests with the Chief Minister. Given below are the constitutional provisions which give powers and authority to the Council of Ministers and Chief Ministers:

**Article 164:** This article states that the Chief Minister shall be appointed by the Governor and the other ministers shall be appointed by the Governor on the advice of the Chief Minister and the ministers shall hold office during the pleasure of the Governor. Some other provisions of this article are given below which is the basis of forming a government in a State:

- **Tribal Welfare:** There shall be a Minister of Tribal Welfare in the States of Chhattisgarh, Jharkhand, Madhya Pradesh and Orissa who shall also be in-charge of the welfare of the Scheduled Castes, backward classes or any other work.

- **Number of Ministers:** In a State government, the total number of Council of Ministers including the Chief Minister shall not be more than 15 per cent of the total number of the members of the Legislative Assembly and not less than 12. If the number exceeds than 15 per cent, then the number shall be brought down to the prescribed limit within six months form the date of the public notification of the appointment by the President.
- **Disqualification:** If a member of the Legislative Assembly or Council is disqualified, the Member cannot continue as a minister until he/she is re-elected or the term of the office expires, whichever is first.

  A member of either House of the State legislature belonging to any political party who is disqualified on grounds of defection shall cease to become a minister and in case he/she is already a Minister, he/she shall cease to be so.
- **Collective Responsibility:** The Council of Ministers shall be collectively responsible to the Legislative Assembly of the State.
- **Oath of Office:** The Governor shall administer the oaths of office to the ministers before they enter their office which mainly concerns secrecy.
- **Tenure:** If a minister is not a member of the State legislature for a period of six consecutive months shall cease to be a minister.
- **Salary and Allowances:** The ministers of the State Legislature shall receive salary and allowances as the State legislature decides from time to time as specified in the Second Schedule.

## Powers and Responsibilities of the Chief Minister and the Council of Ministers

After the results of the State elections are declared, the Governor invites the leader of the majority political party to form the government. The powers and responsibilities of a Chief Minister can be studied from two perspectives of the Council of Ministers and the Governor. They are given below:

### *In relation to the Council of Ministers*

The Chief Minister has the following powers as the head of his Council of Ministers, which are:

**(i)** **Recommendation:** The Governor can appoint only those candidates as ministers whom the Chief Minister recommends.

**(ii)** **Portfolios:** The Chief Minister allocates or reshuffles the portfolios to his ministers based on his/her own judgement.

**(iii)** **Dismissal:** The Chief Minister has the power to dismiss a minister in case of a difference of opinion from the party lines or disobedience of a whip or an order from him/her.

**(iv)** **Meetings:** The Chief Minister has to preside over meetings of all Council of Ministers and of the committees and commissions of which he/she is the Chairperson.

**(v)** **Control:** The Council of Ministers are controlled by the Chief Minister's directions and coordination of all activities.

**(vi)** **Resignation or Death:** If the Chief Minister tenders his/her resignation or his/her seat falls vacant due to death, the whole Council of Ministers fall.

### *In relation to the Governor*

The Chief Minister draws power and authority over the Council of Ministers in relation to the Governor, given below:

**(i)** **Communication:** The Chief Minister is the main channel of communication between the Council of Ministers and the Governor with respect to State affairs and legislation proposals. On the other hand, the Chief Minister communicates to the Governor of what is proposed to do or what the Governor asks for. There may be a situation where a decision has been taken by a minister individually without the consideration of the Council of Ministers, the Governor can ask for putting up the matter for discussion in the council.

**(ii)** **Advice on Appointments:** The Chief Minister advises the Governor in matters concerning the appointments of the Advocate General, Chairman and other members of the State Public Service Commission, State Election Commissioner, judges and such other important officials.

**(iii)** **Sessions of the State Legislature:** The Chief Minister has the power to advise the Governor (although the words power and advise are contrary to each other) regarding the summoning and proroguing of the session of the State legislature.

**(iv)** **Announcements:** All announcements regarding policies of the government are announced on the floor of the House.

**(v)** **Miscellaneous Powers:** The Chief Minister enjoys many other powers as he is the head or holds an equally important position of many important committees, boards and commissions. They are:

- State Planning Board
- Vice Chairman of the Zonal Council by way of rotation for a year
- Member of the Interstate Council and the National Development Council
- Member of the NITI *Aayog*
- Chief spokesperson of the State government
- Leader of the party in power
- Political head of the services

**The Real Executive:** It is clear from the above mentioned legal provisions granting the Chief Minister the powers that his/her powers are through the Council of Ministers. However, every legal provision depicts that the ultimate power rests with the Chief Minister rendering him/her the real executive. In a coalition government, as the trend has picked up in the recent decades, the State faces the main challenge of coordination between political parties that become a part of the State government. The Chief Minister's role is to bring all the dissenting voices to a common platform to build a common agenda in a manifesto. The position of the Chief Minister becomes a little precarious because he/she is the one on whom the onus of keeping the government strong falls to achieve the goals and objectives of economic and social justice for all.

A single party Chief Minister is surely stronger than the one of a coalition government. A strong personality and leadership skills play a major role in keeping different political parties in alignment and making them believe in him/her to follow. Another factor that plays a role in this situation is the parties' allegiance to their national political parties and their agenda/ideology which adversely affects the Council of Ministers working as a team. The ironical fact of the matter in a coalition government is that the Chief Minister who has the electoral mandate behind him/her has to garner support within his government also on a day-to-day basis.

To sum up, it is the Chief Minister exclusively who has the powers bestowed on him by the Constitution of India and the real executive who can bring and keep the elected members of the Legislative Assembly together. In discharging the duties and responsibilities as a Chief Minister, he/she must not leave the path

of *dharma,* the ethical path. Ethical governance will lead to the achievement of the goals of socio-economic welfare. Ethics lay down the codes to attain the larger picture of *Rajdharma.*

## Q5 *Discuss the role and functions of the Chief Secretary. Cite the challenges faced by the Chief Secretary in carrying out his functions.*

**Ans.** The post of the Chief Secretary was created by Lord Wellesley, when he became the Governor-General in 1798 and took charge in 1799. George Hilaro Barlow was made the Chief Secretary appointed at an annual salary of ₹ 55,000. He had the power and authority to make distribution of the institutions and establishments and most important dispatches of various departments for the proper conduct of business. After 1858, the administration of Government of India was passed over to the British Crown. A Council of India was created to aid and advice the Secretary of State. In the 1930s, the position of the Chief Secretary was becoming more important because the Congress party government had come into power into some of the provinces.

**Post-Independence:** The post of the Chief Secretary after India's independence became one of the senior-most positions held in the civil services of the states and the union territories of India. It is a cadre post for the Indian Administrative Service. He/she is the administrative head of the State government who is appointed keeping seniority in mind. There is no separate constitutional provision mandated for the post but most of the rules emanate from the Government of India (Allocation of Business) Rules of Business, 1961 or some conventions and norms.

### Appointment of a Chief Secretary

A Chief Secretary, appointed by the Chief Minister, is helped by the Additional Chief Secretaries and Principal Secretaries (administrative heads of the departments). Until 1973, the norm was that it was not essential that the senior-most civil servant was appointed for the post of Chief Secretary. A Chief Secretary is equivalent to the rank of a Secretary to the Government of India and its equivalent to a rank of full General in the Indian Army and its equivalents. The appointment is made by the Chief Minister in consultation with the Union government though it is not obligatory according to the rules. Generally, the following three main factors are kept in mind while appointing the Chief Secretary:

- Seniority
- Service record
- Relationship with the Chief Minister

### Tenure of the Chief Secretary

The issue of an appropriate degree of security of tenure has been a central problem of personnel policies. There is no fixed tenure for the post of Chief Secretary. The First Administrative Reforms Commission recommended that a Chief Secretary should have a minimum tenure of three or four years. However, it was not accepted because of another reason that the Chief Minister might be faced with a Chief Secretary appointed by his/her predecessor. However, the tenure of a Chief Secretary depends on his capacity to take an objective stand on sensitive matters. Given the political circumstances in India, it is difficult for an honest, confident and bold Chief Secretary to survive long in the post. The civil servant who is dignified and neutral is always preferred in an ideal situation but in reality, only those survive in this post who can become a 'yes man' to the Chief Minister.

## Power and Functions of a Chief Secretary

Since there is nothing mandated for the Chief Secretary in the Constitution of India, the functions and role are prescribed in the rules of business of each State. The post of a Chief Secretary involves the following functions:

1. **Advisory Role:** The Chief Secretary acts as a Principal Advisor to the Council of Ministers on all State administration matters. The advisory role of a Chief Secretary extends to policy formulation as he/she acts as the *ex officio* Secretary to the Cabinet. The Chief Ministry takes his advice in appointing the Lokayukta.
2. **Head of the Cabinet Secretariat Department:** The Chief Secretary is the head of the Cabinet Secretariat Department while the Chief Minister is the political head. His functions include:
   - Providing secretarial help to the Cabinet
   - Making sure that the decisions are implemented
   - Act as a coordinator centre for policy formulation and implementation
   - Serves as a databank of information
   - Organization of conferences and workshops.
3. **Head of the Civil Service:** The Chief Secretary is the head of the civil service of the state. His duties include appointment, transfers and promotion of senior state civil servants. It is up to him/her to keep up the morale of the civil servants and approves for amendments in service rules. All disciplinary proceedings against erring civil servants are his responsibility and writes their Annual Confidentiality Reports. He gives advice to the Chief Minister in appointments to the posts of Chairman and members of the State Service Commission.
4. **Chief Coordinator:** He/she has the responsibility of ensuring Centre–State relations, interstate relations and interdepartmental coordination and gives his advice to the Secretaries regarding any conflicting issues. He presides over the meetings with Department Secretaries.
5. **Cabinet Meetings:** He/she ensures if the memo submitted by a particular department about a case has the necessary documents before discussions take place. He arranges for recordings to be made for all cabinet meetings, a copy of which are then sent to the Governor, the Chief Minister and the Council of Ministers.
6. **Implementation of Cabinet Decisions:** A Department Secretary has to implement the decisions taken. The Chief Secretary supervises the cases going on in various departments and takes the final decision and sees if the case has to be forwarded to the Chief Minister or concerned ministers.
7. **Approval:** All new schemes must be approved by the Chief Secretary and ask for any documents from Department Secretaries regarding any matter.
8. **Administrative Head:** In the State administration, the Chief Secretary is given the responsibility of heading a few departments like the General Administration, Personnel, Administrative Reforms and Planning. There is no uniformity in this norm as each State decides for its own State.

However, in the Indian political culture, the civil servants are expected to bow before the Chief Minister, which is a sad state of affairs. There is a trend of frequent transfers of the Chief Secretaries which leads to the thought of their relevance. If a Chief Secretary is transferred it implies that the Chief Minister did not want his/her services. So, a change in an individual cannot get work done in reality. The question arises whether the Chief Minister needs this post to assist him in the executive work or not and if it is plain misuse of his/her power. Also, it sets a bad precedent among the civil servants of how to toe the line of the Chief Minister so that they can take the advantage of adding it to their post-retirement resume. This has created a demoralizing effect on the young civil servants who join the service with a desire to do good service. The Chief Secretary is a part of the process of the government and since India is a democratic

nation, he has the responsibility to keep up with the citizen-centric administration as the citizen is the end-user of all government services.[5]

## Q6 *How does the State Secretariat in India facilitate the State administration? Give the reasons why the State secretariats in India are not effective and any reforms that can be implemented to improve them.*

**Ans.** The State secretariat is the topmost echelon of the State administration and its main function is to assist the political executive—the Chief Minister and other ministers, in:

- Maintaining peace and law and order
- Designing policies for the socio-economic development of the States
- In carrying out legislative responsibilities of the government.

The political executive is elected for a fixed tenure but the secretariat consists of civil servants and others who are permanent employees of the government. Hence, the secretariat works as a memory bank providing continuity to government policies and programmes. The primary functions of the secretariat are:

**(i)** Assisting the ministers in making policies for the socio-economic development of the State
**(ii)** Carrying out regulatory work
**(iii)** Drafting legislations, rules and regulations
**(iv)** Coordinating various policies and programmes, monitoring progress of work and analysing results
**(v)** Preparing budget and maintaining control over expenditure
**(vi)** Maintaining liaison with various departments of the Union government
**(vii)** Monitoring the administrative system and taking steps to enhance its efficacy, competence and responsiveness.[6]

**Size of the Secretariat:** The size of the secretariat in the State has been continuously increasing, over the years, due to continued expansion of governmental activities in all sectors and also to extent because of self-serving tendencies of the system and expediency. Executive work has been escalating also because of unnecessary tasks which must be minimized by implementing proper systems of office management. Many States have attempted to rectify this situation by constituting reforms commissions and committees regarding the secretariat's functioning but have remained unsusceptible to change. The secretariat comes across as an unwieldly, slow-moving organization with an inbuilt propensity for delays.[7]

**Causes for the Oversized State Secretariat:** The State secretariats in India have been found to be overly disorganized to be able to function effectively to yield results and has an inbuilt proneness that causes delays. Given below are the reasons why they are so:

- **Administrative Logic:** The States have created departments without following any administrative logic. There are similar types of departments whose functions are also similar and insignificant but separate departments have been established in States, for example, there is a separate department that deals with Administrative Reforms and Public Grievances whereas a Department of Personnel/General Administration Department. In West Bengal, there is a Department for Municipal Affairs and also a Department for Urban Development and Town and Country Planning.
- **Coalition Governments:** In the past few decades, the regional parties have emerged to achieve a strong position and coalition governments have become a reality instead of just a trend. The Council of Ministers have become large to accommodate all political parties and to keep them appeased, more departments were carved out.

**Disadvantages of an Oversized State Secretariat:** A State secretariat having a large number of departments is not a good indicator for effective and efficient administration. Having more staff and organizations does not get the work done. It is the smart managerial methodologies that does the trick to get the projects and schemes going. The disadvantages of an oversized State secretariat are:

**(i) Unnecessary Vertical Structures:** Too many departments result in diffusion of responsibility and accountability among the large number of functionaries which work under different vertical structures.

**(ii) Coordination:** There emerges the issue of coordination among so many departments resulting in imprudent decisions which get dragged consuming too much time.

**(iii) Overlapping of Work:** This disadvantage is derived from the lack of coordination between the Departments because there are more than one department doing similar kind of work or they do not coordinate their functions, for example, no sooner does the Public Works Department completes road-layering and the Telecom Department swoops in to dig up the newly constructed or maintained roads for the cable-laying work. The result is that the larger good may be achieved of connecting people but the citizens are left to face bad roads and dust pollution the year around.

**(iv) Expansion of Bureaucracy:** The oversized State secretariat cannot work without staff and paper work. The excessive number of administrative departments hire more staff and officers to do the needful which is in reality not needed. The bureaucracy work for themselves to cater to so many departments ignoring the delivery of public services with efficiency and responsiveness.

## Suggestions to improve the State Secretariats

The Second Administrative Reforms Commission suggested ways to improve the structure of State secretariats in India to improve their working to result in efficiency and effectiveness.[8] Ideally, each of the secretariat departments should deal with a particular segment of administrative activities which are interrelated and are more or less homogeneous. It should also provide an inbuilt mechanism for coordination of policies and programmes. The basis for this rationalization could be as given below:

- Interrelated subjects, activities and functions to be placed under one department.
- Need for synergy between the activities of various departments.
- Devolution of a large number of functions to the PRIs/ULBs.
- The role of secretaries to be redefined, to be divested of non-essential responsibilities and executive and larger delegation of power to the executive departments/agencies.
- Need for streamlining the decision-making process.

The State governments must rationalize the number of departments that are pre-existing in the State secretariat, for example, separate departments of Panchayati Raj and Rural Development can be merged into one or the department of Agriculture, Animal Resources and Dairy Development can become a single organization.

The ARC suggested that a small and compact secretariat in which all related activities and functions are kept together in one department with more responsibilities devolved on local governments and executive work which are unrelated to policy-making and broader monitoring must be desegregated off to executive agencies. This will lead to good governance at all levels of public administration by downsizing the size of the departments in a secretariat 97% unique.

### Strategy for New India

The document published by NITI *Aayog*, 'Strategy for New India @ 75' has given proposals to improve governance at all levels of administration of the government by ingraining a data led governance platform which are specific to identified sectors by 2022–2023 to achieve transparent governance. It gave the following specific steps:

- Data integration and quality assurance
- Data protection
- Role of tertiary big data
- Skill development and restructuring.

To sum up, the State secretariat is the top most layer of the State Administration. It helps, to some extent, in policy formulation and is the active agency to implement the policies. It separates the policy-making and policy execution. India has the advantage of the political executive having the freedom to structure and restructure its secretariat. Hence, mergers and bifurcations or trifurcations can be made by the government to meet the requirements in dispensing transparent and good governance.

## Q7 *Write a short note on directorates.*

**Ans.** A directorate is the chief executive body of the State government. A directorate falls under the State secretariat in the State administration which is usually headed by a specialist for the execution of policies. They are created and structured on the principle of division of work. Their main purpose is to become the link between the secretariat and the field agencies. A directorate is an agency headed by a director whereas a department is a subpart of a directorate. Some popular examples of directorates are of Health, Agriculture, Social Welfare and so many others, so, instead of the Head of Department, the administrative head is called the director.

Given below is the organizational set-up that is commonly followed in the directorate's structure in Figure 21.1.

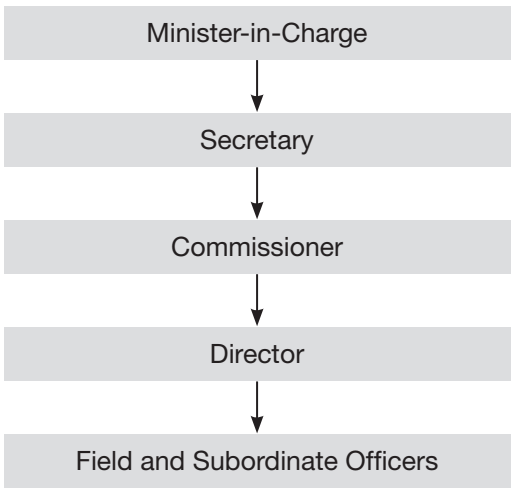



***Figure 21.1: Organizational Structure of a Directorate***

## Functions of Directorates

The directorates are a storehouse of technical expertise and operations, rendering it an organization that gives technical advice and directions to its agencies as well as to their respective ministries to execute the policies effectively. Their functions are to:

- Facilitate technical advice to the ministers.
- Assist in budget preparation of the department.
- Take disciplinary action against erring staff members as per rules.
- Advise the Public Service Commission of the State in promotions and disciplinary proceedings.
- Monitoring and evaluation of the projects in progress at the district level.
- Provide budgetary appropriations.
- Help in making personnel decisions like the appointments, training, postings, etc.
- Conduct departmental experimental research to find new ways and methods to achieve efficiency in its working.
- Give permission to officers to be innovative by attending workshops and seminars in new technologies.

From the above-mentioned functions, it can be said that directorates deal with the technical expertise for the advancement of the schemes and projects efficiently and effectively.

### Q8 *Why are the directorates and the State Secretariat pitted against each other? Is there a way that these conflicts can be resolved?*

**Ans.** It has been observed that disputes between the directorates and the State Secretariat have arisen time and again. To understand this problem, one has to first study the problems within the Secretariat and the directorates. They are:

1. **Slow-Working:** The secretariat is known to work at a slow pace because it has developed a lengthy system pf processes and procedures leading to excessive paper work. The directorates and field agencies get frustrated with the delays in decision-making which adversely affects in the implementation of the projects. This can be categorized as unproductive work.
2. **Variable of Powers:** The delegated powers to the Heads of the Directorates and the Departments are not uniform which creates ill-will as well as disparity in the level of decision-making. This creates delays and confusions n the execution of schemes and projects.
3. **Generalists versus Specialists:** The secretariat is headed by the generalists from the civil service cadre whereas the directorates have a technical expert as a head. The issue, in reality, is generalist versus specialist debate which has always been brewing in the State administration as well as at the Union.
4. **Policy Analysts:** The secretariat must be trained policy analysts but instead they remain busy in files and paper work with an expansionist attitude encroaching upon executive work. Their generalist nature is like a handicap in their input in policy formulation.
5. **Scrutiny:** The proposals of projects and schemes that are sent from the field offices are sent to the secretariat for scrutiny although they have been vetted and scrutinized at the district levels. The files of the plans are submitted to the secretariat but are dealt mainly by clerks or Desk officers who are not technical experts.

Many committees and commissions have worked on the dichotomy of the secretariat and the directorates. Some suggestions in this regard are:

- There must be uniformity in the delegated powers of departmental heads.
- Effectiveness of the delegated powers must be ensured.
- The secretariat must be distinguished as a policy-making body whereas the directorates must be left to execute them.

The Second ARC suggested that the policy-making function must be separated from its execution. Moreover, coordination is essential in implementation as well as in its formulation though it becomes difficult in vertical structures of the government organizations. Flatter structures will help in keeping things amenable and effective between the secretariat and the directorates. The suggestions must be incorporated to achieve effective and good governance at all levels in the State administration.

## Conclusion

To sum up, the State government and administration include the main constituents of Governor, Chief Minister, Council of Ministers, Chief Secretary, State secretariat and directorates. Many committees and commissions have given their suggestions and recommendations to improve their working so that the service delivery of the State government can be done effectively and efficiently within a time bound period. The document, 'Strategy for New India @ 75' published by the NITI *Aayog* has stated that all the recommendations made by the Second Administrative Reforms Commission will be accepted and implemented as soon as possible and new ones have been made which are practical and detailed to facilitate time-bound implementation.

## Notes and References

1. Adapted from: The Constitution of India, https://www.india.gov.in, retrieved on 21 February 2019.
2. Removal governance what does law say, https://www.prsindia.org, retrieved on 21 February 2019.
3. Chapter IV, Role of the Governor, http://interstatecouncil.nic.in, retrieved on 21 February 2019.
4. *Ibid.*
5. Adapted from: Arora, Ramesh Kumar and Goyal Rajni (2005), *Indian Public Administration: Institutions and Issues*, Wishwa Prakashan, New Delhi.
6. Second Administrative Reforms Commission, Fifteenth Report, State and District Administration, https://darpg.gov.in, retrieved on 24 February 2019.
7. *Ibid.*
8. *Ibid.*

UNIT

# VII DISTRICT ADMINISTRATION SINCE INDEPENDENCE

**Chapter 22** Changing Role of the Collector

**Chapter 23** Union–State–Local Relations

*This page is intentionally left blank.*

# 22 Changing Role of the Collector

## LEARNING OBJECTIVES

*After reading this chapter, you will learn about:*

- Significance of District Collector before independence
- How the role of District Collector has changed after independence?
- Duties and Functions of a District Collector

The district is the most important unit of administration in the Indian subcontinent which commenced its evolution in the British legislature. The East India appointed District Officers (which had been a part of Mughal administration) who were given the designation of district magistrates. Before we study the district administration after independence, a brief historical account of the post of district collector will give us a better understanding of the subject under study, given in Box 22.1.

***Box 22.1: District Collector Pre-Independence***

**Brief Historical Timeline of the Post of District Collector before Independence:**

**1772:** In 1772, they changed the nomenclature and functions of the District Officers from the Mughal rule to make people understand that there was only one rule, that is, of the Britishers to look up to.

**1787:** The District Collector was given responsibilities in the areas of civil justice, magistracy and revenue collection.

**1831:** In 1831, there was a split of the post and two terms came into being of the District Collector (DC) and the District Magistrate (DM), initially in Bombay, Madras and the Western provinces till 1858 but functioned as revenue officer in Bengal. The DC was the most powerful post at that time having a wide-ranging authority over a district with vast discretionary powers.

**1909:** The DC remained the general British government representative but became a direct link between the people and the government.

**1935:** Provincial governments initiated rural development programmes which made the DC a strong position.

## Q1 *Discuss the functions and role of a District Collector (DC) since independence.*

**Ans.** A district, being the most important unit of administration in India, is instrumental in achieving the objectives of developing the rural India. The importance of district administration lies in the fact that it is the closest institution that can interact with the people to make an outreach to them with government developmental schemes and projects. People's participation in their development is of paramount relevance in the success of the projects and programmes laid down by the government. In 1947, the political changes also changed the role of the DC to bring change in the administration away from the British norms. India had become a welfare state which impacted the functions of a DC. The development structure in the early days after the independence was built around the DC in maintenance of law and order and revenue collection.

The changes in the role of the DC were on mainly three accounts:

- Democracy
- Development
- Decentralization.

### Changing Role of the District Collector

**1947:** The DC became a jack of all trades who had to take care of all functions of administration which were assigned to him by the State.

**1952:** The Community Development Programme was initiated by the Government of India to promote rural upliftment which was the responsibility of the Block Development Officer (BDO).

**1953:** National Extension Service was launched for the same purpose under the BDO.

**1957:** Balwant Rai Mehta Committee stated in its report that it had become difficult for the district administration to cope up with the increased governmental activities. It suggested that a democratic three-tier structure must be established which must take the responsibility of development.

**Before 1960s:** The Collector's job was to look after the:

- Land reforms
- Revenue collection
- Law and order
- Food and civil supplies
- Welfare and relief/rehabilitation.

The role of elected bodies was reduced to a minimalistic level because government activities and functions had increased tremendously creating an imbalance between the elected bodies and the district administration.

**1977:** Ashok Mehta Committee was constituted to look into *Panchayat* system to become representative agencies of development and to make the district the centre of administration. District level planning was initiated. The committee recommended that trained professional personnel should be stationed at the district level.

**1980s:** Fourteen States/Union Territories enacted the *Panchayati Raj* Legislations but the hold of government over the development programmes not only continued but also intensified with a decrease in community participation. The District Officers became an arm of the government. Irregular elections destabilized the Panchayati structure.

**1986:** Dr L. M. Singhvi Committee recommended Constitutional recognition of the local self-government.

**1992:** Until the 73rd and 74th Constitutional Amendments the Collectors performed such administrative tasks as were assigned to them by the State governments. Since rural development programmes increased after India got independence, the role of the Collector changed in terms of coordinating and synthesizing of the developmental efforts of the government.

**Appointment of a DC:** A district collector is appointed by the State government from the pool of the Indian Administrative Service. They can be selected either directly from the pool of officers recruited by the Union Public Service Commission or promoted from the State Civil Services based on the length and performance of their service. Transfers are also made from the same pool.

## Changing Role of the District Collector

The major functions of the district collector in the colonial rule were mostly of a general nature but it has changed at over a period of time at an increasing pace. According to a research study in 1989, the District Officers were found to be overburdened and had less time to interact with people as much as their predecessors. Given below are the major functions through which the change in the role of the DC can be studied:

1. **Social Change:** The DC is the right person at the level of district administration to act as an agent of a social change. Problems like health, education, population, etc. can be tackled easily at this level. This could be achieved through multidimensional approach to be evolved at the district level to resolve these issues. The district administration, over the decades, has become the nodal and intermediary level for developmental efforts and the DC is the right officer to carry out the work of social change effectively.
2. **Strong Personality:** The DC is an individual with a strong personality and has leadership skills to give practical shape to the developmental plans for the socio-economic welfare of the people. The DC has a dual role to play in the fields of fiscal areas and as a judge in criminal and revenue disputes. The jurisdictional area of a district is larger than most of the European countries. The DC has to administer well by coordinating all departments.
3. **Law and Order:** The DC is responsible to maintain law and order in the jurisdictional area under him/her to keep a balance in the normal life routine of people.
4. **Land Revenue:** In the British period, the DC used to ensure that quick and prompt revenue collection is done as that is what the designation of a 'Collector' implies. However, they are relieved of this task because of other agencies and institutions have been established for the purpose.
5. **Link between Citizens and the Administration:** The DC ascertains that all links between the citizens and the administration are open to achieve the desired results of developmental work for which he/she is responsible for. Any resistance met forthwith needs to be addressed by listening to the issues that the people have against any scheme or project. The DC must be mobile and flexible in this regard to go to remote and backward areas to understand the challenges.
6. **Interpersonal Relations:** The DC ought to build healthy and cooperative relationships with his/her colleagues and treat junior officers and other district level functionaries with respect so that work is done efficiently. The 73rd and 74th Constitutional Amendments have led to a decrease in the position's status from the earlier days which implies that it is a good change. Centralization of power has been curbed by including more levels of administration.
7. **Returning Officer:** The DC is the Returning Officer in the Central and State elections. Coordination of election work at the district level is also a part of the functions of a DC.

8. **Census Officer:** The DC is also the Census Officer and is responsible for the census activity once in ten years. The last census conducted in India was in 2011.
9. **As a Coordinator:** The DC acts as a facilitator and a coordinator in the district by leading all departments with cooperation in the perpetuation and execution of district plans.
10. **Representative of the Government:** The DC is considered as the representative of the government at the district level to exercise control over the PRIs.
11. **Other Functions:** The DC is responsible for some other functions, which are:
    - Personnel administration
    - Pension cases of district staff
    - Submitting annual budget estimates
    - Preparation of estimates regarding revenue buildings and maintenance of government buildings
    - In charge of treasury
    - Chairman of local institutions
    - Arranging and managing tour programmes of dignitaries
    - Protocol officer in the district
    - Preparation of annual administration reports of the district
    - Character verifications
    - Supervision of proper conduct of civil suits if the State is a party

There are many other such functions that the DC is responsible for like, crisis management, riots and unrest, disaster management, liaison with military authorities, etc.

### *Constraints*

**Political Pressure:** The District Collectors felt pressure from politicians which adversely impacted their activities in areas of land, criminal cases, etc. in using their residuary power to dismiss any case. The District Collectors succumbed to such pressures because their tenure in the district was in the hands of the politicians, that is, the Chief Minister and his Cabinet in consultation with the Chief Secretary determine who will be assigned to which district. This also demoralises the officers as they are constrained in their functioning.

*Ad hoc* **Nature of the Office:** The DC must have adequate time to plan the schemes and programmes the way he/she wants to implement with an understanding of the district's cultural, social and economic needs. The brief tenure of the office becomes a constraint in the justified functioning of the DC's office. Such strains on the developmental capability of the DC include dealing with crises that arise in the district like disasters or riots. Such strains belie his work as an agent of change adding to the *ad hoc* nature of the office of a DC.

**Opposition from Vested Interest:** There have been many cases recently where the DC was transferred within months of taking office because they uncovered illegal mafia operating in their district in sand, coal or even scams of irregular appointments. However, one can say kudos to these officers who have fought with the mafia and strong political pressure to do their job effectively.

**Centralization:** While development needs a direction towards decentralization, the political compulsions pull towards centralization. Political parties in power which are uncertain of their position tend to resist and resent any attempt at funds being allocated to the local levels so that they do not lose power. Moreover, if the government at the local level is of the opposition political party, the political struggle hampers the work of the district and ultimately the DC.

Even today, in most parts of the country, excepting metropolitan/mega cities, the Collector is the most recognized face of the administration; he is considered to be the principal representative of the government at the district level, who could be approached to solve virtually all problems ranging from land disputes, to scarcity of essential commodities, to inadequacy of relief in times of crisis, to community disputes and even to issues of family discord.[1]

The commission had examined the issue of whether there is any need to retain the office of the District Collector in its present form in its Report on Local Governance.[2] There is a view that with the empowerment of PRIs/ULBs in the districts, there is need to devise an environment in which the institution of District Collector gradually loses importance and ultimately recedes into a district level land revenue functionary, responsible to the local bodies. This view is based on the belief that the strong traditions linked with this institution and its recognition in the public mind as the prime mover of governance at the district level would tend to impede growth of any other authority at that level.

The counter view is that the office of the District Collector has risen to this level of importance and utility through many national and local crises and it should not be weakened. Though as per the new administrative and development environment, PRIs/ULBs are the third tier of government, they do not totally remove the Collector's responsibility in matters of local development. The declining significance of land revenue has also not lessened the importance of the Collector in the management of land records, the maintenance of law and order and general administration and as an effective grievance redressal authority.

These have remained and will remain central and core areas of State activities at the district level even when there is full fructification of local self-government. The Collector will thus, continue to be responsible for a multiplicity of tasks at the district level such as improving human capabilities, creating physical infrastructure, improving economic opportunities for marginalized sections of society and facing challenges posed by disasters.

He/She will have a new role that is the role of a coordinator, facilitator and a person who is responsible for intersectoral coordination of various activities that characterize the work of our grass roots administration. He/She is the functionary who would provide overall leadership in the district in the task of nation building. Hence, the Collector would remain a key figure in the scheme of administration at the field level.

**Redefining the Collector's Role: A Wide Mandate:** At present the portfolio of the Collector's office generally includes the following functions and activities (though there may be variations across the States):

- Acting as the Head of Land and Revenue Administration, including responsibility for District Finance (expenditure and audit).
- Acting as the District Head of the Executive Magistracy and overall supervision of law and order and security and some say in the police matters.
- As Licensing and Regulatory Authority in respect of the various special laws such as Arms, Explosive and Cinematography Acts, etc., in the district.
- Conduct of elections—for Parliament, State legislature and local bodies.
- As the Officer-in-charge of disaster management.
- As the guardian of public lands with the responsibility to prevent and remove encroachments which are often a source of tension between vested interests and the district administration.
- Public service delivery, either by facilitating or directly delivering services assigned to the district administration from other departments. (In this respect, the Collector often acts as Chairman of the Board for Parastatals, or as Chairman or Member of various standing and interdepartmental committees).

- Facilitation of interaction between civil society and the State government.
- Handling issues of local cadre management such as recruitment, in-service training and promotion.
- As the Chief Information and Grievance Redressal Officer of the district.

To sum up, it can be said that the role of a DC has changed considerably and come a long way since the British period. One reform that still needs to be done is to separate the judiciary from the executive at the district level also according to Article 50 that states that, 'The State shall take steps to separate the judiciary from the executive in the public services of the State.' Following this law, many states in India have separated the two into judicial magistrates and executive magistrates. The judicial magistrates work under the control of the high court whereas the executive magistrate is under the control of the State government.

## Notes and References

1. Second Administrative Reforms Commission, Fifteenth Report, https://darpg.gov.in, retrieved on 26 February 2019.
2. *Ibid.*

# 23 Union–State–Local Relations

## LEARNING OBJECTIVES

*After reading this chapter, you will learn about:*

- Union, State and Local Relations:
  - Legislative
  - Judicial
  - Executive
  - Financial
- Devolution of Funds to the Local Bodies

## INTRODUCTION

The Constitution of India adopted a two-tier federal structure and laid down clear laws delimiting the functions, powers and resources between the Union and the State governments but there was no mention of local government. There was a mention of it in the Directive Principles of State Policy (DPSP) in Article 40 of the Part 5 of the Indian Constitution. It states that, 'The State shall take steps to organize village *panchayats* and endow them with such powers and authority as may be necessary to enable them to function as units of self-government.'[1]

The 73rd and 74th Constitutional Amendment Acts, 1992, incorporated in Parts IX and IX-A, have been declared as landmarks in the history of development of local government in India. The subject under study here is Union–State–Local relations.

### Q1 *Discuss the Union–State–Local relations in India.*

**Ans.** The Union–State–Local relations comprises administrative, legislative and financial aspects where there is convergence of the three tiers of the Government in India. The Acts specify in detail all the powers and functions of the local tiers of governance. Given below are the points of convergence between the Union, State and Local governments on the base of which they develop relations:

**(I) Legislative:** In the 73rd and 74th Constitutional Amendment Acts, 1992, Under Para 3, the District and Regional Councils are empowered[2] with the assent of the Governor.[3] The rules that the District/Regional Council is empowered to make with the 'approval of Governor' are:

**(i)** Regarding formation of Local Councils or Boards and their procedure and the conduct of their business as per Para 2(7).

**(ii)** The District Councils can make regulations for the control of moneylending and trading by non-tribals as per Para 10.

The amendments urged the States to devolve power and responsibilities upon local bodies with respect to the implementation of schemes for economic development and social justice and that these schemes should be inclusive of those enumerated in the Eleventh Schedule of the *Panchayats* and in the Twelfth Schedule in the case of Municipalities.

**(II)** **Judicial:** Para 4 provides for Regional and District Councils to constitute village councils or courts to the exclusion of any court in the State for the trial of suits and cases between Scheduled Tribes within such areas, with certain exceptions. The Regional/District Councils are also empowered to act as, or constitute separate courts of appeal. The Bodoland Territorial Council (BTC) however, has not been conferred with judicial powers.

**(III)** **Executive/Administrative:** The administrative functions of the District and Regional Councils vary from one to another which are based on amendments made to the Sixth Schedule. They are empowered to carry out such executive functions for socio-economic welfare.[4]

**(IV)** **Financial:** Para 7 constitutes for each autonomous district, a District Fund for each autonomous region, a Regional Fund to which all money received from the District and the Regional Councils will be credited. Their accounts are supposed to be maintained as prescribed by the Comptroller and Auditor General of India who also conducts their audit. The financial powers of the District/Regional Councils, which outline the basis for developing relations between the Union, State and Local levels of governments:

**(i)** **Collection of Taxes and Fees:** As per Para 8, The District/Regional Councils are entitled to collect taxes and fees on the following:

- Lands and building
- On professions, trades, callings and employments
- Animals, vehicles and boats
- On entry of goods into a market
- Tolls on passengers and goods carried in ferries
- For the maintenance of schools, dispensaries or roads.

**(ii)** **Entitlement to Royalties:** Para 9 entitles the District Councils to receive a share of the royalties accruing each year from licenses or leases for the purpose of prospecting for, on the extraction of minerals granted by the State government in respect of any area within an autonomous district as agreed upon with the government. Disputes in this regard are to be referred to the Governor for settlement.

**(iii)** **Indication of Resources to be Credited to Councils:** Para 13 states that estimated receipts and expenditure related to autonomous districts which are to be credited to, or is to be made from the State Consolidated Fund shall be placed before the District Council for discussion and then shown separately in the annual financial statement of the State to be laid before the legislature of the State under Article 202.[5]

**Powers of Governors:** The Governor's powers have been listed to avoid any issues arising on the recommendations of the Bordoloi Sub-Committee which had initiated a debate in the Constituent Assembly.[6]

## Devolution of Powers and Responsibilities

The Punchhi Commission laid down clear guidelines in the devolution of powers and responsibilities with respect to the 3F's—functions, funds, and functionaries. The guidelines were prepared to

streamline and achieve an uninterrupted progress, which are given below. The efforts that need to be made are:

- Role clarity between various levels of government including local bodies through 'activity mapping'.
- Matching of the funds with functions and show them clearly in the budget.
- Plans are prepared at each level which are then consolidated at the district level.
- Strengthening of capabilities of local bodies for their own management.
- Accountability of local bodies to citizens and review of their activities by the Gram Sabhas.

### Q2 *Briefly examine the different ways how devolution of funds is carried out to the local bodies and how are they assessed?*

**Ans.** Under the 73rd and 74th amendments to the constitution, the State legislature is supposed to devolve funds to the local bodies' necessary finances and/or financial powers. We have discussed above the ways in which the local bodies can collect taxes and levies and partakes the shared/assigned revenue. The second way is that the State governments set-up the State Finance Commissions which would make recommendations for the devolution of finances and thirdly, the Centrally-Sponsored Schemes (CSS). It is mandated by the Constitution of India that central assistance will be given to the States to meet with local needs. CSS are special purpose grants extended by the Central government to the states to implement programmes for providing services such as clean drinking water and sanitation to every habitation and to make primary education universal.

Hence, to sum-up there are three ways the local bodies can get their funds:

1. Tax collection, sharing of assigned taxes
2. Devolution of funds through State Finance Commission
3. Centrally-Sponsored Schemes

## ASSESSMENT

The Punchhi Commission reported that the National Council for Applied Economic Research compiled information on the parameters constituting the Devolution Index (DI) based on a two-stage assessment, which are:

**The First Stage**

1. **The Framework Criteria:** It is based on the four fundamental structural requirements namely:
   - **(i)** Establishment of State Election Commission
   - **(ii)** Holding of Elections
   - **(iii)** Setting up of State Finance Commissions
   - **(iv)** Constitution of the District Planning Committees (DPC)

   The States are judged for the level of devolution based on 34 indicators of which:
   - 5: Functions
   - 14: Functionaries
   - 15: Finances

   Even though many amendments have been made and conditionalities laid down to empower the local bodies, there is much to do. The attendance in meetings of the local bodies is found thin without any thought being given to developmental schemes. Dominant political groups and private

investors influence the decisions of local bodies. State functionaries consider themselves to be at a higher status and do like their urban postings. They do not wish to come to the Local Government administration and work under the Local Bodies.

**The Second Stage**

2. **Devolution through State Finance Commission (SFC):** Another problem that the local bodies face in getting funds through the SFC is that the States get the funds mentioned in their recommendations, at the end of their five-year period. So, the State governments utilize the previous SFC. Hence, the ad hocism of the SFCs get translated into *ad hoc* grants. The FC-XI accepted this lack of synchronization and resorted again to *ad hoc* grants. This trend has continued. However, the FC-XIV has increased the grant for local bodies by more than double and recommended that it must be spent on improving basic services but these have been specified as performance grants. It has fixed ₹ 2.87 lakhs crore as grant for the local bodies for the period between 2015–2020, which is over ₹ 2 lakhs crore more than the FC-XIII.

   **Centrally-Sponsored Schemes (CSS):** India has a system of CSS which are implemented by the State governments but are largely funded by the Central government in which the State government has a fixed share, for example, the Mahatma Gandhi National Rural Employment Guarantee Act, Pradhan Mantri Gram Sadak Yojana, etc. They form a major portion of the Central assistance to the States so that they can implement their plans in which the local needs are given special attention.

   With the Fifteen Finance Commission making recommendations at the end of 2019 and the abolishment of the distinction between plan and non-plan expenditure, there are still two flows of funds left. We have FC flows and non-FC flows which must be synchronized to give the best to people. Perhaps, a Fourth List, Local List, must be established by the constitution.

## Notes and References

1. The Constitution of India, https://www.india.gov.in, retrieved on 27 February 2019.
2. **(i)** The allotment, occupation or use, or the setting apart, of land, other than any land which is a reserved forest for the purposes of agriculture or grazing or for residential or other non-agricultural purposes or for any other purpose likely to promote the interests of the inhabitants of any village or town.
   **(ii)** The management of any forest not being a reserved forest.
   **(iii)** The use of any canal or water course for the purpose of agriculture.
   **(iv)** The regulation of the practice of jhum or other forms of shifting cultivation.
   **(v)** The establishment of village or town committees or councils and their powers.
   **(vi)** Any other matter relating to village or town administration, including village or town police and public health and sanitation.
   **(vii)** The appointment or succession of Chiefs or Headmen.
   **(viii)** The inheritance of property .
   **(ix)** Marriage and divorce.
   **(x)** Social customs.
3. Commission on Center-State Relations Report, Volume IV, http://interstatecouncil.nic.in, retrieved on 27 February 2019.
4. Commission on Center-State Relations Report, Volume IV, http://interstatecouncil.nic.in, retrieved on 27 February 2019.

The executive functions include:

- Establish, construct, or manage primary schools, dispensaries, markets, cattle pounds, ferries, fisheries, roads, road transport and waterways in the district and may make regulations for their regulation and control.
- They are also specifically empowered to prescribe the language and the manner in which primary education shall be imparted in the primary schools in the district.
- Functions relating to agriculture, animal husbandry, community projects, cooperative societies, social welfare, village planning or any other matter to which the executive power of the State extends can also be entrusted to Councils.

**5.** Article 202: Annual Financial Statement

- The Governor shall in respect of every financial year cause to be laid before the House or Houses of the Legislature of the State a statement of the estimated receipts and expenditure of the State for that year, in this Part referred to as the 'annual financial statement'.
- The estimates of expenditure embodied in the annual financial statement shall show separately:
  - The sums required to meet expenditure described by this constitution as expenditure charged upon the Consolidated Fund of State.
  - The sums required to meet other expenditure proposed to be made from the Consolidated Fund of the State; and shall distinguish expenditure on revenue account from other expenditure.
- The following expenditure shall be charged on the Consolidated Fund of each State:
  - The emoluments and allowances of the Governor and other expenditure relating to his office.
  - The salaries and allowances of the Speaker and the Deputy Speaker of the Legislative Assembly and, in the case of a State having a Legislative Council, also of the Chairman and the Deputy Chairman of the Legislative Council.
  - Debt charges for which the State is liable including interest, sinking fund charges and redemption charges, and other expenditure relating to the raising of loans and the service and redemption of debt.
  - Expenditure in respect of the salaries and allowances of judges of any high court.
  - Any sums required to satisfy any judgment, decree or award of any court or arbitral tribunal.
  - Any other expenditure declared by this constitution, or by the legislature of the State by law, to be so charged.

**6.** For information log on to the following link, page 33:

Commission on Center-State Relations, Report, Volume-IV http://interstatecouncil.nic.in, retrieved on 27 February 2019.

*This page is intentionally left blank.*

UNIT

# VIII CIVIL SERVICES


**Chapter 24** Constitutional Provisions – Structure, Recruitment, Training and Capacity Building

**Chapter 25** Good Governance Initiatives

**Chapter 26** Code of Conduct and Discipline, Staff Associations, Political Rights and Grievance Redressal Mechanism

**Chapter 27** Civil Service Neutrality; Civil Service Activism

*This page is intentionally left blank.*

# 24 Constitutional Provisions–Structure, Recruitment, Training and Capacity Building

## LEARNING OBJECTIVES

*After reading this chapter, you will learn about:*

- Introduction
- Constitutional Provisions of the Structure of Civil Servants;
- Structure of the Civil Service in India
- Recruitment of Civil Services
- Historical Evolution of Training of Civil Servants in India
- Training and Capacity-Building

## INTRODUCTION

The Constitution of India states that India is a secular State in its Preamble and that there shall be no discrimination or prejudice against any one regarding caste, religion, sex, giving freedom of expression and speech to all. The civil servants have to follow an objective path while following the Rule of Law and the Code of Conduct laid down for them. The Indian Administrative Services (IAS) heads the administrative structure at the Central, State and District levels involved in the crucial task of policy implementation and execution. It is a bridge between the people and the Central government. The IAS serves as a symbol of national integration and the foundation of democracy. It remains rational and impersonal in its functions and enjoys a high level of freedom in internal management through legal provisions.

### Q1 *Write down the constitutional provisions of the establishment and the structure of the civil services.*

**Ans.** Article 312 states that, 'Notwithstanding anything in 1 [Chapter VI of Part VI or Part XI], if the Council of States has declared by resolution supported by not less than two-thirds of the members present and voting that it is necessary or expedient in the national interest so to do, Parliament may by law provide for the creation of one or more all India services [(including an All-India Judicial Service)] common to the Union and the States, and, subjected to the other provisions of this Chapter, regulate the recruitment, and the conditions of service of persons appointed, to any such service.

Given below are the constitutional provisions regarding the civil services:

**Article 309:** Recruitment and conditions of service of persons serving the Union or a States subjected to the provisions of this constitution, Acts of the appropriate legislature may regulate the recruitment, and conditions of service of persons appointed, to public services and posts in connection with the affairs of the Union or of any State:

Provided that it shall be competent for the President or such person as he may direct in the case of services and posts in connection with the affairs of the Union, and for the Governor of a State or such person as he may direct in the case of services and posts in connection with the affairs of the State, to make rules regulating the recruitment, and the conditions of service of persons appointed, to such services and posts until provision in that behalf is made by or under an Act of the appropriate legislature under this article, and any rules so made shall have effect subjected to the provisions of any such Act.[1]

**Article 310:** It deals with the tenure of office of persons serving the Union or a State[2] (Detailed subclauses are given in Annexure 24.1).

**Article 311:** Dismissal, removal or reduction in rank of persons employed in civil capacities under the Union or a State (Detailed subclauses are given in Annexure 24.2).

**Article 17 (Part III-Fundamental Rights):** It states, 'Untouchability' is abolished and its practice in any form is forbidden. The enforcement of any disability arising out of 'Untouchability' shall be an offence punishable in accordance with law. The practice of untouchability has been declared as an offence under The Untouchability (Offences) Act, 1955, and if any government servant is found to be guilty of practicing it, will be actionable under the law as well as the Conduct Rules.[3]

**Prevention of Corruption Act, 1988:** The Prevention of Corruption Act (PCA) was enacted in 1988 in conformity with the Santhanam Committee's recommendations. The constitutional provisions in this Act regarding civil servants are:

- **Section 32:** A public servant is defined comprehensively as any person in the service of pay of the government or a local authority (Details given in Annexure 24.1) and is covered in the ambit of this law.

  Misconduct committed by a public servant will be a cognizable offence involving:
  - Bribery or illegal gratification
  - Amassing assets disproportionate to known sources of income
  - Misappropriations, embezzlement and defalcation
  - Fraud and forgery
  - Abuse of authority, constitute major cases where prosecution would be in order under relevant provisions of the PCA read with the IPC or other laws.
- **Section 7:** This section deals with illegal gratification received by a public servant. Section 7 is comprehensive with regard to any contingency involving cases of illegal gratification of not only direct bribe but also of other more concealed and deceitful material gains.
- **Section 13:** This section gives in detail about the criminal misconduct committed by a public servant. The misconduct detailed in it relates again to any pecuniary gains in any direct or concealed way. A public servant found guilty of such charges is liable for punishment of one year that can be extended to another year.[4]

## Q2 *Discuss the structure of civil services in India.*

**Ans.** The civil services are categorized into four main groups mainly based on the rank, status and degree of responsibility attached to the posts:

**Group A:** It includes the All-India and Central Services and Central Services carrying higher administrative and executive responsibilities and include senior management positions in ministries/departments and field formations.

**Group A (Junior Level) and Group B:** They constitute the middle level in the government.

**Recruitment of Group B Level:** The Group A (Junior Level) are selected through the process of selection through examination by the UPSC. The officers at Group B level reach only through promotion and without direct recruitment. They are called the 'cutting edge' as they have to deal with the public directly like the Income Tax Officer, Postmaster, etc. The general administration includes the Section Officer who takes the position through promotion.

**Recommendation:** The Second Administrative Reforms Commission (ARC) made the recommendation in its Report that each department, dealing with both the general as well as specialized Services (Group B), may set aside a certain percentage (25 per cent every year) for direct recruitment to bring in fresh minds.

**Group C:** The Group C performs certain supervisory as well as operative tasks and also renders clerical assistance.

**Recruitment:** The Staff Selection Commission (SSC) selects the staff for the Group C (non-technical) posts and Group B (non-gazetted, technical and non-technical) also. These posts are in various ministries/departments in the Government of India, their attached and subordinate offices excluding the Railway Recruitment Board.

**Graduate Level Recruitment:** The SSC conducts recruitment for various categories of posts in which the essential qualifications are for the candidate to be a graduate. A combined graduate level examination is held for various Group B and C posts like the Income Tax Inspectors, Central Excise Inspectors, CBI Inspectors, Assistants, Customs Appraisers, etc. The format is the same as the UPSC exam with a preliminary exam, mains written exam and an interview. It usually takes a whole year to complete the process from the date of advertisement till the selection of candidates is done through the interview procedure. The ratio of selection of candidates is usually 10,000 to 30,000 from about 10 lakhs candidates who appear in the examination.

There are some other examinations held by the SSC of Junior Engineers, CPWD (technical Group C posts), Junior Hindi Translators, Statistical Investigators, etc., with a graduation degree. The age limit in all the examinations mentioned above can vary depending upon the needs of the departments or ministries. The Second ARC recommended to have an objective type examination on OMR sheets so that results can be declared swiftly. However, the pattern of examinations has changed since 2016 and the level of interviews has been cancelled. Now only two levels of exam are taken, the first as an objective test and the second level is of a subjective nature.

**Group D:** The Group D posts carry out routine duties and other supporting duties.

The functions performed by the Group B, C and D officers and staff vary from general administration to specialized/technical functions. There are some variations depending on the ministry, department, organization that they are working for.

**Recruitment of LDCs:** The LDCs are recruited by the SSC by holding an examination annually which is called the 'Tier I' by a similar kind of exam with an objective type test and a main subjective one with no interviews. The candidates who reach the main written examination have to appear for a skill test for typewriting.

**The Central Secretariat Service:** The Secretariat offices that had been performing the secretarial functions have been termed as the Central Secretariat after the independence. General administration services in the Central Secretariat (CS) provide support and continuity to the Central government Secretariat in the Union ministries. The Secretariat Services have been tabulated and given in Table 24.1:

***Table 24.1: The Secretariat Services***

| Service | Grade |
|---|---|
| Central Secretariat Service | Senior Selection Grade (Director) Group A |
| | Selection Grade (Deputy Secretary) Group A |
| | Grade I (Under Secretary) Group A |
| | Section Officer |
| | Assistant |
| **Central Secretariat Stenographer Service** | Senior Principal Private Secretary |
| | Principal Private Secretary Group A |
| | Private Secretary |
| | Stenographer Gr. C (PA) |
| | Stenographer Grade D |
| **Central Secretariat Clerical Service** | Upper Division Clerk (UDC) |
| | Lower Division Clerk (LDC) |

**Source:** https://darpg.gov.in/sites/default/files/personnel_administration10.pdf accessed on 28 February 2019.

**Functions of the CSS:** It provides the permanent bureaucratic set up in the Union government. The officers are selected from the Civil Services Examinations and All-India Graduate Level Assistant Grade Examinations conducted by the UPSC and the SSC respectively. Not all ministries and departments use the officers from the pool of the civil services because of their special needs in areas like taxation, policing, audit, accounts, archaeology, meteorology, etc.

Some major functions of the CSS are:

- Policy formulation
- Continuity in policy administration
- Monitoring and review of the implementation of policies/schemes and a coherent institutional memory.

The CSS officers must be up to speed with the business process re-engineering and the latest technological advancements to reach prudent decisions.

To sum up, the above given categorization helps the wheels of the bureaucracy to run smoothly. India has a strong bureaucratic structure which is built by a merit-based recruitment system.

## Q3 *Examine the system of training and capacity building in the civil services in India.*

**Ans.** In India, training has not emerged as a new concept as there is evidence that even in the eighteenth century under Lord Wellesley, the Governor-General of India, a training programme for newly recruited civil servants of India. After India got independence in 1947, the training programme incorporated adjustments in a newly formed parliamentary democracy. Given below is short historical evolution of training of civil servants in India:

**1947:** The learning of the Constitution of India was the first step for the civil servants in the newly constructed IAS Training School in 1947 at the Metcalfe House, Delhi.

**1956:** A training school for IAS officers with a standing of 6 to 10 years was established at Shimla.

**1959:** An IAS Training School was set-up at New Delhi with the support of all ministries.

**1972:** The Lal Bahadur Shastri National Academy of Administration was established at Mussoorie.

Training syllabus got reshaped from time to time to meet with the challenges that keep changing and even the concept of training changed overtime.

**1984:** Besides the training at Mussoorie, the officers go through in-service training also. Rajiv Gandhi, the then Prime Minister, gave impetus to in-service training through the Department of Personnel in the Central government.

**1985:** A declaration was made to make every IAS officer attend a refresher course for one week and this process was to be completed by June, 1986. The course has been modified to have vertical participation comprising of top, middle and junior levels of officers. The one week course, twice a year, was mandated for the officers to attend.

**2012:** The concept of training underwent a massive change in 2012 and a new policy was formulated to define the competency framework according to which civil servants must be trained.

Capacity building once meant skills development and training. Civil service reform means changes to systems, organizations and processes. Now the terms are synonymous. To use existing staff capacity well and to create new capacity, changes have to be made in the way public organizations operate.[5] For UNDP, capacity development contains elements of all of the above. UNDP sees capacity development as the process through which individuals, organizations and societies obtain, strengthen and maintain the capabilities to set and achieve their own development objectives overtime. Simply put, if capacity is the means to plan and achieve, then capacity development describes the ways to those means.[6]

Competencies have been defined in many ways. However, a practical definition of competencies that is easy to understand, has been defined by Boyatzis. It states that competencies are those underlying characteristics of an employee—motive, trait, skill, aspects of one's social image, social role or a body of knowledge, which can result in effective and/or superior performance in a job or role.'[7]

**Training of Civil Services:** The National Training Policy (NTP), 2012 emphasizes that there is an imperative need to move from the current system of rule-based Personnel Administration to competency-based system of Strategic Human Resource Management. The NTP-2012 stipulates that each government department/ministry should classify each post with a clear description and competencies required for the training of the civil services and other staff.[8]

**Objective of Training:** The main purpose of training will be to develop a professional, impartial and efficient civil services that are responsive to the needs of the people. Training ideals have been included in the competency framework in the NTP-2012 so that the civil servants are empathetic towards all sections of the society. A training plan must include methodologies to bridge the gap between the existing and the required competencies.

**Target of Training:** All civil servants will be imparted with training so that the civil servants attain the competencies to deal with the growing complexities of the rapidly changing globalized world. Such training is to be provided at the time of their entry of civil servants of all levels and at appropriate intervals during their tenure of their service. There will be no fixed intervals but when the need arises. The front-line staff will be given preference on soft skills so that they can deliver public services with customer orientation approach.

## Competency Framework for the Civil Services to Achieve the Target of Training

The Ministry of Personnel, Public Grievances and Pensions has prepared a competency framework in collaboration with United Nations Development Programme after many consultations with various stakeholders and senior bureaucrats from the Central and State governments, Cadre Controlling Authorities, PM Award Winners and Training Institutes. There are four main features of civil services to be taken into consideration in the imparting of training:

1. **Ethos:** The dictionary meaning of the word 'ethos' is 'the characteristic spirit of a culture, era or community as manifested in its beliefs and aspirations. Given below are the constituents of the feature of ethos:
   - **(i) People First:** The civil servants must keep their priority of people first in carrying out their social and developmental tasks. The civil servants must have a passion to serve the marginalized and weak sections of the society. They must perpetually make efforts to deliver quality public services to people. The qualities that the bureaucrats must have are:
     - Being accessible
     - Non-prejudicial
     - Affectionate.
   - **(ii) Strategic Thinking:** There must be an understanding of internal and external factors affecting the social fabric of the society so that the civil servants can act accordingly. A civil servant must ensure that his/her team's priorities are also aligned with that of the organization's keeping the target in mind. With the changes happening in the society and technologies, they must have a keen desire to imbibe the change and think about what and how the development work needs to be taken forward.
   - **(iii) Organizational Awareness:** The civil servants must have an astute understanding of the organization's constitutional provisions, hierarchical and administrative structure, policies, processes and procedures and its norms to build a positive coordinating relationship with other organizations. It is imperative that they utilize the informal relations to the utmost advantage of the organization in areas like power dynamics and limitations. The civil servants must be capable of understanding perspectives, coalitions and agenda of other agencies also to be able to interpret the dynamics of all stakeholders to comprehend their implications for his/her organization.
   - **(iv) Commitment to the Organization:** There must be a flawless alignment of the interests of the officers and the organization otherwise the discord will result in ineffectiveness. This necessitates the learning of the values of civil services works according to the expectations to strengthen the credibility and visibility of the organization. He/she must have a vision and be forward looking to bring in innovative changes where required while all the time acting as a role model for others by supporting his/her subordinates in challenging situations.
   - **(v) Leading Others:** The bureaucrats must inculcate leadership skills as not all are born with them. Team leadership is essential to bring speed and energy in engagement and responsiveness to the citizens' issues. The civil servants must be trained to maintain a free flow of information in both the directions so that his/her team does not feel curtained in their activities. This will ensure team effectiveness along with maintaining other parameters like setting a vivid path to the achievement of goals. He/she must mentor as many officers under him/her as he/she can so that a new brigade of leaders are trained.
2. **Ethics:** Integrity and transparency are two keystones in the foundation of bureaucracy to be capable in delivering public services to the people. Consistent and transparent behaviour to honour one's commitments and putting public service values in the forefront is essential as a competency. The

policy lays down four major elements of competencies in maintaining high standards of ethics. They are:

(i) **Integrity:** A civil servant act ethically by being honest in relations with others and is diligent in honouring commitments to others. He is compliant with the rule of law without any authority issues while keeping secrecy where required. He/she guides others by following the rules and ethical code of conduct to follow in his/her stride. He/she has no qualms in enforcing rules and laws over erring influential people, mafia or conglomerates with full accountability.

(ii) **Self-Confidence:** A civil servant must have the competency to achieving all targets and goals confidently but without arrogance. Civil servants are trained in acting confidently, eager to take on challenging circumstances and express their righteous stand according to the rules and procedures. He/she goes about in a methodological manner. Considering all options and choosing the right one to act upon.

(iii) **Attention to Detail:** The civil servants must have an underlying attention to detail in processes and procedures by absorbing all the possible comprehensive information available. In case of a doubt over some issue, there must be no hesitation over consulting his/her peers and superiors. Planning, executing, monitoring and managing standards of projects must be done with absolute detail to ensure delivery of quality standard goods and services.

(iv) **Taking Accountability:** The civil servant takes ownership for outcomes whether they are a success or a failure by focussing on performance or the lack of it. Delivery of successful outcomes with commitment and consistency is very important on the part of civil servants. Ensuring the right officer is selected for the right job is important in improving performance of his/her team by declaring the intent and expectation from them. A civil servant must have the courage to take accountability for his/her team, being a part of the team himself/herself, particularly, in case the desired goal is not achieved.

3. **Equity:** The civil servants must have the competencies of the civil servants to be able to have consultations and build consensus to arrive at prudent and timely decisions while not neglecting empathy towards people. Given below are the elements of equity required to have competent civil servants by planned training:

(i) **Consultation and Consensus Building:** The civil servants must be capable of identifying all stakeholders and influencers to have consultations and build consensus through the techniques of persuasion and integrating dissident views. They must have sound and reliable data and information to deal with complexities by developing links with the stakeholders to converge on varying issues. People's participation is necessary to carry out developmental tasks and that can be achieved only if there is consensus building by the civil servants.

(ii) **Decision-Making:** The civil servants must have the capacity to make timely decisions after considering all options based on facts. They also empower their team to make decisions by building best practices by studying the past decisions and how they fared on the field. They make short-term and long-term strategies for the times to come by making swift analyses of complex data.

(iii) **Empathy:** The civil servants must be trained to become competent in understanding unspoken content by the population by showing concern to the issues of people. They must not get offended or egoistic if there is a difference of opinion and must carry out confidence and trust building exercises. They encourage their teams also in the same manner to be positive and empathetic towards others.

(iv) **Delegation:** A civil servant must be trained in delegated responsibility with an appropriate level of autonomy to promote innovation and become a leader. The elements included in the achieving delegation are providing guidance and direction; expresses trust and stays focusses; sets the criteria for successes; sets and monitors key policy objectives and pushes the limits of autonomy within norms of governance.

4. **Efficiency:** The civil servants must be trained to achieve efficiency by applying and implementing best technologies keeping in mind all targets. Following are the elements of the competency framework to attain efficiency in the delivery of public services:
   - **(i) Result Orientation:** The civil servants must focus on future expectations by managing timelines and curbing wasteful expenditure and resources. They must be trained to create innovative methods to measure and monitor high standards of performance in meeting departmental goals and objectives. They set high challenging goals and make an environment to push the junior officers to join in the efforts to achieve efficiency.
   - **(ii) Conceptual Thinking:** The civil servants must be trained in professional management skills to breakdown complex issues to basic concepts and make linkages between the present situation and past practices. They can either use the past practices if they achieved the desired results or create make new methodology to attain efficiency and inclusiveness.
   - **(iii) Initiative and Drive:** The bureaucrats must contribute more than what is expected of them by prioritizing issues, swiftly responding to opportunities, make an environment conducive to initiative and urging his team to have a passion for overcoming difficult obstacles.
   - **(iv) Seeking Information:** The officers must have an innate curiosity and if he/she does not have must be trained in digging for information even if there seems to be none. They use research methodology techniques to gather information like, first using available data, investigating the situation, digging deeper and conducting research through interviewing or a formal research study. Field visits by civil servants is the best method to be on the round and touch base with issues of the people in real time.
   - **(v) Planning and Coordination:** The civil servants must have the ability to plan, organize and monitor work with effective utilization of resources such as time, money and people.
   - **(vi) Desire for Knowledge:** They keep themselves up-to-date with relevant knowledge and technology and then passes on the information to their peers and juniors. Such knowledge is essential in carrying out their activities and responsibilities.
   - **(vii) Innovative Thinking:** They must be open to change and have the ability of approaching issues from a new angle or out-of-the-box solutions.

     Other competencies include problem-solving attitude; mentoring others; always maintaining self-awareness and self-control, sharpened communication skills and team working.

All departments and ministries must conduct training based on the competency framework given above with a complete system in place for training with experts. They must have a training cell with HR and capacity building professionals to help the training managers. The Institutes of Public Administration at the Centre and at State levels also help in training and conducting refresher courses for civil servants. A complete system of cadre training plans must be laid down for each department based on the framework of competencies mentioned above. The training institutes must be increased and strengthened to hold more training workshops and continuous incentives must be given. The civil servants can also send on foreign study tour to understand their best practices and imbibe them back in India.[9]

## Notes and References

1. The Constitution of India, https://www.india.gov.in, retrieved on 28 February 2019.
2. The Constitution of India, https://darpg.gov.in, retrieved on 28 February 2019.
3. The Constitution of India, https://www.india.gov.in, retrieved on 28 February 2019.
4. India: The Prevention of Corruption Act, 1988 https://www.oecd.org for more details of the PCA

**5.** Effective States and Engaged Societies: Capacity Development for Growth, Service Delivery, Empowerment and Security in Africa http://siteresources.worldbank.org, retrieved on 01 March 2019.

**6.** Capacity Development: A UNDP PRIME, http://www.undp.org, retrieved on 01 March 2019.

**7.** Boyatzis, Richard E. (January 2008), '*Competencies in the 21st century Article*' in Journal of Management Development, UK

**8.** Civil Services Competency Dictionary, http://persmin.gov.in, accessed on 01 March 2019.

**9.** For more information on the NEP, 2012, log on to National Policy, http://persmin.gov.in, retrieved on 02 March 2019.

# 25 Good Governance Initiatives

## LEARNING OBJECTIVES

*After reading this chapter, you will learn:*

- Introduction
- Reforms in Good Governance to improve Civil Services
- RTI as a Good Governance Initiative
- Good Governance Initiatives by the Government of India

India's public administration system is the largest in the world. As of 2010, there were an estimated 6.4 million civil servants in India. Developing capacities of civil servants is critical to achieving good governance, and ensuring inclusive and sustainable development. Without good governance, resources allocated are not efficiently utilized; management of public service delivery is weak; and efficiency of public expenditure is affected. Over the years, it has been recognized that public administration reform is necessary in order to develop greater accountability in the government, improve management, enable effective service delivery and develop capacity of front-line staff.

The Government of India has introduced a range of initiatives including new legal frameworks, institutional arrangements, management systems and capacity development initiatives to improve the performance of its public administration system. In partnership with the Ministry of Personnel, Public Grievances and Pensions, Government of India, UNDP supports efforts to strengthen public administration by developing capacities of civil servants. The project builds on UNDP's prior support in this area, notably through projects that supported a wide range of training programmes, the management and institutional development of state training institutions, and administrative reforms.

The Government of India has introduced a range of initiatives including new legal frameworks, institutional arrangements, management systems and capacity development initiatives to improve the performance of its public administration system. In partnership with the Ministry of Personnel, Public Grievances and Pensions, Government of India, UNDP supports efforts to strengthen public administration by developing capacities of civil servants. The project builds on UNDP's prior support in this area, notably through projects that supported a wide range of training programmes, the management and institutional development of state training institutions, and administrative reforms.

### Q1 *Discuss the reforms that the initiatives that can be taken to improve Good Governance to impact the Civil Services in their developmental activities.*

Far from the lofty beginning of being espoused as the steel frame of the country, representing the essential spirit of the Indian nation—unity in diversity—the years since Independence have been marked by a

steady deterioration of the Indian Administrative Service (IAS). According to a recent survey of the bureaucracies of 12 Asian economies, India's "suffocating bureaucracy" has been ranked as the least-efficient, and working with the country's civil servants is described as a "slow and painful" process. Indian bureaucrats are said to be power centres in their own right, both at the national and state levels, and are quite resistant to reforms that affect them or the way they go about discharging their duties.

Good governance is basic to all reforms and changes in society. Given the significance of the bureaucracy in India's development, some of the major changes that need to be incorporated in order to improve the IAS's efficiency and performance are highlighted below. Given below are some of the major features of an agency-based model of IAS in Figure 25.1 and described thereafter:

***Figure 25.1: Agency-Based Model of IAS***

1. **Lateral Entry Contractual Jobs:** The bureaucratic structure in India is, to a large extent, an insulated labour market. The country should aim to develop a cadre of professional senior managers to support ministers in policy formulation and implementation. These should be lateral-entry contractual jobs with a well-defined career progression. Senior civil servants' selection should be about identifying good managers for the public sector and should consist of individuals who have had an outstanding record of running public or private businesses, and/or strategic planning and execution of large public projects. Exceptional performers among those IAS officers who have entered through the civil service examination (conducted by the Union Public Service Commission or UPSC) should also be absorbed into the senior civil service. Creating a senior civil service will break the insulation of the IAS and will present as an incentive for the officers to work harder.
2. **Departments as Executive Agencies:** Public bureaucratic departments should be converted into national-level and state-level executive agencies. Each executive agency should be headed by a chief executive officer selected from the senior civil service and should have considerable operating freedom, subject, however, to the policy and resources framework set out by the ministers and Parliament.

   Before forming an agency, however, some tough questions should be addressed: Should the agency be formed at all? If yes, could it be privatized or contracted out? Does the work overlap with that of other departments? Can multiple departments be merged into a single one?

   Once the decision to form an agency is taken, the agency should come out with its citizens' charter, clearly listing its mandate, objectives, performance indicators, timeframe for providing the services

and budget. Citizens' rights, departmental responsibilities, quality of service and timeframe for providing the service should be clearly specified. The agencies should receive targets from the government/ministers and be answerable in Parliament about the achievement of those targets.

Apart from receiving the targets, politicians should have no say over the day-to-day operations of the agency. The chief executive officer, and not the minister, should be responsible for answering questions in Parliament on the achievement of targets and on the performance of the agency.

3. **Evaluation by the Citizens:** Third, the citizens (customers) availing of the service should be involved in the evaluation of IAS officers. The UPSC should involve representatives from former senior civil servants, distinguished judges, citizens and academicians working in the sphere of public policy and social welfare in the evaluation of civil servants. The UPSC should be responsible for the appraisals of chief executives only. All other officers should be appraised through systems and processes set up by the agency. Achievement of the performance targets by the agency should be evaluated by collecting data from the customers the agency served. The agency's performance should solely determine decisions regarding pay and promotions for chief executives. Similar to the Indian Army, the postings of IAS officers should be categorized according to its demand and difficulty, so as to ensure that everyone gets a fair chance to serve in both important and difficult (such as in remote and tribal areas) assignments. A mix of postings should be created for all officers.
4. **Disciplinary Action:** Fourth, all matters relating to corruption and misconduct of IAS officers should be referred to the Central Vigilance Commission, which should have the power to investigate cases and implement the judgements/decisions reached. A timeframe should be decided beforehand within which the matter has to be investigated and a decision reached. A separate civil service court should be set up to determine the guilt of the members of civil services and to decide upon the punishment. The civil service court should be able to try personnel for all kinds of offences except for murder and rape of a civilian, which should primarily be tried by a civilian court of law. Political and government authorities should have no interference in the functioning of the civil service court. As has been done in Japan and Singapore, offenders and personnel found guilty of corruption should also be subjected to public shaming.
5. **Freedom in Public Spending:** Fifth, each executive agency should come out with the budgets at the beginning of the year. These budgets should be audited and cleared by a committee formed by Parliament. Beyond the auditing exercise, Parliament should have no role in determining how the money should be spent. Instead, the chief executive officers of the agencies should have full freedom to use the money allotted to them. At the end of the year, chief executive officers should submit a record of their expenditures to the parliamentary committee.

   Agencies should be encouraged to identify means of generating revenues to offset the spending, so that the total government spending can be controlled. For this, the user-pay principle, as adopted in Australia and New Zealand, should be explored. Agencies should be made to pay for availing of the services of other government agencies. Chief executive officers should be evaluated at the year-end on their performance and on the delivery of the outputs based on the standards decided upon earlier.

In order for the above-mentioned reforms to be effective, there are some supporting conditions that are necessary: First, political commitment for the reforms is essential. Second, the involvement of IAS officers in the change process from the very beginning can accelerate the process.

Canada and the UK began their administrative change process by setting up task forces and scrutiny exercises that were headed by civil servants who had volunteered for a scrutiny, and evolved the needed changes. Third, the civil society's patience and support while the change happens would be needed. An effective public service serves and also draws support from a lot of groups such as citizens' associations, non-governmental organizations, industry and trade associations,

trade unions, academic institutions, media etc. These groups are sources of various skills, ideas, competencies and commitments required for sustaining administrative reforms. Finally, there must be recognition that reform is a continuing, long-term process and that it will be continuous. Long-term flexibility and willingness to change and innovate will be critical for the reform agenda[1].

## Q2 *Examine how the Right to Information is a Good Governance initiative for the civil services to have a considerable impact on governance.*

**Ans.** The civil servants are bound by the Constitution to deliver public goods for the welfare of the people. The Right to Information Act, 2005, has been seen as the key to strengthening participatory democracy and ushering in people-centred governance. Access to information can empower the poor and the weaker sections of the society to demand and get information about public policies and actions, thereby leading to their welfare[2]. RTI can be studied from four perspectives given in Figure 25.2 and explained as follows:

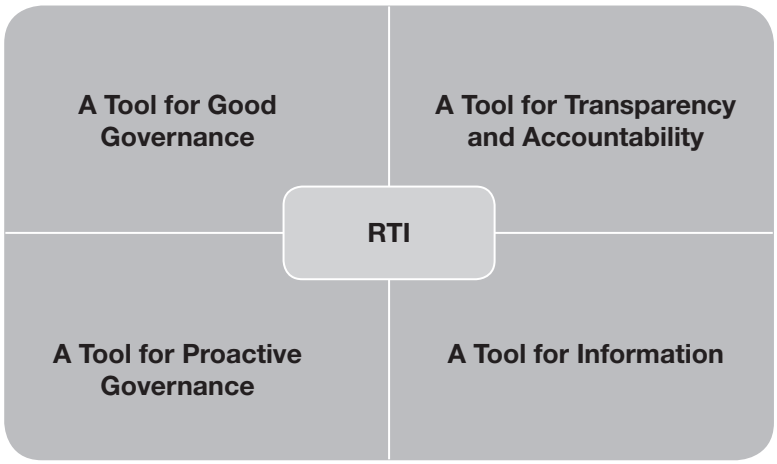



*Figure 25.2: Perspectives of RTI for Good Governance*

**RTI as a Tool for Good Governance:** The Act must be seen by the civil servants as an improvement of governance. The citizen-interface of the civil servants through this Act results in a friendly, caring and effective governance. RTI is a powerful tool that strengthens democracy and promotes good governance by enhancing the citizen's ability to participate in the process. The legislative intent of this Act was to empower the citizen to promote transparency and accountability in the working of every Public Authority, reduce the gap between the information provider and the information seeker, enhance efficiency in administration of public authorities, reduce corruption and achieve good governance[3].

**Impact of RTI as a Tool for Transparency and Accountability:** This mitigates the shroud of secrecy around the civil services and administration. People have a right to know every public act which is undertaken by the government on public platforms by public functionaries. When the bureaucrats know that they can be asked to account for any administrative activity that is undertaken, the RTI Act acts as a check and controlling factor over them. When people have the required information, they are empowered to understand the gap between what was promised through appropriations in the budget and what was delivered to them in reality. The Civil Society has a major role to play in this aspect because they have the necessary resources to take up the fight of marginalized and weaker sections of the society with the Government.

**RTI Act as a Tool for Proactive Governance:** The Act resolves and works in reality to work against corruption, negligence and complacent attitude of the civil servants. It is a simple logical deduction that if corruption is mitigated, it will result in Good Governance although absence of corruption does not mean Good Governance. That is why the civil servants have to be shaken out of their complacency and trained to be pro-active in delivering public services. This Act has had a positive impact on the quality of life of the poor and marginalized sections of the society.

**RTI as a Tool for Information by Users:** The Commonwealth Human Rights Initiative (CHRI) tracks trends in the use of the RTI across India to actively utilize the RTI Act by tracking the number of cases that were filed. The latest figures, accessed form the Annual Reports filed by the State Governments, are of 2015-2017 which the CHRI compiled and released in March, 2018, shows the declining trend of RTI applications in various States of India. Himachal Pradesh, Punjab, Sikkim, Nagaland and Tripura have shown a decline of more than 35 % than it was in 2011–2012 whereas the seven states of Arunachal Pradesh, Chhattisgarh, Haryana, Gujrat, Mizoram, Odisha and West Bengal showed a mixed trend. Some states like Arunachal declined drastically at 82 % Haryana showed an increase after 2016. Further analysis showed that women and poor participated the least in filing applications for information[4].

It can be concluded from the above analysis that unless the poor and weaker sections of the society ask for information regarding the plethora of schemes initiated only for them, they cannot benefit from them. This also results from the fact that the members of the marginalized sections of India are unaware of the benefits they are being granted. Corruption flourishes in the face of unawareness and this needs to be curbed. The government and the civil society is now coming forward to run awareness campaigns for the poor and rural areas of their entitlements so that they are well-informed to ask for their rightful benefits if they are not given.

The government, however, is now transferring monetary benefits through Direct Benefit Transfer through the Aadhar Unique identification Number and it reduces the chances of corruption. The RTI Act definitely puts the officers on a watchful eye and curbs their digression or negligence of duty[5].

## Q3 *Examine the Good Governance initiatives by the Government of India.*

**Ans.** India has the second largest population in the world which makes us understand that a large number of people are living in poverty and miserable conditions who need public services the most. Providing for public services is more important than just planning for them. Implementation of welfare policies and schemes is done through the executive wing of the Government which ensures that it is being done with Good Governance to increase efficiency and effectiveness, not neglecting the cost part of it considering that developing countries like India have scarce resources which are spread thin over the whole country's requirements. There have been three major efforts in structuring Good Governance Initiatives by the Government of India[6].

The second effort was made in 2009–2015 and the third by the NITI Aayog in its document Strategy for New India @ 75 besides some initiatives taken in 2009. In 2018. Given below are the Good Governance initiatives made by the Government of India (GoI):

### (I) Good Governance Initiatives and Reforms

The Department of Administrative Reforms and Public Grievances published its report on Good Governance Initiatives and Reforms in 2006 while recommending best practices based on the reforms carried out in Haryana. Haryana was selected for laying down the best practices because the International Monetary Fund had declared it among the six states with income-high growth in India. It ranked second

in per capita income, next to Goa, at current prices. Other states were expected to replicate the reforms that Haryana made to achieve its status of economic growth. They are given in Figure 25.3 and briefly discussed thereafter:

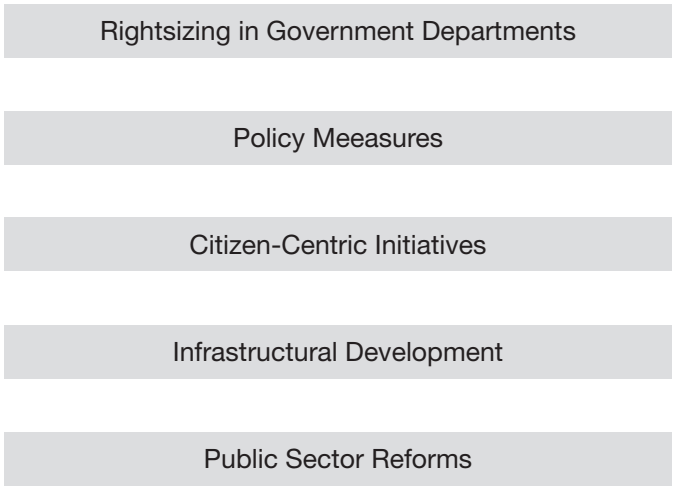



***Figure 25.3: Good Governance Initiatives***

1. **Rightsizing in Government Departments:** The maxim, "Maximum Governance and Minimum Government" has become popular now but the GoI had begun its reform back in 2006. The Government had to take on the responsibility of becoming a primary and model employer to deal with the growing problem of unemployment. This resulted in the increase in the number of departments and its employees. However, after the economic reforms in 1990–91, the Government's role became that of a facilitator instead of being a provider. Provision of goods and services by the Government is ridden with a number of challenges, which are:

   - Waste of resources;
   - Poor quality of service;
   - Lack of funds to improve safety standards;
   - Escalating subsidies;
   - Pension liabilities; and
   - Time and cost overruns.

   Most of these above-mentioned challenges are due to the lack of the capability of institutions, hence, emphasising the need to enhance capacity-building of the institutions. The Report of "Good Governance Initiatives and Reforms – Compendium of Best practice", made suggestions in regard to the various reforms in institutional mechanism, restructuring of major Departments and the related issues. Some of the major recommendations are given below in brief:

   - Abolishment of octroi system;
   - Close-down of many C-Class Municipal Committees;
   - Advertisement of vacancies in the press instead of going through rural employment exchanges which no one used and subsequently closing them down;
   - Merger of departments;

- Examination of plan and non-plan schemes to shut down redundant schemes;
- Requirement of each post in government departments was done to restructure them;

A list of Departments was made against more recruitment was banned so that the problem of over-staffing would be solved.

2. **Policy Measures:** The Government of India found through many surveys that the Public Enterprises in India had been facing the problem of over-staffing which became burden owing to their wages and salaries adversely affecting their performance and profitability. The Report has given the example of Haryana as it was declared as the second-best state in economic growth. The Haryana Government, in this case, carried out restructuring of its public enterprises to contain their committed expenditure. Archaic rules related to contingent expenditure and provident fund were revamped and other procedures were simplified. Haryana was one of the first states to have started the programme, Ladli, to correct demographic imbalances. Other States were suggested to follow Haryana in making reforms in such areas.
3. **Citizen-Centric Initiatives:** Reforms like decentralization and institutionalization led to a citizen-centric governance. It was recommended to strengthen the institutional mechanisms to implement the delivery of public services effectively. Simplification of processes and procedures with coordination of different planning and executive agencies was highly recommended. The Report cited the reforms carried out in Haryana regarding revamping Rule 19.6 related to delegation of financial powers to various authorities as best practices. These would lead to:

   - Reduction in corruption of petty nature;
   - Efficient functioning of offices;
   - Enhanced levels of motivation among staff members; and
   - Reduction in the number of files.

   The Employee General Provident Fund which was created to protect the family of the employee in cases of sudden death or retirement but was ridden with complexities. The rules were simplified (contained in the Civil Service Rules) so that those who are the backbone of the governance structure are satisfied and motivated to work for the country.
4. **Infrastructural Development:** Infrastructural development is essential for a better standard of living of the people. Urban planning calls for reforms in regulatory methods; periodic review and revision of existing proposals; identifying sites; involvement of professional experts and a citizen-centric approach. Another area requiring attention to achieve Good Governance is optimum utilization of scarce resources of land and buildings. It was recommended that a humane environment is a pre-requisite for better productivity and efficiency. Structural reforms with indicative planning were recommended to be carried out with a human face so that the ultimate consumer, that is, the citizen can be benefit from the delivery of goods and services.
5. **Public Sector Reforms:** Guidelines regarding investment on surplus funds by departments and public enterprises were issues to avoid any fraudulent activities by new banks and financial institutions, which are:

   - Provision of a comprehensive plan to the departments and public enterprises for judicious investment of surplus funds to ascertain safe maximization of profits;
   - Exercising restraint on investing in unscrupulous institutions and speculative instruments;
   - Prescribing parameters for empanelment of banks and other financial institutions in a systematic manner; and
   - Authorizing the State Government to supervise the investment portfolio of the departments and public enterprises to safeguard their resources.

**Ensuring Returns on Government Equity:** The public enterprises have failed in achieving the set targets and are in a state of poor returns and ready for disinvestment. The Government had issued guidelines to the public enterprises to pay dividend which turned the situation from getting worse. They must be further made accountable for their investments to become more responsible and self-sustaining.

**Internal Audit:** Clear instructions for conducting internal audit for all public enterprises were given to ensure that no errors were made. It was assumed that internal audit would lead to economy and a review of the policy input of the public enterprises would be possible.

Recommendations were also made to outsource their requirement of vehicles to reduce the operational costs of public enterprises. In case of organizations facing losses, the Report recognized that most of the public enterprises had been exercising financial prudence but the nature of their organization could not afford them to go into profits. A multi-pronged approach for the sustenance of public enterprises was recommended, which is:

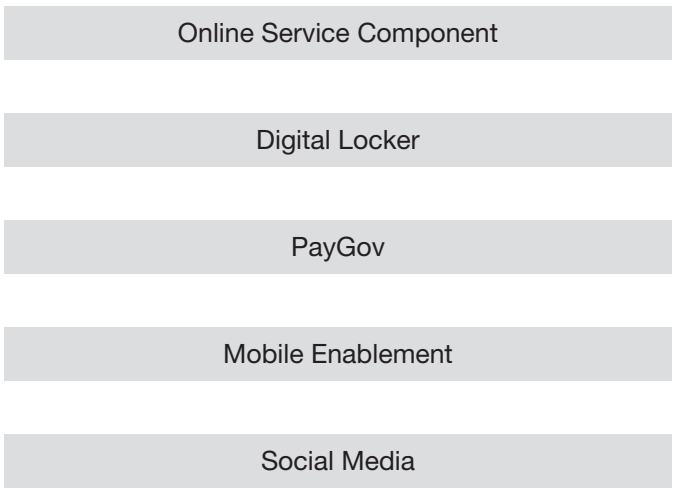
- A one-time grant was provided on account of waiver of loans in the past;
- The amount of subsidy was increased for the current year;
- Need-based recurring administrative subsidy was assured; and
- The enterprises were asked to clean up their balance sheet.

## (II) Reforms in the Department of Personnel and Training

**2009:** An electronic system, namely, Recruitment Rules Framing, Amendment and Monitoring System (RRFAM) was introduced in 2009 but it required filing of rules twice which had increased a lot of paper work. It was revised to a newer version of RRFAM which enables fully computerized system of filing the proposals for recruitment rules. This system will strengthen the present initiative of Digital India and build an e-library of rules.

## 2015: E-Governance Initiatives for better Good Governance

The recent E-Governance initiatives are a convergence between UNDP's Governance Development Index and Digital India. The Digital India Programme covers the following areas[7] depicted in Figure 25.4:




(*Continued*)

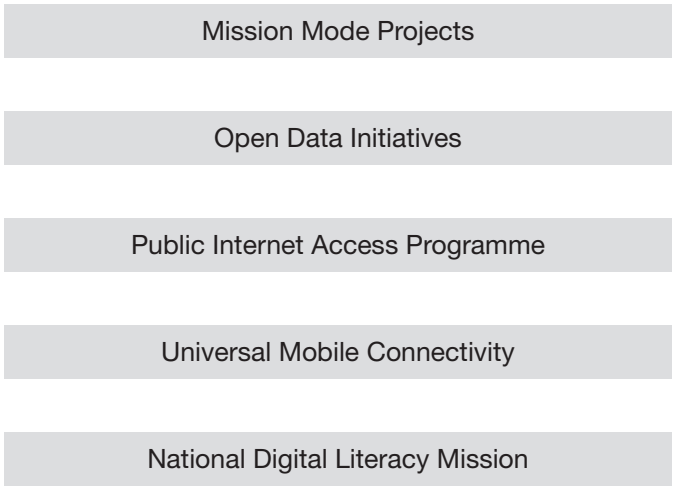



***Figure 25.4: E-Governance Initiatives***

**(i) Online Service Component:** It includes the system of Unique Identification Number called 'Aadhar' which is considered as the single source of truth providing demographic photo and biometric based authentication. It has a coverage of 900 million and has benefitted the marginalized sections of the society in various schemes, like LPG, scholarships to students, public distribution system and now the farmers' subsidy.

**(ii) Digital Locker:** The newly established system of Digital Signature Certificate treats the physical signature on par as per IT Act, 2000. The E-Sign saves a lot of time and paper while being considered as safe because it is linked with the verification system of KYC (Know your Customer), through Aadhar number or the Pan Card number. It cannot be personated and neither can it be lost or misplaced[8].

**(iii) PayGov:** It is an online system of facilitating payments to all Public Sector Undertakings and major private banks via net banking/debit card/credit card/prepaid or cash card/wallet. Funds are transferred to the State Nodal Bank by T+1 EOD and is currently live in 16 Departments. Jan Dhan Yojana Scheme has been initiated to encourage financial inclusion to enable at least one bank account in each household and also having insurance facility. The Guinness World Record has recognized the achievements made under Pradhan Mantri Jan Dhan Yojna as 18 million bank accounts had been opened within a week.

**(iv) Mobile Enablement:** The Good Governance Initiatives in e-Governance Development Index includes mobile based digital identity which has been added to Aadhar database having more than 900 million population facilitating domain independent transaction flow. This system comprises of electronic transaction aggregation and analysis layer to provide real time status on delivery of electronic services. It promotes healthy competition amongst the states/UTs; and Departments through Mission Mode Projects.

**(v) Social Media:** The website MyGov facilitates two communication amongst Government organizations and common citizens while E-Sampark database is utilized for mass communication to all email and mobile users.

**(vi) Mission Mode Projects:** They are focussed on delivery of services by binding all national level e-Governance projects. They are operational in more than 450 districts in 22 States delivering services like birth, caste, income, death, etc. It is also helping in online taxation also.

(vii) **Open Data Initiatives:** The Good Governance Initiatives include the open data portals like the National Portal of India, State Portals, all Government Departments, open data government platforms like https://data.gov.in for accessibility of policies of the GoI.

(viii) **Public Internet Access Programme:** The initiative of 'Public Internet Access Programme' comprises of Common Service Centres (CSCs) which provides G2C (Government to Citizen) services in the rural areas and about 140,000 CSCs are operational. It delivers various services like certificates, digital literacy, etc. while more than 200,000 candidates certified under National Digital Literacy Mission.

(ix) **Universal Mobile Connectivity:** The National Optical Fibre Network has the target of covering 250,000 Gram Panchayats giving services like basic, educational, healthcare and financial. It aims to cover uncovered villages in India.

(x) **National Digital Literacy Mission:** The Government aims to train to at least one in each household to cover a large section of the population. E-Bhasha Programme has targeted to introduce the Digital India website in all 22 Constitutionally recognized languages.

**III Strategy for New India @ 75 by NITI Aayog:** The NIT Aayog, the planning body and the think-tank of India, published a document, "Strategy for New India @ 75. One of the sections deal with good governance initiatives are given in Figure 25.5, which are as follows:

***Figure 25.5: Strategy for New India @ 75***

(i) **Aspirational Districts Programme (ADP):** The ADP in India will be covering 115 districts in its first phase which are currently below the national average in the areas of health and nutrition, education, agriculture and water resources, financial inclusion and skill development and basic infrastructure. This programme was launched in India on January 5, 2018 based on 49 indicators by:

- Creating a positive narrative of development as a mass movement;
- Using data to inform decision-making invoke a competition among districts;
- Converging initiatives across all levels of government;
- Promoting federalism and building institutions to ensure team work between the three tiers of government; and
- Bringing in partnerships with experts.

(ii) The North Eastern Region (NER): The NER faces disparity in its development and requires a state-specific development approach. The NITI Aayog has constituted a NITI Forum for the North East in 2018. It has suggested the following initiatives to facilitate Good Governance:

- Dissemination information on the various central government schemes that are already in place;
- Preparation of a blueprint of development in consultation with the NITI Aayog and the North-East Council (NEC);
- Dissemination of information about the States that are performing well to build and implement them as the best practices; and
- Water management by completing on-going irrigation projects.

**(iii)** Legal, Judicial and Police Reforms: The document has recommended legal, judicial and police reforms will be initiated and implemented till 2022. Some of them are:

### *Legal Reforms*

- Create a repository of all central and state laws, rules and regulations and government orders;
- Repeal redundant laws and remove restrictive clauses in existing laws while 1420 redundant laws have been repealed over the past four years;
- Effective judiciary in line with global practice by reviewing the Code of Civil procedure;
- Compounding minor offences;
- Continuing legal education in selected areas must be mandatory for lawyers and judges;
- Sensitivity of the government towards the citizens to reduce litigations;
- Use of advanced technology to check law violations and reduction of police-public interface to eliminate corruption; and
- New laws that will be drafted must be done in simple language.

### *Judicial Reforms*

- Shift workload from regular courts to commercial courts;
- Dispute resolution;
- Ethical codes must be made;
- Amendment of the Arbitration and Conciliation Act to make India a robust centre for institutional arbitration;
- Introduction of All India Judicial Services Examination to be conducted by the Union Public Service Commission;
- Training facility for judicial academies including reputed lawyers;
- Prioritize court process automation and ICT enablement for electronic court and case of management; and
- Facilitate the availability of video-conferencing facilities to assit in speedy access to justice.

### *Police Reforms*

- The Model Police Act, 2015 can serve as the basis for legislative reform as it insulates the police from political interference;
- Creation of Ministry of Home Affairs to skill personnel and identify non-core functions that can be outsourced to save on staff;
- A separate cadre for cyber-crimes, cyber threats and frauds;
- Introduction of remodelled training modules, refresher courses and continuing education for police personnel; and
- Transparent system of police personnel.

**(iv) Civil Service Reforms**

- Implementation of all recommendations made by the Second ARC that have been accepted by the government;
- Improvement of teeth to tail ratio;
- Objectivity in recruitment and placement process by eliminating arbitrariness;
- Reducing the number of civil services (60 at present) by placing recruits in a central talent pool from which candidates will be allocated by matching their competencies;
- Use of IT needs to be upscaled;
- Service delivery to be outsourced;
- Reorienting training to meet the growing urban demands
- Strengthening of online training;
- Citizen-centric framework;
- Institutionalizing system for effective monitoring and enhancing capability of public authorities;
- Revisit Allocation of Business Rules;

Some more initiatives are regarding e-governance to deliver the services. CPGRAMS has been revised to enable the citizens to monitor the grievances lodged by them on a single screen. Modernization of City Governance for urban transformation has been given special attention to by the NITI Aayog by transforming the cities into economically vibrant and environmentally sustainable habitats that provide equitable basic services[9].

## Conclusion

Good Governance has been the centre and focus of attention for all governments since the concept of delivery of public services was brought into light. There have been multiple theories and approaches how governments need to reinvent themselves in their attitudes and behaviour to empathetically cater to the issues of the people. Since the past decade, many changes have been made via seminars, training and workshops to sensitise the civil servants to public needs. The New India looks forward and aims to achieve its objectives by 2022.

## Notes and References


1. https://www.livemint.com/, retrieved on 03–03–2019
2. RTI Master-key, https://darpg.gov.in, retrieved on 04–03–2019
3. Inaugurates New Building of Uttar Pradesh Information Commission, http://pib.nic.in, retrieved on 04–03–2019
4. State of Information Commission and the Use of RTI Laws in India, http://www.humanrightsinitiative.org, retrieved on 04–03–2019
5. For information on RTI Act, 2005, see Chapter 25 in:
   Mahajan, Anupama Puri (2018), Public Administration for Civil Services, Pearson India Education Pvt. Limited, new Delhi.
6. Good Governance initiatives & forms-Compendium of Best Practice, https://darpg.gov.in, retrieved on 04–03–2019
7. India in e-Governance Development Index, https://digitalindia.gov.in, retrieved on 04–03–2019
8. For more information, log on to: https://digilocker.gov.in/
9. Adapted from: NITI Aayog, Strategy for New India@75, http://niti.gov.in, retrieved on 04–03–2019

# 26 Code of Conduct and Discipline, Staff Associations, Political Rights and Grievance Redressal Mechanism

## LEARNING OBJECTIVES

*After reading this chapter, you will learn about:*

- Code of Conduct for Civil Servants
- Emotional Intelligence in Civil Servants
- Global Public Service
- Staff Associations
- Political Rights of Civil Servants

## INTRODUCTION

Public administration serves the objective of providing goods and services to the people with efficiency, economy and effectiveness to the people. In a developing and emerging economy like India, with 28 per cent of the population living below the poverty line and more than 70 per cent of the people dependent on the agriculture, dependence on public services and physical infrastructure has made the public services the most rudimentary organization to become an agent of development. Since the ancient times, as evidenced in the epic work of Kautilya's *Arthashastra,* the civil/public servants are instrumental in the delivery of public services. Kautilya had conceded that given an opportunity, all civil servants are liable to corruption even though their character has been tested with full background check. The same situation remains in the present-day also with the civil servants getting attracted towards bribery in cash or in kind.

### Q1 *Discuss the Code of Conduct and discipline that the civil servants have to follow.*

**Ans.** In India, the civil servants are recruited via a merit-based system examination conducted by the Union Public Service Commission UPSC. It has three levels of examining the candidates—a preliminary written exam, a detailed main examination of those candidates who clear the preliminary exam and then the third level of interviews. The successful candidates are rigorously trained to deal with administrative, legislative, judicial and financial levels. During their training, they are trained to follow the Civil Service Code of Conduct and various procedures so that they emerge as wise administrative leaders with ethics.

The civil servants must use their executive power objectively in public interest by keeping their individual self-interest at the backburner. The Prevention of Corruption Act, 1988, (Given in Chapter 27) acts as an important deterrent for the civil servants to bow down before bribery and unlawful conduct. The CBI and Vigilance Commission are two other agencies which keep strong surveillance over the officers and also lay traps to catch them red-handed.

## THE CENTRAL CIVIL SERVICES (CONDUCT) RULES

The government, under statutory rules, has made Conduct Rules for the governance of public behaviour of a civil servant. They were formulated and revised based on the recommendations of the Committee on Prevention of Corruption headed by late Shri K. Santhanam to maintain integrity in Public Services and the Central Civil Services (Conduct) Rules. They were revised in 1986 and not after that except some amendments in rules from time to time.

These rules apply to central civil services but not officers of All India Services and officers in Railway Board or any other post which the President has specified. These rules are applicable to any person appointed by the government whose salary is drawn upon the Consolidated Fund of India. The rules are given in Figure 26.1 as follows:

| | |
|---|---|
| **Familial Rules** | • The rules include the family members of a government servant and any children and other members of the family dependent on him/her.<br>• There must be decent conduct of behaviour with his/her relation with the family and there must be no cases of negligence against him/her. |
| **Integrity** | • A supervisory officer must uphold integrity acting in his/her best judgement and must not take oral directions from superiors.<br>• If he/she does not perform within the time frame and as per the quality standards is deemed to be lacking in devotion to duty and evasion of duty. |
| **Promptness and Courtesy** | • The government servants must not act in a discourteous manner in public-interface or adopt an excuse for delays. |
| **Government Policies** | • They (government servants) will act in accordance with all government policies like that of environment, prevention of crime, etc. |
| **Prohibition of Sexual Harassment of Working Women** | • The male government servants will not indulge in any sexual harassment acts on any women at working place. |
| **Honesty** | • A dishonest officer will not be placed in a position where there is a scope of discretion.<br>• The officers being appointed to important posts must maintain a reputation of being honest in official as well social relations and not be in touch with influential people. |
| **Observance of Courtesy** | • They must be courteous to members of Parliament or State legislature, if and when, they have an interface with them as per the prescribed protocol in the rules.<br>• However, they must act according to rules and law and politely decline any unlawful requests/demands. Any information required by the Legislators or Parliamentarians must be furnished in written. |

| | |
|---|---|
| **Proselytization** | • No government servant must participate in proselytization, that is, indulge in any religious discrimination. |
| **Untouchability** | • Practice of untouchability is prohibited as it an offence and is punishable and will be liable to be considered as unfit for public service. |
| **Leisure during Office Hours** | • They must adhere to a decorum and not disgrace themselves by indulging in such leisure activities like playing cards, etc. even their lunch breaks. |
| **Previous Acts** | • The government servants are liable for any misconduct committed before this employment and disciplinary action can be taken to consider them unfit for further continuance of the present job |
| **Posters** | • There must be no display of posters of staff associations or any such groups in the government offices by government servants. |

***Figure 26.1: Central Civil Services (Conduct) Rules***

Besides the above-mentioned rules, there are some detailed rules given about the conduct and demeanour of the government servants. On the positive note, a civil servant must be a role model of social and familial behaviour for the society, have absolute integrity and remain politically neutral. Holding familial values for the society is unique feature in the Indian conduct rules for the civil servants which one may not find in any other country implying how well rooted our public system is in its culture and moral values. It is difficult to expect that the bureaucrats will rise up to the conduct rules but they surely guide the way for them to conduct themselves.

## Recommendations Given by the Second ARC

The Central Civil Services (Conduct) Rules, 1964 prohibit unauthorized communication of information (similar provisions exist for the state government employees under their respective Rules). Given below are the major issues that the Second ARC reported and gave recommendations:

1. **Unauthorized Communication of Information:** No government servant shall, except in accordance with any general or special order of the government or in the performance in good faith of the duties assigned to him, communicate, directly or indirectly, any official document or any part thereof or information to any government servant or any other person to whom he is not authorized to communicate such document or information.

   This implies that quotation by a government servant (in his representation to the Head of Office, or Head of Department or President) of or from any letter, circular or office memorandum or from the notes on any file, to which he is not authorized to have access, or which he is not authorized to keep in his personal custody or for personal purposes, shall amount to unauthorized communication of information within the meaning of this rule'.

2. **Sharing of Information:** The Shourie Committee examined this issue and stated as follows: 'There is a widespread feeling that the Central Civil Services (Conduct) Rules, 1964 and corresponding rules applicable to Railways, Foreign Services and All India Services, inhibit government servants from sharing information with public. The accent in these rules is on denial of information to public. This situation has obviously to change if freedom of Information Act is to serve its purpose and if transparency is to be brought about in the system'. The Commission agrees with the views of the Shourie Committee. The Central Civil Services (Conduct) Rules were formulated when the RTI Act did not exist. The spirit of these rules is to hold back information. With the emergence of an era of freedom of information, these rules would have to be recast so that dissemination of information is the rule and holding back information is an exception. The Department of Personnel and Training has amended the Civil Services (Conduct) Rules on these lines in October 2005. However, all States need to amend rules in a similar manner in keeping with the letter and spirit of RTI Act.

## REVISED ALL INDIA SERVICES RULES, 2014

The All India Service Rules have been made under the All India Services Act, 1951 and these rules are in addition to the Conduct Rules of the Central Civil Services.[1] The Government of India has amended All India Services (conduct) Rules, 1968 and these rules are called the All India Services (Conduct) Amendment Rules, 2014. They are given in Figure 26.2 and described as follows:

***Figure 26.2: All India Services (Conduct) Amendment Rules, 2014***

- High ethical standards, integrity and honesty
- Political neutrality
- Promoting the principles of merit, fairness and impartiality in the discharge of duties
- Accountability and transparency

- Responsiveness to the public, particularly to the weaker sections
- Courtesy and good behaviour with the public

Under sub-rule (2B), every member of the Service shall:

1. Commit himself to and uphold the supremacy of the constitution and democratic values.
2. Defend and uphold the sovereignty and integrity of India, the security of State, public order.
3. Decency and morality.
4. Maintain integrity in public service.
5. Take decisions solely in public interest and use or cause to use public resources efficiently and economically.
6. Declare any private interests relating to his public duties and take steps to resolve any conflicts in a way that protects the public interest.
7. Not place himself under any financial or other obligations to any individual or organization which may influence him in the performance of his official duties.
8. Not misuse his position as a civil servant and not take decisions in order to derive financial or material benefits for himself, his family or his friends.
9. Make choices, take decisions and make recommendations on merit alone.
10. Act with fairness and impartiality and not discriminate against anyone, particularly the poor and the underprivileged sections of the society.
11. Refrain from doing anything which is or may be contrary to any law, rules, regulations and established practices.
12. Maintain discipline in the discharge of his duties and be liable to implement the lawful orders duly communicated to him.
13. Be liable to maintain confidentiality in the performance of his official duties as required by any laws for the time being in force, particularly with regard to information, disclosure of which may prejudicially affect the sovereignty and integrity of India, the security of State, strategic, scientific or economic interests of the State, friendly relation with foreign countries or lead to incitement of an offence or illegal or unlawful gains to any person.
14. Perform and discharge his duties with the highest degree of professionalism and dedication to the best of his abilities.[2]

To summarize, these rules can be categorized into three types:

1. **Personal and social morality that is appropriate for a civil servant:** These include the officer's behaviour in public with his/her family and in reality, too, in case a complaint is made against him/her by the family.
2. **Various pecuniary/property transactions of a civil servant:** The All India Services officers must declare all movable/immovable property, must not indulge in any interest laden income, must not take any private income-generating job without prior permission or promote a family member or a friend.
3. **Political neutrality that is expected from the civil servants:** A civil servant cannot involve himself/herself with any relation with politically influential persons that results in a gain in cash/kind for unlawful favours and privileges.

**Code of Conduct and Code of Ethics:** The above given rules show a picture how important it is for the civil servants to have an impeccable behaviour and conduct within the family as well as in dealing with others whether they are the public or other officers and members of Parliament/Legislature. However,

the Code of Ethics is interchangeably used for Code of Conduct because there is no separate Code of Ethics laid down for All India Services. They are drawn from the Conduct Rules regarding the behaviour of civil servants in office, discretionary powers, property acquisition, conflict of interest, citizen-administration interface, etc. Those civil servants who do not comply with the rules are liable for disciplinary action which can be just a warning, suspension for a period of time according to the committed offence, dismissal from the service and even fines and imprisonment. If a civil servant is arrested, he/she must inform the superiors and if the detention exceeds beyond 48 hours in police custody, it is deemed that the officer is suspended.[3]

## Disciplinary Proceedings Recommended by the Second ARC

The Second ARC analysed the processes and data related to actual cases to make the following conclusions:

- Simplification of procedures to complete within a shorter time frame.
- Emphasis must be laid on documentary evidence, and only in case documentary evidence is not sufficient, recourse should be made to oral evidence.
- An appellate mechanism should be provided within the department itself.
- Imposition of major penalties should be recommended by a committee in order to ensure objectivity.

The commission also gave recommendations with respect to disciplinary actions, as given below in Figure 26.3.

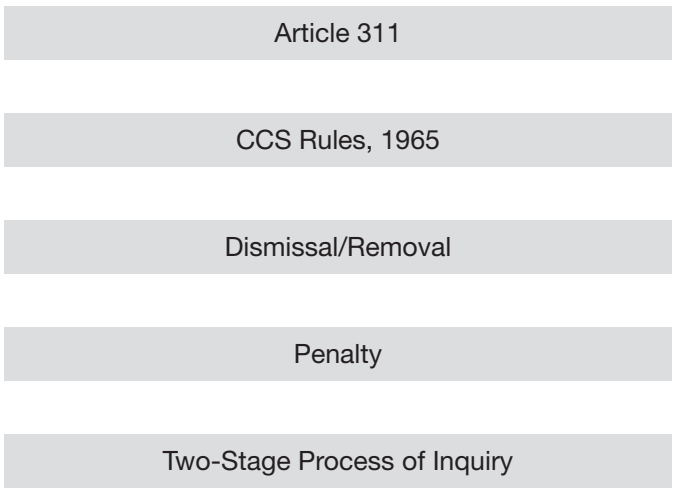



***Figure 26.3: Second ARC Recommendations for Disciplinary Procedure***

1. **Article 311:** The Article 311 must be amended so that any allegations, against a civil servant, of accepting illegal rewards in money/kind disproportionate to the known sources of income, the President can remove him/her from the civil post and give a chance to defend himself/herself in a post-decisional hearing.
2. **CCS Rules, 1965:** The CCS Rules, 1965 must be repealed and a new Civil Services Law must be made which shall lay down the minimum statutory disciplinary and dismissal procedures leaving the rest to the respective departments.

3. **Dismissal/Removal:** The dismissal/removal of a public servant should be imposed by an authority three levels higher than the present post held by that public servant whereas other penalties maybe imposed two levels higher. The right to appeal can be continued by one level higher.
4. **Penalty:** No penalty must be imposed without the opportunity granted to the officer of being heard in an interview or an inquiry.
5. **Two-Stage Process of Inquiry:** The inquiry against a government servant must be conducted in a two-stage process on the following parameters:

   **(i)** The charges against the officer must be conveyed to him/her in a written format.
   **(ii)** Inquiry must be based on documented evidence instead of oral evidence.
   **(iii)** Time period for admission or denial of charges must be fixed and as short as possible.
   **(iv)** Oral evidence may be permissible only if they are borrowed from the court proceedings but must not become the norm.
   **(v)** Preponderance (quality) of probabilities is good enough for the inquiry authority to decide instead of 'beyond reasonable doubt'.

   The two-stage consultation with the Central Vigilance Commission must be done away with and only the second stage advice must be taken after the completion of disciplinary process.

Hence, conduct and discipline for civil servants is an important subject for achieving an honest and dextrous bureaucracy who is committed to work for the welfare of people. The NITI *Aayog* has declared in its document on New India that implementation of all recommendations of the Second ARC will be carried out immediately and that the time has come for constituting a new commission to study administrative processes due to the globally changing situations and technological advancements.

On the positive note, a civil servant must be a role model of social and familial behaviour for the society, have absolute integrity and remain politically neutral. Holding familial values for the society is unique feature in the Indian conduct rules for the civil servants which one may not find in any other country implying how well rooted our public system is in its culture and moral values. It is difficult to expect that the bureaucrats will rise up to the conduct rules but they surely guide the way for them to conduct themselves.

The Central Civil Services (Conduct) Rules, 1964 prohibit unauthorized communication of information (similar provisions exist for the state government employees under their respective Rules). Given below are the major issues that the Second ARC reported and gave recommendations:

1 **Unauthorized Communication of Information:** No government servant shall, except in accordance with any general or special order of the government or in the performance in good faith of the duties assigned to him, communicate, directly or indirectly, any official document or any part thereof or information to any government servant or any other person to whom he is not authorized to communicate such document or information.

   This implies that quotation by a government servant (in his representation to the Head of Office, or Head of Department or President) of or from any letter, circular or office memorandum or from the notes on any file, to which he is not authorized to have access, or which he is not authorized to keep in his personal custody or for personal purposes, shall amount to unauthorized communication of information within the meaning of this rule'.

2 **Sharing of Information:** The Shourie Committee examined this issue and stated as follows: 'There is a widespread feeling that the Central Civil Services (Conduct) Rules, 1964, and corresponding rules applicable to Railways, Foreign Services and All India Services, inhibit government servants

from sharing information with public. The accent in these rules is on denial of information to public. This situation has obviously to change if freedom of Information Act is to serve its purpose and if transparency is to be brought about in the system'. The Commission agrees with the views of the Shourie Committee. The Central Civil Services (Conduct) Rules were formulated when the RTI Act did not exist. The spirit of these Rules is to hold back information. With the emergence of an era of freedom of information, these Rules would have to be recast so that dissemination of information is the rule and holding back information is an exception. The Department of Personnel and Training has amended the Civil Services (Conduct) Rules on these lines in October 2005. However, all States need to amend rules in a similar manner in keeping with the letter and spirit of RTI Act.

**Recommendations:** The Second ARC recommended the following:

Civil Services Rules of all States may be reworded on the following lines: 'Communication of Official Information: Every government servant shall, in performance of his duties in good faith, communicate to a member of public or any organization full and accurate information, which can be disclosed under the Right to Information Act, 2005.

This means that nothing in this rule shall be construed as permitting communication of classified information in an unauthorized manner or for improper gains to a government servant or others.'[4]

## Q2 *What is emotional intelligence? How can it be associated and incorporated in the culture of officers of the civil services?*

**Ans.** Emotional intelligence is not a new concept and only faced a new nomenclature. It was defined by E. L. Thorndyke in 1920 as a dimension of intelligence and named it social intelligence. He defined it as the 'ability to understand and manage men and women, boys and girls to act wisely in human relations. It is an ability that shows itself abundantly in the nursery, on the playground, in factories and sales rooms.[5]

Psychologists made numerous efforts in researching about the concept of emotional intelligence. Given below are a few major definitions of emotional intelligence after which the concept will be discussed in relation with its importance in civil service.

**Salovey and Mayer:** It is the ability to monitor one's own and others' feelings and emotions, to discriminate among them and to use this information to guide one's thinking and actions'.[6]

**Reuven Bar-On:** Emotional intelligence relates to the potential for performance and success rather than the performance or success itself. Its focus is on an individual's ability of having awareness, understanding and relation with others.[7]

**David Goleman:** He gave a comprehensive 'Emotional Competence Framework' which aggregate into emotional intelligence. It is best described in Box 26.1 and Box 26.2 which depicts the 'Personal Competence' and 'Social Competence' respectively to form the emotional intelligence, as follows:[8]

After studying the concept of emotional intelligence, it is imperative here to understand how it can be useful for civil servants in the delivery of public services to the people. The civil servants of the All India Services is the integral executive arm of the government to execute the policies and programmes of the government aimed at social welfare. They have to deal with the complexities and pressures of the political executive in India leaving them high and dry in most of their initiatives or have to face transfers.

***Box 26.1: The Emotional Competence Framework***

**Personal Competence**

**Self-Awareness**
Emotional Awareness: Acknowledging one's emotions and their impact
Accurate Self-Assessment: Identifying one's strengths
Self-Confidence: A strong sense of one's self-esteem and competences

**Self-Regulation**
Self-Control: Keeping troublesome emotions and desires in check
Trustworthiness: Maintaining standards of honesty and integrity
Conscientiousness: Taking responsibility for one's own performance
Adaptability: Flexibility in keeping control over change and altering one's own behaviour
Innovation: Adaptability with novel ideas, approaches and new information

**Motivation**
Achievement Drive: Making efforts to make progress or meet a standard of excellence
Commitment: Alignment of self-goals with those of the group or organization
Initiative: Enthusiasm to act on potential prospects
Optimism: Perseverance in following targets despite complications and impediments

They live in the fear of reprimand from the political stalwarts on one hand and on the other from the mafia against whom they have to act. There is a tendency among them to stay away from taking any responsibility so that if something goes wrong, they are not held accountable. Doing the work wrong or not doing at all, both, do not serve the purpose. This implies that they are in service only for self-sustenance. They need to be shaken out of their complacence and motivated to take innovative developmental steps. There are other issues in the Indian bureaucracy like the arrogant and snobbish attitude

***Box 26.2: Social Competence***

**Empathy**
Understanding Others: Recognizing others' feelings and standpoints and taking keen interest in them
Developing Others: Sensing others' development needs and enhancing their competence
Service Orientation: Predicting, identifying and meeting customers' needs
Leveraging Diversity: Humanizing opportunities through different kinds of people
Political Awareness: Reading a group's emotional currents and power relationships

**Social Skills**
Influence: Wielding effective tactics for persuasion
Communication: Listening openly and sending convincing messages
Conflict management: Negotiating and making efforts in dispute-resolution
Leadership: Motivating and advising individuals and groups
Change Catalyst: Introducing or managing change
Building Bonds: Developing influential relationships
Collaboration and Cooperation: Striving towards shared goals
Team Capabilities: Creating group synergy in pursuing collective goals

of the senior bureaucrats who ill-treat their juniors and vie with their senior colleagues for top positions to grab power.

Emotional intelligence has emerged as a major solution to resolve such issues and get optimum productive effectiveness and efficiency. The bureaucracy has to be reformed to be contextual and emotional at the same time. Empathy towards slow responders in the society is a desired essential requirement. Given below are the points of convergence where bureaucrats can meet the concept of emotional intelligence for better performance:

1. **Leadership and Teamwork:** There have been numerous scholars who have written and analyzed leadership and nature of bureaucracy. The reference of emotions or the lack of them was mentioned by Max Weber. He stated that a bureaucrat is a rational man who must act according to facts and value. Emotions were not productive but with changing decades and centuries, scholars have accepted the concept of emotions and human behavioural problems in bureaucracy. Civil servants are also human beings who have emotions and problems associated with it and he/she is expected to act rationally and give optimum productivity.

   It will be most beneficial if the bureaucrats know how to deal with their team members by taking into consideration the following points:

   **(i)** Understanding the behaviour of team members of juniors
   **(ii)** Appreciating the work of others to motivate them to do their best
   **(iii)** Listen to their ideas and develop them further
   **(iv)** Deal with frustration or disputes in time to avoid negatively direct confrontation
   **(v)** Work on his/her own issues to deal with the high-tension job.

2. **Dealing with Emotional Upsets:** The bureaucrats must be trained to deal with their own as well as his/her direct juniors and team members' emotional upsets because in any case, productive efficiency will be hampered. They must avoid emotional exhaustion, stress, frustration and negativity. Such people get caught in a vortex of emotional upsets leading from one problem to another resulting in inferiority complex. The ability of dealing with emotional upsets can be termed as emotional competency which is extremely important in civil servants as their work demands their absolute concentration and social skills. Bureaucrats with higher levels of emotional intelligence have the ability to avoid emotional upsets and inferiority complex.
3. **High Self-Esteem:** A positive and optimistic attitude is like food for self-esteem and if a bureaucrat has a negativistic attitude that nothing can change in our system, he/she is not liable to affect developmental change. Self-esteem is an essential component of emotional intelligence which must be high in a civil servant to be able to give smart and swift governance.
4. **Responsive:** The empathy of the problems of others and reacting to it tactfully is an important skill for a civil servant to possess. It is a normal scenario that a civil servant faces in his/her administrative activities if there is political pressure or resistance from the people. Tackling all such issues by listening to the problems of others and responding positively is another element of high emotional intelligence which helps a civil servant.
5. **Egoism and Arrogance:** The bureaucracy in India has always been an egoist and arrogant one, which it inherited from the British, does not work well with the indicators of good governance. The civil servants must inculcate an attitude of developing interpersonal relations with others so that work takes precedence over such destructive feelings and actions.
6. **Emotional Maturity:** Inner self and external environment are the two elements that must be in balance with each other to achieve emotional maturity in dealing with difficult situations. In the working life of a civil servant, there arise many such situations in which there are high running tempers

and even violence which necessitate emotional maturity. The basic skills essential to be imbibed in the civil servants to be emotionally mature are:

**(i)** Self-awareness
**(ii)** Developing others
**(iii)** Delaying decisions in case of high tempers
**(iv)** Adaptability and flexibility.

7. **Emotional Sensitivity:** If the civil servants show empathy, interpersonal relations and are able to communicate with emotions, they can achieve emotional sensitivity and gain success in carrying out their developmental work in basic areas and impact innovative methodologies in improving governance. They must understand the triggers that arouse an emotional response in others to benefit his professional interest and that should be the ultimate goal.[9]

To sum up, emotional intelligence and civil service are interlinked to develop a positive interface between the citizens and administration. India has been found to be an emotional society in many research studies. The civil servants also come from the same society which makes them also vulnerable and require training in this regard. High running emotions require a matured response on the part of the executive wing of the government to bridge the gap between the appropriated funds and developmental work. Most of the research in emotional intelligence has been done in the USA and one cannot say that the concept of emotional intelligence as we know is absolutely suitable for Indian conditions and more research in this area is required. That said, the elements of emotional intelligence must be ingrained into the civil servants to enable them with emotional competencies. Some of the major elements of emotional intelligence have been added in the competency framework on which the training of civil services has been prepared.

## Q3 *What is the concept of global public service? Examine the role of public servants in the face of globalization.*

**Ans. Public Service:** In a nutshell, the concept of a global public service is the delivery of public services by the government through its executive wing in the face of globalization. The nature of delivery of public services has been changing over the past few decades because more attention is being paid to the achievement of basic 17 Sustainable Development Goals (SDGs) which had been adopted by the United Nations in 2015 and the target is their achievement by 2030. Since the SDGs have brought 192 member nations on one platform to solve their common problems of poverty, health, water, climate, education, environment and such other goals, the only way that these can be delivered with all the possible funds available is for the public officials be geared up to embrace the changes and get immersed in the required work culture. The issue is not only to provide institutional capacity but also within a time frame and of quality standard that have been prescribed in the policies by the government.

**Globalization:** Globalization has resulted in the promotion of specialization, increased production and productivity. Growing global economy has brought the world together through technology and trade is flourishing across countries all over the world. It is instrumental in alleviating poverty which is evident seeing from the number of small-scale industries transforming into medium scale and so on. The freedom of an individual is preserved within a democracy making citizens aware of their rights. People have expectations from the government to deliver them the basic services and those who are above the poverty line aspire to get physical and social infrastructure so that they can take its advantage and grow their businesses and mobility.

**Global Public Service:** The question arises if the bureaucracy in India is ready and what is the level of its readiness to embrace globalization. Given below in Figure 26.4 are some of the issues and characteristics of Indian Civil Services which is trying to change and adapt to globalization, as follows:

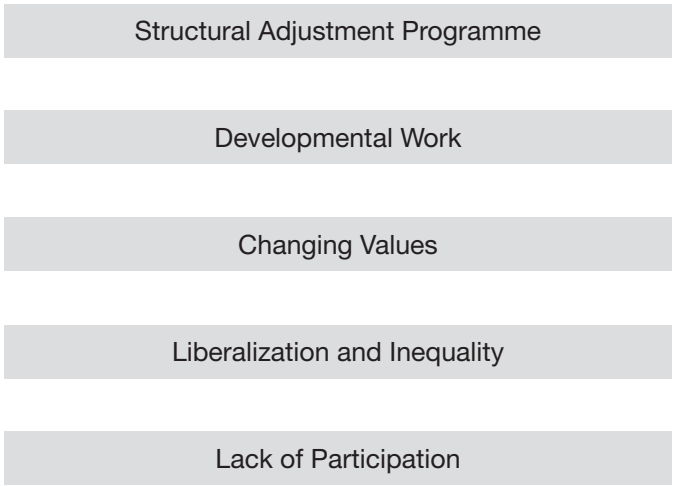



***Figure 26.4: Issues of Globalization***

1. **Structural Adjustment Programmes (SAP):** In a highly economic and globalized world, developing countries have to resort to loans from international agencies like the World Bank and International Monetary Fund (IMF) but they come with certain conditions of structural adjustments which the borrower country has to fulfil. India has also taken loans from these agencies and in return it has to turn towards an export-oriented economy because such loans have to paid back in hard currency. Foreign Direct Investment (FDI), liberalization of markets, enhancing and protecting the rights of foreign investors, more focus on exports and economic growth are some of the conditions of SAP.

   The challenge in front of civil servants here is to deal with such adjustments because local mini unit industry and home factories are not able to survive. The social ramifications of the SAP give rise to many problems like slow death of small vendors, and small shops, for example, the multinational corporations buy vegetables and fruits from the farm directly excluding the middlemen. It gives the benefit to the customer so that they can flock to them but the vendor still buys from the middleman and has to sell at a higher price. It is obvious that the customers will not buy from them and thus will end up miserable and poor.
2. **Developmental Work:** In the recent past, the only loan that has not been given for economic growth is for the *Swachh Bharat* Scheme and probably that is also to provide a cleaner environment for foreign investors coming to India. Since the SAP, one of the main instruments of globalization, does not allow developmental work, the governments through the civil servants, has to carry that out itself. The work of a civil servant increases as all the work comes down to him/her.
3. **Changing Values:** Globalization exposes simple village people to newer western products and ways changing the whole value and belief system. The civil servants also have to change and adapt to the altering value system and reach out to people differently. Globalization focusses on increasing industrialization leaving behind a trail of waste which adds to the pile of challenges to the bureaucracy.

4. **Liberalization and Inequality:** The economic liberalization policies lead to a wider inequality between the rich and the poor on one hand and from one region to the other. It is not possible that industry will spread evenly, for example, Put old paragraph here, the author comment is reply to my comment. It is not an edit. Bangalore has Intel and Qualcom who are in hardware. The foreign investment is coming to one region making it overcrowded and worsening he situation of basic services. One can say that Bangalore is struggling to keep with the traffic, housing and transport problems. The bureaucracy is up in arms to keep with such rapid economic growth which calls for greater competencies to deal with the issues.
5. **Lack of Participation:** The market-driven economy is capital intensive and ignores inclusive development lacking participation of citizens. Economic growth is important to keep the country strong but it cannot be the only driver for development. The bureaucracy in India is doubled up with the task of catering to the needs of economic growth and inclusive development.

To sum up, the ill-effects of globalization need to be curbed and dealt with because it is here to stay. One cannot deny the fact that we cannot survive without globalization. There are some positive aspects of globalization for the civil service officials, which are briefly given below:

1. **International Agreements:** There are a number of international agreements regarding trade, borrowings and loans, development assistance funds, etc., that India enters into with other countries and international agencies for the socio-economic gains. They can be exclusively entered only by the Union government for the economic growth. There is also an amalgamation of policy design of a national character like security or environment with the international agenda.
2. **Good Governance:** The main objective of the civil service is good governance which can be achieved by globalization. India is on a path of economic progress and pledged to achieve the SDGs on the international platform of the United Nations while the civil service in India is committed to work for. Good public administration is a condition to socio-economic development and the ability of nations to cope with the challenges of globalization, among others. The Second ARC also recommended best practices of governance in light of the changing globalization which are characterized by various the principles of New Public Management, as follows:
   - **(i)** Hands-on professional management
   - **(ii)** Explicit standards and measures of performance
   - **(iii)** Greater emphasis on output controls
   - **(iv)** A shift to disaggregation of units
   - **(v)** A shift to greater competition
   - **(vi)** Stress on private sector styles of management practice
   - **(vii)** Stress on greater discipline and parsimony in resource use.

   This gives a road map to the civil servants to manage the administrative issues at a global level.
3 **Information Technology:** The civil servants can benefit a lot from the changing global trends by using the upscaled information technology to deliver public services efficiently and effectively within a time frame. The civil service can involve foreign civil society also to help in service delivery provided they meet all requirement of the laws and regulations of the land.

There has been very less research and thought over the impact of globalization on civil servants who have to deal with the growing interaction between national and international administrations. The social interaction between these two levels requires competence and capacity building of the civil servants to be receptive of the changes taking place. Mostly, this interaction is asymmetrical because the international agencies are not sometimes sensitized to the issues of developing nations. The civil servants have to be motivated enough through sound administration, merit-based policies and a workplace that promotes

ethical governance. There can be peer to peer alliances between nations to understand the issues of each other to arrive at best practices. Civil service reform is, thus, essential to meet the challenges for which the 'New India' by NITI *Aayog* document has pledged that it will implement all the accepted recommendations made by the Second ARC.

## Q4 *Discuss the staff associations of the civil service officials and their role in protecting their rights.*

**Ans.** The Department of Personnel and Training of Government of India framed the rules for staff associations for civil service which are called Service Associations. The Central Civil Services (Recognition of Service Association) Rules, 1993 apply to all Service Associations of Central government employees including civilian employees in the Defence Services but not to the Railways employees or Defence installation of Ministry of Defence. Such associations can have their State chapter or even lower levels. The Controller General of Accounts shall prescribe the detailed procedure of recovery of subscription for the associations from the payrolls.

The major rules given under the Central Civil Services (Recognition of Service Association) Rules, 1993 are:

1. **Recognition:** The Service Association has to fulfill all the prescribed procedure to register itself containing a Memorandum of Association to the government. It must have the purpose of promoting the common interest of its members and must represent a minimum of 35 per cent employees of a category of government servants. There must be no basis of caste, tribe, religion, etc., for the formation of the association. Some other conditions under which a service association can retain its recognition are:
   - **(i)** Only matters of common interest must be represented.
   - **(ii)** No individual matter will be supported.
   - **(iii)** The association shall not maintain any political fund or propagate views of any political party.
   - **(iv)** Representations shall be submitted by the Service Association through proper channel to the Secretary to the government/head of the organization/head of the department.
   - **(v)** Any periodical or a magazine cannot be published by it without approval of the government.
   - **(vi)** No action shall be in contravention of the Central Services (Conduct) Rules, 1964.
2. **Verification of Membership:** The membership of members shall be verified according to the prescribed procedure.
3. **Withdrawal of Recognition:** If the government finds any anomalies in meeting of the conditions of the recognition of the service association, the recognition can be withdrawn.
4. **Relaxation:** It is the government's prerogative to give relation in the essential conditions for the service association.
5. **Interpretation:** The decision of the government shall be final of there is a dispute over some issue in the interpretation of rules.

**Joint Consultative Machinery:** It is a forum where disputes of the civil servants are resolved by a peaceful mediation with the government. The Joint Consultative Scheme was introduced in 1966 to enable the civil servants to be forthcoming with their problems and have productive efficiency in the delivery of public goods and services with a peaceful mind. The scheme is non-statutory involving the employees (civil servants) and the government.

**Applicability:** The scheme is applicable to all regular civil employees of the Central government, except:

- The Class I services
- The Class II services other than the Central Secretariat Services
- Employees of industrial establishments who are in a managerial position or those in a supervisory position with the pay scale not exceeding ₹ 4200 per month[10]
- Union Territory employees
- Police personnel.

The scheme can establish Joint Councils at all levels of government while the National Council will be chaired by the Cabinet Secretary and the staff would be selected from the recognized service/staff associations.[11]

**Facilities of Recognized Associations:** The recognized service associations can:

- Negotiate
- Have meetings and correspondence with the head of the administrative departments
- Provide accommodation to the association depending on availability
- Special casual leaves up to 20 days in a year to the office bearers of the association
- Provision of paying allowances to attend meetings
- Transfer of the Chief Executive of the Union/association to the Headquarters.[12]

**Board of Arbitration:** The Board of Arbitration works under the administrative control of Ministry of Labour with a Chairman and two members. The dispute that remain unresolved by the two parties of the government and the staff association will be referred to the Board of Arbitration in relation to the pay and allowances, weekly hours of work and leave. The decision given by the board will be binding on both the parties.

However, in case of a disagreement can be referred to a committee of three ministers if there is such a request from the aggrieved staff members.

**Administrative Tribunal Act, 1985:** According to Article 323A, the Parliament enacted the Administrative Tribunals Act, 1985. Its purpose was to adjudicate on disputes and complaints with respect to recruitment and conditions of service of persons in:

- Public services or;
- Posts in connection with the affairs of the Union or;
- Of any State or;
- Of any local or;
- Other authority within territory of India or;
- Under the control of the Government of India or of any corporation or society owned by the government.[13]

It aimed at facilitating speedy and inexpensive justice to the aggrieved government employees as per the rules framed under the Administrative Tribunals Act, 1985. As a result of the judgement dated 18 March 1997 of the Supreme Court, the appeals against the orders of an Administrative Tribunal shall lie before the Division Bench of the concerned high court. The Act provides a simple procedure in which the litigant can appear before the Tribunal personally while the government can present its case through either the departmental officers or lawyers. As per the Act, the Central Administrative Tribunal (CAT) is established at the Centre while State Administrative Tribunals are set up at the State levels.[14]

The CAT was established on 1 November 1985 and comprises 17 regular benches, 15 of which have principal seats of high courts and two at Jaipur and Lucknow. The Tribunal consists of a Chairman, Vice Chairman and Members. The members can belong to the judicial or administrative streams to combine the expert knowledge of law and administration.[15]

To sum up, the staff/service associations are like the employee unions whose purpose is to resolve the disputes but they do not have any right to strike like the private trade unions have.

## Q5 *Write a short note on the political rights of the civil servants.*

**Ans.** The rights and duties of the civil servants in the Constitution of India, the civil servants have no rights to join any political party while in service. Political neutrality has been a major element of the rules and regulations binding the bureaucrats.[16]

## Notes and References


1. Forward ( Notification), https://dopt.gov.in, retrieved on 05 March 2019.
2. Revised All India Services Rules ( Vol.-1), http://pib.nic.in, retrieved on 05 March 2019.
3. All India Services (Conduct) Rules, 1968 Amended, https://dopt.gov.in, retrieved on 05 March 2019.
4. Revised AIS Rule Volume 1, https://darpg.gov.in, retrieved on 05 March 2019.
5. Singh, Dalip (2006), *Emotional Intelligence at Work: A Professional Guide,* Sage Publications, New Delhi.
6. Salovey, Peter and Mayer, John D. (2007), *Emotional Intelligence: Key Readings on the Mayer and Salovey Model,* Dude Publishing, New York.
7. Bar-On, Reuven and Parker, James D. A. (2000), *The Handbook of Emotional Intelligence: The Theory and Practice of Development, Evaluation, Education and Application—at Home, School and in the Workplace,* Wiley Publishers, US.
8. Goleman, David (2009), *Working with Emotional Intelligence,* A & C Black Publishers, New York.
9. Adapted from: Singh, Dalip (2006), *op.cit.*
10. FAQ JCA, https://dopt.gov.in, retrieved on 25-04-2019
11. Adapted from: Central Civil Services (Recognition of Service Association ) Rules, 1993 (Annexure-I), https://dopt.gov.in, retrieved on 07 March 2019.
12. Adapted from: FAQ JCA, https://dopt.gov.in, retrieved on 08- March 2019.
13. Adapted from: Summary of he Administrative Tribunals Act, 1985, https://dopt.gov.in, retrieved on 08 March 2019.
14. Adapted from: Administrative Tribunals, https://archive.india.gov.in, retrieved on 08 March 2019.
15. Administrative Tribunals Act, 1985 log on to:
    Administrative Tribunals, https://dopt.gov.in, retrieved on 08 March 2019.
16. This topic has been covered in Chapter 24 under the constitutional provisions.
    See Unit VI on Administrative Law for Grievance Redressal Mechanism in: Mahajan, Anupam Puri (2018), *Public Administration for Civil Services, Paper I,* Pearson India Education Services Pvt. Limited, New Delhi.

# 27 Civil Service Neutrality; Civil Service Activism

## LEARNING OBJECTIVES

*After reading this chapter, you will learn about:*

- Civil Service Neutrality
- Civil Service Activism
- Inclusion of Marks Obtained in Foundation Course

The civil service contributed in the early decades of post-independence India in building the country with dedication, integrity and commitment. The bureaucrats were traditional in their outlook in those times which changed after the 1992 economic reforms and liberalization resulting in the influence over western values over them. The issue of civil service neutrality has been one under discussion since the British period. Their involvement with the political stalwarts brings skewed results of development and if the civil servants do not toe the line, they are subjected to frequent transfers and charge sheets.

The objective of civil service is to assist the polity comprising of the elected representatives. India adopted the British Model in which the civil service is permanent and politically impartial. Their accountability is given in Figure 27.1.

***Figure 27.1: Accountability of Civil Servants***

From the Figure 27.1, it can be said that a civil servant is accountable to the minister and the ministers are accountable to the Parliament.

Neutrality has been defined by F. M. Marx as, 'Administrative neutrality means acceptance of the discipline of working without reservation, indeed with devotion, for the success of every government lawfully in power. Conversely, it carries with its prohibition. Permanent officers cannot allow themselves so intimate an identification with a policy or a programme as to create for them an emotional disability when it comes to turning in the opposite direction under a different direction under a different government.[1] Furthermore, the notion of neutrality in civil service implies that the only political right or activity that a civil servant is allowed is to secretly vote in the elections. Their duty is confined to being loyal to the any government equally and impartially. Neutrality in civil services also refers to the attitude and treatment of civil servants of all classes from all diverse cultures in the Indian society. Hence, the Indian bureaucracy must act in political alienation as an institution that fills the gap between the government and the citizens in the country.

## Q1 *Discuss briefly why civil service should be permanent and impartial?*

**Ans.** The civil service in India has been structured as permanent and impartial while they are accountable to the ministers under which they work. They bring in their expert and intelligent advice to the ministers in policy formulation and thereafter its implementation also. The elected representatives mostly change in every five years which gives a temporary characteristic to the government while the civil services bring a permanence to it. The advantages of impartiality given by the Second ARC are given in Figure 27.2 and briefly explained below:

***Figure 27.2: Advantages of Permanence of Civil Services***

1. **Transparency and Accountability:** A merit-based recruitment of a civil service gives credence and accountability to it as against a spoils system in which the elected government gives positions to their favoured individuals. The spoils system has the propensity to degenerate into a system of patronage, nepotism and corruption.
2. **Continuity:** Public policy in the present times is a complex exercise because of growing social and economic needs of the society. A permanent civil service provides continuity even if the government is changed to let the governmental projects and schemes progress without interruptions. They add to the institutional memory for effective policy-making with their expertise.
3. **Social Pay-offs:** A permanent civil service has the advantage of long-term social pay-offs whereas the political executive has a tendency to look for short-term political gain.
4. **Uniformity:** The public administration in the country gets a uniformity which is essential to bind the socially and culturally diverse India.
5. **Ethics:** The permanent character of a civil service build its norms, traditions and culture based on ethics which is passed on from one batch of civil servants to another.

The political executive and the civil service must have a healthy relationship with a positive attitude. Their roles get blurred beyond the defined responsibilities because there is overlapping of their functions. An impartial civil service is responsible to the government in power as well as the Constitution of India because they take the oath of loyalty to it.

## Q2 *What is the concept of neutrality in civil services in India? Discuss the administrative culture in India regarding the nexus between the bureaucracy and the political executive.*

**Ans.** In India, the inherited bureaucratic structure from the British, has the similar characteristics after the independence also. However, it was emphasized by Sardar Patel that an efficient, disciplined and contended civil service assured of its prospects as a result of diligent and honest work, is a *sine-qua-non* of sound administration under democratic regime even under an authoritarian rule. It must be above party and it must be ensured that political considerations in its recruitment, discipline and control are reduced to the minimum if not eliminated altogether.

A look at the global development of bureaucratic culture shows that it emerged as a result of evolvement of Max Weber's rigid and rational bureaucracy. The shunning attitude towards bureaucracy transformed gradually into a quest for looking at the administrative culture in the Third World countries with their socio-historical experiences. The emergence of development administration by the western theorists was not successful in countries like India because the Western Models of Development were not supported by country specific problems. The public administration and bureaucracy were still searching for an identity in India and other developing countries. One cannot ignore the thought and theory proposed by F. W. Riggs who gave interesting names for different societies and the officials.

Scholars began thinking about the intrinsic connection between the sociocultural framework and bureaucracy. The administrators are recruited from the same society, mostly from the middle class, which they have to govern and come with the same values while the western imposition of their administrative values on Indian values with weird terminologies became a vagrant and futile effort.

Civil service neutrality is derived from the administrative culture the country holds and same is the case in India. Given below are some major points of contention that have emerged in the way of civil service neutrality in India in Figure 27.3, described thereafter:

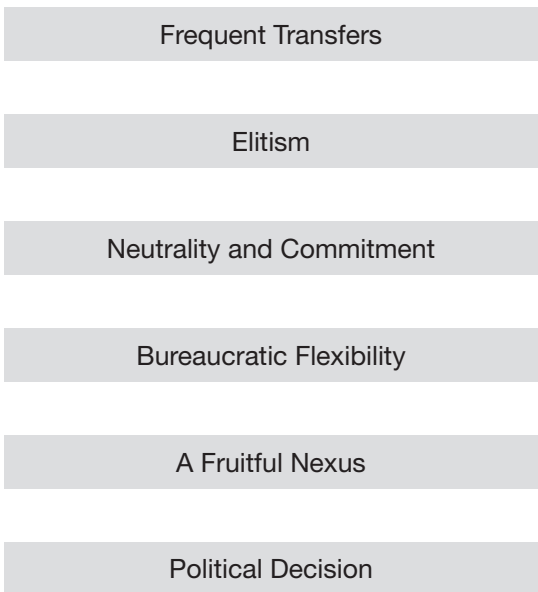



***Figure 27.3: Considerations in Civil Service Neutrality***

1. **Frequent Transfers due to Political Interference:** In one the studies, it was found that despite an established nexus between politicians and the bureaucrats, the latter are always in a losing position because frequent and arbitrary transfers are made in case the vested local interests are threatened by the civil servants. Political interference in India varies from a state to state which are termed as 'good' or 'bad' cadres by the bureaucrats.
2. **Elitism:** Elitism in the civil services cannot be considered analogous to neutrality. After independence, the civil service in India was constituted mainly from the middle class and to some extent it still is but when they finally become trained civil servants, they become a class in their own and consider themselves to be an elite apart from the common masses. It was believed that the middle class civil servants even though they are an elitist bureaucratic class, would serve the purpose of probity and become proactive in mitigating and ultimately eradicating the issues. however, the elitist bureaucratic class became hand in glove with the politicians because of the very nature of their jobs led to politicizing of the class.
3. **Neutrality and Commitment:** The society is dependent on the personnel that governs it and the civil servants are a class of personnel who are committed to bring about a social change in India. After independence, for a decade, the civil servants worked diligently despite of their arrogant British inherited attitude but the scenario began changing after that. In the 1970s, the idea of a 'committed bureaucracy' was floated by Indira Gandhi, the then Prime Minister, which struck at the very root of the concept of neutrality. Being committed to one's work is one thing but being committed to the political executive becomes a controversial matter that is opposed to neutrality.

   At present, the administrative class of civil servants is hesitant and unsure in its working towards the committed goals of social and economic development in the country. Its adaptation to the emerging milieu the bureaucracy has been beset with organizational incapabilities, psychological resistance and value conflicts. In consequence, it finds itself unable to face the new challenges with ease and confidence.
4. **Bureaucratic Flexibility:** The civil service has to be flexible enough to serve governments of any complexion whether they are committed to extend in certain respects to reduce the role of the State.[2] This implies that the bureaucracy must not be rigid in following one government's policies only and refuse to adjust in the next government. It goes against the tenet of their being permanent. He needs to be neutral in the perpetual tussle between various political parties so that he/she is not caught up in the political imbroglio and in any case, if he/she does get caught up, he/she is surely to get transferred.

   So, the best path for the bureaucrats is to follow a neutral path by keeping himself detached from party affiliations and it is unconstitutional also in India.

   However, this does not mean that the civil servant must become passive and reactive, that is, just waiting for thing to happen. His/her job entails being proactive in his approach by pointing it the pros and cons of a policy to the minister. This relates to Weber's bureaucracy of a bureaucrat being a rational man, though it is extremely tricky and difficult.[3]
5. **Transforming the Political-Bureaucratic Relationship into a Fruitful One:** The neutrality of the civil service has been a topic up for debate since Kautilya. It has always been believed that the bureaucrats must serve without being partial to anyone. However, in practice, it has been observed that it is just not pragmatic to do so and the civil servants eventually have to get involved with the politicians. Their job entails the function for assisting the political executive, the ministers, in the formulation of policies. This task can certainly not take place without meetings and discussions between the two.

   They might also have to meet informally many times to build a connection to work out the modalities of a policy and come close. Pandit Jawaharlal Nehru remarked in one of his lectures at the Indian Institute of Public Administration that it is preposterous to assume that bureaucrats will not get involved with the politicians given that they are the ones who have to come up with a workable and

viable policy. So, the only point of consideration remains that there is no misuse or misappropriation of powers by any of them, civil service neutrality entails an unbiased and ethical attitude which can be developed by the bureaucrat in his relationship with his/her minister to make it a fruitful nexus.

6. **Political Decision:** It is a given fact that every decision in India taken for socio-economic development is a political decision with political ramifications. It becomes difficult for the civil servants to ignore the call for action by the politicians and form political loyalties to a particular political party. Those civil servants who go beyond a certain acceptable norm becomes a problem and result in lowering the status of administration in public estimation but the faith of the public in such administrators for fairness also slides down.

   The political and administrative institutions have distinctive roles to play in a democratic society but such nexus leads to overtaking of an institution by another. The public, therefore, instead of approaching officials, would prefer to go to the politician to accomplish their objective. The attenuation of people's faith in the administration leads to decaying of the institution and people's choice in selecting appropriate institution for achieving for achieving their objective gets reduced.[4]

Besides some bold and ethical young civil servants taking up the illegal activities of politicians, India still faces the challenge of a bureaucracy full of inertia and personal relations between the two. Moral and ethical considerations are declining making the civil servants vulnerable and open to bribes in cash/kind. Those who resist political pressures are subjected to frequent transfers and the ones who are acquiescent to please their political masters to get coveted positions that gives them power and opportunities to make more money on the side. Such bureaucratic behaviour has brought down the level of governance.

The Second ARC remarked that, 'Unfortunately, the vision of civil service neutrality no longer holds good. Changes in governments particularly at the State level often lead to wholesale transfer of civil servants. Political neutrality is no longer the accepted norm with many civil servants getting identified, rightly or wrongly, with a particular political dispensation'. The commission in its report on 'Ethics in Governance', while examining the ethical framework for ministers has recommended that a code of ethics for ministers should be made and implemented strictly.[5] NITI *Aayog* plans to implement all the recommendations of the Second ARC as soon as possible.

The government is making efforts to keep the civil servants neutral and continue their developmental activities for which they took the oath for. The Government of India has instituted 'Prime Ministers Awards for Excellence in Public Administration' to acknowledge, recognize and reward the extraordinary and innovative work done by officers of the Central and State governments. All officers of Central and State governments individually or as a group or as organizations are eligible for consideration.[6] This motivates the bureaucrats to work diligently to deliver the public services without any partiality. Civil service neutrality is the ideal the civil servants need to aim even while working with the politicians as they cannot be kept in isolation.

**Q2** ***'There is no basic contradiction between civil service neutrality and civil service activism.' Comment.***

***Or***

***Civil service activism is a natural corollary of civil service neutrality. Comment.***

***Or***

***Discuss the challenges of the Indian civil service which can be reduced by imbibing activism.***

**Ans.** Civil service activism refers directly to the action of the civil servants which is initiated by them in the development of the country. Activism is a concerted action by a group or an institution towards a specific policy and in this case, civil service activism is the bold and independent decisions and actions taken by the civil servants. If civil service activism is considered with reference to the traditional concept of civil service neutrality, it is the proactive attitude of the civil servants instead of being reactive when the situation arises. Since political interference and pressures make the civil servants complacent because of the fear of transfer or agree to do the bidding for the coveted posts, the Indian civil services have taken a big hit. The political culture has overshadowed the administrative culture due to the neutrality. Given below are the main points considered in civil service activism in Figure 27.4 and explained thereafter:

***Figure 27.4: Civil Service Activism***

**Civil Service Neutrality and Activism:** Civil service neutrality is the political sterilization of civil servants in the same spirit of the British administration. It has been studied and observed that neutrality does not work positively in a developing country like India because the majority of the bureaucrats either toe the political line or do nothing to antagonize the interests of rich industrialists and business houses. Hence, a vigorous and sharp shake-up is essential to snap the civil servants out of their slumber and become proactive. Civil service neutrality is not the same as the civil service activism as they both stand on the opposite sides of the index. It comes across as a corollary of civil service neutrality more because neutrality has led the whole class of the elitist bureaucracy into a laid-back attitude of pleasing the politicians.

**Public Accountability and Activism:** The Indian administration system is in need of radical reforms so that the civil servants become active to achieve with accountability. Proactive civil servants need to be accountable to the citizens on one hand and on the other to the political executive, the Government of India. Lack of public accountability leads to dissatisfaction in the citizens. In India, there is a need for more accountability mechanisms for measuring policy outcomes as there is no information on standards and goals that policies seek to achieve. Hence, accountability breaks down.[7] The civil servants need to be active in giving the right information to the political executive to make the right policies. Reliable information needs to be supplied so that the formulation, implementation and the outcomes of the policies are progressive and yield results.

**Research on Activism:** There is very less research done on civil service activism which can point the governments in the right direction the ways of bringing some proactive zeal into the civil servants. They can offer so much to the developmental work in the country because they are the best of the intelligent strata of India and then are trained by the best for two years. Activism will bring an improvement in bureaucratic efficiency and speedy delivery of public services.

**Initiative as Activism:** There have been many cases recently of civil servants taking initiative in resolving local issues by innovative thinking and strategic planning. The civil servants are intelligent executives who need to be motivated by a continuous upgradation of technological information, workshops and seminars. India is rapidly changing in all spheres and so are the social activism and judicial activism rising. They impact each other and a mass movement is brewing to build a new India. In 2013, a sub-divisional magistrate in Manipur initiated a project without funding by motivating villagers to start building a 100 km road linking Manipur with Nagaland and Assam. He asked a doctor to help him treat patients of his village and besides contributing his salary for the purpose, also invested in the project and set-up donation centres at various places to which even the Non-Resident Indians sent in money.

There are many such examples which must be highlighted by the media also so that other officers also become proactive. The general trend of the social media and news television channels is to show distressed situations and ask questions why administration was lacking while ignoring the good work done by them. Probably they must show at least one good such effort in their programme.

**Response Pattern and Activism:** In spite of the persistent pleadings and appeals to the administration by the political elite and the informed sections of the society to nurture pro-public sentiments, particularly towards the weak and the disadvantaged, a section of the officials may continue to proceed on the self-determined path. The administration has not been able to exhibit these sentiments in their response pattern and performance to the satisfaction of the advocates.[8] The civil servants must change their response pattern and become proactive in their approach.

**Transparency and Activism:** Another factor that impedes the flow of civil service activism is the inbred culture of secrecy in the bureaucracy which has been corroborated in Kautilya's work Arthashastra also. Secrecy is used by the civil servants as a device to wield power and strengthen their position. The Right to Information Act, 2005 has helped in bringing in an openness to the bureaucratic culture. The more the people will have access to information, the more the civil servants will be cautious in committing any wrong doings whether it is lagging in their work or are in a nexus with the politicians in corruption and favouritism.

The civil servants are now more responsive and active so that the public interest can be served well. Three steps have been suggested to reinforce the openness to bolster civil service activism, which are:

- Training civil servants in imbibing the right culture periodically.
- The Central Civil Services (Conduct) Rules must be continuously be amended to keep up with the changing world.
- The government has already started Prime Minister Excellence Awards to the exceptional work by civil servants and more of such schemes must be initiated and active civil servants must be given full logistic and financial support for new schemes and projects.

To sum up, it is important to understand that a very small percentage of the civil servants are active and a lot more needs to be done. The controversy of neutrality and activism in civil service can be ended by the civil servants themselves. They need to be detached in their dealings with the politicians while being proactive and innovative in their approach towards resolving all kinds of issues of the people, especially, the marginalized sections of the society.

**Q3** ***Discuss briefly how the recent proposal in 2018 to allocate services and cadres based on the combined marks obtained in the Civil Services Examination (CSE) and the foundation course violates some of the constitutional provisions.***

**Ans.** The candidates who clear their CSE are allocated services and preferences are considered based on their ranks which they get in their exam. The foundation course is held at the Lal Bahadur Shastri National Academy of Administration, a training academy, for successful candidates of the Indian Administrative Services (IAS), Indian Foreign Services (IFS), Indian Forest Services (IFS), Indian Police Services (IPS) and Central Services Group A. They begin with a four months foundation course to instil a feeling of equality among all the trainees. The IAS trainees continue the course but the rest of them have to go to continue their specialized training at respective staff colleges. They are:

- Sardar Vallabhai Patel National Police Academy in Hyderabad for Indian Police Service officers.
- Indira Gandhi National Forest Academy in Dehradun for Indian Forest Service officers.
- Other staff colleges such as Foreign Service Institute, India for Indian Foreign Service officers.
- National Academy of Customs Indirect Taxes and Narcotics.
- Indian Revenue Services, etc.

The recent proposal to allocate services and cadres based on the combined marks obtained in the Civil Services Examination (CSE) and the foundation course, violates some of the constitutional provisions raised some pertinent questions which are:

1. **Article 320:** The Articles 315 to 323 of the Indian Constitution deal with the Public Service Commission of the Union and the States. In particular, Article 320 (1) states that it would be the duty of the Union and the State Public Service Commission to conduct examinations for the services in both the levels of the government. The radical new proposals intend to include the marks obtained in the foundation course to allocate services and cadre which would out rightly violate the constitutional provision mentioned above because the training school is not a part of the UPSC. This new proposal needs more research or the constitution will have to be amended before it is implemented.
2. **Article 316:** The Article 316 provides for security of the tenure and conditions of service of the Chairman and the UPSC members. Article 319 does not permit them to hold any further office and if they are, they would cease to be members. These constitutional provisions act as a protection for them to work without any fear or pressure from the political executive. However, the Director of the Training Academy, Lal Bahadur Shastri National Academy of Administration, who runs the foundation course is a career civil servant on deputation and can be transferred as are the other members who teach and train in the academy. They do not have the rights and privileges mentioned in the Articles 316 and 319. Hence, they are liable to bow down before the pressures of politicians to favour certain candidates. If this proposal of adding marks obtained in the academy is enforced, the academy members and the Director would get influenced by money or pressure. This might lead to politicization, communalism and corruption.
3. **Increase in the Number of Candidates in the Academy:** The proposal also has a recommendation to increase the limit of the trainees in the academy. At present, the academy has the facility to train 400 candidates in the foundation course and the number will have to extended beyond the present trainees in other academies and staff colleges. This implies that the number of trainers will also have to be increased but the proposal has not mentioned anything about it.

Many candidates who have cleared the CSE do not join the foundation course in hope of increasing their ranking. There are many complex issues associated with the implementation of the proposal and more thought must go into this before going ahead with it.[9]

## Notes and References


1. Marx, F. M. (1966), '*The Higher Service as Action Group*' in Joseph La Palombara (ed.) Bureaucracy and Political Development, Princeton University Press, USA.
2. Dubey, S. C. (1974), *Contemporary India and its Modernization,* Vikas Publications, New Delhi.
   The Civil Service, Volume I, (1968) Report of the Committee: 1966–68, (London, Her Majesty's Office).
3. Neutrality vs Commitment: A Futile Debate, https://www.jstor.org, retrieved on 11 March 2019.
4. Shukla, K. S. (1990), '*Administrative Culture: Discernible Traits*', in The Indian Journal of Public Administration, July–September, Vol. XXXVI, NO. 3, New Delhi.
5. Tenth Report, Second Administrative Reforms Commission, https://darpg.gov.in, retrieved on 11 March 2019.
6. Prime Ministers Awards for Excellence in Public Administration, https://darpg.gov.in, retrieved on 11 March 2019.
7. Civil Services– Accountability to People A Discussion Note, https://darpg.gov.in, retrieved on 11 March 2019.
8. Shukla, K. S. (1990), *op.cit.*
9. A blow to civil service ideals, https://www.thehindu.com, retrieved on 12 March 2019.

UNIT

# IX FINANCIAL MANAGEMENT


**Chapter 28** Budget as a Political Instrument; Parliamentary Control of Public Expenditure

**Chapter 29** Role of Finance Ministry in the Monetary and Fiscal Area

**Chapter 30** Accounting Techniques—Role of Controller of Accounts of India

**Chapter 31** Audit—Role of Comptroller of Auditor General of India

*This page is intentionally left blank.*

# 28 Budget as a Political Instrument; Parliamentary Control of Public Expenditure

## LEARNING OBJECTIVES

*After reading this chapter, you will learn about:*

- How Budget is used as a Political Instrument?
- How Parliament Control over Public Expenditure

## INTRODUCTION

Different political cultures in developing countries have different preferences about social relations and therefore, adopt different budgetary strategies. There is less wealth in the developing countries like India and have to work harder to make room for all kinds of social welfare schemes. The most important factor here is that the conditions in the political culture keep changing and are not static, internally as well as externally. The factors motivate the governments and the people to make decisions. The reason behind studying budgeting or the expenditure process as a political instrument is that it affects the people within the government and those outside of it.

The bonds between budgeting and 'politicking' are intimate. Resource allocation in budgeting shows the distribution of power revealing the norms by which people live in a specific political culture. The limited resources have to be kept in mind with consensus when making the budget in India. The government's responsibility is not only to formulate the budget but also to make it work. The public policies have to be aligned to the budget that is made. Hence, an exercise that involves conflict, consensus and realization of political ideologies takes place.[1]

### Q1 *Discuss how the budget is a political instrument, with special reference to India.*

**Ans.** In a literal sense, a budget is a document, containing words and figures, which proposes expenditures and revenue for certain items and purposes. The words refer to the items of expenditure including salaries, equipment and travel while the purposes refer to issues ranging from preventing wars, improving mental health to the provision of housing to the poor. A budget has the characteristic of being predictive because whatever expenses are included in it have consequences on ground in the future. The people perceive the public expenditure as being beneficial to them or not and this gives them a reason for making choices when they have to vote in the next elections.

A budget is a consequence of the government's efforts in the mobilization of resources according to its political ideologies and policies. First of all, the budget makers face the issue of aligning the various

factors like pressures from different factions, lobbyists and participating political parties if it is a coalition regime. India is ruled by coalition parties since many terms now and all these factors of political pressures contribute in budget becoming a political instrument.

The various perspectives and factors that prove that the budget is a political instrument, is depicted below in Figure 28.1 and described thereafter.

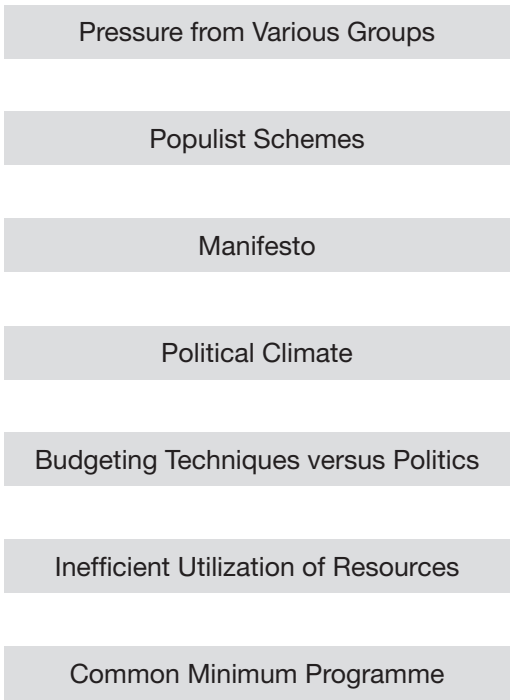



***Figure 28.1: Budget as a Political Instrument***

1. **Pressure from Various Groups:** There are groups from all kinds of professions and sectors that get together to pressurize the government to include their programme in the budget. One may call them pressure groups, interest groups or associations. They all want a slice of the funds to be appropriated for their own interests. The government in power has to make wise decisions that will help them to gain more in vote share politics.
2. **Populist Schemes:** The government usually tries to make populist schemes a part of its budget as an appeasement policy. Giving subsidies, loan waivers and free sops to farmers and the population below poverty line are some of such schemes that find a way in the budget. The public is satisfied or not with them is another matter but the budget is used as a political instrument.
3. **Manifesto:** All political parties publish and declare their political manifesto before elections which state their agenda for the next five years. If the government that comes into power does not include the promised schemes into the budget get a lot of political flak in the public as well as with the opposition. So, the budget becomes a political instrument to prove to the public that they have kept their promises so that they can get the mandate from people once again also. India has to keep up with its promises made in the manifesto because State elections keep happening every few months.

4. **Political Climate:** A lot depends on the political climate when the budget is being made. If the focus is on defence, more expenditure will be made to cover defence equipment, war fighters, communication technologies and ammunition so that the population and the opposition are satisfied. If the government in power does not plan its expenditure according to the political climate, it will land itself in minority.
5. **Budgeting Techniques versus Politics:** The budgeting techniques like system analysis, program budgeting or cost benefit analysis are rational systems. It builds choices and decisions based on rationality has no scope of politics because the best program will be selected on its credit and benefits. However, in reality, the programmes get selected on the basis of the convictions and benefits of the political mileage and not based on rationality.
6. **Inefficient Utilization of Resources:** The political objectives of the government do not let them make the budget judiciously regarding cost and benefit. Even though public sector enterprises are going into losses, the government lets them keep running or, for example, the railways going in losses also does not motivate the budget makers to raise the rail fares to keep the budget a populist one.
7. **Common Minimum Programme:** The coalition parties have to arrive at a 'Common Minimum Programme' leaving some policies and adopting some to please everyone. Keeping all political parties happy can only keep them satisfied and the government to stay in power but this mostly leads to bad economics or regional disparity.

To sum up, it can be said that budget is definitely a political instrument to put the policies framed by the government into their practical shape. There are political considerations that the government has to keep in mind which sometimes fall flat in the implementation of programmes because they are not framed purely on economic concepts. The budgeting techniques that have been accepted all over the world as best practices cannot be applied to budget formulation if the budget is left as a political tool. Hence, it is essential that economic considerations and best practices must also be included for inclusive and sustainable development in India and not only political appeasement.

## Q2 *Examine the different ways the Parliament in India wields control over public expenditure.*

**Ans.** According to the Article 112 of the Indian Constitution, a statement of estimated receipts and expenditure of the Government of India has to be laid before the Parliament in respect of every financial year which runs from 1st April to 31st March. The statement titled 'Annual Financial Statement' is the main Budget document. It shows the receipts and payments of government under the three parts in which government accounts are kept:

1. Contingency Fund
2. Consolidated Fund
3. Public Account.[2]

Parliamentary oversight over the public expenditure is of utmost importance to ensure that appropriations are made within the constitutional law and expenditure also made accordingly without any misuse or misappropriation since Parliament is the apex democratic body in India.

There are two phases in which the parliamentary control is exercised over the public expenditure:

### Legislative Oversight before the Budget is Passed

The Parliament scrutinizes the annual budget in India before it is passed. It is depicted in Figure 28.2 and described thereafter.

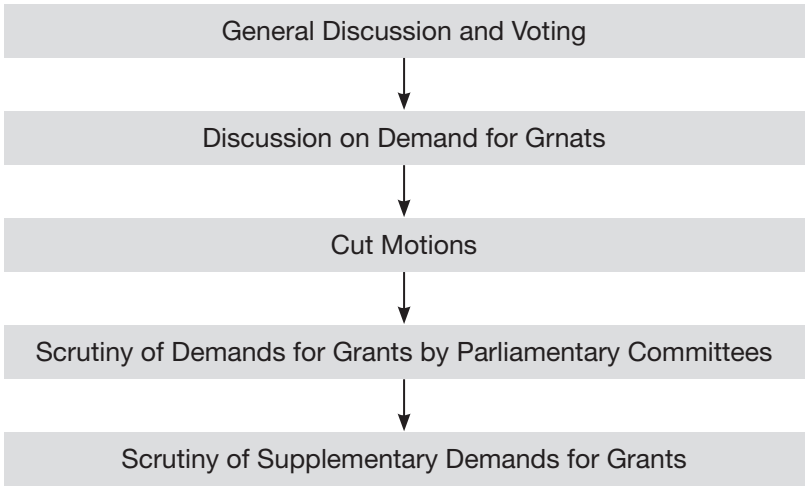



***Figure 28.2: Scrutiny on the Floor of the House***

**Scrutiny on the Floor of the House:** The main scrutiny of the budget in the Lok Sabha takes place through:

1. **General Discussion and Voting:** The general discussion on the budget is held on a pre-decided day prior to the presentation of the budget by the Finance Minister. This discussion pertains to a general examination of the budget and policies of taxation expressed during the budget speech.[3]
2. **Discussion on Demand for Grants:** The discussion on demand for grants for different ministries follows the general discussion. It is introduced by the minister, who in his speech reviews the achievements of his/her ministry. A certain number of days are fixed for discussion but is not possible for discussing all items, so in the end, all the remaining demand for grants are put to vote together which is called 'guillotine'. Generally, 90 per cent of the demands are guillotined every year.
3. **Cut Motions:** At this stage, three types of cut motions may be moved by any member of Parliament, given below:
   - **Token Cut Motion:** A cut motion is moved for ₹ 1 to show disapproval of the principle underlying the demand.
   - **Disapproval of Policy Cut Motion:** A cut motion is moved for ₹ 100 to register disapproval for a specific policy.
   - **Economy Cut Motion:** A cut motion is moved against a demand so that the amount for the demand may be reduced.

   The discussion is restricted to the particular demand in all the three cases.
4. **Scrutiny of Demands for Grants by Parliamentary Committees:** The Parliamentary Standing Committees consider the demands for grants of the ministries under their supervision. In mid-March, the Parliament adjourns and the committees prepare reports on individual demands for grants submitted by various departments. When the Parliament reconvenes, the reports are presented and the government gives its replies to the recommendations of the committees after which the committees frame Action Taken Reports.
5. **Scrutiny of Supplementary Demands for Grants:** The supplementary demands for grants are presented either when there is a need for additional expenditure or for making up for any advances that had been made from the Contingency Fund of India. The Standing Committees scrutinize them.

## Legislative Oversight after the Budget is Passed

Parliamentary control over expenditure after the budget is passed is conducted through the three Financial Committees of the Parliament, given in Figure 28.3 and briefly described thereafter.

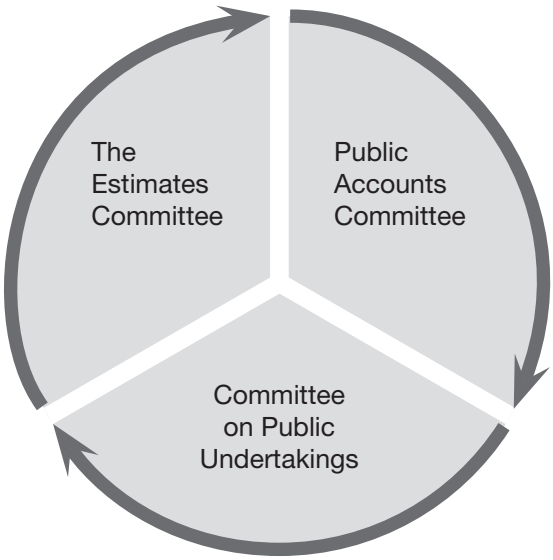



***Figure 28.3: Financial Committees***

1. **Public Accounts Committee (PAC):** The PAC was constituted under the Rule 308 of the Rules of Procedure and Conduct of Business in Lok Sabha. It consists of 22 members with a tenure of one year. It has the following functions:
   - Examines the appropriation accounts and annual finance accounts.
   - Examines the Report of CAG of India on these accounts and other matters.
   - Examines the expenditure by various ministries/departments and accounts of autonomous bodies.
   - Examines various aspects of tax administration.
   - Ascertains that government spent money within the scope of the demand.
   - Functions of the committee extend 'beyond the formality of expenditure to its wisdom, faithfulness, and economy'.
   - Examines and reports on money spent in excess of the amount granted by the House for regularization.
   - Can take up *suo moto* subjects not covered in CAG's Report.
   - Ministers not called before the committee.[4]
2. **Committee on Public Undertakings:** The committee on public undertakings was constituted under the Rule 312 A of the Rules of Procedure and Conduct of Business in Lok Sabha. It consists of 22 members with a tenure of one year. It has the following functions:
   - Examines the reports and accounts of the public undertakings and Reports of CAG of India.
   - Examines whether the affairs of public undertakings are being managed in accordance with sound business principles and prudent commercial practices.

- Not to examines matters of major government policy as distinct from business or commercial functions of public undertakings or matters of day to day administration.
- Ministers not called before the committee.[5]

3. **The Estimates Committee:** The Estimates Committee was constituted under the Rule 310 of the Rules of Procedure and Conduct of Business in Lok Sabha. It consists of 30 members with a tenure of one year. It has the following functions:
   - Reports on what economics, improvements in organization, efficiency or administrative reforms, consistent with the policy underlying the estimates, may be affected.
   - Suggests alternative policies in order to bring about efficiency and economy in administration.
   - Examines whether the money is well laid out within the limits of policy implied in the estimates.
   - Suggests the form in which estimates shall be presented to Parliament.[6]

**Audit:** The CAG conducts the audit of the accounts prepared. (Explained in Chapter 31).

## Instruments of Parliamentary Control

Some other instruments of parliamentary control over expenditure are given in Figure 28.4 and described below.

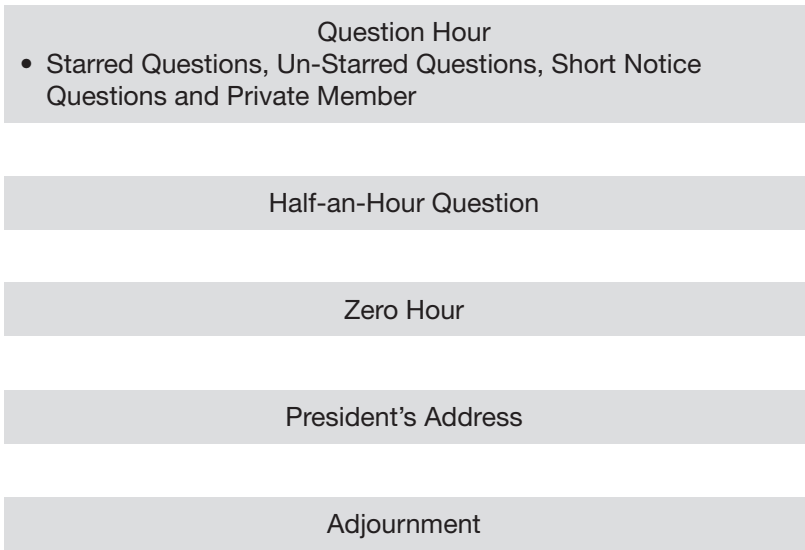



***Figure 28.4: Instruments of Parliamentary Control***

1. **Questions:** The first hour of every sitting shall be available for the asking and answering of questions. The question hour helps in conforming policies, interact with members to understand their complaints and queries and people's response. It also serves the purpose of bringing out any misappropriations and it also might lead to the constitution of a commission. Since many years now, the proceedings of the Lok Sabha and Rajya Sabha are relayed live on television which enhances transparency and accountability. The notice of a question must be given to the Speaker 15 days before in writing to the Secretary General.

### *Types of Questions*

- **Starred Questions:** They are supposed to have an asterisk mark (star) which refers to the answer expected to be a spoken (oral) one from the concerned minister. There can be supplementary questions to it too. Such questions cannot exceed 20 per day.
- **Un-starred Questions:** Such questions have to be answered in a written form by the Minister and the answer is recorded in the Lok Sabha proceedings. Un-starred questions cannot exceed 230.
- **Short Notice Questions:** In case of a grave matter, a short notice question can be included at a shorter notice than starred question. A verbal answer must be given to it and supplementary questions to it are also permitted.
- **Questions Addressed to Private Member:** A private member who is not a minister can ask a question addressed to himself/herself.[7]

2. **Half-an-Hour Discussion:** They are usually conducted for the purpose of discussion on matter arising out of answer to question. The Speaker may allot half an hour on three sittings in a week to raise a discussion on a matter of sufficient public importance which has been subject of a recent question, oral or written and the answer to which needs elucidation on a matter of fact. The notice has to be given three days in advance to the Speaker and it is up to the Speaker to decide whether to admit such a notice or not. The matter must be related to revision of the government's policy. If such requests are received from more than four members, a ballot shall be held to determine the names of first four members who may be permitted to ask a question each.[8]
3. **Zero Hour:** The hour between noon and 1300 hours is called the zero hour as it begins at zero hour after the question hour. It is not mentioned in the Rules and is more of a norm of the Indian parliamentary system. The Chairman of the House has the responsibility to maintain order in the House while members are permitted to ask questions one by one. The minister for parliamentary affairs apprises both the Houses of the matters discussed in the zero hour on the same day.
4. **President's Address:** The President of India gives a joint address to both the Houses of the previous year's achievements of the government, usually in February, which marks the discussion, following the address, in which all members are allowed to point out the blunders and mistakes of the government.
5. **Adjournment Motions:** Another instrument of control over public expenditure is the motion of adjournment to discuss a definite matter of urgent public importance with the consent of the Speaker. The notice of an adjournment motion shall be given by 10.00 hours on the day on which the motion is proposed to be made to the Secretary general. Where a notice is signed by more than one member, it shall be deemed to have been given by the first signatory only. A ballot shall be held to determine the relative priority of all notices on the same subject for the sitting for which they are valid. There are various conditions of admissibility of adjournment motion given in the Rules.[9]

To sum up, the major means of legislative oversight are discussions and debates in the Parliament posing questions where the opposition members consider that some lapses have taken place. It keeps a check on the government in power. However, the main restriction also is the discussions and debates because of the restriction of time allotted is felt to be inadequate. Partisan attitudes also act as a deterrent to the effectiveness of the debates and discussions which is otherwise a very great tool for parliamentary control. The ruling party members do not vote for an issue for cut motion also even if they have opposing individual views due to the norm of toeing the part lines.

Another limitation in the effectiveness of discussions on demand for grants is the technical language that is used in them. The most intelligent of the parliamentarians also are unable to comprehend the complex figures given in them. Hence, the debates remain concentrated on the issues of a general nature. Generally, the objections of the opposition parties in the discussions and debates

zero down on the economy of schemes and programmes culminating in cut motions but they do not realize that the whole exercise of the economy might end up in a higher cost than the implementation of the programme itself.

## Conclusion

Hence, the budget is an effective political tool which helps to translate the government's policies and programmes into reality. It signifies the political ideology that the ruling party in power holds. Once the budget has been formulated and presented in the Parliament, there are various types of control that are exercised over it to maintain transparency and accountability. There is scope of improvement in making parliamentary discussions more effective.

## Notes and References


1. Adapted from: Wildavsky Aaron (1986), *Budgeting—A Comparative Theory of Budgetary Processes* (Second ed.), Transaction Books, USA
2. Annex 8.1 Key to Budget Documents – Budget 2006-2007, https://m.rbi.org.in, retrieved on 13 April 2019
3. Financial Oversight by Parliament, https://www.prsindia.org, retrieved on 13 April 2019.
4. April 2002 – December 2002 – Parliamentary control over public purse in India, https://cag.gov.in, retrieved on 13 April 2019.
5. *Ibid*.
6. *Ibid.*
7. Refer to the following book for more information:
   Mahajan, Sanjeev Kumar and Mahajan, Anupama Puri (2013), *Financial Administration in India,* PHI India, New Delhi.
8. Rules of Procedure and Conduct of Business in Lok Sabha, http://164.100.47.194, retrieved on 14 April 2019.
9. *Ibid*.

# 29 Role of Finance Ministry in the Monetary and Fiscal Area

## LEARNING OBJECTIVES

*After reading this chapter, you will learn about:*

- Role of Finance Ministry in the Fiscal and Monetary Area
- Relationship between the Finance Ministry and the Reserve Bank of India

## INTRODUCTION

The Finance Ministry has the responsibility of funding and planning the development of the country in India. Development includes economic and social aspects of planning which is possible only by implementing sound financial management. The Reserve Bank of India is the central institution of managing the credit, currency, buying and selling of the securities of the government, regulating the volume, direction and cost, foreign exchange, etc. The Finance Ministry plays a vital role in the fiscal and monetary administration of India. The Economic Division in the Department of Economic Affairs, besides other activities, deals in money and banking policy which comprise the following:

- Monitoring of money market trends and developments in monetary policy, banking policy and aggregate trends in credit flows, yields on Treasury Bills and behaviour of Call Money Rates and Liquidity Adjustment Facility (LAF) operations.
- Analysis of monetary policy and performance of the banking sector.
- Providing inputs for monthly economic review of Department of Economic Affairs.
- Preparing chapter on Monetary and Financial Intermediation for the Economic Survey.
- Providing policy advice on issues related to banking and financial sector.

### Q1 *Discuss the role of the Ministry of Finance in the monetary and fiscal area in India.*

**Ans.** The Ministry of Finance is the nodal agency in administering financial control through its Department of Expenditure. It has the responsibility for framing, implementing and controlling the financial administration of the nation. Its decisions have an impact on the Indian economy in all spheres. Monetary and fiscal policy have crucial importance in the expansion of money and control over it to avoid misdirection or straying away from the national economic objectives. The policy objectives of an emerging economy like India are to ensure a certain rate of outputs/incomes that over time will work in the increase in the rate of poverty reduction who do not have the basic necessities of life—food, clothes, water, shelter. There must be growth in the country coupling with price stability.

Firstly, it is important to understand what the monetary and fiscal policy mean.

**Monetary Policy** has two main objectives:

1. Stimulate an economy
2. Control its growth.

The individuals and business enterprises are motivated to borrow and incur expenditure to catalyse economic activity. The second objective of control on the economy can be exercised by checking the spending and motivating savings or controlling inflation. It is then basically a tool to expand or contract the money flow to impact inflation and growth but does not affect the economy in the real sense, however, if the monetary policy aims at expanding the money supply in the economy, it can be profitable for business enterprises by increasing the prices of assets and decreasing the costs of borrowing.

So, the monetary policy shapes and moulds a nation's economic growth by adjusting the money supply to the needs of growth by directing the flow of funds into the necessary areas with a purpose to attain macroeconomic goals. It is also known as the credit policy decided by the Reserve Bank of India (RBI).[1]

In a nutshell, the Ministry of Finance in coordination with the RBI exercises the following functions, given in Figure 33.1 and briefly described.

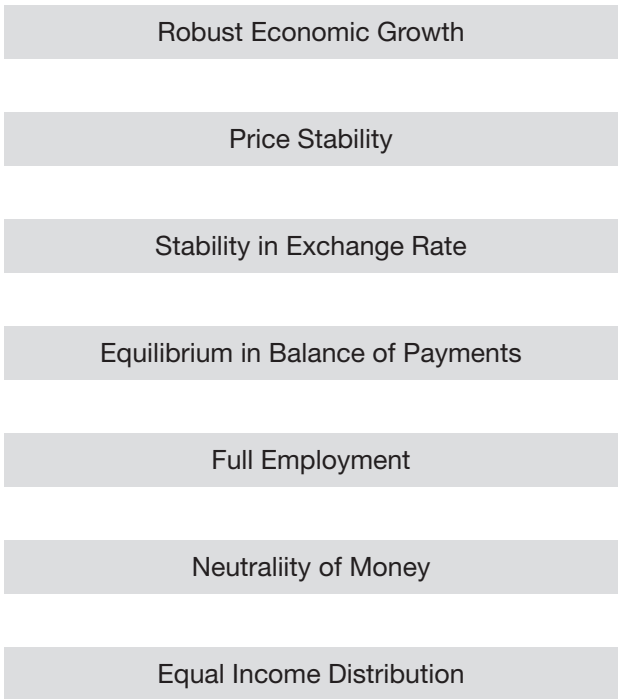



***Figure 29.1: Role of Finance Ministry and RBI in Monetary and Fiscal Areas***

1. **Robust Economic Growth:** It controls the interest rates to increase the economic activity in the country by achieving price stability and income to motivate more investment.
2. **Price Stability:** If the economy is going through a recessionary period, the policy must facilitate easy loans and borrowings by decreasing the interest rates for a short period. When the economy is robust, the interest rates must re-adjusted and increased to limit the money flow in the economy. Both the operations will lead to price stability but the status of economy must be considered while taking an action on the interest rates.

3. **Stability in Exchange Rate:** When Indian currency has to be given in a foreign currency and the rate at which it is bought is the exchange rate. If there is instability in the economy and the exchange rate changes rapidly to highs and lows, it loses its credibility in the international market. The foreign investors can withdraw in such a situation which needs to be checked.
4. **Equilibrium in Balance of Payments:** The Balance of Payments is a statement of accounts comprising records of all the monetary transactions made between India and the rest of the world in a given period which balances out the inflows and outflows of funds. It clearly mentions the surplus or the deficit in the statement of Balance of Payments.
5. **Full Employment:** Full employment refers to a situation where all available resources are voluntarily employed. Such a situation can be achieved if the monetary policy is shaped to high levels of credit supply in the economy to create more jobs.
6. **Neutrality of Money:** It is a neutral state of economy in which the money supply is neither high or low and it keeps all the variables in it like prices or wages do not impact the GDP and real consumption, however, this is quite a difficult situation.
7. **Equal Income Distribution:** The monetary policy has a very important role to play in achieving equal income distribution by increasing credit flow in lagging sectors, like agriculture, village industries, etc. The extra credit flow can be raised by increasing taxation in sectors where there is wealth concentration.

The above functions of the monetary policy constitute the elements that are comprised in it. The main aim of monetary policy, therefore, is to have stable prices and flow of money to lagging sectors.

## The Monetary Policy Process

The Monetary Policy Committee (MPC) is constituted by the Central government under Section 45ZB determines the policy interest rate required to achieve the inflation target. The Central government, after the amendment of the RBI Act, 1934, in 2016, provided for the inflation target to be set by the Government of India which is done through the Finance Ministry. The target fixed for the Consumer Price Index inflation was 4 per cent for the period from 4 August 2016 to 31 March 2021 by the Government of India. The upper limit was fixed at 6 per cent and the lowest at 2 per cent.[2]

The Ministry of Finance, hence, works in coordination with the RBI, although the Central Bank is an autonomous body. The RBI is mainly instrumental in formulating the monetary policy but the Finance Ministry has the responsibility to execute it.

## Fiscal Policy in India

Fiscal policy deals with the taxation and expenditure decisions of the government. It includes tax policy, expenditure policy, investment or disinvestment strategies and debt or surplus management. It is an important constituent of the overall economic framework of a country and is therefore intimately linked with its general economic policy strategy. The fiscal policy feeds into the economic trends and influences monetary policy.

The fiscal policy has to cater to the infrastructure and social needs while managing the government's finances in a way that the deficit or the accumulation of debt burden is not too great.

### *The Dynamics Behind A Balanced Fiscal Policy*

- Surplus: When the government receives more than it spends.
- Deficit: When the government spends more than it receives.

In a deficit situation, the gap is filled by:

- Borrowing from domestic sources which leads to higher real interest rates and the domestic private sector being unable to access funds resulting in the 'crowding out' of private investment or;
- Foreign sources which leads to debt crisis or;
- Draw upon its foreign exchange reserves which leads to a balance of payments crisis or;
- Print an equivalent amount of money[3] which leads to inflation.

In either of the above scenarios, a large deficit has a negative impact on economic growth. So, the debate of having a surplus at the cost of slow socio-economic growth or a large deficit has led to the conclusion of having a balanced growth with debt burden as less as possible.[4]

### *Objectives of a Fiscal Policy*

The basic objective of the Ministry of Finance in India with regard to fiscal policy is to take decisions on taxation and expenditure of the government. Given below are the objectives of fiscal policy:

- Promotion and acceleration of growth of productive investment in the economy in the private and public sector.
- Mobilization of the maximum volume of real and financial resources for the public sector investment plan.
- Promotion of maintenance of a reasonable measure of economic stability in congruence with the maximum rate of growth of the economy.
- Redistribution of the growing national output.
- Rapid socio-economic development of the country through taxation, public and private savings.
- Efficient allocation of financial resources.
- Reduction of inequalities in income and wealth.
- Price stability and control of inflation.
- Employment generation.
- Reduction of deficit in balance of payments.

**Instruments of Fiscal Policy:** The fiscal policy in India is decided through taxation which includes direct as well as indirect taxation. The tax structure and expenditure is well thought out and structured by increasing expenditure and decreasing tax in a recessionist economy. In a growing economy, of a period of inflation, taxation is increased. This system of taxation and expenditure is called automatic stabilization whereas when conscious efforts are made by the government, it is called discretionary fiscal policy. Besides expenditure and taxation, it also decides the disinvestment policy and management of public debt and surplus.

Fiscal policy gets adversely affected in areas of inflation, black money, indigenous industry and unemployment. This is why fiscal policy is extremely important to keep the Indian economic secure. To conclude, Ministry of Finance manages expenditure and revenue through the fiscal policy. The Finance Minister presents the budget in the legislature which sets the agenda. The Finance Ministry has been controlling custom duty on gold, interest on foreign currency liberalization, FDI, etc.

## Q2 *Examine the relationship between the Reserve Bank of India and the Ministry of Finance regarding the monetary and fiscal policy.*

**Ans.** In the recent times, the Finance Ministry (FM) and RBI have been blaming each other, more so the former blaming the latter. The RBI has the responsibility of restraining inflation and acts accordingly but

its autonomous nature does not care to accommodate the government. It has a long vision to exercise fiscal conservatism to keep a check on the government to indulge in fiscal dominance and large deficits. However, all is not hunky dory with the fiscal conservatism or monetary policy which controls the demand side of money supply more and restricts or suppresses optimal growth. The FM focuses on growth while the RBI on inflation. Both the organizations have to coordinate with each other to produce good outcomes for the country of controlled inflation and high economic growth but if this is lacking, it only imbalances the whole structure and harms inclusive and sustainable growth.

Since, both the monetary and fiscal policy, are meant to serve the voter, the government and the RBI have to work in a cohesive manner. The RBI has the autonomy and support of foreign investors which can impact the fiscal consolidation. Public investments have to be economized if there are high interest rates due to large fiscal deficits. The social pressures will force the RBI and the FM to work out an amicable solution without anyone's dominance over the other.

The concepts that are at play in the monetary and fiscal policies for the improvement in socio-economic welfare are given below in brief and depicted in Figure 33.2.

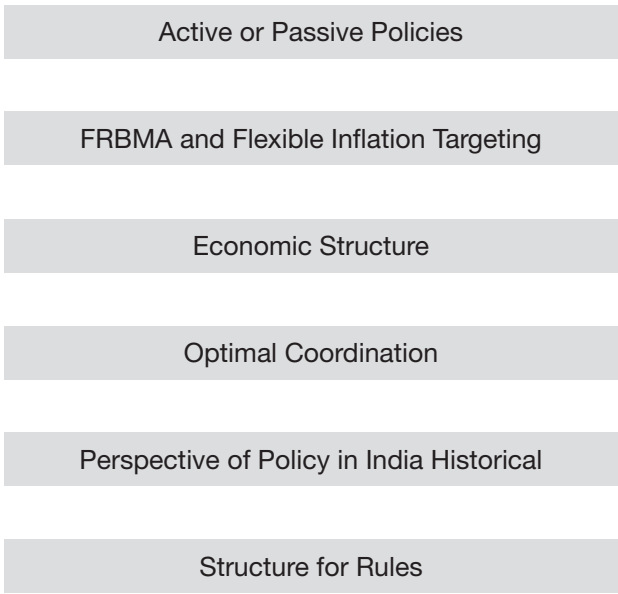



***Figure 29.2: Coordination between Monetary and Fiscal Authorities***

1. **Active or Passive Policies:** A policy is considered active or passive based on effects on government debt. A passive policy strives to stabilize the government debt by working out sound reactions to the debt shocks. An active policy reduces inflation rates whereas the passive policy works at reducing debt limits via monetary policy, adjusting the interest rates. This implies that this is an arrangement like no other by keeping one aspect active and the other passive to resolve the issues of price determinacy and budget solvency.

   In India, since the economic reforms in 1970s, the monetary policy got more autonomy and the fiscal policy became passive but this led to higher inflation. The interest elasticity increased in a liberalized open market economy. The 1990–91 witnessed major economic reforms which led to an active fiscal policy. The passing of Fiscal Responsibility and Budget management Act (FRBMA), 2003 brought a passive fiscal and active monetary policy in India.

2. **FRBMA and Flexible Inflation Targeting:** A country's economic structure impacts the effectiveness of the policies made by the government. Since 2016, the aim was to reduce the Consumer Price Index (CPI) inflation to 4–6 per cent by 2018. This is called flexible inflation targeting which led to a signed agreement between the government and the Monetary Policy Committee in 2016. After the FRBMA was passed in 2013, the fiscal deficit target was to reduce it to 3 per cent of the GDP by 2008 and any deviation necessitated the Parliament's approval. A debt reduction path helps in building a strong economic structure with the coordination of RBI and the FM.
3. **Economic Structure:** During the 2008 economic crisis, and subsequently in 2011 and 2013, inflation remained high even though the rates in the monetary policy were kept at a higher level. The output in the economic structure was determined by high levels of demand and inflation was a result of high costs. After 2011, the economy improved with a stable inflation by 2015 which points out to the fact that excess demand was not the cause for fluctuations in inflation. Monetary policy impacts the output more as compared to inflation. India is a growing economy and one sees a higher rate of employment without the accompanying rise in wages. Active monetary policy and passive fiscal policy accompanied with higher future taxes reduce wealth and crowding out of private consumption and a rise in real interest rates which implies that optimal coordination may not be favourable in a transitioning economy like India.
4. **Optimal Coordination:** The fiscal policy can attain higher economic growth for a short period while the monetary policy aims at lower inflation but also results in demand-led growth. Optimal monetary fiscal coordination must aim to shift the Aggregate Supply Curve on a low curve. Good governance has certain demands like a perpetual reform in flow of money on the supply side. The fiscal policy formulated by the FM regarding the government expenditure must exclude all types of subsidies which lead to an imbalance to achieve better delivery of public services.

   However, the populist schemes in India are based on subsidies which the government cannot remove due to its political concerns. This results in distortion in the economy and an imbalance in the monetary-fiscal coordination. Another factor that helps in controlling inflation and increase the output is technological advancements which must be promoted. India has been unable to achieve this optimal coordination.
5. **Historical Perspective of Policy in India:** After independence, the RBI was considered as an autonomous body but in reality, had to work on the directions of the FM. This made it a Department of the Ministry and lost its independence. The RBI reduced credit in the private sector but later in 1962 fought and achieved control over bank's cash reserves which empowered it change the Cash Reserve Ratio[5] and the Statutory Liquidity Ratio[6] which it uses to control money supply in the economy. Since 2011, there has been a trend in fiscal contraction and since 2014 focussing on structural reforms.
6. **Structure for Rules:** The fiscal-monetary coordination is necessary in achieving structural reforms in a wholistic perspective for the country and optimization of objectives. It is a given perception that rules come at a cost resulting in trade-offs, like, credibility and flexibility. Rules must come with wise and prudent use of discretion.

   To sum up, coordination between the monetary and fiscal policies is essential to achieve optimal results for the nation, that is, the two main institutions, RBI and FM.

## Conclusion

The above discussions on monetary and fiscal policy are evident that a coordination of both is extremely vital to the achievement of national economic objectives. With the introduction of the MPC and fixing a target for control of inflation publicly, the government has attempted to ape the Western world. It may be argued that it might have worked for the European economies but the decoupling of India from the global recession in 2008 has some merits which must also be looked into.

## Notes and References


1. Mahajan, Sanjeev Kumar and Mahajan, Anupama Puri (2014), *Financial Administration in India,* PHI Learning Pvt. India, New Delhi
2. https://www.rbi.org.in/
3. The government's exclusive right and privilege to print money is known as 'seigniorage'.
4. Adapted from Fiscal Policy in India: Trends and Trajectory, https://dea.gov.in, retrieved on 15 April 2019.
5. Cash Reserve Ratio (CRR) is a specified minimum fraction of the total deposits of customers, which commercial banks have to hold as reserves either in cash or as deposits with the central bank. CRR is set according to the guidelines of the central bank of a country.

   Cash Reserve Ration, https://economictimes.indiatimes.com, retrieved on 16 April 2019.
6. Statutory Liquidity Ratio (SLR) is the Indian government term for the reserve requirement that the commercial banks in India are required to maintain in the form of cash, gold reserves, RBI approved securities before providing credit to the customers.

   Statutory Liquidity Ratio, https://en.wikipedia.org, retrieved on 16 April 2019.

# 30 Accounting Techniques—Role of Controller of Accounts of India

## LEARNING OBJECTIVES

*After reading this chapter, you will learn about:*

- Introduction
- Evolution of Accounting Since Ancient Ages till the Present
- Functions of Accounts of the Controller General of India
- Accounting Process and types of accounts

## INTRODUCTION

Accounting is generally understood as the process of recording, analyzing, classifying, summarizing, communicating and interpreting financial information. When a government undertakes such an exercise, it is called government accounting.[1] According to Article 150 of the Indian Constitution, the forms of accounts of the Union and of the States have been specified which says:

The accounts of the Union and of the States shall be kept in such form as the President may, (on the advice of) the Comptroller and Auditor General of India.[2] The government accounting directs that the agency or the department has the responsibility of fiscal accountability which shows that the allocated funds have been spent appropriately.

### Q1 *Trace the evolution of accounting from ancient ages till the present age accounting.*

**Ans.** It is believed that accounting must have existed in the emergent stage of the world history in the stone age, the primitive age, the barter age and the currency age. In the stone age, the people must have kept some account of how many fruits, animals or plants they must have collected. Many stone tablets recovered by the archaeologists have inscriptions that have been deciphered as accounting. Rope knots and ticks on the walls in the primitive age prove once again of accounting while the barter age brought in a need for accounting because of agriculture and personal property.

Given below is a timeline to understand the evolution of accounting easily which traces the world history, including India:

**4000–3100 BCE.**

- In Mesopotamian culture, evidence in the shape of a *bulla,* and some accounting documents were found which had recorded the items and goods purchased, traded and the amounts that had been spent.[3] Money transactions were recorded for temple economy. Coinage industry also had started by that time along with Greece and Rome.

- Evidence of accounting have also been found in Babylon, Assyria and Sumerian on stone tablets and documents that they used to record their count of crops and herds.

**4000–3000 BCE.:** There is a proof of people who had the responsibility of managing financial matters. Cylindrical tokens on clay scripts were found from the area in excavations which had figures and graphical representations on them.

**2000 BCE :** There is evidence that the Egyptians had invented a phonetic alphabet for accounting purposes and had a person with the title of, 'Comptroller of the Scribes'. The barter age most likely used bookkeepers that puts the age in about pre-2000 BCE. Some type of ledgers would have been kept.

**600 BCE:** The dating can be only approximated about the writing of the Old Testament in old Hebrew in which the 'Book of Exodus' mentions Moses telling Ithamar to give an accounting record for the materials for the building of tabernacle which they had carried along as the tent for the congregation.

**500 BCE:** In the Athenian (Greece) regime, there is evidence that there was record kept for real estates in Zenon (part of Athens). The Zenon Papyri had a system of data collection, recording and analysis by many individuals as a part of responsible accounting.[4]

**400–300 BCE.**

- The Egyptians and Babylonians had developed a system of auditing also which implies that accounting had progressed a step further.
- In India, Arthashastra has a detailed system of double entry system that had been used in the Mauryan Age by Kautilya. The accounting system details the matters to be recorded, which type of registers are to be maintained and how and provisions for punishment if there has been some default.

**12th and 13th Century CE:** In Italy, the Medici Bank in history was one of the biggest banks which indulged in all kinds of banking activities, like, securities, loans, travellers' stamps, etc., and maintained a proper system of accounts. In that period, there is an account of Knight Templars also who ran a system of banking and kept accounts but there is more of legendary rather than documented proof for that.

**15th Century CE:** An Italian monk Luca Pacioli revamped the existing common bookkeeping system and introduced modern accounting. He is also known as the 'Father of Accounting' and had published a book called, '*Summa de Arithmetica, Geometria, Proportioni et Proportionalita'* in 1494 in which he showed the benefits of double entry system for bookkeeping and creating a balance sheet with separate credits and debits.[5]

**19th Century:** The Certified Public Accountant was a title given to people who cleared the examination with three years of experience.

## EVOLUTION OF ACCOUNTING IN INDIA

Originally called the Accountant General to the Government of India in 1858, and later as the Auditor General of India in 1866. The nomenclature kept changing and the strength also. Shri V. Narahari Rao became the first Indian Auditor General of free India. The duties and functions of the Auditor General were derived mainly from the provisions of Sections 166 to 169 of the Government of India Act, 1935—the duty of keeping the accounts of the Central government and of the provinces and of auditing those accounts.

**Accounting Functions:** Under Section 168 of the Government of India Act, 1935, the accounts of the Federation were to be maintained by the Auditor General of India. The First Auditor General formulated a five-year scheme in free India which comprised of the following four main elements:

1. Expansion of the cadre of the superior service officers as well as of the superintending clerical staff.
2. Establishment of a commercial audit branch.
3. Establishment of machinery for the satisfactory audit of India's enormous foreign expenditure.
4. Removal of various other disabilities from which the officers suffered in regard to accommodation, office equipment, furniture, codes, manuals and essential amenities.[6]

Accordingly, the office was strengthened as per the five-year scheme. The constitutional provisions for the office of the CAG are covered in Articles 148 to 151 which formed the basic structure of the CAG institution. India, basically, has a cash based accounting system, which are governed by the Government Accounting Rules, 1990. In India, the accounting policies followed by government entities are outlined in the Government Accounting Rules (GAR) and the General Financial Rules (GFR). They set out the guidelines to be followed by the government entities accounting for any receipt or expense.[7]

## Q2 *Explain the functions and main system of accounts that the Controller General of Accounts (CGA) follows.*

**Ans.** The Comptroller and Auditor General of India had the obligation to perform the functions of making payment, making entries and compiling those payments, apportionment and audit of all transactions before 1976.[8] A 1976 amendment separated accounts from audits for the Central government. The departments were made responsible to prepare their accounts themselves. The Controller General of Accounts (CGA) of India comes under the Department of Expenditure in the Ministry of Finance. The accounting organization is common for all departments and comprises a Principal Accounts Office, Nine Pay and Accounts Offices and an Internal Audit Wing. The Chief Controller of Accounts (CCA) is helped by:

- One Controller of Accounts
- One Deputy Controller of Accounts
- One Assistant Controller of AccountsTwelve Pay and Accounts Officers.[9]

**The Principal Accounts Office (PAO):** It consolidates monthly accounts compiled by its various Pay and Accounts Offices. The PAO also prepares its monthly accounts through the programme CONTACT, which are to be submitted to the office of CGA by the prescribed date of 15th of the following month. It also has the following functions:

- Appropriation accounts
- Statement of central transactions
- Material for the finance account of the Union government (Civil) for the department relating to industry
- Makes payments of loans and grants to State governments through the RBI
- Gives advice accounting matters to the ministry
- All administrative and coordinating functions for the accounting organization
- Training and systems support.

**The Pay and Accounts Office:** It is the basic unit of departmentalized accounts organization. Its main functions are:

- Pre-audit and payment of all bills, including those of loans and grants-in-aid submitted by Non-Cheque Drawing DDOs.
- Issue of quarterly Letters of Credit to Cheque drawing DDOs and post-audit of their vouchers.
- Compilation of monthly accounts of receipts and payments.
- Maintenance of GPF accounts and authorization of retirement benefits.

**Accounting Process:** The PAOs are field units where the accounting process begins. The process is given in the Figure 34.1.

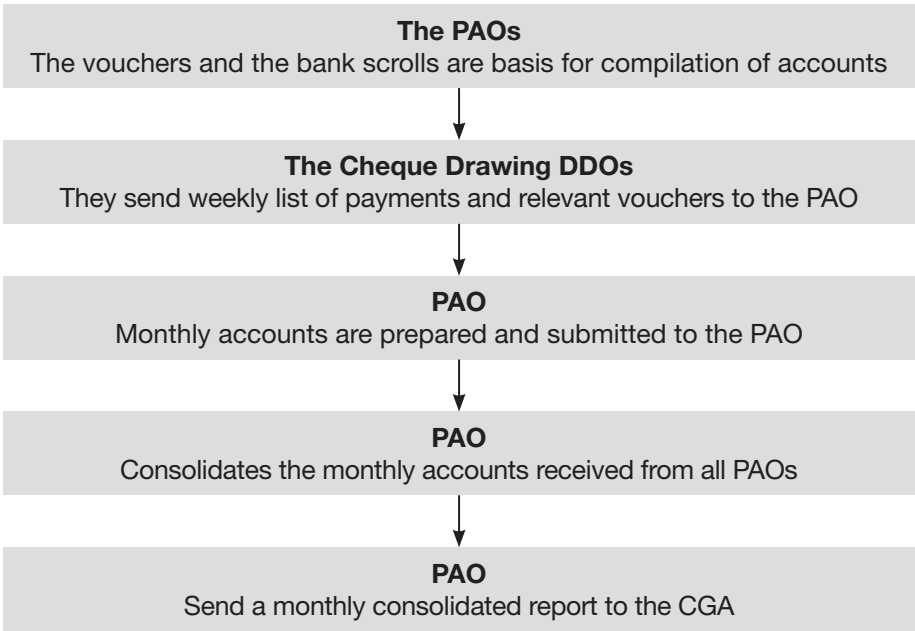



***Figure 30.1: The Accounting Process***

The accounts prepared by the Principal Accounts Office are:

- Annual finance accounts
- Appropriation accounts
- Finance accounts—classified and consolidated accounts of transactions of the ministry under the Consolidated Fund
- The public account.

All these accounts are finally included in the Union government's accounts prepared by the CGA and tabled in the Parliament along with the Audit Report of the CAG of India. The office of the CCA also includes an internal audit wing that carries out audit of accounts of various units of the ministry.[10]

## Forms of Account in India

The function of prescribing the form in which the accounts of the Union and the States are to be maintained has been delegated to the Controller General of Accounts (CGA) by incorporating entry 7A in the Government of India (Allocation of Business) Rules for Department of Expenditure under the Ministry of Finance. It provides for a cash basis of accounts (discussed later), the government accounts are kept in three parts, given below:

**Part I: Consolidated Fund of India (CFI)** (including Union Territory administration or government or of the State) which is divided into two main divisions:

1. **Revenue:** Consisting of sections for:
   - 'Receipt heads' (revenue account) which deals with the tax and revenue receipts.
   - Expenditure heads' (revenue account) which deals with expenditure met from the revenue account.

   All sections in the CFI are categorized into sectors or subsectors such as 'General Services', 'Social Services' and 'Economic Services' which are then placed under the 'major heads of account'.
2. **Capital, Public Debt, Loans:** Consisting of sections for:
   - 'Receipt heads' (capital account) deals with the receipts of a capital nature which cannot be applied as a set-off to capital expenditure.
   - Expenditure heads (capital account) deals with the expenditure met usually from borrowed funds to increase concrete assets of a material and a permanent character and includes receipts of a capital nature intended to be applied as set-off to capital expenditure.
   - 'Public Debt', 'Loans' and 'Advances' include loans raised and their repayments that were made like, internal debt, external debt of the Union government and loans and advances made by Governments and their recoveries transactions relating to 'Appropriation to Contingency Fund' and 'Interstate Settlement'.

**Part II:** Contingency Fund: The accounts include the record of transactions made with the Contingency Fund set-up by the Union, State or Union Territory governments as per Article 267 of the Indian Constitution and the Section 48 of the UTs Act, 1963. There is a single Major Head and all the transactions made out of it are recorded.

**Part III:** Public Account of India (including Union Territory administration or government or of the State)—The accounts of the transactions relating to debt other than the ones mentioned in Part I, deposits, advances, remittances and suspense are recorded in the Public Accounts. The transactions are divided further into sectors and subsectors and placed under 'Major Heads of Accounts'. They are explained below:

**Debt and Deposits:** The transactions under Debt, Deposits and Advances regarding government incurring a liability to repay the moneys received or has a claim to recover the amounts paid with the repayment of the former and recovery of the latter.

**Remittances and Suspense:** All 'merely adjusting heads' under which the transactions are made such as remittances of cash between treasury and currency chests and transfer between different accounting circles.

All the above-mentioned accounts are categorized into major, sub-major, minor and detailed heads.

**Principles of Allocation between Capital and Revenue Expenditure on a Capital Scheme:** The CAG of India advises the government on the allocation between the capital and revenue expenditure on a capital scheme. The main principles governing the allocation are given below in Figure 34.2 and briefly described thereafter.

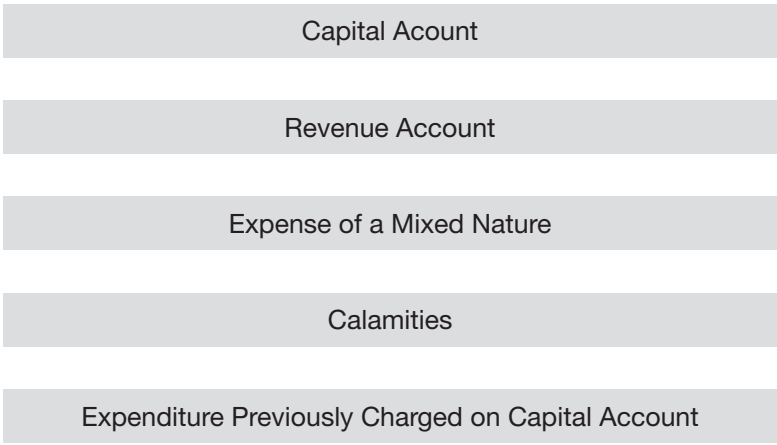



***Figure 30.2: Principles of Allocation of Expenditure***

1. **Capital Account:** All charges for first construction and equipment of a project as well as charges for intermediate maintenance of the work while yet not opened to service fall in the capital account.
2. **Revenue Account:** All subsequent charges for maintenance of all working expenses, upkeep, renewals, replacements, additions, improvements or extensions as provided by the government are included in the revenue account.
3. **Expense of a Mixed Nature:** The renewal and replacement works are of a capital and revenue nature, both. The revenue should pay for the replacement of all wastage or depreciation of property which had been originally provided out of capital grants. On the other hand, only the cost of genuine improvements should be debuted to capital account.
4. **Calamities:** Expenditure arising out of calamities like flood, fire, earthquake and enemy action can be charged to either of the accounts or divided the way the government decides according to each case.
5. **Expenditure previously charged on Capital Account:** The capital receipts that accrue during the process of a project construction, that had previously been debited to capital account must be utilized in the reduction of capital expenditure.[11]

The above given principles for allocation between the revenue account and the capital account are based on Rule 31, Government Accounting Rules, 1990.

## Q3 *Discuss how the Office of the Controller General of Accounts (CGA) is expected to strengthen public financial management in India. Discuss its mandate.*

**Ans.** The CGA is the Principal Accounting Adviser to Government of India and is responsible for establishing and maintaining a technically sound management accounting system. The Public Financial Management System (PFMS) was initiated by the Planning Commission in 2008–09 under the CGA. It was called the Central Plan Scheme Monitoring System (CPSMS) which monitored programmes in the social sector and tracked funds disbursed. It was a pilot project that was started in four States of Madhya Pradesh, Bihar, Punjab and Mizoram for only four flagship schemes, with a total outlay of ₹ 1080 crores which were:

1. Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS)
2. National Rural Health Mission (NRHM)
3. Sarv Shiksha Abhiyan (SSA)
4. Pradhan Mantri Gram Sadak Yojana (PMGSY)

## Organizational Structure of PFMS Scheme

The four-tiered organization structure is given in Figure 34.3, as follows.

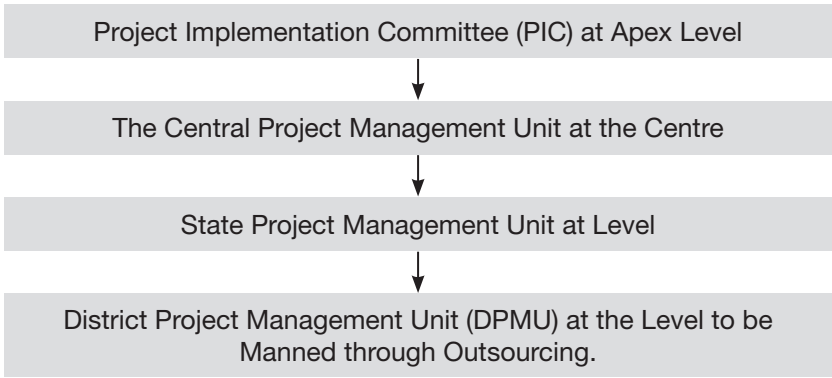



***Figure 30.3: Organizational Structure of PFMS Scheme***

### *The PFMS Scheme*

The PFMS has been extended to a national roll-out to link financial networks of Central, State Governments and the agencies of State governments. The scheme was included in the 12th Five Year Plan of the Planning Commission and the Ministry of Finance from 2013 to 2017. The Government of India has approved the extension of PFMS beyond 31 March 2017 to 31 March 2020 at an estimated project cost of ₹ 839 crore. The salient features of the order are:[12]

- Continuation of 23 Senior Administrative Grade (SAG) and above level posts.
- Setting up of 400 District Project Management Units (DPMUs).
- In the period from 2017 to 2020, PFMS would provide a platform for complete tracking of funds up to the end beneficiary and enable 'just-in-end' transfer of funds in respect of Central Sector (CS) and Centrally Sponsored Schemes (CSSs).
- The PFMS would strive to:
  - Achieve treasury integration with all the States
  - Complete registration of all implementing agencies and usage of Expenditure Advance and Transfer (EAT) module.
  - Facilitating Direct Benefit Transfer (DBT) payments and convergence with other IT platforms.
  - Integration with remaining banks.
  - Complete digitization of government receipt and payments.
  - Technology upgradation for improved performance and security.
  - Enhancement of PFMS to Government Integrated Financial Management Information System (GIFMIS).
  - Training and capacity building and data mining/analytics for improved Decision Support System (DSS).

### *Mandate of PFMS*

The mandate given to PFMS by a cabinet decision is to provide the following in Figure 34.4 and explained thereafter.

***Figure 30.4: Mandate of PFMS***

1. **Financial Management Platform:** The PFMS will lay out a financial management platform for all plan schemes which will have certain functions given below:
   - A database of all recipient agencies.
   - Integration with core banking solution of banks handling plan funds.
   - Integration with State Treasuries.
   - Efficient and effective tracking of fund flow to the lowest level of implementation for plan scheme of the government.
2. **Information:** Information will be provided to all plans/schemes implementation agencies in the country on fund utilization leading to better monitoring, review and decision support system to enhance public accountability in the implementation of plan schemes.
3. **Effectiveness and Economy:** Better cash management for government transparency in public expenditure and real time information on resource availability and utilization across schemes to result in efficiency and effectiveness.
4. **Digitization:** The Ministry of Finance, Department of Expenditure directed the CGA to proceed with digitization of government accounts through PFMS.

## Modules to Implement the Mandate

The Union cabinet developed modules by PFMS for stakeholders as per the mandate, which are given below in Figure 34.5.

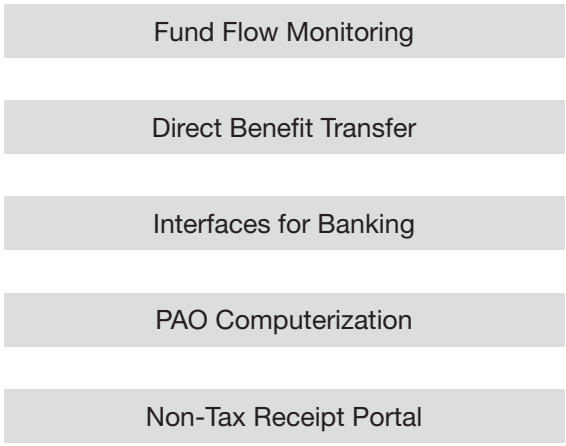



***Figure 30.5: Modules to implement the Mandate***

1. **Fund Flow Monitoring:** Public accountability and effectiveness in fund flow is very important through monitoring by:
   - Agency registration
   - Expenditure management and fund utilization through PFMS EAT module
   - Accounting module for registered agencies
   - Treasury interface
   - PFMS PRI fund flow and utilization interface
   - Mechanism for State governments towards fund tracking for State schemes
   - Monitoring of externally aided projects.
2. **Direct Benefit Transfer (DBT) Modules:** DBT is a very effective system to transfer monetary benefit to the beneficiaries. The module include:
   - PAO to beneficiaries
   - Agency to beneficiaries
   - State treasuries to beneficiaries.
3. **Interfaces for Banking:** The interface of banking would be through:
   - Core banking solutions
   - Indian post
   - RBI
   - NABARD and cooperative banks.
4. **PAO Computerization:** The PAO computerization online payments, receipts and accounting of Government of India is important in digitization for ease-of-doing business. Given below are the modules that have been initiated:
   - Programme division module
   - DDO (Drawing and Disbursing Officer) module
   - Principal Accounts Office module
   - Pension module
   - General Provident Fund and HR module
   - Receipts including Goods and Services Tax (GSTN)
   - Annual financial statements
   - Cash flow management
   - Interface with non-civil ministries.
5. **Non-Tax Receipt Portal:** Many other departmental initiatives have been started to leverage capabilities of PFMS such as interface for foreigner's division and monitoring of agencies receiving funds under Foreign Contribution Regulation Act (FCRA). Its objective is to provide a one-stop-window to citizens/corporates/other users for making online deposits of non-tax receipts due to Government of India. Other monitoring methods are CBDT PAN validation and GSTN bank account validation.[13]

Hence, the above methods of PFMS has improved the financial accounting system with respect to monitoring to increase its effectiveness and efficiency of projects.

## Conclusion

The CGA is the premier agency of the Government of India under the Department of Expenditure, Ministry of Finance to prepare and maintain the accounts of all transactions made by the Union government,

State governments and Union Territories governments and administrations. The Institute of Financial Management trains civil servants who would be allocated to various services responsible for managing senior and top management posts dealing with accounts and finance in the Government of India.

## Notes and References


1. The Constitution of India, https://www.india.gov.in, retrieved on 16 April 2019.
2. Government Accounting System in Developed and Developing Countries–A comparative Analysis, https://cpfga.icai.org, retrieved on 16 April 2019.
3. Adapted from: History of Accounting, https://en.wikipedia.org, retrieved on 16 April 2019.
4. Financial History: The Evolution of Accounting, https://www.investopedia.com, retrieved on 17 April 2019.
5. History of Accounting, https://en.wikipedia.org, retrieved on 17 April 2019.
6. The Comptroller & Auditor General of India, https://cag.gov.in, retrieved on 17 April 2019.
7. A Study on Gap Analysis of Indian Government Accounting with International Standards, http://gasab.gov.in, retrieved on 17 April 2019.
8. *Ibid.*
9. Introduction, https://ccaind.nic.in, retrieved on 17 April 2019.
10. Log on for more information on preparation of accounts in detail on page 32: Fourteenth Report, Strengthening Financial Management Systems, https://darpg.gov.in, retrieved on 17 April 2019.
11. Adapted from Fourteenth Report, Strengthening Financial Management Systems, https://darpg.gov.in, retrieved on 17 April 2019.
12. Extension of Public Financial Management System ( PFMS ) beyond 31.03.2017, https://doe.gov.in, retrieved on 17 April 2019.
13. About PFMS, https://pfms.nic.in, retrieved on 17 April 2019.

# 31 Audit–Role of Comptroller of Auditor General of India

## LEARNING OBJECTIVES

*After reading this chapter, you will learn about:*

- Introduction and Definition
- Evolution of Audit
- The Office of The Comptroller of Auditor General and its Role

## INTRODUCTION AND DEFINITION

There is a unique characteristic of human nature of checking and re-checking facts before one finalizes the accounts of one's own business enterprise or even personal expenditure. One does not stop at simply counting one's money after spending for household goods. One tends to check if the accounts detailing the expenditure matches the money that is left in one's balance. Auditing of accounts has been in our world history. Since we have known about the extent of history, whether it was found on stone tablets, cuneiforms, documents or oral history. The word 'Audit' has its origin in Latin language which means 'to hear or to listen'. It has been defined by various scholars, some of which are given below:

**International Federation of Accountants:** Audit is an independent inspection of the financial information of any organization, whether profit-oriented or non-profit oriented, irrespective of its legal form, status or size when such examination is conducted with a view to express an opinion thereof.[1]

**Knechel et al.:** A professional service delivered by experts in response to economic and regulatory demand. There are five attributes that define an audit:

- Demand for an audit is driven by economic risks, therefore, incentives are influential.
- Audits are not designed to provide absolute assurance, thus, the outcome of an audit is uncertain and this uncertainty plays a role in the audit process.
- Due to variations in client characteristics, audit teams and other environmental factors, each audit engagement is unique which is important.
- An audit is a systematic process used to obtain reasonable assurance, that is, the process is important.
- Successful execution of an audit requires a great deal of judgement by professionals with adequate knowledge and expertise.

All the above-mentioned attributes affect the audit quality.[2] Hence, audit is a systematic, independent and documented process for obtaining evidence and evaluating it objectively to determine the extent to which audit criteria are fulfilled.[3]

## Q1 *Briefly discuss the evolution of auditing globally.*

**Ans.** Auditing derives its origin from the Latin language meaning hearing or listening because in the olden days, the accountant used to speak out the listed items in the accounts while the auditor used to listen and check. Evidence of auditing has been found in ancient civilizations in countries like Mesopotamia, Egypt, Greece, Rome, the UK and India.

**Greece:** Aristotle had written in his works about auditors, which he called *logistae* and *euthuni,* took reports from public officers, which were then reported to the courts. Anyone found embezzling, in the court, was convicted and fined by the court ten times the sum discovered stolen.

**England:** Similar checking activities were also found in the ancient Exchequer in England during the reign of Henry I (1100–1135) and special audit officers were appointed to ensure that the state revenue and expenditure transactions were properly accounted for.

**Italy:** In Italy, the merchants of Venice, Genoa and the Medici Bank used auditors.

**India:** Our Hindu scriptures like the *Mahabharata* and the *Ramayana* have records of auditing which means that there was knowledge about the concept and even for the non-believers in the religion, it is proof that since the old texts mention it, the concept was prevalent in those times.

There is more authentic written record of auditing in Kautilya's *Arthashastra* that tells us that by the time Mauryan dynasty had been established, the concept had taken roots that followed in subsequent dynastic rules. Originally, the objective of auditing was to detect frauds and prevent them. Kautilya had even devised punishments for those who were found to be defaulters in the accounting.

**Industrial Revolution:** The recent recorded history shows that after the medieval period continuing with the auditing practice in government accounting, it spread its scope to private businesses too. The period of Industrial Revolution from 1750 to 1850 necessitated that the private enterprises also employ auditors to detect frauds, accounting errors and financial accountability. Since the businesses grew larger and into more locations, the owners could not keep an eye on all of them. This brought the role of auditors into a more important one. The industrial revolution period can be counted from 1840–1920 in which the middle class became a large and prominent class and large businesses emerged. A need for professional auditing was felt and a Practice Manual for Auditors was prepared which gave the following objectives:

- Detection of fraud
- Detection of errors
- Detection of principles.

**1920s–1960s:** The US economy was burgeoning in the 1920s but the lack of any control in securities market and the after-effects of the First World War pushed it to the 1929 Wall Street crash. The importance of a true and fair financial statement is to represent the financial position clearly. The objective of audit changed from just being a weapon against fraud and errors to the provision of credibility to the financial statements of the companies to the shareholders. By 1960s, the use of sampling technique had been initiated along with internal audit of the organization. The audit approach had the following five characteristics:

1. Reliance on internal control and sampling techniques
2. Audit evidence included internal as well as external sources
3. Focus on truth and fairness in financial statements
4. The profit and loss statement along with the balance sheet
5. Physical observation of external and other evidence besides the 'book of account'.

**1960s to 1990s:** More stress was laid on internal control in their accounting so that audit procedures were more effective. In 1980s, the auditors realized that the process of auditing required a lot of financial resources so they began using analytical procedures and risk-based auditing. Computerization helped ease out the audit system through advanced computing auditing and gave advisory services too.

**1990s to Present:** The world economies grew at a very rapid pace after 1990s and the need for auditing increased along with it. Business risk approach was adopted which states that a company's business risks are relevant to audit because if risks are not under control it can affect the financial statements. At present, auditing has assumed great importance as a means to achieve financial and public accountability in the government. Accountability and transparency is one of the pillars of good governance which can be achieved through auditing measures.

## Q2 *Discuss the role of Comptroller and Auditor General (CAG) of India.*

**Ans.** The institution of the CAG of India was established in 1860 after the Crown assumed power in India. In 1947, the designation given to the CAG of India was 'The Auditor General of India' as per Section 168 of the Government of India Act, 1935. The CAG of India is the Supreme Audit Institution of India (SAI) which is set-up to bring about transparency, accountability and probity in public life. It will be 160 years old in November 2020. The SAI has, as it names suggests, supreme in its vision, mission and core values. They are:

**Vision:** It represents 'what we aspire to become, that is, a global leader and initiator of national and international best practices in public sector auditing and accounting and recognized for independent, credible, balanced and timely reporting on public finance and governance'.

**Mission:** The SAI's mission is mandated by the Constitution of India to promote accountability, transparency and good governance through high quality auditing and accounting. It provides independent assurance to its stakeholders, the legislature, the executive and the public funds that are being used efficiently and for the intended purposes.

**Core Values:** The core values of the SAI are guiding beacons in its activities to assess their performance, independence, objectivity, integrity, reliability, professional excellence, transparency and positive approach.

**Constitutional Provisions:** The CAG of India has the mandate by the Constitution of India given in the following Articles:

### Article 148: CAG of India

- There shall be a Comptroller and Auditor-General of India who shall be appointed by the President by warrant under his hand and seal and shall only be removed from office in like manner and on like grounds as a judge of the Supreme Court.
- Every person appointed to be the Comptroller and Auditor-General of India shall, before he enters upon his office, make and subscribe before the President or some person appointed in that behalf by him, an oath or affirmation according to the form set out for the purpose in the Third Schedule.
- The salary and other conditions of service of the Comptroller and Auditor-General shall be such as may be determined by Parliament by law and, until they are so determined, shall be as specified in the Second Schedule: Provided that neither the salary of a Comptroller and Auditor-General nor his rights in respect of leave of absence, pension or age of retirement shall be varied to his disadvantage after his appointment.

- The Comptroller and Auditor-General shall not be eligible for further office either under the Government of India or under the government of any State after he has ceased to hold his office.
- Subjected to the provisions of this constitution and of any law made by parliament, the conditions of service of persons serving in the Indian Audit and Accounts Department and the administrative powers of the Comptroller and Auditor-General shall be such as may be prescribed by rules made by the President after consultation with the Comptroller and Auditor-General.
- The administrative expenses of the office of the Comptroller and Auditor-General including all salaries, allowances and pensions payable to or in respect of persons serving in that office, shall be charged upon the Consolidated Fund of India.

## Article 149: Duties and Powers of the Comptroller and Auditor General

The Comptroller and Auditor-General shall perform such duties and exercise such powers in relation to the accounts of the Union and of the States and of any other authority or body as may be prescribed by or under any law made by Parliament and, until provision in that behalf is so made, shall perform such duties and exercise such powers in relation to the accounts of the Union and of the States as were conferred on or exercisable by the Auditor-General of India immediately before the commencement of this constitution in relation to the accounts of the Dominion of India and of the provinces respectively.

## Article 150: Form of Accounts of the Union and the States

The accounts of the Union and of the States shall be kept in such form as the President may, on the advice of the Comptroller and Auditor-General of India, prescribe.

## Article 151: Audit Reports

- The reports of the CAG of India relating to the accounts of the Union shall be submitted to the President, who shall cause them to be laid before each House of the Parliament.
- The reports of the CAG of India relating to the accounts of a State shall be submitted to the Governor of the State, who shall cause them to be laid before the legislature of the State.

## Article 279: Calculation of 'Net Proceeds', etc.

- Net proceeds means in relation to any tax or duty the proceeds thereof reduced by the cost of collection and for the purposes of those provisions the net proceeds of any tax or duty, or of any part of any tax or duty, in or attributable to any area shall be ascertained and certified by the CAG of India, whose certificate shall be final.
- Any proceeds of any duty or tax or that are assigned to the State provide for the manner in which the proceeds are to be calculated for the time from or at which and the manner in which any payments are to be made for the making of adjustments between one financial year and another and for any other incidental or ancillary matter.

**Third Schedule:** The CAG of India takes a prescribed oath like the Chief Justice of India.

## Sixth Schedule: District and Regional Funds

1. A District Fund shall be constituted for each autonomous district and a Regional Fund for each region to which all moneys shall be credited by the District Council and the Regional Council for the region respectively.
2. The Governor may make rules for the management of the District Fund or the Regional Fund and for the procedures to be followed for the payment of the money.
3. The accounts of the District Council or the Regional Council must be prepared as the CAG of India with the approval of the President.
4. The CAG of India shall cause the accounts of the District and Regional Councils to be audited in such manner as he may think fit and the reports of the CAG of India related to such accounts shall be submitted to the Governor who shall cause them to be laid before the Council.[5]

**Conclusion:** The role of the CAG of India covers the above-given constitutional provisions. It is the supreme agency that keeps a check on public accounts to detect frauds and errors and take to task the defaulters. Its duties are different from the auditors in the private businesses.

## Notes and References

1. About IFAC, https://www.ifac.org, retrieved on 18 April 2019.
2. Knechel, W. R., G.V. Krishnan, M. Pevzner, L. B. Shefchik, and U. K. Velury (2013), 'Audit quality: Insights from the academic literature', in *Auditing: A Journal of Practice and Theory*, 32 (Special Issue).
3. Tricker, Ray (2012), *ISO 9001:2000 for Small Businesses,* Routledge Publishers, UK.
4. Adapted from: The evolution of auditing: An analysis of the historical development, https://www.academia.edu, retrieved on 18 April 2019.
5. Adapted from: https://cag.gov.in, retrieved on 18 April 2019.

UNIT

# X ADMINISTRATIVE REFORMS SINCE INDEPENDENCE


**Chapter 32** Major Concerns—Important Committees and Commissions

**Chapter 33** Reforms in Financial Management and Human Resource Development

**Chapter 34** Problems of Implementation

*This page is intentionally left blank.*

# 32 Major Concerns–Important Committees and Commissions

## LEARNING OBJECTIVES

*After reading this chapter, you will learn about:*

- Introduction
- Importance of Administrative Reforms
- Recommendations of Major Committees and Commissions

## INTRODUCTION

India got independence in 1947 inheriting the steel frame of British Administration which India had no time to modify due to the constraints of rehabilitation of refugees and focussing more on economic growth to sustain. Public administration is an instrument of social and economic change in a society which is predominantly a welfare state like India. Expectation of citizens from the administration in public services delivery form the foundation on which the former has to design itself and work accordingly. Combining all the duties of an administrator with freedom and organization is a mammoth task for any bureaucracy and requires a perpetual reform as public administration is a continuous process. Since the world is changing constantly, it is essential that the administration keeps reforming itself to be able to deliver. The administrators need to be enablers instead of just regulators which was the norm of British administration.

Administrative reforms became essential in India because of the fact that the administrative machinery in India had to tackle with the changing social, cultural, political and economic conditions after independence. India was no longer playing the traditional role of a regulator rather it had become a facilitator and service provider. It can be said then that administrative reforms were necessitated because of:

- Changing role of the government
- Changing situations and environment
- An increase in the expectations and aspirations of the people
- To achieve efficiency and effectiveness in its administrative functions.

Jawahar Lal Nehru said, 'Administration is meant to achieve something and not to exist in some kind of an ivory tower following certain rules of procedure and Narcissus like, looking on itself with complete satisfaction. The test after all is the human being and their welfare'.[1] The Indian government has constituted more than fifty committees and commissions at the Union level to comply with the needs of changing socio-economic profile of India. The Constitution of India authorized the State legislatures and the Parliament to make laws within the scope of the constitution regarding all aspects of administration.

The main administrative reforms will be discussed in this chapter but their profile is given below in a chronological timeline in Figure 36.1.

**1942:** The Secretariat Reorganization Committee under Girija Shankar Bajpai.

**1946:** Report on the Reorganization of Central government under Richard Tottenham to understand Public Administration in independent India.

**1947:**

- The Central Pay Commission under Vardachariar
- The Secretariat Reorganization Committee Report

**1948:** The Economic Committee under Kasturbhai Lalbhai

**1949:** Report on Reorganization of the Machinery of Government under N. Gopalaswami Ayyangar

**1951:** Report on Public Administration and the Report on Efficient Conduct of State Enterprises under A. D. Gorwala

**1952:** The Machinery of Government—Improvements in Efficiency under R. A. Gopalaswami

**1953:** Public Administration in India—Report of a Survey by Paul H. Aplleby

**1953–54:** Estimates Committee—Ninth Report on Administration, Financial and other Reforms by the First Lok Sabha

**1955:** The Railway Corruption Enquiry Committee under K. J. B. Kriplani

**1956:**

- Notes on Change necessary in System of Budgetary and Financial Control by Ashok Chanda
- Re-examination of India's Administrative System with special reference to Administration of Government's Industrial and Commercial Enterprises by Paul H. Appleby
- The Public Services (Qualification of Recruitment) Committee under Ramaswami Madurai

**1981–85:** The Economic Administrative Reforms Commission under L. K. Jha

**1983:** The Fourth Central Pay Commission Report

**1983:** Sarkaria Commission on Centre–State Relations

**1985–98:** The Committee to review the existing Administrative Arrangements for Rural Development and Alleviation Program (CAARD) under G. V. K. Rao

**1988–89:** The Committee to Review the Scheme of Civil Service Examination under Staish Chandra

**1991–92:** Dr Raji. J. Chelliah Committee on Tax Reforms

**1994–97:** The Fifth Pay Commission Report

**2001:** The Expenditure Reform Commission under K. P. Geethakrishnama

**2003:** The Committee on performance Evaluation under Lt Gen. Surendra Nath

**2004:** The Committee on Civil Service Reforms under P. C. Hota

**2005:** Second Administrative Reforms Commission Report under Veerappa Moily

**2010:** Report of the Commission on Centre–State Relations under M. M. Punchhi

***Figure 36.1: Main Administrative Reforms***

## Q1 *Briefly discuss the recommendations of major committees and commissions constituted regarding administration in India.*

**Ans.** The Indian Administrative Services was certified to be the best in the world by Paul H. Appleby in the 1950s but over the years many deficiencies crept in the system and is under scrutiny. The decline began after the demise of Jawahar Lal Nehru and the system began getting centralized and a push was given to the bureaucracy to become a committed bureaucracy instead of a neutral one which led to the criminalization of the political system. The administration-politician nexus became embroiled with the criminals.

A country's development depends on its ability to be able to implement the government's policies, plans and programmes efficiently. This is done by the executive wing of the government which constitutes the administration. Effective governments will win the race in the end which is why various governments in India have been setting up commissions and committees in varying fields of administration. However, they have not been able to achieve the desired results because they are usually ignored and not implementing rendering the whole exercise futile and a waste of resources.

India's implementation of reforms has been weak which is worsened with the lack of administrative personnel. The discretionary powers of the civil servants have only increased the red tape. Moreover, the dominance of the PMO and the parallel government that was run by the Planning Commission and now the NITI *Aayog* make the matters more complicated.

Given below are some of the major commissions and committees established by the Government of India along with their recommendations:

**(I) The Secretariat Reorganization Committee Report, 1947:** In 1947, after the partition of India, the Committee on the Secretariat Reorganization was set-up to study how the vacancies for senior Indian Civil Services would be filled. It was a committee comprising six members with Sir Girja Shankar Bajpai as its Chairman to examine the shortage of personnel and the ways to utilize the available human resources. It recommended:

- Appointment of provincial civil service officers in the Central Secretariat
- Re-employment of retired civil service officers
- Reorganization of office management and work methods in the Secretariat.

**(II) The Economic Committee Report (1948):** The Report of the Economic Committee under the Chairmanship of Seth Kasturbhai Lalbhai observed that the increase in the staff of various ministries was more than three-folds in the ten-year period from 1938–39 to 1948–49 due to political and humanitarian reasons and that led to inefficiency in work It recommended the following:

- Various ways to reduce wastage and pilferage in administrative offices.
- Growth of expenditure and recommend economy measures in the civil expenditure of Government of India.
- Retrenchment of staff of the various departments.

This recommendation did not work well with the government personnel as they threatened to resign even if a peon is retrenched. This implies that the bureaucracy had become involved in a nexus with the politicians and no one wanted to release their power. Retrenchment was viewed as an attempt to reduce the area of their power patronage and bureaucracy regarded it as inimical to quick promotions.[2] Nehru appreciated the recommendations but decided to go with the bureaucracy because he was leaning towards developing a committed bureaucracy. Nehru and his socialist colleagues preferred political control over the bureaucracy instead of a neutral bureaucracy.

**(III) Ayyangar Committee Report:** The Ayyangar Committee was constituted to study the reorganization of the government offices and agencies in the Central Secretariat. Its recommendations to convert the Central Secretariat into bureaus was not accepted.

**(IV) Report on Public Administration and the Report on Efficient Conduct of State Enterprises under A. D. Gorwala (1951):** The Planning Commission appointed A. D. Gorwala to chair a Committee to prepare a report on public administration and efficient conduct of State enterprises in 1951. It gave the following recommendations:

- Formalized the ideas and institutions about Jawahar Lal Nehru's policy of planned economic development in the context of a 'mixed' economy with a dominant state sector allowing some space to the private sector
- A distinction between policy formulation and policy implementation
- Set-up an All India Economic Service
- Use psychological testing in recruitment
- Set-up Whitley Councils in India[4]
- Award more weightage in marks to the general question papers
- Implement better pay scales for civil servants
- More supervisory role for the senior officers and more public interface work to the junior staff
- Encourage and streamline decentralization of responsibility by efficient planning.

The government did not pay much attention to these recommendations and went on deaf ears.

**(V) Paul H. Appleby Reports (1952):** The Government of India invited Paul H. Appleby, a US consultant in Public Administration, Ford Foundation to conduct a survey of public administration in India. His commentary gave attention to the traditional patterns of administration in India and gave suggestions for improvement out of which one was to establish an Institute of Public Administration (IIPA) and was accepted immediately. Given below are his recommendations given in 'The Survey of Public Administration' in brief:

- Decentralization of functions by setting up of an Organization and Methods (Q & M) organization in the central government.
- Entry and exit into civil services must be made flexible to avoid the tendency of a feudalistic hierarchy.
- Identified the problem between tax intentions, tax laws and tax collections.
- Preparation of alternative budgetary classification which will give the necessary information of the ever growing public sector activities.

Appleby prepared a second report, 'A Re-Examination of India's Administrative System' regarding the administration of public sector industrial and commercial enterprises in 1956. The O&M division set-up the administrative procedures and the establishment of IIPA acted as a 'think tank' to the Government of India.

**(VI) Report on Indian and State Administrative Services and Problems of District Administration, 1962:** V. T. Krishnamachari, in his report on Indian and State Administration Services and Problems of District Administration, released in August 1962, recommended that in the context of the growing complexity of administrative problems, greater emphasis should be placed on refresher courses for directly recruited IAS officers who have completed ten years of service, and also for State Service promotes to the IAS. He also suggested short-term courses, seminars and conferences of a week to a month's duration for the benefit of senior officers. He further proposed the formulation by the Union Ministry of Home Affairs

with the assistance of other ministries a regular programme of such courses.[3] The report included the following recommendations:

1. **'On-the-job Development':** 'On-the-job Development' of Deputy Secretaries and officer higher than them was already in place but such opportunities had not been made full use of and it was recommended that they must be utilized for full measure:
   - System of rotation between the Centre and States
   - Rotation in different jobs to diversify experience
   - Participation in conferences
   - Seminars and committee work
   - Special assignments on plan projects
   - Circulation of leading Indian and foreign periodicals to all senior officers by the departmental library
   - Membership in professional organizations and participation in professional activities.
2. **Study Leave:** The Commission took cognizance of the problem concerning study leave and said, 'The complexity of modern administration and the interdependence of its different branches, and the rapid pace of progress in many fields, certainly make it desirable and in many cases necessary that public servants should have opportunities periodically to refresh their knowledge'. The commission recommended the that the purposes for which study leave might be granted should include the following:
   - A study tour in course of which a government servant may not attend a regular academic or semi-academic course.
   - Studies which may not be closely and directly linked with a civil servant's work but which are capable of widening his/her mind in a manner likely to improve his abilities as a civil servant and to equip him/her better to collaborate with those employed in other branches of the public service.
   - Studies connected with the framework or background of public administration.

   These recommendations were totally misused and civil servants were sent to foreign countries for study but the civil servants did not put their experience to practice in India.[5]

**(VII) The Committee on Prevention of Corruption under K. Santhanam (1964):** The Ministry of Home Affairs published its Report of The Committee on Prevention of Corruption under K. Santhanam. The then Home Minister Lal Bahadur Shastri asked for remedial actions instead of highlighting only the problems which everyone knows. Its main objective was to review the existing instruments for checking corruption in the Central Services and to advise practical anti-corruption measures to be taken. Due to the Chinese aggression on India, the committee had to give interim reports in light of the situation. Some of the major recommendations given by the committee were:

1. **Existing Rules:** The existing rules governing the conduct of public servants did not change before the independence which have been found inadequate.
2. **Responsibility and Supervision:** The supervisory staff must watch over the integrity of the staff under them while every government servant must be accountable for their actions. The financial limits were suitably modified in case of receiving gifts to reduce interference in private lives.
3. **Assets and Liabilities:** A statement showing assets and liabilities must be presented by the government servants periodically which must comprise value of immovable property and jewellery.
4. **Article 311:** Disciplinary proceedings involving charges of bribery, corruption and lack of integrity must be treated as a separate category which the Article 311 does not provide. Article 314 also does

not help in dealing effectively with the members of the former Secretary of States Services. These articles must be suitably amended to simplify procedures.

5. **Disciplinary Proceedings:** There must be only one set of Discipline and Appeal Rules in respect of public servants including All India Services officers which can be initiated by the President. Penalties would include withholding full or part of the pension and death-cum-retirement benefits.
6. **Compulsory Retirement:** The government should have the power to compulsorily retire a public servant who has completed 25 years of service or is 50 years old without giving reason or compensation.
7. **Review of Rules and Laws:** Laws, rules, regulations, procedures and practices must be reviewed to clearly list the following:
   - Discretionary powers
   - Levels at which such powers are exercised
   - The manner of exercise of powers
   - The control exercised within the hierarchy over the exercise of such powers
   - Points of contact between the citizens and the ministry/department and their purpose.
8. **Housing and Medical:** Accommodation and medical facility must be given to public servants and their families.
9. **Codes of Conduct:** Some informal codes of conduct and preventive measures were recommended by the Santhanam Committee which are as follows:
   - A watchful eye over the officials who deal with large moneys to identify if they are spending lavishly on entertainment.
   - The supervisor/senior must ensure twice if it is justified to doubt the integrity.
   - Integrity of candidates must be considered seriously during their recruitment.
   - Candidates with doubtful integrity must be eliminated while promoting from a non-gazetted officer to a gazetted officer.
   - An essential condition for the grant of extension or re-employment must be integrity.
   - The Central Vigilance Commission and the Vigilance Organization must be responsible for corruption complaints and protect against unnecessary harassment of victims.
   - Steps to prevent sale of information must be taken by clearly demarcating what is a secret and what can be given out freely.
   - The retired government servants must not be allowed to work in a private organization for at least two years; and many other such recommendations were made.[6]

**(VIII) First Administrative Reforms Commission, 1966:** The first Administrative Reforms Commission was constituted by the Government of India on 5 January 1966 for reviewing the public administration system of India and recommending measures for making administration fit for carrying out the social and economic policies of the government and being responsive to the people. The commission was Chaired initially by Morarji R. Desai and later on by K. Hanumanthaiah, MP when the former was made the Deputy Prime Minister of India.[7] The commission submitted its reports[8] in 20 parts containing 537 major recommendations till the mid-seventies. Some major recommendations made by the First ARC were:

1. **Minister-Civil Servant relationship:** The commission laid down some best practices in relation to the relationship between the political executive, that is, the minister and the civil servant. They are:
   - All major decisions should be in writing with reasons.
   - A free, frank and fearless atmosphere to have open discussions.
   - Discouragement of unhealthy liaison between a minister and a secretary by the Prime Minister.
   - Avoidance of the minister in routine matters.

- Understanding by the civil servants of the constraints of the minister.
- A mutual trust.

2. **Parliamentary Control:** The First ARC recommended as follows:
   - Concerning the parliamentary control over administration that the *ad hoc* committees must be replaced by department-based standing committees which will support the work of the Public Accounts Committee and the Estimates Committee.
   - If a department is under the supervision of a Standing Committee, an informal consultative committee of members of Parliament was be appointed by the minister. The commission recommended to do away with this practice.
3. **Secretariat System of Work:** The First ARC found the existing Secretariat system of work useful but made some observations:
   - Overstaffing
   - Unwieldy and blurring responsibilities
   - Non-essential work
   - Encroachment upon jurisdictions constitutionally assigned to State governments under the constitution.

   **Recommendations:** The First ARC gave the following recommendations regarding the observations mentioned above. The commission suggested that the Union ministers should legitimately concern themselves only with the following functions:
   - Offering initiative and leadership to the states and serving as clearing house of information about good programmes and practices at any level and anywhere in the country.
   - Formulation of national plan in close collaboration with states.
   - Initiating research and development beyond the resources of states.
   - Undertaking foundational training programmes.
   - Programme assessment initiatives from the national perspective.
   - Providing forums for intergovernmental meetings.
   - Coordinating from the Centre.
   - Handling relations with foreign governments and international relations.
4. **Staff Offices:** The commission recommended that each ministry must have three staff offices for:
   - Planning and policy
   - Finance
   - Personnel.

   The recommendations came in light of commission's observation of slow working in the offices comprising six levels:

   **(i)** The Dealing Assistant
   **(ii)** Section Officer
   **(iii)** Under Secretary
   **(iv)** Deputy Secretary
   **(v)** Joint Secretary/Secretary
   **(vi)** Minister.

   This clerk-oriented system needed to be reformed into an office-oriented one, with two levels of decision-making below the minister.

5. **Central Personnel Agency:** The commission recommended that a Central Personnel Agency to be established directly under the Prime Minister. This was immediately accepted by the Union government in 1970.

**(IX) Sarkaria Commission on All India Services (1983):** The Sarkaria Commission was constituted to study and examine the Centre–State relations.[9]

**(X) Committee on Civil Service Reforms, 2004:** A committee on Civil Service Reforms was set-up under the chairmanship of P. C. Hota and submitted its report in 2004. Its main objective was to ensure good governance by ensuring minimum tenures and be held accountable for performance. The Terms of Reference (ToR) of the committee[10] along with the recommendations were:

**(i) Making the Civil Service Responsive, Transparent, Accountable and Ethical:** The main recommendations under the first ToR were:
- Reduce the age of eligibility for CSE to 21–24 years
- Weed out unsuitable officer trainees by invoking Probation Rules
- Annual performance plan by the officers
- A rigorous review of the officer after 15 years of service and if his/her performance is not up to the mark, then there must be weeding out of service by giving proportional pension
- Each department or ministry must identify the points of citizen interface and benchmark the quality of services
- A civil servant to spend two years with an NGO, academic institution or in the private sector after 5–7 years of service
- Amendment of Article 311 to enable the President/Governor to dismiss/remove public servants in corruption cases
- A State of Governance Report should be published evaluating the State's performance based on the indicators of good governance.

**(ii) Making the Civil Service e-Governance Friendly:** The committee recommended that within a period of two years, a simplified electronic service delivery system for the common man must be started and each department must put the timeframe to get the service on its website. Some other recommendations made in this ToR were:
- Discarding of redundant rules
- Training of all public servants in the use of computers
- Identify skill gaps to initiate more training courses
- Departmental examinations for testing on the ability to use computers
- Each department to have its own website.

**(iii) Putting a Premium on Intellectual Growth:** There must be an optimum use of officers of the particular service and the concerned department must undertake a skill needs assessment to upgrade skill levels. Other recommendations made under this ToR were:
- Civil servants must be encouraged to the NGO sector and the government must introduce awards for robust and excellent work; and
- Make more tie-up agreements with IIMs for the civil servants to enhance their management skills.

**(iv) Protecting the Civil Servants against Wrongful Pressure and Changes in All India Service Rules and Central Civil Service Rules:** The political executive must consider the Report of the Administrative Inquiry of the Civil Service/Establishment Board while transferring an officer and

record the reasons for it but will have the final say in doing so. Its main recommendations regarding this ToR were:

- Constitution of an ombudsman for aggrieved civil servants.
- Incorporation of a Code of Ethics and a statutory minimum tenure in a post.
- Implementation of the recommendation of the Surinder Nath Committee (2003) for increasing domain knowledge of IAS officers.
- Only one term of deputation for an officer to the home State will be allowed.
- Develop a proactive attitude towards citizens by conducting more field visits.
- The civil servants must face an interview by the Selection Board for the testing of leadership skills on every promotion.

**(XI) Second Administrative Reforms Commission (ARC) (2005):** The Government of India constituted the Second ARC in the Ministry of Home Affairs in 2005 under the Chairmanship of Veerappa Moily. It submitted its last report in 2009 and most of the recommendations were passed by the government but all of them have not been implemented. The NITI *Aayog* has recommended that it is time for the next ARC to be set-up due to the rapidly changing Indian society and the effects of globalization. The administration also needs to change and adapt accordingly. The NITI *Aayog* has pledged that it would be implementing all the recommendations of the Second ARC.

It submitted 15 reports in total on varying issues and made its recommendations. It is not possible to give all the recommendations here but some of them area-wise are given below:

1. **Right to Information:** The Second ARC gave the following recommendations regarding the Right to Information:[11]
   - **(i) The Official Secrets Act, 1923:** The Official Secrets Act, 1923 should be repealed and should be substituted by a chapter in the National Security Act containing provisions of official secrets.
   - **(ii) The Indian Evidence Act, 1972:** Section 123 of the Indian Evidence Act, 1872 should be amended to deny permission to give evidence derived from official records that are exempt from public disclosure under the RTI Act.
   - **(iii) The Oath of Secrecy:** The ministers on assumption of office may take an oath of transparency while the oath of secrecy must be done away with.
   - **(iv) Exempted Organizations:** The Armed Forces must be exempted and the organizations exempted from the RTI Act must appoint their own PIOs.
   - **(v) The Central Civil Services (Conduct) Rules:** The CCS rules and the manual of Office Procedure must be suitably amended to be duty bound to provide full and accurate information except for the classified information.
   - **(vi) Classification of Information:** The Government of India must amend the Departmental Security Instructions for every ministry to identify the information which deserves a security classification. Any classified secret information can stay as such for a period not exceeding 30 years.
   - **(vii) Other Recommendations:** The Second ARC recommended regarding institution building, capacity building, monitoring and redressal of grievances mechanisms, inventory of public authorities, single window agency at district level, application to the NGOs, time limit for information of 20 years, refusal of a frivolous request and application of the Act to the legislature and the judiciary.
2. **Unlocking Human Capital:** The commission analyzed National Rural Employment Guarantee Act (NREGA) and gave recommendations that would be applicable to other flagship programmes.[12] They are:

(i) **Guaranteeing Reach:** Awareness generation programmes must be run by all State governments by using All India Radio and Doordarshan in local languages. Voters' list can be used to identify the correct number of beneficiaries of the scheme with independent monitoring. Vulnerable sections (difficult areas) and physically disabled must be given special consideration.

(ii) **Guaranteeing Outcomes:** It is imperative that a socio-economic impact of NREGA (or any other scheme) must be assessed comprising activities like first identifying the parameters, conducting a baseline survey, impact evaluation, etc.

(iii) **Ensuring Convergence:** Calculation of baseline performance indicators for basic services must be done and rural development programmes transferred to the PRIs. All similar schemes must be integrated into one integrated plan to achieve and evaluate targets achieved.

(iv) **Financial Management System:** Funds must be directly transferred to districts and the target level of funds should be fixed by *Panchayats*. The mode of payment to workers must be fixed (now funds are sent directly to the Aadhaar linked bank accounts called direct benefit transfer).

(v) **Strengthening Local Governments:** Capacity building is essential for the success of a flagship programme. There must be a judicious mix of a permanent and contractual staff.

There must be selection of shelf works at the Gram panchayat and Block/Intermediate *Panchayat* level in coordination with the district development plan. Sound monitoring system, entrepreneurial institutes for the rural poor, transparency and RTI Act, use of Information and Technology (IT) and a coordination mechanism were some of the recommendations that the Second ARC made.

3. **Crisis Management:** Neglect of natural assets and environment have led to crisis in India. Natural disasters cannot be avoided but the crises arising out of them can be managed. The Second ARC suggested the following[13]:

(i) **Amendment of the Disaster Management Act, 2005:** The Act must be amended to include categorization of disasters by levels; response measures must be left with the State, district and the local levels; and a uniform structure at the apex level must be created to handle all crises.

(ii) **Coordination:** There must be coordination at the apex operational level. The disaster management law must be amended to provide for a well-defined role to the municipal bodies and PRIs. Crisis management must also be set-up for metropolitan cities by which the Mayor, the Commissioner of the Municipal Corporation and the Police Commissioner must be responsible for crisis management.

(iii) **Interstate Rivers:** The powers in the Entry List 56 in the Union List must be invoked and a new law must be enacted to set-up mechanisms for data collection, managing flow in rivers and release of water from reservoirs to prevent man-made disasters with interstate ramifications.

(iv) **Empowerment of Disaster Management Departments:** The Relief Commissioners/Disaster Management Departments must be empowered to effectively discharge disaster related responsibilities.

(v) **Institutional Management:** Disaster management must be supported by the Science and Technology Department and bringing in professionalism.

(vi) **Other Recommendations:** The Second ARC must enunciate a policy towards crisis management which emphasizes risk reduction; assessment of risk by hazard and vulnerability analysis; general awareness about risk; preparation of disaster management plans; making crisis/disaster management plans a part of development plans; instruments for mitigation of hazards and construction of disaster resistance structures.

4. **Ethics in Governance:** The report on 'Ethics and Governance' highlights the weaknesses in the Indian administration and political culture.[14] It stressed the need for ethics in governance and made the following recommendations:

(i) **Reform of Political Funding:** There must be an introduction of a system of partial state funding to reduce the scope of illegitimate and unnecessary funding of expenditure for elections;

(ii) **Anti-Defection Law:** The President/Governor must have the power to disqualify members on grounds of defection on the advice of Election Commission.

(iii) **Coalition and Ethics:** There must be clarity by amending the constitution to ensure that if one or more parties in a coalition with a common programme mandated by the electorate either explicitly before the elections or implicitly while forming the government, realign mid-stream with one or more parties outside the coalition, the members of that party or parties shall have to seek a fresh mandate from the electorate. This problem was sorted by the recommendations given by the Sarkaria Commission.

(iv) **Ethical Framework for Ministers:** There should be a Code of Ethics to provide guidance on how ministers should uphold the highest standards of constitutional and ethical conduct in the performance of their duties. The offices of the Prime Minister and the Chief Ministers must be empowered to monitor the Code of Ethics and the Code of Conduct. They must receive the applications of grievances by the public against the political executives. Ethical norms in legislatures must be enforced and an office of the 'Ethics Commissioner' must be constituted in each House of the Parliament.

(v) **Office of Profit:** The law must be amended to define the office of profit based on sound principles given by the Second ARC. It suggested to abolish schemes like Members of Parliament Local Area Development Scheme (MPLADS) and Member of Legislative Assembly Local Area Development Scheme (MLALADS).

(vi) **Code of Ethics for Civil Servants:** 'Public Service Values' towards should aspire should be defined and applicable to all tiers of government and parastatal organizations. The code must be applicable to the regulators and judiciary also.

(vii) **Corruption and Bribery:** 'Collusive Bribery' must be made an offence by amending the Prevention of Corruption Act. The penalty in this case must be double than the other cases of bribery. The corrupt officers must pay damages for takin bribery.

Whistle-blowers must be given adequate protection and corruption in the private sector also must be curbed by acting against *benami* transactions. Rashtriya Lokayukta (*Lok Pal*) must be appointed. The commission also gave recommendations regarding the role of media, social audit, promoting competition, simplifying transactions and procedures, using IT, reducing discretion, supervision, monitoring complaints, intelligence gathering and protecting honest civil servants.

5. **Public Order:** Public order is a critical necessity for progress. An unruly society would be a recipe for economic disaster. The commission proposed changes which would substantially remove and reduce the scope of extraneous influences to bear upon the functioning of the police and make them professional, fair and citizen-friendly.[15] Some major recommendations are:

(i) **State Government and Police:** The Police Acts must be amended appropriately incorporating the powers of the superintendent of police as responsible for the whole State and to promote professional efficiency in quality policing. 'Obstruction of Justice' must be made an offence under the law.

(ii) **Separation of Investigation from other Functions:** Crime investigation must be separated from other policing functions.

(iii) **Accountability:** A State Police Performance and Accountability Commission must be constituted to frame policy guidelines to promote efficiency, effectiveness and responsiveness in

their policing functions. A State Police Establishment Committee must be established to deal with the cases of all gazetted officers and up to the rank of Director General of Police.

(iv) **Local Police and Traffic Management:** A task force must be constituted under the Ministry of Home Affairs to look into the state laws to transfer investigation of violations to the implementing departments.

(v) **The Metropolitan Police Authorities:** All cities with population above one million must have their own Metropolitan Police Authorities.

(vi) **Other Reforms:** The Second ARC recommended outsourcing non-core functions to reduce the burden of the police; empowering cutting-edge functionaries; police welfare; independent complaints authorities; etc.

6. **Local Governance:** The ARC examined the rural and urban local governance in India regarding the need for real democratic decentralization and good governance.[16] Given below are the main recommendations:

(i) **The Principle of Subsidiarity:** Articles 243G and 243W should be amended giving powers to the Panchayati Raj to enable them to function as self-governing bodies.

(ii) **Voice of Local Bodies:** The Parliament must provide for the constitution of a Legislative Council comprising members elected by the local bodies.

(iii) **Structure of Local Bodies and the Electoral Process:** The commission recommended amendment to Article 243 to empower the local bodies. The State Election Commission must be tasked with delimitation and reservation of constituencies and laws to be suitably amended.

(iv) **Urban Rural Balance:** The Articles 81, 82, 170, 330 and 332 must be amended to correct the imbalance between the urban and rural representation in legislative bodies.

(v) **Devolution of Powers:** There must be a continuous delineation of functions for each level of local government to work out locally relevant programmes. A Framework Law for local bodies must be prepared and enacted under Article 252 laying down the broad principles of devolution of powers to the local communities.

(vi) **Other Recommendations:** The Second ARC recommended regarding the State Finance Commission, capacity building for self-governance, decentralized planning, accountability and transparency, accounting and audit, use of IT, space technology, personnel management in PRIs, position of parastatals, activity mapping, etc.

7. **Capacity Building for Conflict Resolution:** Democracy is essential for conflict resolution and nation building through mutual understanding and respect. Most of the disputes in India are over economic resources. The commission examined the background and emerging facets of conflicts that plague India.[17] Given below are the major recommendations given by the Second ARC:

(i) **Left Extremism:** A long-term (ten years) and a short-term (five years) Programme of Action must be formulated to negotiate with the extremist outfits. The capacity of security forces must be enhanced to deal with the operational procedures. The local developmental agencies must be given flexibility to deal with the specific local problems. Infrastructure and public investment in developmental tasks must be done by the governments and also encourage Self-Help Groups to improve credit and marketing to empower the disadvantaged.

(ii) **Special Economic Zones (SEZ):** The use of prime agricultural land must be avoided in establishing SEZs and must be limited in number, specifying the social responsibilities of the entrepreneurs who seek to establish SEZs.

(iii) **Water Related Issues:** The Union government must settle interstate water disputes by setting up River Basin Organizations for each interstate river. A National Water Law must be framed and passed by the Parliament.

(iv) **Scheduled Castes and Tribes:** The government must adopt a multipronged strategy to end all types of discrimination against scheduled castes and scheduled tribes. Cases of social discrimination must be identified and take action there.

(v) **Other Recommendations:** The commission recommended in various other areas like other backward classes, religious conflicts, politics and conflicts, capacity building in police and local governance in the North East, civil society and conflict resolution, etc.

8. **Combating Terrorism:** The nation is facing non-state terror within the country as well on the border. The government reacts to events but there is no long-term vision or planning to tackle terrorism. The intelligence network and policing capacity at both Union and the State levels need to be significantly improved to meet the challenges posed by terrorism. The Second ARC gave the following recommendations:

   (i) **Comprehensive Anti-Terrorist Legislation:** A comprehensive and effective legal framework to deal with all aspects of terrorism needs to be enacted. The law must have appropriate safeguards to prevent its misuse.

   (ii) **Bail Provisions:** The law should provide detailed clauses regarding grant of bail by fixing a bond. When the public prosecutor opposes the bail application of accused to release on bail, no person accused of an offence punishable under this Act until the court is satisfied.

   (iii) **Role of Citizens and Civil Society:** The NCERT has proposed a scheme to encourage and support institutions, voluntary agencies and NGOs, etc.

9. **Social Capital:** The commission has explored the evolution and growth of the institutions that lie at the base of social capital in India with particular reference to societies, trusts/charitable institutions, waqfs and endowments, self-regulatory authorities and cooperatives.[18] It gave the following recommendations:

   (i) **New Legal Framework for Charities in India:** The Union government must draft a comprehensive model legislation covering both Trusts and Societies *in lieu* of the existing laws on societies, endowments and charitable institutions, etc.

   (ii) **Corporate Social Responsibility (CSR):** There should be a system of accreditation/certification of voluntary organizations which seek funding from government agencies. A National Accreditation Council must set-up by the enactment a new law.

   (iii) **Charitable Organizations and Laws:** The registration or approval should be granted or an order rejecting the application should be passed within a period of ninety days from the date of filing an application instead of the existing 180 days under Sections 12AA and 80 G.

   (iv) **Regulation of Foreign Expenditure:** There must be a fine balance between the purpose of the legislation on one side and smooth functioning of the voluntary sector on the other. Transparent guidelines must be prescribed for interagency consultation regarding minimum amount of donation, the authority which would authorize it, etc.

   (v) **Self-Help Group (SHG) Movement:** The government must act as a promoter and a facilitator for the SHG Movement all over the country. The banks must be tied to the SHGs to give them credit like the National Bank for Agriculture and Rural Development (NABARD).

   Some other aspects taken up by the ARC like separating professional education from self-regulatory authorities, continuing professional education, ethical education and training, disciplinary mechanism, constitution and composition of the self-regulatory authorities, etc.

10. **Refurbishing of Personnel Administration:** The commission advocated a total change, a radical transformation and proposed a wide-ranging agenda of reforms that include reforms relating to

recruitment, training, domain competency, creation of leadership and such aspects.[19] Some of the major recommendations are given below:

(i) **Stage of Entry into the Civil Services:** The government must establish National Institutes of Public Administration to run Bachelor's degree courses in public administration/governance/management which will evolve as major sources of civil service aspirants. However, the reality at present is that most of the colleges are shutting down public administration whereas the NITI *Aayog* has committed itself to implement all recommendations into action.

(ii) **Age of Entry:** The age limit must be fixed at 21 to 25 years for general category, 21 to 28 years from OBC and 21 to 29 years from SC/ST and physically challenged.

(iii) **Structure of the CSE:** Two methods were proposed by the commission to choose from for the CSE. The first was to conduct the preliminary and the main examinations together on 2 to 3 consecutive days. There must be a fixed threshold level of marks in the preliminary examination and those who are successful should only be liable for their paper evaluation. The second method comprised of choosing the eligible candidates from the successful pool after the preliminary examination and the personality test for the main examination. This would allow the process of personality testing and main examination simultaneously.

(iv) **Grade A Posts:** An examination must be conducted by the UPSC for the State Civil Services with 8 to 10 years of service for promotion to the IAS. The induction programme must also consider the ACRs of the candidates.

(v) **Other Recommendations:** Among the vast number of recommendations given by the Second ARC, it recommended reforms in allotment of cadres to the All India Services, capacity building, recruitment at Group B, C, UDC and LDC level, placement at top, middle management level, performance management system, motivating civil servants, accountability and the relations between the political executive and the civil servants.

11. **Promoting e-Governance:** The challenges in e-governance have been described as centred around four key areas, that are, people, process, technology and resources. Governments need to be both leaders and facilitators to successfully compete in a network based global economy. Governance can be drastically improved with the help of Information Technology bringing in a citizen friendly, responsive and efficient governance.[20] The Second ARC gave the following major recommendations:

(i) **Building a Congenial Environment:** A congenial environment is a pre-requisite for the implementation of e-governance initiatives by creating and displaying a will to change within the government and providing political support at the highest level. The government as well as public must be made aware of the benefits of changing to e-governance.

(ii) **Identification of e-Governance Projects and Prioritization:** Governments at all levels must identify where e-initiatives can be implemented and make a priority list where they would benefit most to the citizens.

(iii) **Business Process Re-Engineering:** The processes in business must be analyzed to rationalize and simplify them. The views of all stakeholders and citizens must form the basis to formulate the processes and repeal all redundant rules to increase ease-of-doing-business.

(iv) **Capacity Building and Awareness:** Capacity building must include the improvement of the organizational capacity and also of the individuals associated with e-governance initiatives which must be taken up by the Administrative Training Institutes.

(v) **Developing Technological Solutions:** An e-governance 'enterprise architecture' framework must be developed at the national level by building capacity at top level managers in all

government organizations. Their implementation must be carried out by periodically updating their websites and re-designing them on he obtained feedback.

(vi) **Other Recommendations:** The Second ARC included various other recommendations like monitoring and evaluation; institutional framework for coordination, public-private partnerships; protection of critical information infrastructure assets; mission mode projects on land records, passport and visas and UID cards, legal framework for e-initiatives and knowledge management.[21]

12. **Citizen Centric Administration:** The governance in India can be simplified to bring to its citizens a multichannel single window delivery structure for channelizing all types of government services at the local level in the most efficient manner possible using modern IT technology so that the citizen can access these services easily and conveniently through mobile telephony.[22] Given below are the recommendations of the Second ARC:

(i) **Functions of Government:** The government agencies must introduce single window agency concept within their organizations to minimize delays and maximize convenience to the citizens in delivering developmental and regulatory services.

(ii) **Citizens' Charters and Sevottam Model:** Each department/ministry must formulate its own Citizens' Charter and work mandatorily under the Sevottam model for organization shaving a public interface.

(iii) **Citizens' Participation:** There must be a suggestion box in which all suggestions can be put by the citizens which must be considered as feedback to the government. A monitoring and evaluation system can ensure that all norms and rules have been complied with. Women and physically challenged must be included in the citizen-interface.

(iv) **Delegation:** Based on the principle of subsidiarity, each government organization must assess if adequate delegation of authority had been carried out.

(v) **Public Grievances Redressal System:** Governments at all levels must ask all public authorities to designate Public Information Officers (PIOs) under the RTI Act. Grievance prone areas must be identified and consumers must be given consumer protection by settling disputes through well-established Lok Adalats.

(vi) **Special Institution Mechanism:** A common format for making complaints before various statutory commissions should be devised in consultation with each other. An electronic database must be prepared by all government organizations and must be networked with each other to facilitate comparison of data.

(vii) **Other Recommendations:** The Second ARC recommended on some other issues like simplifying and rationalizing internal procedures, monitoring and evaluation, registration of births and deaths and building licenses and completion certificates.

13. **Organizational Structure of Government of India:** The Second ARC examined and made recommendations on reforming the structure of the Government of India since the sustainability of the other reforms is closely linked with the creation of a proactive, efficient and flexible organizations framework. The main recommendations are:

(i) **Rationalization:** The restructuring of the structure of the government must be done by focussing on the core functions guided by the principle of subsidiarity. Redundant activities must be ended and emphasis must be laid on decentralization and delegation. The concept of a ministry must be clearly defined as being a group of departments whose functions and subjects are closely related and rationalization of all functionaries. The Allocation of Business Rules must be recast by bringing in a uniformity across all departments.

(ii) **Policy Analysis and Policy Evaluation:** The principles governing delegation to their attached and subordinate offices that are executive agencies must be incorporated into the Transaction of Business Rules. All relevant policies must be updated after an evaluation.

(iii) **Reorganization of Ministries:** All ministries must lay down a detailed scheme of delegation so that decision-making takes place at the most appropriate level. A file must not move more than three levels.

(iv) **Coordinating Mechanisms:** Selective but effective use of group of ministers with clear mandate and prescribed limits can be helpful as coordinating mechanisms. A committee of Secretaries can be formed to look into unresolved issues concerning states.

(v) **Effective Regulatory framework:** A 'Management Statement' must be made and declared by each ministry outlining the objectives and roles of regulators. Parliamentary oversight of regulators should be ensured through respective Departmentally Related Standing Committees.[23]

14. **Strengthening Financial management Systems:** Reforms in the financial management system are reforms in governance. All reforms ultimately converge in financial management reforms to attain accountability and transparency which in turn lead to better governance. Public Financial Management (PFM) basically deals with all aspects of resource mobilization and expenditure management in government.[24] The recommendations made by the Second ARC will be dealt with in the chapter on reforms in financial management.
15. **State and District Administration:** The State and district administration exist primarily to provide these services to the citizens. There are laid down rules and procedures for every aspect of the government's functioning and its interaction with the common man but due to weaknesses of the bureaucracy, growing complexities of administration and absence of commitment and responsiveness, a wide gap has emerged between 'Government' and 'Governance'[25] The recommendations have been given in Chapter on District Administration.

## Conclusion

No more commissions have been constituted by the Government of India after the Second Administrative Reforms Commission. Sensitization Programme on the Second ARC Recommendations (DARPG–GoI) 2 Days Capsule for Group 'A' and 'B' Officers (Induction level) was started in 2013. Some administrative reforms were implemented in 2013 which included self-certification, avoidance of affidavit, downloadable forms, transparency and accessibility and e-governance awards with emphasis on staff satisfaction. The NITI *Aayog* is committed to put all the recommendations into action so that a third ARC can be constituted as the time has come to have another set of reforms keeping in mind the global pressures and changes.

## Notes and References

1. Hota Committee Report, https://darpg.gov.in, retrieved on 13 March 2019.
2. Misra, B. B. (1961), *The Indian Middle Classes: Their Growth in Modern Times,* Oxford University Press, Delhi.
3. Krishnamachari V. T. (1962), '*Report on Indian and State Services and Problems of District Administration*', Government of India, Planning Commission, New Delhi.
4. A negotiating body for discussing and settling matters of industrial relations, pay and conditions, and related issues.
5. Srinivasavardhan T. C. A. (January–March, 1961), 'Some Aspects of the Indian Administrative Service' in *Indian Journal of Public Administration,* Volume VII, No. 1, New Delhi.
6. Report of the Committee on Prevention of Corruption, http://www.cvc.nic.in, retrieved on 14 March 2015.

7. First Administrative Reforms Commission, http://interstatecouncil.nic.in, retrieved on 14 March 2019.
8. Reports submitted by:
   Problems of Redress of Citizens Grievances (Interim)
   Machinery for Planning
   Public Sector Undertakings
   Finance, Accounts and Audit
   Machinery for Planning (Final)
   Economic Administration
   The Machinery of Government of India and its Procedures of Work
   Life Insurance Administration
   Central Direct Taxes Administration
   Administration of UTs and NEFA
   Personnel Administration
   Delegation of Financial and Administrative Powers
   Centre–State Relationships
   State Administration
   Small Scale Sector
   Railways
   Treasuries
   Reserve Bank of India
   Posts and Telegraphs
   Scientific Departments
9. Refer to Chapter 19
10. Hota Committee Report, https://darpg.gov.in, retrieved on 14 March 2019.
11. Adapted from: RTI, Master Key to Good Governance, https://darpg.gov.in, retrieved on 15 March 2019.
12. Adapted from: Unlocking Human Capita, Entitlements and Governance - a case study, https://darpg.gov.in, retrieved on 15 March 2019.
13. Adapted from: Crisis Management, From Despair to Hope, https://darpg.gov.in, retrieved on 15 March 2019.
14. Adapted from: Ethics in Governance, https://darpg.gov.in, retrieved on 15 March 2019
15. Adapted from: Public Order, https://darpg.gov.in, retrieved on 15 March 2019.
16. Adapted from: Sixth Report, Local Governance, An inspiring journey into the future, https://darpg.gov.in, retrieved on 16 March 2019.
17. Adapted from: Capacity Building for Conflict Resolution, Friction to Fusion, https://darpg.gov.in, retrieved on 16 March 2019.
18. Adapted from: Combating terrorism, Protecting by Righteousness, https://darpg.gov.in, retrieved on 16 March 2019.
19. Adapted from: Social Capital–A Shared Destiny, https://darpg.gov.in, retrieved on 16 March 2019.
20. Adapted from: Refurbishing of Personnel Administration, Scaling New Heights, https://darpg.gov.in, retrieved on 16 March 2019.
21. Adapted from: Promoting e-Governance, The SMART Way Forward, https://darpg.gov.in, retrieved on 16 March 2019
22. Adapted from: Citizen Centric Administration–The Heart of Governance, https://darpg.gov.in, retrieved on 16 March 2019.
23. Adapted from: Organizational Structure of Government of India, https://darpg.gov.in, retrieved on 16 March 2019.
24. Fourteenth Report, Strengthening Financial Management System, https://darpg.gov.in, retrieved on 16 March 2019.
25. Fifteenth Report, State and District Administration, https://darpg.gov.in, retrieved on 16 March 2019.

# 33 Reforms in Financial Management and Human Resource Development

## LEARNING OBJECTIVES

*After reading this chapter, you will learn about:*

- Core Principles of Public Finance Management
- Reforms Suggested by the Second ARC in Financial Management System in India
- Reforms Suggested by the National Institute of Public Finance and Policy
- Recent Reforms in the PFMS
- Reforms in Human Resource Development

## INTRODUCTION

The financial management system constitutes vast aspects to achieve the national objectives like resource mobilization, prioritization of governmental activities, plan formulation in detail, data centres that help in prudent decision-making and establishing strong internal and external accountability mechanisms. In a nutshell, Public Finance Management (PFM) comprises all facets of resource mobilization and expenditure management in government and it is extremely essential in a government. The expectations and aspirations of the citizens increases the pressure on the government's expenditure making it even more important for a PFM to be well organized system.

In the earlier decades after independence PFM, as a concept, was confined only to budgeting, accounting, monitoring and evaluation but came to include taxation, resource mobilization, debt and cash management, budgetary process, accounting systems, information systems and audit.

The reforms in financial management have concentrated on the following areas, given in Figure 33.1.

The reforms in the PFMS in India did not yield the desired results mostly because a segmented approach had been followed.

Taxation Reforms

The Use of Government Budget as a Tool for Economic Development

Improved Budget Classification

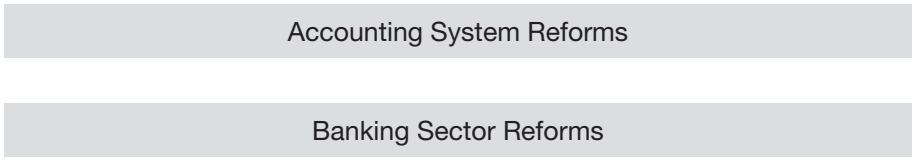



***Figure 33.1: Areas of Reform in Financial Management***

## Q1 *What is the basis of Public Finance Management System? Discuss the core principles of reforming the finance management system in India as given by the Second Administrative Reforms Commission.*

**Ans.** The development of a country depends mainly on the use of financial resources judiciously. With the changing global factors that affect Indian socio-economic growth, it is of utmost importance that reforms must be carried out to maintain and keep up with the pace of such developments. It is well observed, at the risk of reiterating the fact, that in the long run, the race among nations will be won or lost not on the basis of comparative advantage arising from resource endowment but by the competitive advantage created by effective governments. Hence, reforms in the PFMS are essential to meet the developmental challenge.

### Core Doctrines of PFMS

PFMS is based on certain core doctrines which are given below:

1. **Revenue Collection:** There is an utmost need to continuously work towards improving the ways the base of revenue collection can be increased. It helps to establish a government's authority but is limited by external global factors. The government has less control over increasing the tax rate and has to rely more on increasing the tax reach and efficiency in its collection. Hence, it is implied that revenue services must be properly resourced and motivated to collect taxes more efficiently.
2. **Debt and Cash Management:** Sound principles for deficit funding must be established and followed with proper risk management procedures. Good government borrowing management will lead to reduction in funding costs.
3. **Effective Planning and Resource Allocation:** Planning process must be institutionalized and effectively implemented while laying focus on outputs more than on expenditure and inputs. Budgeting is another tool to achieve the objectives in a developing country like India. Strong accounting and reporting procedures supported by appropriate funding assist in establishing a PFMS.
4. **Oversight and Monitoring:** The base of a strong PFMS is to establish an effective oversight and monitoring mechanism. There are two ways this can be achieved, which are:
    1. **Internal:** Internal mechanisms must be ruled by clear rules on transparency and reporting especially in the national treasury.
    2. **External:** External oversight can be carried out by bodies like independent parliamentary committees, a public ombudsman, a free media, civil society and an independent auditor general.[1]

## Core Principles of Reforms in the PFMS

The Second ARC studied and endorsed the common elements of the budgetary reforms suggested by Organization for Economic Cooperation and Development (OECD) member countries. The commission accepted that additions suitable for Indian economic conditions and presented the following core principles for reforming the financial management system in the country, enlisted in Figure 33.2.

***Figure 33.2: Core Principles of Reforms in PFMS***

1. **Reforms in Financial Management System are part of Overall Governance Reforms:** Governance reforms comprise:
   - Improved transparency
   - Greater accountability
   - Elimination of corruption
   - Fiscal and environment sustainability.

These reforms cannot take place without the support of reforms in financial management system to achieve effective delivery and desired results. Reforms in the PFMS are a means to achieve good governance.

2. **Sound Financial Management is the Responsibility of all Government Departments/Agencies:** All government agencies/organizations and not only the Finance Wing/Finance Ministry have the responsibility to do the following to attain organizational goals:
   - Maintaining financial prudence
   - Discipline and accountability
   - Ensuring prompt and efficient utilization of resources
3. **Medium-Term Plan/Budget Frameworks and Aligning Plan Budgets and Accounts:** Medium-term plan/budgets frameworks attempt to bridge the gap between the short-term horizon of annual budgets and the medium-term objectives of the schemes and programmes of government. Even there are medium-term frameworks like five-year development plans, there is aligning the annual budgets explicitly with the plans and with the accounting mechanisms so that there is a clear 'line of sight' between the medium-term development plan and the annual budget exercise.
4. **Prudent Economic Assumptions:** This principle deals with a prudent exercise in preparing budget estimates without letting them get inflated. It is seen that usually the departments/ministries inflate their previous year's appropriations as estimates but end up wasting resources as unused funds.
5. **Top-Down Budgeting Technique:** The Second ARC gave the principle that the bottom-up budgeting approach must be changed to top-down budgeting. It will ensure that the policies formulated at the top will transform into action and desired outcomes and outputs rather than inputs and processes, for example, the policies in India are now framed based on the Sustainable Development Goals (SDGs) and the States also have been instructed to do so. This makes the policy trickle down from top to the bottom ensuring outputs and outcomes.
6. **Transparency and Simplicity:** It is imperative that the budget documents must be simple and easy to comprehend and be available in the public domain. There must be simplicity in procedures in operating the budget like the release of funds. Appropriate financial management systems need to be developed to ascertain that all transactions are available for public scrutiny.
7. **Relaxing Central Input Controls:** More operational autonomy and flexibility must be awarded to government agencies by consolidating budget items and decentralization of administrative and financial powers. This implies that the policy comes from the top but the administration must be given operational freedom for its implementation.
8. **Focus on Results:** Accountability in government needs to progress shift from compliance with rules and procedures to more focus on the achievement... the achievement of results. This requires relaxed central input controls with an emphasis on 'value for money'.
9. **Adopting Modern Financial Management Practices:** It is essential to adopt modern financial management tools like accrual accounting, information technology, financial information systems, etc., to improve decision-making and accountability but before initiating such practices, a congenial environment is essential with adequate capacity training to the personnel.
10. **Realistic Budgeting:** This principle is derived from making prudent economic assumptions. The projections in estimates of various departments and ministries must be realistic.

The above-mentioned principles make-up the ways and methodologies that will build the public financial management system in India. The Second ARC recommendations have been accepted by the government but all of them have yet to be implemented as pledged by the NITI *Aayog*.

## Q2 *Discuss the reforms suggested by the Second ARC in Financial Management System in India.*

**Ans.** The Second ARC gave recommendations to strengthen the PFMS in India after a detailed examination of the system and various consultations with experts on the subject and examined some of the best national and international practices. It was asked to specifically look into the following aspects of the financial management system:

1. **Capacity Building:** Capacity building in financial management systems at all levels of governance to ensure smooth flow of funds for programmes/projects, proper maintenance of accounts and timely furnishing of necessary information/documents for this purpose.
2. **Internal Audit:** Strengthening of internal audit systems to ensure proper utilization of funds for the purposes/outcomes for which they have been provided and checking that unit cost of delivery/outcome is as per benchmark developed for this purpose.
3. **External Audit:** An institutionalized method of external audit and assessment of the delivery and impact of programmes.

The commission focussed primarily on expenditure management and organized a national workshop with the National Institute of Public Finance and Planning (NIPFP) to discuss various aspects of the financial management system in the government. Given below are the recommendations regarding the strengthening of financial management:

1. **Unrealistic Budget Estimates:** The commission gave the following recommendations concerning avoidance of unrealistic budget estimates:
   - The gap between the 'estimates' and the 'actuals' at the end of each year must be minimized by making estimates.
   - The method of annual budget formulation of getting details from different organizations and fitting them into a pre-determined aggregate amount leading to unrealistic budget estimates must be ended. The method of budgeting on the basis of 'analysis of trends' must be replaced by a 'top-down' method by indicating aggregate limits to expenditure to each government agency.
   - It is essential to build internal capacity to formulate realistic estimates.
2. **Delay in Implementation of Projects:** There must be a careful consideration while initiating projects and schemes before they are included in the budget so that the scarce resources are not spread thinly over a large number of projects/schemes.
3. **Skewed Expenditure Pattern:** It is observed that there is a rush of expenditure towards the end of the financial year. A Modified Cash Management System (MCMS) should be extended to all demand for grants as soon as possible.
4. **Multiyear Perspective:** The commission recommended that regarding the inadequate adherence to the multiyear perspective and missing line of sight between plan and budget that a High-Powered Committee may be constituted to find the need and ways of fixing multiyear expenditure limits for ministries/departments through the Five-Year Plans and linking them to annual budgets with carry forward facility.
5. **Ad hoc Project Announcements:** The practice of announcements of projects on *ad hoc* basis in budgets and on important national days must be stopped.
6. **Budgetary Financial Targets:** Outcome budgeting must be initiated by having capacity building.
7. **Irrational Plan Non-Plan Distinction:** The plan versus non-plan distinction must be done away with. This practice was done away with by the Government of India (GoI) in 2016.

8. **Centrally Sponsored Schemes:** The Controller General of Accounts in consultation with the Comptroller and Audit General should lay down the principles for implementing the system of flow of sanctions/approvals from the Union ministries/departments to implementing agencies in the States to facilitate release of fund at the time of payment with efficient use of technology.
9. **Development of Financial Information System:** A robust financial information system on the lines of SIAFI 2 Brazil must be followed in India which will enhance transparency by providing real time data on government expenditure at all levels to the public.
10. **Accrual System of Accounting:** A task force should be established to examine costs and benefits of introducing the accrual system of accounting. It should also examine its applicability in case of the appropriation accounts and finance accounts. It can be initiated as a pilot project in a few commercial public sector enterprises and its implementation can be reviewed by a committee of experts which can then recommend further implementation in all departments. Capacity building and training can be conducted of accounting personnel before the new system is adopted.
11. **Internal Audit:** An Office of the Chief Internal Auditor must be established, responsible to the Secretary to the department and its statutes and functions must be related to internal audit in coordination with the Comptroller and Auditor General (CAG). The personnel can be recruited from the existing accounting cadres. Standards can be prescribed by the office of the CAG while the accounting functions must be kept separate from the internal audit. An Audit Committee must be constituted in each ministry/department with a Chairperson.
12. **Integrated Financial Adviser:** The role of the Financial Adviser as the Chief Finance Officer of the ministry who is responsible and accountable to the Secretary of the ministry/department and has training and experience in modern PFMS. Dual accountability must be abolished.
13. **Accountability to the Parliament:** The Parliamentary Committees must examine as many more audit paras that they can by making a methodological mechanism.
14. **Relationship between Audit and the Government Agencies:** The commission recommended that the audit and auditees must have a better relationship to enhance public accountability and better audit impact. Audit reports must acknowledge good performance also besides making a criticism of the agency's weaknesses.
15. **Timeliness of Audit:** External audit must be completed in time by 30th of September of the following year to have relevance in making corrections by using latest IT software in data collection and analysis. The government agencies must also be more prompt in responding to audit observations in taking remedial measures and removing systemic deficiencies.
16. **Action against Officers:** If the replies to audit paras are perpetually not given, action must be taken against the concerned officer.

All recommendations were accepted by the Government of India and conveyed to all concerned departments/ministries. However, carrying out reforms in the public administration is a continuous process and the Second ARC recommendations need to be reviewed again considering the rapid changes happening in the global economy that have an impact on the Indian economy.

## Q3 *Write down the ways the Public Finance Management System can be improved as given by the National Institute of Public Finance and Policy (NIPFP) in exploring the opportunities to move forward.*

**Ans.** The NIPFP published a document entitled, *Improving Public Financial Management in India: Opportunities to move Forward* in 2013 to find ways to improve public service delivery by establishing an account-

ing framework and proper implementation of pro-poor policies. A sound PFMS has to be accompanied with well-established budgeting, accounting, audit and legislative control systems. It has become evident through many research studies that a lot of improvement needs to be done. The NIPFP addresses fundamental PFM issues which are given below:

1. **Performance Oriented Budget-Making:** The reforms in the financial management system besides the ones given by the Second ARC are given below:

   **1968:** The Indian approach in budget formulation has been supplementing a line-item budget with ministry-wise performance budget (started in 1968) for the same budget session. Mostly, departments surrender the unspent extra money at the end of the financial year which shows that there is a lack of efficiency in programme management at the departmental level in a budget cycle.[3] The performance budget formulation has been facing a constant challenge due to the deficiencies in capacity and absence of realistic performance measurement in terms of developing performance indicators for governmental schemes and projects.

   **2005:** After the failure of performance budget, the Government of India started Outcome Budgets in 2005 which entailed defining outcomes for all government programmes to improve good governance in India. The government implemented Outcome Budgets in the States as well.

   **2009:** The Government of India introduced the 'Performance Monitoring and Evaluation System (PMES) for Departments to achieve better performance management. The PMES is a 'Results Framework Document' (RFD) which is a record of understanding between the departmental minister and the Secretary of the department, providing physical performance indicators to be achieved during a year.[4] The RFD stresses the fact that the success indicators are physical achievement of government programmes through which managerial accountability can be ensured.[5] Accountability of framework in the budgetary system is strengthened by an integration of PMES and RFD although a lot has to be done in this field.
2. **Medium-Term Perspective in Expenditure Planning:** The Medium-Term perspective in expenditure planning is an approach that adjusts priorities of expenditure for projects that are spread over more than one fiscal year. Multiyear projects were broken up into annual plans in alignment with the Five-Year Plans for the purpose of resource allocation. The problem in this area arose because the Five-Year Plans provided a conceptual framework whereas the budget laid stress on the control systems for the utilization of funds allocated by the government. It is difficult to integrate the Plan objectives with the budgetary allocations made under various heads.

   **2011:** A High-Level Expert Committee on Expenditure Management recommended a realistic approach that was appropriate for Indian conditions and systems. It recommended abolishing the distinction between the plan and non-plan expenditure as the Second ARC had done which was ultimately abolished in 2016. The second major recommendation of the Expenditure Management Committee was to develop a three-year expenditure framework to be updated in the light of resource availability with sectoral priorities and performance. The Finance Ministry estimates the budgetary resources and lays down the ceilings to ministries on a three-year rolling basis.
3. **Fiscal Rules and Budget Management (FRBM):** The FRBM Act was passed in 2003 as a Central Act and was followed by the State governments. This Act was passed in response to the bad situation of public finance at all levels of the government in the late nineties. Its main objective was to reduce the fiscal deficit to GDP ratio at 3 per cent by 2008–09 by balancing the current account and maintaining long-term fiscal sustainability to prevent more debt. The problem again worsened in the said year with the national growth declining to 6.7 per cent from an average of 9.4 per cent in the preceding three years.

**The Thirteenth Finance Commission (2007–2012):** It suggested that debt stock and fiscal deficit must be curtailed with political commitment. The governments must limit their populist programmes by following fiscal discipline.

4. **Integrated Financial Advisers:** The scheme of appointing Integrated Financial Advisers (IFAs) in every department/ministry was revised in 2006 through a charter to enhance their capacity. The reforms made in the role of IFAs through the revised charter included responsibilities including performance/outcome budget, expenditure control cash management, project formulation, appraisal, monitoring and evaluation but this seems to be a lot of work for a single position.

   It was recommended that capacity building and support from administrative ministry would help the IFAs to perform their functions well. It should be considered that the role of an IFA is extremely technical and there is no special cadre from which they can be posted.

5. **Accrual Accounting:** Cash based accounting is mostly used in India which does not provide complete information regarding assets and liabilities which make it impossible for the government to calculate the cost of services provided by the government departments. The government Accounting Standards Advisory Board (GASAB) was constituted by the CAG in 2002. It prepared a roadmap covering 10 to 12 years divided into several stages to introduce accrual accounting system. It was recommended by the Second ARC also. The system of accrual accounting has been implemented in various State governments and District Administration now but a lot needs to be still done.

6. **Internal Audit System:** The internal audit system must be updated according to international best practices and guidelines. It is a management tool and an integral part of both management controls and communication processes.[6] In 2006, a task force was constituted to benchmark the status of internal audit in the Central government and outline a roadmap for its improvement. It concluded that there were many deficiencies in the system like:
   - Lack of interest of the management.
   - No segregation of duties at supervisory levels between those responsible for internal audit and those with pre-audit.
   - Lack of required independence for effective functioning.

   **Recommendations:** The task force gave recommendations given below:

   - Internal auditing should not be restricted to financial issues alone but should also extend to issues like cost benefit analysis, utilization and deployment of resources, matters of propriety, etc.
   - Segregation of duties between internal audit from those relating to financial advice and accounting functions, setting up an Apex Board to prescribe internal audit standards and processes across jurisdictions.
   - Setting up of Board of Internal Audit and appointing a Chief Internal Auditor trained in auditing.

7. **External Audit:** The functioning of Parliamentary Committees exercise controls over expenditure and the CAG plays an important role in the audit process of the decentralized governance in the country. The Public Accounts Committee scrutinizes all audit observations and over the years there has been a reduction in the percentage of audit observation of paras. The issue that has arisen is that the ministries and departments do not take seriously the observations of the CAG as there is no law to support it. The follow-up process of external audit through Action Taken Reports needs to be strengthened and improved.

8. **Intergovernmental Transfers and PFM Concerns:** The intergovernmental resource transfer system in India is very complex through Finance Commission and Centrally Sponsored Schemes. The PFMS is lacking in the surpassing of State budgets of funding through Central programmes and is done through implementing agencies created under special schemes and local bodies. The financial management of these agencies remain outside the formal accountability structure of both the Central and State governments.

   The problem arises because the release of funds at the central level to the implementing agencies is considered as expenditures but is not reflected in the State budgets. The problem further worsens with the difficulty in getting information of schemes located in far-flung areas and secondly, these programmes are caught up in a political tangle regarding their accountability and ownership in delivering services.

   The Central Plan Monitoring System is a web-enabled application and a great reform in this area to map flow of funds, releases and expenditure details, payment to the ultimate beneficiary through banking channels and enhance report generation capabilities integrated into the transaction databases. The Expert Committee on Expenditure Management has also favoured this arrangement to bring these schemes under the mandated financial control of the government.
9. **Institutional Changes underway for better PFM:** An attempt has been made to establish Debt Management Office in the Finance Ministry to delink debt and cash management from the monetary management which is controlled by the Reserve Bank of India. It was proposed in 2018 that an independent Public Debt Management Agency must be set-up within the Finance Ministry to facilitate better planning and management of domestic and foreign market borrowings of the Central government.

   An independent Fiscal Council must be established as recommended by the Thirteenth Finance Commission and the FRBM Panel in 2017. The members for the Fiscal Council must be selected from outside the government to have a non-biased fiscal policy.

   Lastly, regarding the procurement by various ministries and departments, a new Legislation has been prepared to improve transparency and accountability in procurement. All procurements made by the government ministries and departments must be put in a web-based format starting from the bidding stage to the ultimate award of contracts. The proposed Bill shall also set-up appropriate grievance redressal procedures and anti-corruption mechanisms.

The reform measures that have been undertaken or have been proposed strengthen the PFMS and the institutions in India. The gaps need further action including budgetary decisions, strengthening of accrual accounting, modernizing internal and external auditing, etc.

## Q4 *Discuss the recent reforms, in the last decade, that have been taken regarding the public finance management system in India.*

**Ans.** NITI *Aayog*, the premier planning body of India that replaced the Planning Commission, in 2015 has been making great efforts in improving the PFMS in India. In conjunction with the Competitive Cooperative Federalism, India is moving towards a better tomorrow and has submitted various reports like the Rationalization of Centrally Sponsored Schemes, on *Swachh Bharat Abhiyan*, Skill Development, Three-Year Action Plan and the latest has been the Strategy Document for New India @ 75. Besides these, it has made recommendations for financial inclusion by digital inclusiveness as a priority area.

Given below are the recent developments that have taken place to improve the PFMS in India:

1. **Demonetization:** The demonetization drive against the existing notes on 8 November 2016 was aimed to drive out the black money and curb the parallel economy. However, it was not accepted by the public at large and the government of India failed to make a real impact assessment of demon-

etization. The un-banked and cash-dependent areas were hit badly because of the shortage of commodity money in the market and the majority of people did not have bank accounts. The banks gained immensely as according to the RBI annual report, 99.3 per cent of the money withdrawn from circulation had been returned to the banks indicating that there was either less black money or the money laundering schemes were successful.[7]

Nonetheless, despite of the criticism of the move of demonetization, it has positive effects in the Indian economy, which are:

(i) **Formalization of the Economy:** Formalization of the economy by getting down to the source and flow of funds that were moving in the informal sector. The economy has moved towards digitalized economy.

(ii) **Widening Tax-Base:** The number of e-returns of individual taxpayers increased by 25.3 per cent showing a leap in the level of voluntary compliance as a result of action taken by the Income Tax Department on the basis of data of cash deposits in the wake of demonetization. This number is only the e-returns while there was a large number of paper-filed returns.[8]

(iii) **Direct Tax Collection:** The Income Tax Department stated that there was a growth of 41.79 per cent in the collection of Advance Tax under Personal Income Tax.

(iv) **High-Value Properties:** The impact of demonetization was seen in the unearthing of a large number of persons and clusters having suspect transactions of about 14,000 properties of more than ₹ 1 crore each where persons had not even filed income tax returns.

(v) **Detection of Shell Firms:** Authorities detected 37,000 shell firms and registration of more than 1 lakh companies was cancelled because they had been evading taxes.

(vi) **Identification of Benami Properties:** The Central Board of Direct Taxes identified over 300 benami properties which were identified during the Income Tax's clean money operation. The total value of such properties was more than ₹ 6,000.

(vii) **Cash-to-GDP Ratio:** The economic survey 2016–17 showed that currency in circulation had come down by 20 per cent and the cash-to-GDP ratio had come down by 1.6 percentage points.

(viii) **Real Estate Sector:** The real estate sector gained by demonetization as it reduced corruption, improved transparency, attracted more foreign investors in a cashless economy, brought inflated prices of property to realistic terms and lowered home loan rates.

2. **Setting up of Monetary Policy Committee:** The Monetary Policy Committee was set-up on 4 October 2016 with six members, out of which three are nominated from the Central government and three from the Reserve Bank of India instead of just one person deciding and fixing the policy rate (repo rate), In case of a tie, the RBI Governor gets the casting vote.
3. **Goods and Services Tax:** The large volume of Central and State taxes was abolished by replacing them by the Goods and Services Tax which was passed in the Legislature in August 2016 with the President giving his assent in September. The GST subsumed most of the Central and State taxes such as the Value Added Tax (VAT), excise duty, service tax, central sales tax, additional customs duty and special additional duty of customs. GST Act has integrated the economy and has provided for a common national market that enables businesses to leverage a simplified tax regime.[9]
4. **Insolvency and Bankruptcy Code:** In 2016, The Insolvency and Bankruptcy Code was passed in both the Houses of the Parliament that has brought in a new law to tackle with the insolvencies. It has managed to repeal 12 different rules which have revolutionized the banking resolution system improving the ease-of-doing business in India. Under 'The Liquidation and Bankruptcy Code, 2016', a 10-member Liquidation and Bankruptcy Board has been set-up.

5. **Digitization of Payments:** After the demonetization drive, the economy in India saw a major push towards the digitization of payments which has improved the level of cashless economy. Almost, all outflows and receipts in the government have become online.
6. **PFMS:** The PFMS was initially started during 2009 as a Central Sector Scheme of Planning Commission with the objective of tracking funds released under all Plan schemes of the Government of India and real time reporting of expenditure at all levels of Programme Implementation. In 2013, its scope was increased to include direct payment to beneficiaries under both plan and non-plan schemes.

   In 2014, The PFMS project was launched to facilitate sound financial systems for the Government of India. It benefits are:

   - It aimed at establishing an efficient flow of funds and payment cum accounting network.[10]
   - It provides various stakeholders with a real time, reliable and meaningful management information system and an effective decision support system as part of the Digital India initiative of the GoI.
   - It caters to all plan and non-plan payments of the GoI, all tax and non-tax receipts but since the distinction between plan and non-plan expenditure has been abolished, it deals with all payments as a whole.
   - It integrated with the core banking system in the country pushing all beneficiaries or vendors to make online payments.[11]
7. **Financial Inclusion:** The NITI *Aayog* has proposed in its document 'Strategy Document for New India @ 75' its objectives and the way forward to achieve financial inclusion by 2022. They are:
   - Banking for the unbanked to make sure that there is universal access to bank accounts.
   - Securing the unsecured by ensuring insurance coverage.
   - Allowing diversification of asset portfolio of households through increased participation in capital markets.
   - Better access to credit at a reasonable cost for those presently excluded.

   It has proposed various reforms that will be implemented by 2022 like launching a new scheme for financial literacy, facilitating growth of online and paperless banking, using technology to improve the assessment of credit-worthiness for households and informal businesses and many such initiatives.

To sum up, the GoI has been pushing a vast number of reforms in the improvement of the PFMS in India and the result is seen in the rapid growth of the Indian economy. The reforms are being brought in rapidly with every passing day to keep up with the globalized changes.

## Q5 *Discuss the administrative reforms regarding Human Resource Development (HRD) since independence.*

**Ans.** Human Resource Development (HRD) essentially means education with an objective to balance the socio-economic fabric of the country. India, with a billion plus strong and young population, needs the nurture and care in the form of basic education to achieve a better quality of life. An all-round development of our citizens can be achieved by building strong foundations in education the Ministry of Human Resource Development (HRD) was created on 26 September 1985 through the 174th Amendment to the Government of India (Allocation of Business) Rules, 1961. It works through two departments:

- **Department of School Education and Literacy:** It is responsible for development of school education and literacy in the country. Its aim is to achieve the 'universalization of education' and making better citizens by new initiatives and schemes which have resulted in an increase in the number of enrolments in schools.
- **Department of Higher Education:** It takes care of the largest higher education systems of the world after the USA and China. It is engaged in bringing world class opportunities of higher education and research to the country so that the Indian students are capable in the global market. The government has launched various joint ventures and signed MoUs also to help the students benefit from the world opinion.

Given below are the various reforms taken in the HRD in Figure 33.3 and explained thereafter.

***Figure 33.3: Reforms in HRD in India***

1. **The National Knowledge Commission:** The National Knowledge Commission (NKC) was constituted to study and examine the areas of improvement and make recommendations which submitted its report in 2006. It supports a strong reform agenda through public investment. The NKC worked on certain identified aspects of the knowledge paradigm.[12]

## Aspects of Knowledge Paradigm

The NKC identified five aspects of knowledge paradigm to bring in new knowledge. They are given as follows:

**(i)** **Access to Knowledge:** Means must exist for individuals who have the ability to receive and comprehend knowledge to readily obtain it. The commission stated four issues that are important to be resolved are literacy, knowledge portals, networks and translation. Various programmes have been started to achieve success in these four aspects to enhance knowledge.

**(ii)** **Knowledge Concepts:** Knowledge concepts are organized, distributed and transmitted through the education system. The NKC's concern with many aspects of the Indian education system covers school education, higher education, professional education and vocational education.

**(iii)** **Creation of Knowledge:** A nation can develop either by learning to use its existing resources better or by discovering new resources. All activities in both the scenarios lead to creation of knowledge directly or help in protecting the knowledge that is created. India must examine

issues like innovation systems in the country, science and technology activities and the regime of intellectual property rights.

(iv) **Knowledge Applications:** Knowledge can be productively applied to promote technological change and facilitate reliable and regular flow of information. This requires significant investment in goal-oriented research and development. Access Models must be understood and applied to simplify procedures and transactions within an industry. The areas of agriculture, small and medium enterprises and traditional knowledge can be effectively applied for the betterment of the rural poor.

(v) **Delivery of Services:** Knowledge services have the potential to simplify many different points at which the citizens interact with the State but these points of convergence have been ridden with unethical activities and rent-seeking. Technology ensures accountability, transparency and efficiency in the delivery of government services. E-governance has the potential to provide speedy delivery, productivity and ensures citizen-centric administration. The NKC recommended re-engineering government processes first to change our basic pattern for simplicity, transparency, productivity and efficiency.

2. **The Right to Education:** The Indian Parliament enacted a legislation making free and compulsory education a Right for every child in the age group 6 to 14 years and is known as the Right to Education and came into force from 1 April 2010. The Right to Children to Free and Compulsory Education Act or the Right to Education Act (RTE) describes the modalities of the importance of free and compulsory education for children between 6 and 14 in India under Article 21a of the Indian Constitution. India became one of 135 countries to make education a fundamental right of every child when the Act came into force in 2010. The key points in the RTE Act are given below:
   - It specifies minimum norms in elementary schools which requires all private schools to reserve 25 per cent of seats to children (to be reimbursed by the State as a part of the public-private partnership plan).
   - The children are admitted in to private schools based on economic status or caste-based reservations.
   - It prohibits all unrecognized schools from practice and makes provisions for no donation or capitation fees.
   - There would be no interview of the child or parent for admission.
   - No child shall be held back, expelled or required to pass a board examination until the completion of elementary education.
   - There is a provision for special training of school dropouts to bring them up to par with the students of the same age.
   - Surveys must be conducted that will monitor all neighbourhoods, identify children requiring education and set-up facilities for providing it.

   **Funding:** The RTE Act is the first legislation in the world to that puts responsibility of ensuring enrolment, attendance and completion of elementary education on the government. Since education is an item in the Concurrent List in India, both the Centre and the State governments can legislate on it. The Act lays down specific responsibilities for the centre, state and local bodies for its implementation. The Centre subsidizes the States for the provision of education under this Act because the Centre collects most of the revenue.

   In 2010, it was estimated by a Committee that ₹ 1710 billion would be required to fund the implementation of this Act across five years. It was decided that the Central government would share the funding in the ration of 65 to 35 between the Centre and the States but by mid-2010, the figure was upgraded to ₹ 2310 billion which made the Centre raise its share to 68 per cent.

   **Infrastructure:** The RTE Act is not new according to experts. Article 45 in the Constitution was set-up as an Act. The State shall endeavour to provide, within a period of ten years from the

commencement of this constitution, for free and compulsory education for all children until they complete the age of fourteen years. The citizens expect that there are schools and trained teachers along with textbooks and playgrounds to comply with the Article 45. The World Bank funded a number of measures to set-up schools within easy reach of rural communities and this effort was consolidated in the *Sarva Shiksha Abhiyan* Model in the 1990s. RTE takes the process further and makes the enrolment of children in schools a state prerogative.[13]

3. **The Central Advisory Board of Education (CABE):** The Central Advisory Board of Education (CABE) is the highest advisory body to advise the Central and the State governments in the field of education. The CABE is the oldest and the most important advisory body of the Government of India in education was first established in 1920 and dissolved in 1923 as a measure of economy. It was revived in 1935 and has been in existence ever since.

**Functions of CABE:** In 2004, seven CABE committees were constituted to examine:

- Free and compulsory education bill and other issues related to elementary education
- Girls education and the common school system
- Universalization of secondary education
- Autonomy of higher education institutions
- Integration of culture education in the school curriculum
- Regulatory mechanism for the text books and parallel text books taught in schools outside the government system
- Financing of higher and technical education.

CABE has been known to have come up with a 'Prohibition of Unfair Practices in Schools Bill, 2012' to put an end to the unfair practices prevalent in Indian schools protecting the interests of teachers and students.

## Salient Features of the Prohibition of Unfair Practices in Schools Bill, 2012

Given below are the main features of the said Bill:

**(i) Fees**

The prohibition of accepting fees in various heads as given below:

- Admission fee and other charges without receipt
- Admission without specified *inter se* merit for selection of students
- Mandatory publication of information notice, its contents and its pricing
- Capitation fees and other unfair practices
- Refusal to return or withhold certificates, etc.
- Advertisements not based on facts.

**(ii) Penalties**

Penalties shall be imposed for:

- Doing contrary to information in information notice
- Demanding or accepting capitation fee and other unfair practices
- Refusal to return or withholding documents
- False or misleading advertisement
- Confiscation of capitation fee
- Appropriate government to notify authority to adjudicate and grievance redressal in schools
- Adjudication of penalty.

**(iii) Miscellaneous**

Some miscellaneous provisions were given in the Bill:

- Bar of jurisdiction
- Frivolous or vexatious complaints
- Power to call for information
- Power of appropriate government to make rules
- Rules to be laid before the Parliament
- Protection of action taken in good faith
- Application of other laws not barred
- Power to remove difficulties.[14]

The Bill was introduced in the Lok Sabha on 3 May 2010 by the Ministry of Human Resource Development. The Bill was referred to the Standing Committee on Human Resource Development and it submitted the report in 2011 but could not be passed in the Parliament.

4. **The Report on the Committee on Renovation and Rejuvenation of Higher Education:** It is more popularly known as the Yashpal Committee set-up in 2009 which recommended protecting the intellectual autonomy of educational institutions. The Committee reviewed the UGC/AICTE and various other councils connected with higher education. It was understood that both the organizations must be subsumed within a single Higher Education Commission.
5. **National Commission for Higher Education and Research (NCHER):** It replaced and subsumed the existing regulatory bodies focussing on the university being a place of research and teaching.[15] It must provide practical training to the people based on new knowledge in response to personal and social needs. There must be allowance for the diverse growth of knowledge and not its fragmentation. The undergraduate programmes must be restructured to enable the students to have opportunities to access all curricular areas with a fair degree of mobility. The challenges, context, regulatory structure and recommendations are given below:

**Challenges:** The 12th Plan Document has fixed targets of 25.2 % GER by 2017-18 and 30% GER by 2020-21. As per All India Survey on Higher Education (AISHE) 2017-18, the Gross Enrolment Ratio (GER) in higher education has increased from 24.5% in 2015-16 to 25.8% in 2017-18. Enlisted below are the challenges in the education sector in India:[16]

- **Access:** The challenge in India is to deal with the limited access in universities and an additional 735 universities and 2692 additional colleges would be required by 2012 to attain 15 per cent GER.[17]
- **Quality:** No Indian university is listed in the top 100 universities in the world and only two make it to the top 200 list.[18]
- **Governance and Management:** The implementation of policies fall short of the desired goals. The process of granting recognition to universities is quite cumbersome and lengthy. Issues that need to be resolved for the promotion of autonomy, accountability and transparency are government intervention, large size of university councils, high entry barriers for new universities and the system of affiliated colleges.
- **Funding:** In India, only 0.7 per cent of India's GDP is spent on higher education which is much lower than countries like the US which stands at 2.9 per cent. Only 10 per cent is spent on maintaining education as 75 per cent of the funds is spent on salaries and pensions while 15 per cent is spent on maintenance of the establishment. The strategies suggested are to allocate 25 per cent of State budget on education for higher education, provision of a mix of different types of grants, increase fees for richer students, easy student loans and allowing the educational institutions to invest in financial instruments and tap sources such as alumni contributions.[19]

## Proposed Reforms by Yashpal Committee

The Yashpal Committee gave the following recommendations:

**(i) Regulatory Structure**

- Establish a National Commission of Higher Education and Research through a constitutional amendment to replace UGC, AICTE, NCTE and DCE.
- Create norms for accreditation and certify accrediting agencies independent of the government.
- Constitute a National Education Tribunal to adjudicate disputes.

**(ii) Access**

- Regulatory mechanism should make rational and consistent rules for setting up institutions and education must be made affordable through scholarships or loans.
- Allow only the top foreign universities to establish campuses.
- The best colleges must be upgraded to university status. A number of colleges can be clubbed into clusters and be recognized as universities.

**(iii) Quality**

- Allow universities to set their own targets and achieve them in a limited time frame and reforming the curricula based on principles of mobility and academic depth.
- Optimize size of state universities.
- All private universities must be accredited mandatorily.
- Competitive remuneration and improved infrastructure is required clubbed with student feedback to identify poor performers.

**(iv) Governance**

- The governance structure must preserve the autonomy of universities.
- Need to develop expertise in educational management distinct from academic administration.
- Limited representation of politicians in governance structures.
- Autonomy to teachers to frame their courses and assess the students.

**(v) Funding**

- Complementary sources of funding must be explored like the alumni.
- Universities must hire professional fund raisers to get funding from non-government sources.
- Guaranteed student loans for students who can pay and free education for poor students.

Over the years, some recommendations were accepted by the UGC and implemented.

6. **National Testing Agency (NTA):** The NTA was established in 2017 as a premier, specialist, autonomous and self-sustained testing organization to conduct entrance examinations for admission/fellowship in higher educational institutions. Its strategic plan is that the NTA will work with Government of India, UGC, AICTE, IITs, Universities, School Boards and State governments towards research and develop tests for effective assessment of the target population. It will conduct research and design assessments for improving selections by fair, valid and reliable instruments, expanding teaching and learning opportunities and ushering in an era of scientific testing in the country. The research will focus on the following three areas:

**(i)** Assessment development and analysis

**(ii)** Assessment research

**(iii)** Policy research

To summarize, it can be said that in a globalized world and indices that are developed by international agencies, India needs to be better in its implementation of policies, programmes and schemes. If one sees the wide range of the schemes in education, one may not find anything wrong in them but in reality, the quality of education in the universities, colleges and schools is in a poor state. The students find themselves unemployable after getting education and even the employers have given this feedback to the educational institutions that they must train the students to be market ready. HRD is the backbone of a growing economy like India and now is the time for the government agencies to wake up from their complacent slumber and meet the challenges.

## Notes and References


1. Adapted from: Fourteenth Report, Strengthening Financial Management Systems, https://darpg.gov.in, retrieved on 17 March 2019.
2. SIAFI is the primary tool used in federal government budget and financial management. The system provides support to central, sectoral and executive public management entities, among which are included all of those organs belonging to the direct administration, semiautonomous agencies and foundations, state-owned companies, joint capital companies and entities pertaining to the legislative and judicial branches.

   SIAFI–Integrated System of Financial Administration, http://www.tesouro.fazenda.gov.br, retrieved on 17 March 2019.
3. Adapted from: Improving Public Financial Management in India: Opportunities to Move Forward, https://www.nipfp.org.in, retrieved on 18 March 2019.
4. This PMES-RFD is a confirmation of the recommendation of the Second ARC to have an annual performance agreement between the minister and the Secretary of the department.
5. Government of India (2011–12), *Guidelines for Results Framework Documents,* Cabinet Secretariat, New Delhi.
6. Diamond, Jack (2006), *Budget System Reform in Merging Economies: The Challenges and the Reform Agenda',* Working Paper No. 245, International Monetary Fund, Washington, DC.
7. Demonetisation's 7 benefits apart from failure to eradicate black money, https://www.businesstoday.in, retrieved on 18 March 2019.
8. https://www.finmin.nic.in/
9. A Study on Recent Development of Indian Financial System, http://data.conferenceworld.in, retrieved on 18 March 2019.
10. PFMS, http://cga.nic.in, retrieved on 18 March 2019.
11. For more information on PFMS, log on to Help Desk, https://pfms.nic.in, accessed on 18 March 2019.
12. Adapted from: National Knowledge Commission Report to the Nation 2006, http://kshec.ac.in, retrieved on 18 March 2019.
13. About, http://righttoeducation.in, retrieved on 19 March 2019.
14. The Prohibition of Unfair Practices in School Bill, 2012, http://rmsaindia.gov.in, retrieved on 19 March 2019.
15. Policy Initiatives, https://mhrd.gov.in, retrieved on 19 March 2019.
16. Gross Enrollment Ratio target in Higher Education has been achieved, http://www.pib.nic.in
17. Cover Note on Higher Education, https://www.prsindia.org
18. Adapted from: Cover Note on Higher Education, https://www.prsindia.org, retrieved on 19 March 2019.
19. Sudhanshu Bhushan (November 2008), 'Universities and Colleges Requirement for 15% Target during 11th Plan: An Estimate,', Chapter 2 in *Higher Education in India: Issues related to Expansion, Inclusiveness, Quality and Finance,* UGC, New Delhi.

# 34 Problems of Implementation

## LEARNING OBJECTIVES

*After reading this chapter, you will learn about:*

- Challenges faced by Government in Implementation
- Reasons for Slow Implementation of Administrative Reforms

## INTRODUCTION

Setting up of committees and commissions for making recommendations in administrative reforms is not a difficult task. India has seen many reforms suggested by various expert bodies. There is a difference in the implementation of reforms in the earlier decades after independence and now because earlier the implementation was ridden by problems and wrong doings which will be discussed in this chapter. The scenario changed in the last two decades tremendously because of the international agencies getting involved in suggesting bets practices and guidelines in almost every sphere. The international pressure to be left out in the race makes the developing countries implement these reforms so that they can have a prosperous environment conducive to attract foreign investors to come to India and invest in our economy on one hand and improving the socio-economic infrastructure in the country on the other.

Besides the causes for failure in implementation of reforms, there are six main challenges that the government has to face[1], which are given in Figure 34.1.

**The Managerial Challenge**
Process

**The Challenge of Quality**
3 E's: Efficiency, Economy and Effectiveness

**The Democratic Challenge**
Friendly with Citizens

***Figure 34.1: Challenges in Implementation***

## Q1 *Discuss the reasons why excellent reforms and recommendations have failed due to poor implementation in India.*

**Ans.** The administrative reforms became a big industry in the world both in developed countries as well as in developing ones after the Second World War. The developed nations were grappling with the ravages of wars and imperialism but did not have time to bring reforms to the administration. They inherited the institutions and systems that had been designed to suit the purpose of imperialist nations and tried to function with whatever they had. The developed nations tried to help the developing nations by giving them western models to work with which kept on failing.

In the 1960s, India geared up to form its First Administrative Reforms Commission along with various other committees and commissions. The challenge is not the recommendations but if the organizations who have to implement have the capacity and stability to absorb the changes or not. The problem arose after the recommendations had been submitted when the time had come for their implementation. Various reasons have been cited by scholars who have studied in detail about the reasons of their failure. They are briefly explained below:

1. **Institutional Capacity:** Administrative reforms can be conceptualized as institutionalization processes guided by distinct normative and cognitive requirements that may be incorporated in the institutions.[2] The bureaucracy was found lacking and there was a large deficit in the political will. The civil society also were not very active to participate in the reform processes. The processes and procedures can be dictated but the institution cannot be expected to absorb the changes without any challenges. Institutional changes need to be brought in before one can expect the reforms to take off.
2. **Sustainability of Reforms:** Reforms in various spheres have been formulated by committees but they do not sustain themselves. This is clear from the fact that the time has come for the Third ARC to be constituted given the rapid changes that have taken place in the last decade in the technology and also social graphics but the Second ARC recommendations have still to be put into action completely. Although the NITI *Aayog* has stated that it will do so, much depends on the political culture in the country. The institutions that have been set-up by one government may not sit well if there is a change in the political party in power. Hence, reforms need to be sustainable on the real ground and not remain as a paper exercise.
3. **Mandate:** Another challenge in implementing reforms in any sphere of the government must have a mandate behind them. The problem of implementation arises only when they are not binding on

the government in power to do so. There is a very thin line between sustainability and non-sustainability of reforms. The worker at the grass root level becomes frustrated when he/she has to face new potential players like global corporations, transnational companies, international consultation groups and mega-civil society organizations influencing the policies.

A fine example to explain this issue is allowance of Foreign Direct Investment (FDI) which has affected the small vendors selling vegetables. Large companies like Bharti-Walmart or Reliance-Fresh have the capacity and funds to buy bulk from the farmers directly and sell them at almost half the price of what a small vendor can afford to sell due to the existence of middlemen. Hence, the policy and reform stand at a crossroads with no benefit to the poor and the marginalized. The local needs must be met along with globalized pressures.

4. **Colonial Hangover:** India could not shake off its hangover from the colonial systems even though so many reforms were attempted by various commissions and committees. Reform basically means innovation in the face of social challenges. It has the capacity to change the environment by changing values and attitudes of a given society. Implementation of reforms have defied all logic and the Indian administrative culture remains the same. The laws that were made in the British times still rule the land which are obsolete in today's times. It is only recently that the government repealed and revoked some laws. The bureaucracy still remains clutched in the mould of Max Weber's Model while the political bosses are happy in abdicating their duty to the bureaucrats. The bureaucrats wrap every action in red tape and there are no results.

   There has been an overreliance on Weberian and Taylorian norms and rigid structures and whenever there appeared to be some problem to implement reforms, stress was laid on the same old principles of training, authority, control and communication.

5. **Political Will:** Any reform cannot take place without their being passed in the Parliament and then the political will to implement them through the administrative wing. The administration has become indifferent to change and refuse to budge from their traditional ways. The recommendations made by the commissions were left to rot till the time came for the next commission to be set-up. A solution to this problem lies in the participation of civil society actively to put pressure on the governments to implement the recommendations. The lack of will can be seen in the recommendations of the Second ARC which are yet to be implemented.

   To sum up, the progress of implementation of administrative reforms has been quite slow in India's history. It can be suggested that commissions should be constituted with a timeframe and the will of the political executive to implement them as soon as possible. The issues of sustainability and predictability in reforms must be kept in mind while making recommendations by the commissions and committees. Administrative and political determination must synchronize without self-interest for the development of India.

## Notes and References

1. Strategies of Successful Administrative reforms, http://www.eolss.net, retrieved on 19 March 2019.
2. Eymeri-Douzans Jean-Michel and Pierre Jon (2011), *Administrative Reforms and Democratic Governance,* Routledge Publications, UK.

*This page is intentionally left blank.*

UNIT

# XI RURAL DEVELOPMENT


**Chapter 35** Institutions and Agencies Since Independence

**Chapter 36** Rural Development Programmes – Foci and Strategies

**Chapter 37** Decentralization, District Administration and Panchayati Raj –73rd Constitutional Amendment

*This page is intentionally left blank.*

# 35 Institutions and Agencies Since Independence

## LEARNING OBJECTIVES

*After reading this chapter, you will learn about:*

- Institutions and Agencies since Independence:Planning Commission
  - Rural Development Division of the Planning Division
  - Ministry of Rural Development
  - National Institute of Rural Development and Panchayati Raj
  - National Council of Rural Institutes
  - District Rural Development Agencies
  - National Bank for Agriculture and Rural Development
  - Regional Rural Banks
  - Microfinance Institutions, NGOs and Civil Society Organizations
- Issues in Rural Development

## INTRODUCTION

The majority of the people, especially the poor, in the world continue to live in rural areas. It has been recognized by the World Bank that rural development is essential to improve the quality of life in most developing countries in Africa, Asia and Latin America.[1] Rural development of a country, especially India, is the most essential of the developmental activities because of the imbalance between the socio-economic growth between the rural and the urban areas. Economic planners argue that the problem of rural development is not merely of development of rural areas but the development of rural communities to dispel ignorance and poverty and assist the process of creating a self-reliant and self-sustaining healthy modern community.[2] Rural development can no longer be identified with only an increase in GDP and per capita income. Rural development must encompass inclusive development of which the parameters have been identified by the World Economic Forum.[3]

According to the Census of India, 2011, the Fifteenth Census since 1972, the rural-urban population (in crore), is given in Table 35.1.

*Table 35.1: Rural-Urban Data for Population in India*

| | 2001 | 2011 | Difference |
|---|---|---|---|
| **India** | 102.9 | 121.0 | 18.1 |
| **Rural** | 74.3 | 83.3 | 9.0 |
| **Urban** | 28.6 | 37.7 | 9.1 |

From the above table, it can be observed that for the first time since independence, the absolute increase in population is more than that in rural areas and the rural population is 68.84 per cent while the urban population is 31.16 per cent. The proportion of rural population declined from 72.19 per cent to 68.84 per cent[4]. All data and indices refer to the fact that national poverty estimates (per cent below poverty line) during 1993 to 2011–2012, poverty in the rural areas reduced from 50.1 to 25.7 in 2011–2012.[5] However, according to a UNDP Report, there is persistent inequality that is found in the low human development attainments of the country's most marginalized groups including scheduled castes, tribal and rural populations, women, transgenders, people living with HIV and migrants.[6] The human development indicators show that most of the marginalized sections of the society live in the rural areas.[7]

## Q1 *Briefly trace the historical path of rural development in India.*

**Ans.** Rural development implies both the economic betterment of people as well as greater social transformation. Increased participation of people in the rural development programmes, decentralization of planning, better enforcement of land reforms and greater access to credit are envisaged for providing the rural people with better prospects. It was soon realized by the Government of India, after independence, that the goals of achieving social and economic growth could not be successful if the grassroots were not involved. Participation of the rural poor was essential to build a stronger India. Given below is a chronological order how rural development journeyed into the present:

**1952:** Community Projects Administration was set-up under the Planning Commission to implement the programmes concerned with community development. The Community Development Programme was launched the same year which faced many changes in its concept as well as handling by different ministries.

**1974:** The Department of Rural Development was established as a part of the Ministry of Food and Agriculture.

**1979:** The Department of Rural Development was elevated to the status of a new Ministry of Rural Reconstruction.

**1982:** It was renamed as Ministry of Rural Development (MoRD).

**1985:** The MoRD was again converted into a Department under the Ministry of Agricultural and Rural Development was later rechristened as the Ministry of Agriculture.

**1991:** The Department was upgraded as the Ministry of Rural Development.

**1992:** Department of Wasteland Development was created under the ministry.

**1995:** The ministry was again renamed as the Ministry of Rural Areas and Employment with three Departments namely:

1. Department of Rural Employment and Poverty Alleviation
2. Department of Rural Development
3. Department of Wasteland Development.

**1999:** Ministry of Rural Areas and Employment was renamed as Ministry of Rural Development.

The above-mentioned timeline shows the evolution of the MoRD as it is today.

## Q2 *Discuss the institutions and agencies working for the development of rural areas since independence.*

**Ans.** The alarming figures of poverty in the rural areas, without the bare minimum standards of living, forced the Government of India to give primary importance to it and focussed on rural development. After India got independence in 1947, India was faced with large number of poor people in the rural areas and began its work on institution building and agricultural development. The various institutions and agencies that were set-up by the Government of India for the rural development in India are given below in Figure 35.2 and described thereafter.

***Figure 35.2: Institutions and Agencies for Rural Development***

I **The Planning Commission:** The Planning Commission was set-up by a Government of India Resolution in March 1950. Its main objective was to increase the standards of living of the people by efficient resource exploitation in India, making a robust effort to increase production and provide employment opportunities to all. The Planning Commission set-up a Rural Development Division within the organization specially to launch programmes for rural areas.

II **Rural Development Division:** The Rural Development Division's primary function was to provide overall policy guidance in formulation of plans and programmes for rural development. It is the nodal division for matters relating to poverty eradication, employment generation in rural areas and the National Land Record Modernization Programme (NLRMP). The functions of the Rural Development Division are:

1. **Assistance in Plans:** It assisted in the formulation of rural development programmes that are going to be a part of the Five-Year Plans and Annual Plans. It periodically assesses the progress made in the plans.
2. **Liaison:** It maintained a liaison with the Ministry of Rural Development, National Institute of Rural Development (NIRD) and other allied organizations by taking part in meetings with them.
3. **Data Collection:** The division collected information from various Divisions of the Planning Commission, State governments and from Central Ministries which are at the forefront of the rural development programmes' implementation.
4. **Working Group Meetings:** It organized working group meetings for the finalization of the Draft Five-Year Plan Proposals of the State governments. This comprised of preparation of background papers, discussion on priorities, preparation of Working Group Reports giving, *inter alia* outlays and physical targets.
5. **Finalization of Five-Year Plans:** The outlays of the Ministry of Rural Development at the Centre are finalized along with the Annual Plans of the State governments. It also assessed progress in physical and financial terms in relation to the approved targets and outlays, scheme-wise examination of proposals and review of targets to finalize for the next Annual Plan.
6. **Comments and Materials:** It provided comments, materials, etc., for public representations, Parliament Questions and Agenda items for the meetings of various Committees for the Planning Commission concerned with rural development.[8]

## Programmes under the Rural Development Division

The Rural Development Division looks after the following programmes being implemented by the Ministry of Rural Development:

- Mahatma Gandhi National Rural Employment Guarantee Act
- Swarnajayanti Gram Swarozgar Yojana/National Rural Livelihood Mission
- Indira Aawas Yojna
- National Social Assistance Programme
  - Indira Gandhi National Old Age Pension Scheme
  - Indira Gandhi National Widow Pension Scheme
  - Indira Gandhi National Disability Pension Scheme
  - National Family Benefit Scheme
  - Annapurna Scheme
- National Land Records Modernization Programme

III **Ministry of Rural Development (MoRD):** The MoRD has two departments, namely, the Department of Rural Development and the Department of Land Resource. It is the nodal ministry for most of the development and welfare activities in the rural areas, the MoRD plays a pivotal role in the overall development strategy of the country. The vision and mission of the ministry is sustainable and inclusive growth of rural India through a multipronged strategy for eradication of poverty by increasing livelihoods opportunities, providing social safety net and developing infrastructure for growth. This is expected to improve quality of life in rural India and to correct the developmental imbalances, aiming in the process, to reach out to the most disadvantaged sections of the society.[9]

## Functions of MoRD

The aims and functions of the MoRD are concentrated on providing:

- Livelihood opportunities to all vulnerable, marginalized and unemployed sections of the society.
- At least 100 days of guaranteed work in every financial year to willing households.
- All-weather rural connectivity to unconnected rural habitations and upgradation of existing roads to provide market access.
- Basic housing to below poverty line household in rural areas.
- Social assistance to the elderly, widow and disabled persons.
- Urban amenities in rural areas to improve quality of life.
- Capacity development and training of functionaries involved in rural development.
- Promotion of voluntary agencies and individuals for rural development.
- Restoration of lost or depleted productivity of the land through watershed programmes and initiating effective land reform measures to make land accessible for the landless rural poor.

IV **National Institute of Rural Development and Panchayati Raj (NIRD and PR):** The genesis of the NIRD and PR began in 1958 when Community Development Blocks had been established for the socio-economic development of the country. The Central Institute of Study and Research in Community Development was set-up in 1958 at Mussoorie. It imparted training to orient executive officers of development programmes. The Trainer's Training Institute was also established in 1958 at Dehradun to train the District Panchayat Officers and sub-divisional officers and trainers of State institutions. In 1962, both the institutes were merged into the National Institute of Community Development and its campus was shifted to Hyderabad in 1964–65, registered under the Public Services Registration Act No. 1 of 1350 Fasli and renamed as the NIRD. In 2014, its name was changed to NIRD and PR to give due importance of capacity building of PR officials and functionaries. It has a North-Eastern Regional Centre at Guwahati, Assam to meet the NE-regional needs. It has been recognized as one of the United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP) Centres of Excellence.

**Functions:** The functions of the NIRD and PR comprise training and education including collaborative and consultancy studies. It publishes the Journal of Rural Development among other publications of research studies on various issues concerning marginal farmers, physical infrastructures, community radio, etc. It is mandated to:

- Organize training programmes, conferences, seminars and workshops for senior level development managers, elected representatives, bankers and other stakeholders of the civil society.
- Coordinate and conduct research with other development agencies within India as well as international agencies.

- Offers solutions to problems faced in planning and implementing programmes for rural development, PR, decentralized governance, etc.
- Develop and disseminate information through its journal and other publications.

Hence, the NIRD and PR studies and analyzes the variables that impact the sustainable socio-economic status of people in rural areas. It conducts research and consults to facilitate the developmental efforts by organizing training, workshops and seminars.[10]

V **National Council of Rural Institutes (NCRI):** The NCRI falls under the Ministry of Human Resources Development in the Government of India. It was established in 1995 by Late Prime Minister P. V. Narsimha Rao to act as a catalyst organization to bring in inclusive growth. It interfaces with the rural institutes of higher learning like Rural Universities, Rural Development Institutes, National Rural Livelihoods Mission and State Livelihood Action Units. Its organogram comprises of a Council and a Governing Body that are supported by specially constituted committees for planning and monitoring.

**Functions:** The NCRI aims at improving human development by making a standardized curriculum addressing the needs of backward rural areas and their representative higher educational institutions to fast track the flagship programmes like education, skill development, livelihoods and Swachh Bharat programme. It develops Capacity-building of functionaries and professionalization of rural institutes and has also conducted various research projects in different parts of the country. It completed 115 such projects from 1995–2016.[11]

VI **District Rural Development Agencies (DRDA):** The 'DRDA Administration Scheme' was introduced from 1 April 1999. Its funding is shared between the Centre and the States on a 75:25 ration but for NE States has changed to 90:10 but in Union territories, it is funded totally by the Centre. The DRDA Administrative Section is the office-in-charge to implement the scheme through which the Centre's share of funds are directly disbursed to the DRDA. At the district level, it manages and oversees the implementation of various anti-poverty programmes of the MoRD. It acts as a supportive agency in the development process.

## Functions and Services of DRDA

- To formulate policy guidelines for DRDAs
- Release of funds
- Organization of Conference of Project Directors of DRDAs.

The procedures followed by the DRDAs are the same as the Manual of Office Procedure, Government of India. The decisions taken by the DRDAs are communicated to the public through the MoRD's website, advertisements, booklets, etc. The final authority that vets the decision is the Minister of Rural Development.[12]

VII **National Bank for Agriculture and Rural Development (NABARD):** NABARD was formed through a Parliamentary Act 61 of 1981 and came into existence in 1982. The background of the bank is based on the importance of institutional credit in boosting rural economy. The Reserve bank of India was asked by the Government of India to constitute a Committee to review the arrangements for Institutional Credit for Agriculture and Rural Development (CRAFICARD) under the Chairmanship of Shri B. Sivaraman, former member of Planning Commission. The committee's interim report stressed on the need for a new organizational device for credit-related issues. It is a development bank of the nation for fostering rural prosperity.

Its mission is to 'promote sustainable and equitable agriculture and rural development through participative financial and non-financial interventions, innovations, technology and institutional development for securing prosperity.[13]

## Functions of NABARD

The functions of NABARD are aimed at reaching the vast rural India with finances for development making it an inclusive rural India. It has worked in the provision for refinance for building physical infrastructure, prepares district level credit plans to activate the banking industry in achieving targets, supervises Cooperative Banks and Regional Rural Banks to help them develop sound banking practices. It also designs new development schemes and implements government's schemes. It conducts training programmes for handicrafts artisans to provide them with a marketing platform to sell their articles. Its functions are given as follows:

### *Direct Finance*

- Loans for food parks and food processing units in designated food parks
- Loans to warehouses, cold storage and cold chain infrastructure
- Credit facilities to marketing federations
- Rural infrastructure development fund
- Direct refinance to cooperative banks
- Financing and supporting producer organizations.

### *More Direct Finance*

- Alternative investment funds
- Long-term irrigation fund
- Pradhan Mantri Aawas Yojana—Grameen (PMAY-G).

### *Refinance*

- Short-term refinance
- Long-term refinance
- Eligible schemes for refinance under off farm sector.

NABARD's major achievement has been the linkage with the Self-Help Groups (SHGs) in 1992 to microfinance the SHGs. Its contribution to the Indian finance sector in rural development has been a noteworthy and commendable one.

VIII **Regional Rural Banks (RRBs):** The Government of India constituted a Working group on Rural Banks chaired by Shri M. Narasimhan which recommended setting up of State sponsored, region based, rural oriented commercial banks which would blend the rural touch, local feel and familiarity with rural problems, in 1975. The promulgation of the Presidential ordinance led to the Regional Rural Bank Act, 1976, with the objective of establishing RRBs to provide banking services to the rural people. They provide institutional credit in the remotest parts of the country. It assists in the development of the rural economy by providing credit facilities for the purpose of development of agriculture, trade, commerce, industry and other productive activities in the rural areas.

At present there are 56 RRBs in India functioning in the country but the Government of India, in 2019, is looking at the possibility of their merger operating within the same State and has asked the State-owned banks to work towards consolidation among RRBs. The government intends toeventually bring down the number to 10 to 5 RRBs but for the end of this fiscal year it might go down to 36.

**Problems:** The RRBs began expanding in the beginning rapidly and there were 12606 branches by 1985. Since there was no commercial motivation, the Credit Deposit Ratio also increased with

speed raising doubts over their viability. It was suggested by the Khusrau Committee in 1989 that the RRBs must be merged into sponsor banks. If the credit institutions are not self-sustaining, they cannot have the capacity to help the rural people. The Narasimham Committee in 1990s also recommended the merger of RRBs with sponsor banks but the sponsor banks would have the right to decide if the identities of the RRBs must be retained or to merge them with rural subsidiaries of commercial banks. The government accepted the recommendation to let the RRBs to conduct all business while the RBI permitted them to relocate their branches if they had been going into losses for the past consecutive three years.

The government began the move of amalgamation of RRBs with sponsor banks for their survival. At present, the move to reduce their number is strong with the regulation and control of NABARD over them. However, their contribution to build the rural economy has been large but face various problems like posting clerical staff to rural centres.

**IX** Microfinance Institutions, NGOs and Civil Society Organizations: Microfinancing institutions, NGOs and Civil Society Organizations in India have been contributing more than their share in rural development in India. All over the world it has been seen that microloans have helped the small enterprises to sustain better and also repay their loans. Since there is repayment of loans, it is beneficial for microfinance institutions also, thereby, expanding their services to more people. In India, the main institutions are NABARD, Commercial Banks, Housing Finance Institutions, Rural Development Banks or Urban Credit Cooperative Societies, etc.

## Q3 *Discuss the issues being faced in rural development efforts in India?*

**Ans.** Developing nations and low-income countries need a deeper understanding of rural development's problems. India has a great diversity in its physical environment, economic resources, historical circumstances, political regime and many other dimensions. However, one must refrain from generalizing the diversity issues on ground or the potential of simple and direct narratives. The issues are more complicated and individualistic pertaining to region and culture but with the advent of the Fourth Industrial Revolution[14], technology can help rural development immensely. Given below in Figure 35.3 are the main issues in rural development in India and in most of the developing nations and described thereafter.

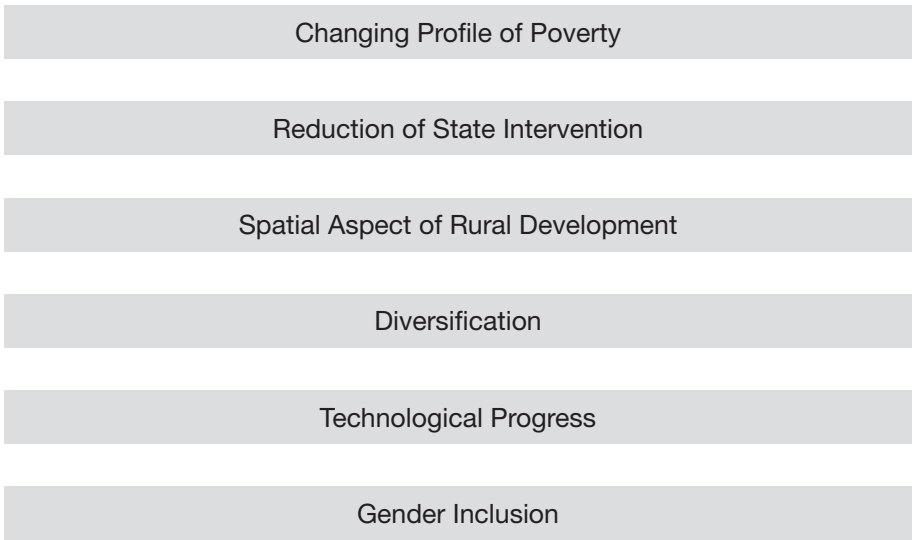



***Figure 35.3: Issues faced in Rural Development***

1. **Changing Profile of Poverty:** Poverty was always defined as having less than a pre-defined limit of income a household has but in 2000, the definition was changed by the World Development Report[15] as:
   - Poverty is defined as being not just about income but as 'multidimensional' (including access to social services, self-respect and autonomy).
   - Participation is viewed as central not just in the sense of listening (as in Voices of the Poor), but more proactively.
   - An appropriate strategy will combine elements of opportunity (meaning growth), empowerment and strategy.

   In terms of this definition, there are various factors that need to be considered in rural development to achieve the multidimensional objective. A few considerations in making rural developmental programmes effective are:
   - Giving due importance to assets and their vulnerability in the employment of poor people, for example, having a house, a piece of land, durable household items, etc.
   - To take precautions against the ill-effects of liberalization of markets if there is deficiency in institutional capacity in the rural areas.
   - Reduction of the inequality between assets and incomes.
   - Increase accountability of rural institutions to people.
   - Social protection of the rural poor.
2. **Reduction of State Intervention and Free Market:** In the 1980s, the IMF, World Bank and the United States Treasury laid down a policy for crisis-wracked economies to implement State intervention and free market, called 'Washington Consensus'. It had proposed more concentration on the following areas:
   - Focus on agriculture and rural development
   - Improving incentives and services
   - Investment in infrastructure
   - Governance, human resources and research and extension
   - Private sector service delivery

   The Washington Consensus had its merits but the rural institutional constraints have a limited outreach to the remote and backward areas. After liberalization reforms in 1992, the small farmers are unable to compete with global supply chains due to high transaction costs.
3. **Spatial Aspect of Rural Development:** In India, rural areas are far-flung while some are close to cities. Different strategies for rural development depending on location need to be formulated to make them effective although there might be a small advantage reaped out of it. The rural areas must be classified into peri-urban areas, remote areas and the standard rural side. The rural development institutions must focus on them class-wise and develop accordingly. Remote areas must be developed for ecotourism to boost their incomes while peri-urban areas can be developed by intensive agricultural activities like market gardening, floriculture, etc.[16]
4. **Diversification:** Poor and small farmers tend to diversify and relocate leaving agriculture to earn more but they enter the casual labour market for lack of any skills. The institutions in rural development must try to improve the basic infrastructure and human capital so that industrial clusters like the Special Economic Zones (SEZs) can help the rural communities to progress by getting more work and amenities of life.
5. **Technological Progress:** Agriculture and farming have become far more modernized with technological advancement but small farmers cannot afford to access the implements and tools. The

government must tie up with the international agencies like the Asian Development Bank to fund small farmers to be able to survive and sustain. India's biggest problem at present is of agriculture and farmers' suicides. A farmer is driven to suicide due to non-payment of debts which can be stopped by supporting him in the way he handles his finances. Debt-repayment must be arranged and managed like a financial portfolio for the farmers so that they are not driven to the brink of suicide.

The Fourth Industrial Revolution (4IR) has brought in inclusive agriculture and rural growth. India faces a problem of non-inclusive rapid economic growth in which the poor have remained poor. India has 270 million poor people according to a World Bank survey. Employment growth is critical in low-productivity agriculture which accounts for nearly three-fourths of the poor population. Indian political culture is to give subsidies and handouts to the farmers which does not help them in the long run and acts as a spot-fix. The government has initiated a plethora of programmes for the poor but there is much more that needs to be done in the area of their implementation. Despite technology's promise, there remains a need for substantial increase in old-fashioned investments to catch up with the backlog of physical infrastructure and education to achieve a geographically more dispersed development.[17]

6. **Gender Inclusion:** Since 50 per cent of the poor population consists of women, their inclusion in all spheres of development is imperative. India has seen a mass movement in the Southern parts of the country where women have managed to make Self-Help Groups (SHGs) with Bank Linkage Programmes but this movement has to spread to all parts of the country to make them empowered and economically independent, thus contributing to the economy. Narrowing the gender gaps will increase productivity in all aspects of agriculture. A girl or a woman driving a tractor in the rural side is a rare sight and one tends to stare at the awesomeness but this is not the solution. All girls and women must be allowed to participate in such activities so that they can become equal partners in the journey of rural development.

   To sum up, the government's initiatives for empowering the farmers and improving the infrastructure at the village level have been successful but a lot more needs to be done to bring them at par with their urban counterparts. The social and physical infrastructure, both, need to be strengthened and only then they can be a part of the story of India's growth.

## Notes and References


1. Green, Paul Gary (2013), *Handbook of Rural Development,* Edward Elgar Publishing, USA.
2. The Monthly Journal Kurukshra, http://yojana.gov.in, retrieved on 20 March 2019.
3. The Inclusive Development Index (IDI) is an annual economic index introduced by the World Economic Forum System Initiative on Shaping the Future of Economic Progress in 2017.
4. Census of India 2011, Rural Urban Distribution of Population, http://censusindia.gov.in, retrieved on 20 March 2019.
5. India in Figures 2018, http://mospi.nic.in, retrieved on 20 March 2019.
6. About India, http://www.in.undp.org, retrieved on 20 March 2019.
7. For more information of indicators , log on to: India Fact sheets, http://www.in.undp.org, retrieved on 20 March 2019.
8. Rural Development, http://planningcommission.nic.in, retrieved on 20 March 2019.
9. About Ministry, https://rural.nic.in, retrieved on 20 March 2019.
10. Introduction, http://www.nird.org.in, retrieved on 20 March 2019.
11. About Us, http://www.ncri.in, retrieved on 20 March 2019.
12. District Rural Development Agency ( DRDA ), https://rural.nic.in, retrieved on 20 March 2019.

**13.** Genesis & Vision, https://www.nabard.org, retrieved on 21 March 2019

**14.** There have been four kinds of massive Industrial Revolutions, which are:

**(i)** The Steam Engine Revolution in the late 17th and 18th century.

**(ii)** The Age of Science and Mass Production in the 18th and 19th century.

**(iii)** The Age of Digital Technology in the 20th century.

**(iv)** The Age of Blockchains and Internet of Things in the 21st century.

**15.** World Development Report 2000/2001: Attacking Poverty, https://openknowledge.worldbank.org, retrieved on 21 March 2019.

**16.** Emerging Issues in Rural Development, https://www.odi.org, retrieved on 21 March 2019.

**17.** How technology is transforming the lives of India's farmers, https://www.weforum.org, retrieved on 21 March 2019.

# 36 Rural Development Programmes—Foci and Strategies

## LEARNING OBJECTIVES

*After reading this chapter, you will learn about:*

- Strategies of Rural Development
- NITI *Aayog*

## INTRODUCTION

Rural development in India is based on three main areas which are reduction of inequality, poverty and generation of employment opportunities to increase the standards of living of the poor people living in the rural areas of the country. The issue of developing a strategy in India for rural development since independence has been supported by a socialist ideology which is facilitated by the State. The rural people are unable to survive and sustain themselves for which the State intervention is a necessity. Since 1947, various programmes had been launched by the Government of India to improve social and physical infrastructure but there has been an unequal progress in rural development to an extent that India has been seeing farmers' suicides since the last decade. This implies that the existing ecosystem in the rural areas is not conducive to progress which is leading the farmers to the brink of death.

This chapter will deal firstly, with the rural programmes in brief that were launched by the Government of India since independence and secondly, with the recent programmes and strategy that has been developed by the NITI *Aayog* with an aim to achieve doubling of the farmers' income by 2022. The objective of the strategy is to bring back the farmers from the debt trap and show them the path of sustainable development. The 17 Sustainable Development Goals (SDGs) formulated by the United Nations Development Programme (UNDP) have a target to achieved by 2030 to which 192 member countries have pledged to work for, of which India is also a member. The main SDG, being, the reduction of poverty and since India's majority of poor population lives in the rural areas, rural development becomes a priority to work in.

### Q1 *Discuss the rural development strategy and programmes by the Government of India.*

**Ans.** It is accepted that India is an agri-based rural economy because of the majority of population living in rural areas. The fulfilment of their basic needs depends on agricultural income which is not sufficient to mitigate their miserable conditions. Since independence, the Government of India has worked towards making strategies and policies for rural development. The challenges faced in rural development is lack of a well-planned development strategy and inefficient delivery system which miss out on the target beneficiaries. The situation is worsened by corruption as reported in a survey that only 18 per cent of

the rural development budget reached the beneficiaries. Dole of subsidies has made the rural people dependent and increased lack of motivation in them leading to low agricultural productivity. Their low incomes do not permit them to maintain an acceptable standard of living comprising of basic necessities like water, health and hygiene, clean drinking water, education, etc. India's strategy has been two-fold in rural development, the first involving production-oriented activities and secondly, non-production activities focussing on improving their living standards.

**Strategy:** India adopted a three-pronged strategy for rural development which comprised of the following three focus areas:

- **Industrialization:** The Government of India adopted the strategy of rapid industrialization through the Five-Year Plans formulated by the Planning Commission. Their approach was that economic growth would eventually trickle down to all sections of the society but by the 1970s, it was clear that the benefits of agricultural and economic growth had not percolated down to the rural poor.
- **Distribution of Assets:** The government changed their strategy and tried the distribution of assets through land reforms, community development programme, cooperative farming, etc., but once again this approach did not yield the desired results.
- **Anti-Poverty Programmes:** In the 1980s the government tried to overload the implementation of anti-poverty programmes like the Integrated Rural Development Programme (IRDP), National Rural Employment Programme, etc.

## Programmes for Rural Development

Numerous rural development programmes and efforts have been made by the Government of India since independence. Only a brief description of all the programmes is attempted here because the number is very high. They are given below in Figure 36.1 and explained thereafter:

***Figure 36.1: Strategies for Rural Development***

## 1. Multiyear Plan Strategy

**Five-Year Plans:** Five-Year Plans is a good place to start understanding the rural development programmes since the First Five-Year Plan began in 1951, right after independence. A brief summary of the Five-Year Plans is given below in Figure 36.2 with special reference to only rural development:

| | |
|---|---|
| **First Five-Year Plan** | • Focus on agriculture and irrigation<br>• Investment of 44.6% of the total budget in this sector<br>• National income increased by 18% and per capita income by 11%<br>• Price level decreased by 13%[1] |
| **Second Five-Year Plan** | • Benefits of development to the vulnerable sections of the society to reduce inequality<br>• Price level increased by 12.5% |
| **Third Five-Year Plan** | • Aim of self-sustaining growth<br>• National income increased by 2.6%<br>• Self-sufficiency in agriculture<br>• 35% of the outlay was allocated to agriculture |
| **Fourth Five-Year Plan** | • Aimed at reducing inequalities in income distribution<br>• Aim of agricultural and industrial sector growth<br>• Inflation increased and economic growth did not take place |
| **Fifth Five-Year Plan** | • Aim of removal of poverty<br>• Unsatisfactory performance of the plan |
| **Sixth Five-year Plan** | • Aim of removal of poverty<br>• Improving the public distribution system<br>• Bring down the inequality of income<br>• People below poverty line declined from 48.3% in 1977–78 to 36.9% in 1984–85 |
| **Seventh Five-Year Plan** | • Objectives of increasing food, work and productivity<br>• Aimed to reduce poverty<br>• The plan failed miserably<br>• Agricultural sector suffered |
| **Eighth Five-Year Plan** | • No significant change in aims and results<br>• Growth rate target was 5% but 6% was achieved<br>• Too much political turmoil interrupted the plan |
| **Ninth Five-Year Plan** | • Focus on agriculture, employment, poverty and infrastructure<br>• Focus on delivery-orientation<br>• Growth rate target was 7% but only 5.6% was achieved |
| **Tenth Five-Year Plan** | • Aim of doubling per capita income in the next ten years<br>• Aim of reduction of poverty ratio of 15% by 2012<br>• Growth rate was 7.2% instead of 8% |
| **Eleventh Five-Year Plan** | • Main focus on faster, more inclusive and sustainable growth<br>• Growth rate achieved was 7.9% instead of 8.1% |
| **Twelfth Five-Year Plan** | • ₹ 44,3261 crores (against the ₹ 29,1682 crores of Eleventh Plan period) for the Rural Development Ministry for various programmes for anti-poverty, housing, providing credit at reasonable rates<br>• Agricultural growth has increased. |

***Figure 36.2: Five-Year Plans***

## 2. Multipurpose Strategy

**Community Development Approach:** In 1952, the Government of India initiated the Community Development Programme (CDP) to develop material and human resources through the people's participation and cooperation. Its basic thrust was on changing the attitudes of people to remove the difficulties in the way of the country's socio-economic progress. Community development, as a term, was used to include any effort towards the progress of the society. It was initiated as a pilot programme but had extended to the whole of India by 1964. The CDP activities comprised of the following:

- Agriculture and related matters
- Communication
- Irrigation
- Village and small-scale industries and supplementary employment
- Health and sanitation
- Education
- Housing
- Training and cooperation.

**Failure:** The CDP was considered a failure as it could not achieve the desired results because of its diffused multipronged strategy. The issues in the CDP were the lack of trained personnel, lack of people's cooperation and response, lack of functional responsibility and hardly any orientation towards the goals of the programme by unhappy and frustrated village level workers. A more focussed approach was the need of the hour, especially, to meet the requirements of food shortage.

## 3. Growth-Oriented Strategy

It assumes that rural people are rational decision-makers like any other people. It proposed that if a country's economic growth increased, in an environment where the public and private sector are regulated by market forces, the benefits would automatically trickle down to the rural poor. The Government of India launched various agriculture-based programmes in the 1960s, which are given below:

- The Intensive Agricultural District Programme (IADP)
- The Intensive Cattle Development Programme (ICDP)
- The High Yielding Varieties Programme (HYVP)

The 'Green Revolution' was initiated in this time but it did not help the marginal farmers and made the rich into richer agriculturalists. The movement lost its purpose in no time.

## 4. Target Group Strategy

This strategy was developed after the failure of Green Revolution when it was realized that the marginal poor farmers were still in the same situation. Plan priorities were modified accordingly and separate programmes like Small Farmers Development Agency and Marginal Farmers and Agriculture Labourers were launched. Schemes like 'The Antyodaya' is a fine example of the target growth strategy which aimed at the client and transference of all responsibility of planning and development to the clients themselves.

## 5. Area Development Strategy

This strategy lays emphasis on the development of backward regions which states that the growth centres have the capacity to spread over a geographical area. The gains arising out of the development of growth centres will eventually spread and trickle-down to the lowest levels in time. In this strategy, a specific area is identified and concentrated developmental activities are carried out. The programmes started under this strategy are:

- Drought Prone Area Programme
- Tribal Area Development Programme
- Command Area Development Programme
- Hill Area Development Programme

The issues encountered in this strategy are lack of leadership, overambitious plans and the allocation of resources to an area under this strategy might not be proportionate as compared to the overall nation's targets. Moreover, the Scheduled Tribes and Other Traditional Forest Dwellers (Recognition of Forest Rights) Act, 2006 which is meant to protect the rights of forest dwellers and tribals is itself under a lot of flak. Forest land is being allotted to large corporations for development which results in deforestation and the compensation given to the natives of that area is not adequate for them to survive. They do not know how to survive without their natural habitat and are uprooted from their system of living.

The Forest Rights Act (FRA) was enacted to recognize the pre-existing rights of the forest-dwellers. The Act empowered the forest dwellers with the right to have *Gram Sabhas* but on the other hand, it also provides for forest diversion. A recent order passed by the government this year in February, 2019, the Ministry of Environment, Forest and Climate Change, wrote to all States that they did not require any compliance to the FRA 'in-principle' approval for forest diversion. A recent case hearing in February 2019, in the court ordered the eviction of 1.8 million *Adivasi* and forest-dwelling claimants under the FRA, 2006, to stem supposed forest destruction.[2] This also disempowers the *Gram Sabhas* as their settlement ceases to exist.

## 6. Spatial Planning Strategy

This strategy includes consideration of various factors that affect rural development. It was realized by the government and its planning agencies that development of rural areas was essential for the country to be developed. Since area development strategy had not worked out well, emphasis was laid on the district level plans. However, lack of an integrated plan of all districts under a block have led to the failure of spatial planning.

## 7. Integrated or Holistic Strategy

The failure of spatial planning strategy led to the development of an integrated or holistic strategy which focussed on the integration of all regional/sectoral programmes, Human Resource Development (HRD) programmes and schemes related to social and physical infrastructure. The integrated strategy is an amalgamation of all previous strategies that had been tried earlier for the achievement of rural development. Some programmes launched under this strategy are:

- Integrated Rural Development
- National Rural Employment Programme
- Training of Rural Youth for Self-Employment.

The figures obtained from the integrated development programme show that the number of people living below the poverty line considerably declined.

## 8. Participatory Strategy

Rural development has been the emphasis and focus of all strategies and programmes. The Five-Year Plans included all such schemes and programmes to boost rural development with focus on how to include the participation of people in all such efforts. In 1980s, Swarnajayanti Gram Swarozgar Yojana (SGSY) replaced the earlier programmes like the IRDP.

## 9. New India Strategy of NITI *Aayog* at Present: A Perspective of Sustainable Development Goals (SDGs)

The NITI *Aayog* replaced Planning Commission on 1 January 2015, via a resolution of the Union Cabinet. It is the premier policy 'Think Tank' of the Government of India. It is a fact that the documents of plans that it has published, 'The Three-Year Action Plan' and the 'Strategy for New India @ 75' are broad roadmaps to the government but has no financial powers. Its basic purpose is policy-making for the government though they are not binding on it to follow them. However, it has been seen in the Union government's budget 2018–19 and 2019-20 that NITI *Aayog* is the country's foremost policy institution. The 2019–20 Interim Union Budget is seen as a growth-oriented budget which has kept fiscal balance in place, promote e-mobility and implement crucial government reforms. The projected economic growth of India is 7.8 per cent. The Finance Minister made a statement saying that NITI *Aayog* will take lead in implementing policy initiatives ranging from farm sector reforms to establishing a new ecosystem for artificial intelligence.

Some of the major initiatives that NITI *Aayog* had proposed have found place in the Union Budgets. The present roadmap for India's progress in the rural areas has included the SDGs laid down by the UNDP to which India has pledged to work in achieving them by 2030.

1. **Rural Transformation:** The Three-Year Action Plan worked extensively on formulating a strategy to bring about rural transformation in India. It proposed the following:
    - Convergence between schemes and transparency in implementation.
    - Skill development and employment generation through schemes like the MNREGA, NRLM, etc., and aiming at dedicated funds for them while maintaining inclusion.
    - Provision of housing to all by 2022 under the Pradhan Mantri Aawas Yojana.
    - National Drinking Water Programme to cover at least 179,000 partially covered habitations by 2022.
    - Open defecation free households all over India by building toilets under the *Swachh Bharat* Mission (Gramin).
    - Deen Dayal Upadhyaya Jyoti Yojana to bring electricity to every household in all villages. The government has announced that 100 per cent villages have been electrified but still there are cases of unelectrified villages which will be covered soon.
    - Pradhan Mantri Gram Sadak Yojana to connect all villages in rural areas with all-weather roads has almost been completed.
    - Digital connectivity and literacy must be provided in all rural areas.
    - Rural growth clusters selected for development under the National Urban Mission to be established by 2020 through operationalization at the State, district and cluster levels on a priority level.
    - *Panchayats* as institutions of strong local governance should be equipped with requisite facilities like electricity and computers with a functional internet connection.[3]

2. **Doubling Farmers Income:** The Strategy for New India @ 75[4] stated that a policy environment must be created to enable income security for farmers while maintaining India's food security. Private sector participation must be encouraged to promote agricultural development to transition from agriculture to robust agri-business systems and promote emergence of agripreneurs so that the small and marginal farmers can capture a share of value addition from 'farmgate to fork'. It has suggested the following as the way forward:
    - Marketing reforms, amending Essential Commodities Act which has proven a disincentive to large investment in agricultural technology and infrastructure must be replaced with a modern statute that balances the interests of farmers and consumers.
    - Price realization by an agriculture tribunal as per Article 323 B of the Constitution.
    - Promotion of contract farming by adopting Model Contract Farming Act, 2018.
    - Value chain and rural infrastructure must be developed.
    - Cold chain infrastructure must be built.

The Finance Minister stated that the NITI *Aayog* will work with the States in finding ways to ensure that farmers get the Minimum Support Price (MSP) even if the market prices of agricultural produce fall below the MSP. In 2018–19 as well as 2019–20 Union Budget, NITI *Aayog* was everywhere. It proposed to restructure the National Bamboo Mission, getting states to amend their land leasing laws and disinvestment in Central Public Sector Enterprises including Air India.

## Conclusion

Rural development is integral to India's economic progress and planning, strategy and policy are the foundation to do it. It is natural that some strategies will fail and some will succeed as there are multiple variables affecting a country in a specific period of time when the strategy is implemented. India is rapidly emerging as a powerful economy with an improvement in all indices like Corruption Perception Index, Ease-of-Doing Business, Human Development Index, Inclusive Development Index, etc.

## Notes and References

1. Five Year Plan Write-up, http://mospi.nic.in
2. Disempowering gram sabhas https://www.thehindu.com, retrieved on 23 March 2019.
3. India Three year Action Agenda, 2017-18 To 2019-20, http://niti.gov.in, retrieved on 23 March 2019.
4. NITI Aayoog, Strategy for New India@75, http://niti.gov.in, retrieved on 23 March 2019.

# 37 Decentralization, District Administration and Panchayati Raj–73rd Constitutional Amendment

## LEARNING OBJECTIVES

*After reading this chapter, you will learn about:*

- Concept of Democratic Decentralization and Panchayati Raj
- Historical Evolution of Panchayati Raj
- The 73rd Constitutional Amendment
- Capacity Building in PRIs—Concept, Need and Training
- Role of Women in PRIs
- Phases of PR development

## INTRODUCTION

The Panchayati Raj is an ancient concept which has a long history in India. The elements of *Panchayats* existed even in the ancient period. In this way, they are the oldest administrative institutions in the country. 'The tradition of having *panchayats* has been one of the fundamental concepts of Indian culture'.[1] In the Vedic age, the village was looked after an individual known as *Gramini.* Likewise, in the periods of Maurya's and Guptas, references have been found of a village and a district providing a systematic base to the Panchayati Raj (PR). *Panchayats* used to perform works relating administrative, social and economic development.[2] PRI is a real local self-government, providing an opportunity to local people, adequate and sufficient powers and resources which equips them to solve local problems. During the Vedic era powers vested in the hands of the people and the organization was known as the '*Panchayat* System'.[3]

There is ample evidence of the existence of the Panchayati Raj system in Indian sacred books like *Jatakas, Ramayana, Kautilya's Arthashastra.* The villages self-governing units completely free from central control initially but as the time passed the control came to the King. However, under the Mughal and British rule, the village administration was used only to collect revenue with no attention towards the social welfare of the village and its people. The physical infrastructure was developed if required for their own purposes.

### Q1 *Trace the historical evolution of democratic decentralization of the Panchayati Raj Institutional System in India after independence.*

**Ans.** The village governments established by tradition were not exactly democratic in nature. It is only after independence that the debates over Mahatma Gandhi's vision of *Gram Swaraj* led to a consensus and a provision was made in the Constitution of India. The historical evolution of democratic decentralization through PRIs is given below:

**Draft Constitution:** In the final Draft of the Indian Constitution, the persons imbued with Gandhian philosophy were able to include Panchayati Raj in the Article 40 under the head of Directive Principles of State Policy, which reads: 'The State shall take steps to organize village *panchayats* and endow them with such powers and authority as maybe necessary to enable them to function as units of self-governments.'[4]

**Article 246:** The State legislatures have been empowered to enact any law regarding any aspect of local self-government and now it has become a compulsion that the State governments must ensure the proper functioning for the rural bodies.

**1948:** Jawahar Lal Nehru said while inaugurating a Conference of Ministers on local self-governments that the local governments are and must be the basis of any true system of democracy from below rather than getting into the habit of thinking democracy from the top. The top-down approach of democracy may not be a success unless its foundation is built from below.

**1952:** Development through community development was envisaged through two programmes: Community Development Programme and National Extension Services.

The Ford Foundation launched 15 pilot projects in 1952 to improve the pathetic conditions of rural masses. An Indo-US Technical Cooperation Agreement was signed in January 1952, which started the first scientific and systematic programme of community development in India. It took up 55 community development projects to cover about 300 development blocks or 300 villages and a population of three lakhs.

However, both the programmes failed to achieve development objectives due to dispersion of goals and lack of involvement of higher levels of administration.

**1957:** The Second Five-Year Plan stressed the need for creating within the district a well-organized democratic structure of administration in which village panchayats would be organically linked with popular organizations at higher levels. The proposal was subsequently taken up by the study team appointed by the Committee on Planned Projects and was presided over by Balwantrai Mehta which submitted an elaborate report in 1957'.[5] It recommended creation of institutions which were to be statutory, elective, comprehensive in duties, clear in functions and have adequate autonomy.

The basic principles emphasized by the Balwantrai Mehta Committee are given in Box 37.1.

***Box 37.1: Basic Principles of the PR System by Balwantrai Mehta Committee***

1. There should be a three-tier structure of local self-governing bodies from the village to the district, with organic linkage among them which should be well-defined and practical.
2. Adequate administrative powers maybe entrusted to these bodies to avoid excessive State control.
3. There should be real transfer of power and responsibilities to them so that they can discharge their responsibilities.
4. Adequate resources should be transferred to the new bodies to enable them to discharge their responsibilities.
5. All development programmes should be executed through these bodies.
6. The system evolved should aim at further devolution and disposal of responsibilities in the future in the real sense.
7. State governments should not duplicate their functioning.[6]

**1959:** Panchayati Raj was created with the object of entrusting the authority and responsibility for rural development to rural people. It was not only held as an innovation but also as a revolution. Indian leaders took vigorous steps to fulfil the aim of the constitution through planning and community development.

## Four Phases of Panchayati Raj (PR) Development in India

After the recommendations of the Balwantrai Mehta Committee were passed by the Government of India, the country passed through four distinct phases, which are given below in Figure 37.1 and briefly explained thereafter:

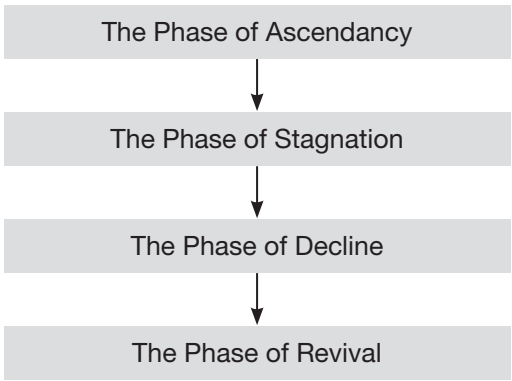



***Figure 37.1: Phases of PR Development***

1. **The Phase of Ascendancy:** The basic pillars of PR were erected in a conclusive and future-oriented style during this period. On 12 January 1958, the National Development Council also endorsed the recommendations of the Mehta Committee. The Central Council of the Local Self-Government stated in its fifth meeting that was held at Hyderabad in 1959, that the PR system must be flexible and uniform in a broad way because there was scope of trying different patterns and options but transfer of real power to people must be the foundation of all designs.
2. **The Phase of Stagnation:** The PRIs fell into a phase of stagnation from 1965–69. No further attempts were made to revamp or strengthen the PRI system. The stagnation is owed to the following four causes:
   - **(i)** The new national and state level leadership which emerged in the 1960s had thinner links with Mahatma Gandhi's ideology which resulted in lack of commitment in them.
   - **(ii)** There was acute food shortage in the country due to the crop failure in 1966–67 which led to a shift in the priorities of community development programme. The focus got shifted to an increase in agricultural production.
   - **(iii)** The political climate country changed towards a centralized control in administration which was not conducive to the growth of the PR system.
   - **(iv)** The lack of adequate technology and institutional capacity relegated the promotion of PRIs to a back burner.
3. **The Phase of Decline:** The period between 1969–1983 is considered as the phase of decline in the PR system when no efforts were made at any level of governments to strengthen it. In 1977, The Ashok Mehta Committee (popularly called as the Mehta Committee II) was constituted to revamp the PR structure. Its main recommendations are given in Box 37.2 given below:

***Box 37.2: Recommendations of Ashok Mehta Committee on PR***

1. There should be a two-tier PR structure of district level *Zila Parishad* and a *Mandal Panchayat* covering a population of 15,000 to 20,000.
2. The block must be abolished as a development unit.
3. The term of PRIs must be of four years and the members must be directly elected.
4. There must be participation of political parties in the PRI elections.
5. There must be *Nyaya Panchayat* under the jurisdiction of a judge distinct from the development *Panchayat*.
6. Elections to the PR bodies must not be superseded and if it has to be done it must not exceed more than six months.
7. The Scheduled Caste and Scheduled Tribe must be represented in the PRIs based on the population.
8. In a period of five years, the work of transferring all land revenue collections must be transferred to the PRIs.
9. The *Mandal Panchayats* must receive a permanent grant of not less than ₹ 2.50 per capita.
10. The PRIs must have constitutional mandate to provide them with continuity in its functioning.
11. The State government development activities of a district must be placed under the *Zila Parishad*.

Post-Ashok Mehta Committee, there were two more efforts made in the sphere of PRIs, which are:

- **The Chief Ministers Conference:** The Chief Ministers Conference was held in 1979 and specifically did not accept the proposal of *Mandal Panchayats* and favoured the continuance of the existing three-tier structure.
- **Working Groups on Block and District Planning:** In the early 1980s, many anti-poverty programmes were launched, which came with the establishment of district level rural development agencies and other field agencies, for their implementation. Decentralized planning was the subject of two expert groups, which were, The Working Group on Block Level Planning headed by M. L. Dantwala in 1977 and The Working Group on District Planning headed by Hanumantha Rao in 1983. Both the groups recommended decentralized planning activities must be carried out at the district level.

4. **The Phase of Revival:** 1983 onwards, the PRIs gained a lot of attention and the government in power headed by the then Prime Minister Rajiv Gandhi constituted a committee on PRIs under the Chairmanship of M. M. Sanghvi. It recommended the strengthening of Gram Sabha institutions to encourage direct democracy. The Sarkaria Commission was constituted to examine Centre-State relations in 1988 and did not align itself with the Singhvi Committee of constitutionalizing the PRIs. However, it recommended that the States must have the right to enact any law on the PRIs but uniformity must be maintained all over the country. It can be done by following any of the three alternatives:
   - **(i)** A Model Bill may be prepared by all the State legislatives based on a consensus at the forum of Interstate Council under Article 263.
   - **(ii)** Under Article 263 (i), a law can be made by the Parliament with consensus of all State legislatives.
   - **(iii)** A uniform law may be passed by the Parliament that might be analogous to Articles 172 and 174.

## 1993: The 73rd Constitutional Amendment

The concept of democratic decentralization came into full effect when the 73rd Constitutional Amendment Act was passed in the Parliament in April 1993. It provided a constitutional status to the PRIs in India through the insertion of Article 243 to Part IX of the Indian Constitution. The Act was enforced upon all State governments through constitutional amendment in Article 243 M that all States must amend their *Panchayat* Acts in conformity with the constitutional provisions. The constitutional status awarded to the PRIs brought a multitiered complex federal system in which different tiers operate at different scales of activity and where the activities of one impact the others.

The PR system comes closest to direct democracy instead of representative democracy at other levels. The essential features of the 73rd Constitutional Amendment are given in Box 37.3:

***Box 37.3: Essential Features of the 73rd Constitutional Amendment***

- **(i)** Incorporation of new Parts in the constitution; (Parts IX and IXA)
- **(ii)** A Gram Sabha in a village or groups of villages; (Article 243A)
- **(iii)** A three-tier (with a few exceptions) system of elected bodies; (Article 243B)
- **(iv)** Direct elections to all seats and to offices of chairpersons at the village levels; (Article 243C)
- **(v)** Reservation of seats for SC/STs in proportion to their population and to office of chairpersons at each level; (Article 243D)
- **(vi)** Reservation of at least one-third of the seats for women; (Article 243D)
- **(vii)** A fixed tenure of five years and elections within six months in case of supersessions; (Article 243E)
- **(viii)** Disqualification of membership; (Article 243F)
- **(ix)** Devolution of powers and responsibilities by the State legislature; (Article 243G)
- **(x)** Sound finance including grants-in-aid and powers of taxation, duties tolls and fees; (Article 243H)
- **(xi)** Setting up of Finance Commissions every five years to review the financial position; (Article 243 I)
- **(xii)** Auditing of accounts of *Panchayats*; (Article 243 J)
- **(xiii)** Conduct of elections by a State Election Commission; (Article 243K)
- **(xiv)** The part not to apply to Scheduled areas, tribal areas and to a few States (Article 243M).[7]

Some other features of the 73rd Constitutional Amendment are given below:

1. **Institutional Structure:** *Panchayat* elections take place every five years in each State and Union Territory in India. There are more than 2.5 lakh village *panchayats* in the country with a reservation of 33 per cent but many States have increased it to 50 per cent. Women empowerment have included them into the process of democratic decentralization. Women who are elected more than once get more attention to smoothen the implementation of Panchayat Mahila Evam Yuva Shakti Abhiyan. The problem in this arrangement is that of proxy male candidates who work behind the name of the women elected members. Moreover, there is too much politicization of *Panchayat* elections by political parties from the State or the National levels which prevents the local bodies to concentrate on local needs and issues.
2. **Devolution of Powers and Responsibilities:** The functions to be carried out by the *Panchayats* can be achieved only by effective devolution of 3 Fs—functions, funds and functionaries. Initially, there was an unevenness in the devolution made between States and within States in sectors of development. There was no congruence between devolutions and the transfer of funds and functionaries. The Centrally Sponsored Schemes also did not reorganize their schemes to involve the local bodies in their

implementation. These issues have been gradually resolved and some *Panchayat*s have been doing great work but attendance of members is a matter of concern. The State functionaries avoid to work under local functionaries and members usually become a mouthpiece of bully contractors without caring about the needs of the people. The local bodies must concentrate on provision of public services.

3. **Local Body Planning:** The districts constitute a District Planning Committee according to the Amendment for which the Planning Commission used to give guidelines (now NITI *Aayog*) to integrate all plans with the national plans. Backward Regions Grant Fund was started to provide funds directly under the *Panchayats* as 'untied funds' to fill the development gaps and the identification of developmental tasks was done by the participation of people. There are some concerns over the capacity building requirements to promote participative planning to manage the funds.
4. **Fund Position:** Self-governance needs adequate funds to carry out its developmental activities in provision of basic services to people. However, this has been one of the weakest links in case of Rural Local Bodies (RLBs) and Article 243X. The funds must be augmented by the State governments, Finance Commission and Consolidated fund of State but mostly the funds, in reality, the fund come through Centrally Sponsored Schemes. The issue here is that the State overnments use the previous State Finance Commission's data to allocate funds to the RLBs because the recommendations are made after five years. Hence, *ad hoc* grants are given to support the local bodies.
5. **Own Resources:** The PRIs are allowed by law to raise their own resources but in reality, the State governments lay down ceilings on revenue collection via property tax, octroi, professional tax or entertainment tax.

To sum up, the 73rd Constitutional Amendment was a landmark move in light of fostering democratic decentralization. The PRIs are simultaneously a remarkable success and a staggering failure as this is the only level of government which has reservation for women making them completely participatory and a means to empower women. Since the Amendment did not mandate the decision to delegate functions, powers, functions and finances to the PRIs has become a weak link in it. The PRIs cannot govern unless they are given the authority to actually perform governance functions. They remain starved for funds and are unable to meet their own establishment expenses.[8]

## Q2 *Discuss the status of capacity building in Panchayati Raj Institutions in India highlighting what programmes the Ministry of Panchayati Raj is carrying out to reinforce the system.*

**Ans.** Capacity building in PRIs is a major challenge for the Ministry of Panchayati Raj (MoPR) to cater to over 3 million elected representatives in India. The ministry provides funds for Capacity Building and Training (CBT) under various schemes including Backward Regions Grant Fund (BRGF), Rashtriya Gram Swaraj Yojana (RGSY) and Panchayat Mahila Evam Yuva Shakti Abhiyan (PMEYSA) to conduct training programmes as per the National Capacity Building Framework (NCBF).[9]

According to the World Bank, 'e-government refers to the use by government agencies of information technologies (such as Wide Area Networks[10], the internet and mobile computing) that have the ability to transform relations with citizens, businesses and other arms of government'. The efforts being made by the MoPR, Government of India in the field of CBT are given below:

1. **e-Panchayat Mission Mode Project:** Extensive use of Information and Communication Technology (ICT) is essential for the *Panchayats* to be able to effectively govern and perform their tasks. Moreover, a digitally inclusive society, also an SDG, requires that the rural population have access to new technologies to share information and services. Under the e-Panchayat Mission Mode Project, all *Panchayats* will be ICT enabled to address all aspects of governance like decentralized planning, budgeting, accounting, implementation and monitoring, etc., to service delivery like issue of certificates and licenses.

## Objectives of e-Panchayat Mission Mode Project

The key objectives are:

- Automation of internal workflow processes of *Panchayats*
- Improving delivery of services to citizens
- Capacity building of *Panchayat* representatives and officials
- Social audit
- Transparency, accountability, efficiency and RTI compliance of *Panchayats*
- Improving governance of local self-government.[11]

## Applications developed under e-Panchayat MMP

Eleven core common applications cover the entire spectrum of functioning of *Panchayats* and are called Panchayat Enterprise Suite (PES). The applications are given below in Box 37.4:

***Box 37.4: Panchayat Enterprise Suite***

1. **PRIASoft:** Captures receipt and expenditure details through voucher entries and automatically generates cash book, registers, etc.
2. **Plan Plus:** Helps *Panchayats*, Urban Local Bodies (ULBs) and line departments in preparing perspective, annual and action Plans.
3. **National Panchayat Portal:** Dynamic website for each *Panchayat* to share information in public domain.
4. **Local Government Directory:** Captures all details of local governments and assigns unique code. Also maps *Panchayats* with Assembly and parliamentary constituencies.
5. **Action Soft:** Facilitates monitoring of physical and financial outcomes/outcomes under various programmes.
6. **National Asset Directory:** Captures details assets created/maintained; helps avoid duplication of works.
7. **Area Profiler:** Captures geographic, demographic, infrastructural, socio-economic and natural resources profile of a village/*Panchayat*. Universal database for planning of all sectoral programmes and also provides details of elected representatives, etc.
8. **Service Plus:** A dynamic metadata-based service delivery portal to help in providing electronic delivery of all services in all States. The functionality of the Grievance Redressal Application has also been subsumed into this application.
9. **Social Audit and Meeting Management:** Captures details of statutory meetings at ZP/BP/GP levels and prepares reports for social audit.
10. **Trainings Management:** Portal to address training needs to stakeholders including citizens, their feedback, training materials, etc.
11. **Geographic Information System:** A spatial layer to view all data generated by all applications on a GIS map.[12]

2. **Model Accounting System:** The Comptroller and Auditor General formulated a Model Accounts Format for *Panchayats* in 2009. The accounts are prepared on cash basis, that is a transaction is only recorded when cash is received or paid. The period of accounts is one financial year ending

31st March every year. Daily transactions will be recorded in a cash book. At the end of every month, the bank reconciliation and the treasury reconciliation should be completed and ensured that the balances are rectified. Personnel in the PRIs must be trained to handle accounting since accounting is a very important task requiring a high degree of accuracy and security. PRIASoft is continuously upgraded in a simple format to make the accounting task easy for the functionaries to understand.

3. **National Capacity Building Framework, (NCBF) 2014:** The NCBF is meant to help the States in expanding the outreach and enhancing the quality of their capacity building initiatives. It provides various alternatives of training for large numbers, modes, subjects, quality enhancing strategies, women, Scheduled Castes and Scheduled Tribes, improvement in training institutions. The efforts of States will strengthen the *Panchayats* provided that each State decides the suitable training for capacity building depending on its needs. The NCBF are guidelines and not mandatory instructions and the recommendations are given below:

   **(i) Expanding the Outreach:** The State Institute of Rural Development (SIRD) must use satellite communication (SATCOM) training in expanding the outreach. There must be an adequate number of training institutes at decentralized levels like the Extension Training Centres, Panchayat Training Centres, District Panchayat Resource Centres, etc. NGO partners must be involved actively to achieve the objectives of expanding the range of stakeholders and focus on training core *Panchayat* functionaries. Existing departmental training institutes can help till the time specialized institutes are not in place.

   **(ii) Modes of Training:** Any training programme needs to have the capability of dealing large numbers on one hand and maintenance of quality on the other with distinctive consideration for people with special needs. Cascade model of training can be used to train large numbers under which a selected group of *Panchayat* functionaries can be trained and they can further train at their own *Panchayat* centres. Mass media, radio, mobile phones, etc., can also be used for training which can be supplemented by e-Modules and distance learning material.

   **(iii) Areas of Training:** The SIRD must plan its training courses for newly elected *Panchayat* functionaries a foundation course in the first year while refresher courses in the subsequent years. Each State must devise its own five-year capacity building framework, especially, on devolved subjects. Sectoral trainings can be undertaken to help specific sectors which need more attention while planning optional training courses for marginalized groups and honing the leadership skills.

   **(iv) Quality of Training:** 'SAT Cycle', which is a systematic approach of training, must be followed by all SIRDs to ascertain the quality of training. It comprises:

   - Training Needs Assessment
   - Training Material Development
   - Training of Teachers
   - Actual Training
   - Training Assessment.

   Training must be imparted with speed and quality at decentralized centres by using workbooks and need-based training modules while not forgetting feedback which is the most essential part in any training.

   **(v) Elected Representatives of SC/ST and Women:** Focussed training needs to be done for the marginalized sections of the *Panchayats* by using well-illustrated, pictorial and simple text.

Another factor that plays an important role in this is the selection of trainers who must be sensitive to the needs of such groups.

(vi) **Institutional Structures and Processes:** The institutional and HRD policy for CBT of PRIs must be prudently formulated to implement the funding provisions for DPRCs and BRCs so that training can be imparted at various decentralized centres. Trainers must be trained and encouraged for professional growth.[13]

To sum up, training of PRI members in the areas of economic, social and cultural development with a holistic approach and in a systematic manner can lead to the achievement of the goals of Panchayati Raj in the present day. Gandhian ideology regarding *Gram Swaraj* is somewhat different to from what we have today. Gandhi detested modern technology and considered that it would pollute the minds of innocent villagers but also conceded to the fact that Science has entered into our society and is here to stay. Today, ICT is the force that binds all *Panchayats* together with the governmental development schemes and programmes. The villagers are on the path to being well-informed. The civil society is a major stakeholder in implementing training to the PRI functionaries and the cascading effect will gradually achieve the objectives.

## Q3 *Discuss the role of women in Panchayati Raj Institutions in India.*

**Ans. Issues:** The 73rd Constitutional Amendment Act, 1993 has enabled women to come out of their homes and participate in the administration and politics of their area. The provision of 33 per cent reservation for women in the *Panchayats* and in some States up to 50 per cent reservation has empowered women in elevating their status. The issues being faced in women empowerment in PRIs are given below:

- Only a marginal percentage of women empowerment has been achieved according to many research studies conducted on the subject. Studies shows that, women have contested elections only at the insistence of their husbands and if they win the seat, the proxy system is prevalent.
- Attendance of women in meetings of the *Panchayat* is also found to be low. The men go to the meetings and take decisions who are influenced by the local businessmen or large industries to vote in their favour, thus, making the whole exercise of women reservation a futile one.
- Home and farming duties keeps women over busy and find less time for catching up with the new technologies and training that is essential to become a PRI functionary.
- Another factor dampening the spirit of women in the PRI functioning is the attitude of executives towards them which is not encouraging.
- Women functionaries are not aware completely about the developmental programmes of the government, probably, because most of the times they miss the training schedules. It can be said that women leaders are partially responsible and aware of their duties.

**Suggestions:** It is essential that as a 'socially and economically disadvantaged section', women have to understand ways in which power is shared and why greater importance is needed to influence the redistribution of power and resources. Policies of reservation can redress the imbalance of both the genders. Rural development, based on gender equality, can be attained by integrating themselves by developing and employing their skills. Women's representation is seen as an instrument for change and women are seen as an interest group who will take-up the cause of other disadvantaged women. It is anticipated that once they become a part of the decision-making process, they would demand participation in development decisions and a reorientation of public policies. The process of Indian women coming

into politics have been slow and halting because Indian culture is apolitical and the force of tradition has been particularly against the participation of women in politics.

The following measures can be taken to make full and efficient use of potentials and skills of rural women for accelerating development process:

1. **Awareness of Development Programmes:** Section 7 of the 73rd Constitutional Amendment Act deals with the functions of Gram Sabha about the identification of beneficiaries for the implementation of development schemes pertaining to village but it has been observed in many research studies that most of the elected women representatives are not aware of the development schemes and programmes initiated by the State governments from time to time.

   In this regard, it is suggested that the government must step-up its CBT programmes by holding workshops, seminars and awareness campaigns. The involvement of the civil society will also help in the dissemination of information and skills, since women do not get free time from household chores to attend *Panchayat* meetings and learn the *Panchayat* functioning. The government can give a one-time grant or a soft loan to the elected women representatives to buy household electronic gadgets that will let them complete their house work and get some free time also. Some governments have taken this initiative.
2. **Visits of Officials:** The officials from the State government of the district level come infrequently to the villages which hinders the development process. Such officials must be under the control and supervision of *Panchayats* elected representatives so that more can be done. There is a discrepancy of information about the *Panchayat* functioning between village *Panchayats* and this can be improved by more frequent visits of the officials.
3. **Education:** The role of women in children's education is vital as early socialization of the child takes place in the family under the guidance of the mother. Usually, women are not keen in imparting education to their children, especially, girls. They must be motivated to educate themselves in Adult Education Programmes so that they can teach their children with an understanding of the importance of education. Being elected representatives, they must be proactive in this area so that they can motivate others also to do the same.
4. **Self-Employment:** The women must be given more opportunities for self-employment so that economic independence will give them the confidence and status to participate actively in the *Panchayat* functioning.

Thus, the main thrust in above issues and suggestions to resolve them pertain to more dissemination of information and training of women functionaries. Their role is of utmost importance to the society to increase socioeconomic status of the rural people.

## Q4 *'The whole discourse on Panchayati Raj Institutions is not as glorious as it is made out to be'. Discuss.*

**Ans.** The 73rd Constitutional Amendment has been an instrument of change in achieving democratic decentralization. On paper, the law is correctly designed for the purpose of economic and social change. The more the rural people will participate in decision-making, the more they will be empowered to help themselves and become contributors and enablers in the economy of India. India is emerging as one of the fastest economies in the world and this is the right time to move the rural people as a force to help it move quickly. The rural people are mostly below the poverty line and do not have the access even to the basic facilities like water, sanitation, education, roads and health. The weaknesses that have emerged in the implementation of the Act have arisen over the years due to

various external factors comprising the administrative and political culture in India. They are given below:

1. **Political Visits:** The political stalwarts support their candidates for getting a seat in the Gram Sabha elections but never visit the villages till it is time for election again. There is no political support to hem to develop, however, the Government of India began an initiative for the elected representatives of the legislative assemblies and of the Parliament to adopt a village in their constituencies to make it into a 'Model Village'.
2. **Reserved Seats:** The provision for reservation of seats for women and SC/ST does not seem to be working out successful because such people have no background of political experience and are forced to stand for elections. In the excitement of elections, the candidates enjoy the fervour and the power but as the election fever dies down, they go back to their old routines because they have no understanding of the functioning of the PRIs.
3. **Self-Employment:** Most of the elected representatives of the Gram Sabha and the villagers are self-employed and hardly have any time to participate in the developmental activities that they are required to. Even if they have the mental and physical aptitude to do it they are unable to put their earnings in danger and risk the welfare of their families.
4. **Attitude of Bureaucrats and the Politicians:** The bureaucrats and the politicians have the major sway over the operational matters of governance and do not want to lose power. Both the wings of the government have to find a way together to get the results delivered. The exploitative structure and style of governance needs to be brought in real terms.
5. **Transfer of Powers:** The State governments control the administrative and financial powers of devolution and do not release funds to the *Panchayats* to cover their basic needs. Unless the *Panchayats* are given autonomy in financial and administrative structures, they will be institutions only in name.
6. **Supervision:** The State government employees do not want to work in the rural areas and neither do they want to work under the PRI functionaries. This problem needs resolution and commitment which will not come with force.
7. **State Finance Commissions (SFCs):** The SFCs submit their recommendations every five years but the *Panchayats* need funds in every annual year. If the recommendations are five years late, so an *ad hoc* grant is released. This system must be changed to synchronize the timings of the report of the SFCs.

The system of PRIs has to be revamped and mainly administrative and financial devolution is very important to give autonomy to the *Panchayats*. Local governance must include policing and justice too. The recommendations given by the Second Administrative Reforms and Punchhi Commission must be accepted and implemented in totality to improve the local governance system in India.

## Conclusion

Indian culture has been in existence since a long time ago. India lives in the villages and despite of the recent migration into the urban areas, it still has a majority of them living in the rural areas. They were always self-governed and managed their villages very well with an efficient system of moral codes and barter system for trade and meeting their needs. The 73rd Constitutional Amendment Act has started the journey of development although much needs to be done. Civil Society Organizations (CSO) must play a better role in shaping the grass root democracy into a more well informed stronger one.

## Notes and References


1. Mahajan, Anupama Puri (2010), *Empowerment of Women in Panchayati Raj Institutions,* Anamika Publishers and Distributers (P) Ltd., New Delhi.
2. Biju, M. R. (1998), *Dynamics of New Panchayati Raj System,* Kanishka Publishers, New Delhi.
3. Goel, S. L. and Rajneesh, Shalini (2003), *Panchayati Raj in India: Theory and Practice,* Deep and Deep Publications Pvt. Ltd., New Delhi.
4. http://www.odishapanchayat.gov.in, retrieved on 25 March 2019.
5. Mishra, S. N. and Singh S. S 91993), *Roads to Model Panchayat Raj,* Mittal Publications, New Delhi
6. Goel, S. L. and Rajneesh, Shalini (2003), *op.cit.*
7. Commission on Center-State Relations, Volume-IV, http://interstatecouncil.nic.in, retrieved on 25 March 2019.
8. Adapted from Evaluating the Panchayati raj institutions at 25, https://www.livemint.com, retrieved on 25 March 2019.
9. Status Report, PRI Capacity Building & Training ( CB&T) in India, http://www.undp.org

   Log on to the above link to know more about the past initiatives in capacity building and training. The present programmes have been covered in the Answer 2.
10. A computer network in which the computers connected may be far apart, generally having a radius of more than 1 km.
11. Background Objectives and Project Conceptualization, https://www.panchayat.gov.in, retrieved on 25 March 2019.
12. Software Application, https://www.panchayat.gov.in, retrieved on 25 March 2019.
13. Adapted from: NCBF Report, https://www.panchayat.gov.in, retrieved on 26 March 2019.

UNIT

# XII

# URBAN LOCAL GOVERNMENT


**Chapter 38** Municipal Governance—Main Features, Structure, Finance and Problem Areas; 74th Constitutional Amendment

**Chapter 39** Global Local Debate—New Localism

**Chapter 40** Development Dynamics, Politics and Administration with Special Reference to City Management

*This page is intentionally left blank.*

# 38 Municipal Governance—Main Features, Structure, Finance and Problem Areas; 74th Constitutional Amendment

## LEARNING OBJECTIVES

*After reading this chapter, you will learn about:*

- Features and Structures of the 74th Constitutional Amendment
- Finance Provisions for Municipal Governance
- What are the problems in 74th Constitutional Amendment?
- What are the Initiatives planned for Urban Governance?

## INTRODUCTION

The urban government or called as municipal governance has now emerged in India out of a centralized system of governance. We have evidence of local village governance through *Panchayats* in ancient India in epic works like *Mahabharat* and *Ramayana* but cities were founded by rulers. Not much information is available on urban governance except in Kautilya's *Arthashastra* that the city of *Pataliputra* was managed by the representatives of the ruler, called the *Nagaraka* with assistance of *Gopa* or *Athanika*. He also mentioned that there were various committees and specialists which is analogous to the present times.

During the Gupta period, the towns were governed by a centrally appointed official called, *Purpal*, which was helped by a non-official committee. Town committees existed in the medieval period of Indian history because the central powers could not rule the towns and cities from the centre. The people's participation in those times was negligible and the ruler's appointee managed the local affairs which were mostly law and order and revenue collection. *Kotwal* in the Mughal administration was an important administrator who performed the duties of municipalities as well as magisterial functions.

While in the British period, the East India Company as well as the Queen's government, there was no concern of people. They administered local affairs only for their own purpose to collect taxes, maintain law and order and sanitation for their own people. In 1870, Lord Mayo introduced the process of administrative devolution and decentralization. In 1882, Lord Ripon passed a resolution laying the basis of the local governance which is still in continuance today. The Royal Commission recommended decentralization in 1908 while in 1919, the Montague Chelmsford reforms distinguished between the taxation powers of the local bodies.

The Government of India Act, 1935, stated reorganization of India on a federal basis in which local self-government became a provincial subject. The functions of local bodies increased but financial resources were trimmed. After independence, the Directive Principles of State Policy were incorporated in Article 40 in Part IV of the Indian Constitution but could not have any impact on urban governance because there was no mention of formation of urban bodies by the State governments.

Urban governance can be defined as the ways by which the government at the local, regional and national levels partner with the stakeholders in the activities of planning, finances and management of the urban areas.

W. J. H. Mackenzie defined local government being far from being a launching pad for democracy. He perceived local government primarily as a means of providing certain services although it may also offer the citizens the benefit of serving the community. So, it is for the government to regard its purpose as the propagation of democracy at the local level and there are others who also think on the same pattern.[1]

## Q1 *Discuss the main features, structure and finance of municipal bodies in India.*

**Ans.** Strategic urban planning is essential to have an effective, responsive, democratic, transparent and accountable governance framework for an urban area[2] which is based on a designed organizational structure that will lead to accountability of the government.

**Structure:** The structures required for civil governance are complex. There is no single model that can be implemented in all towns and cities due to diverse factors of geographical location, size, cultural and historical backgrounds. Nonetheless, there are some basic commonalities that can become the foundation for designing the structure. There must be a linkage between various organizations and institutions to maximize civil efficiency. The Nagar Palika Act or the Municipalities Act, 1992 was passed in the Parliament through the 74th Constitutional Amendment and came into force on 1 June 1993 and was aimed at supplementing the inadequate constitutional provision for local self-government. The Twelfth Schedule of the Constitution under Article 243W contains a list of 18 items that have been assigned as functions to municipalities.

### Provisions of the Municipalities Act

The main provisions of the Act have been divided into two categories as compulsory and voluntary. They are given below:

### (I) Three Types of Municipalities (Article 243Q)

There are three major and also other types of municipalities in each State, given below according to the 74th Constitutional Amendment in Figure 38.1 and described thereafter:

1. **Nagar Panchayat:** This is the transitional area, which is transforming itself from being a rural area into an urban area. A transitional area, a smaller urban area means such area as the Governor may specify by public notification for this purpose with regard to the following factors:
   - Population of the area
   - Density of population
   - Revenue generated for local administration
   - Percentage of employment in non-agricultural activities
   - Economic importance or such other factors as the Governor may deem fit.

***Figure 38.1: Types of Municipalities***

2. **Municipal Council or a Municipality:** This is for 'a smaller urban area', like smaller towns and cities which are set-up by the concerned Act in the States. It can be differentially called as Municipal Committee, Municipal Board, Borough Municipality, City Municipality, etc.

   **Authorities of a Municipal Corporation:** The municipal corporation comprises three constituents of authorities, which are:

   **(i) The Council:** The corporation council consists of the directly elected members which is headed by a Mayor, assisted by a Deputy Mayor, elected by the members by a majority of the States for a one-year renewable term. He/she is only a nominal head whose functions include presiding over meetings of the Council which is the deliberatively and legislative wing of the corporation.

   **(ii) The Standing Committees:** They are constituted to expedite the corporation's working which is usually very vast, like the subjects of health, education, taxation, public works, etc.

   **(iii) The Commissioner:** He/she has the responsibility for the efficient implementation of the Council and Standing Committees' decisions. He/she acts as the chief executive authority of the corporation who is appointed by the State government, usually a member of the Indian Administrative Services.

   **Composition:** The composition of the municipal council comprises directly elected members and reservation of seats for SC/ST and women. The Council is headed by a President/Chairman assisted

by a Vice Chairman and unlike the Mayor of a municipal corporation, enjoys executive powers. It has Standing Committees as the corporation and the Chief Executive Officer who looks after the day-to-day administration is appointed by the State government.

3. **Municipal Corporation:** This is for 'a larger urban area'. This is the highest in the hierarchy of institutions for urban governance with the population more than three lakhs. It enjoys more autonomy than the other structures which is established under a special statute passed by the specific State legislature with an exception in New Delhi which is set-up by the Union Parliament, being the national capital.

## Composition (243R)

The municipal corporation is comprised of directly elected members based on universal adult suffrage for a term of five years. Each municipal area shall be divided into territorial constituencies which are known as wards. The composition will be decided by the State legislature having the following features:

- Persons to be chosen by direct election
- Representation of Chairpersons of Committees, if any, at ward or other levels in the municipalities
- Representation of persons having special knowledge or experience of Municipal Administration in municipalities (without voting rights)
- Election of Chairpersons of a municipality in the manner specified in the State law
- Constitution of committees at ward level or other levels within the territorial area of a municipality as may be provided in the State law.

It has the same authorities as the municipal council.

## Other Types of Urban Local Bodies (ULBs)

Besides the three main types of ULBs, there are other types also, briefly given below:

4. **Notified Area Committee:** Due to the rapid industrialization in India, towns are increasingly becoming overpopulated but yet do not fulfil the conditions of a municipality but are vital enough to call for better maintenance. Such an area is notified in the government gazette and hence the name is given to it as, 'Notified Area Committee'. It works under the State Municipality Act but can also be entrusted to work under some other Act. The difference is that its members are nominated by the State government and not directly elected.
5. **Town Area Committee:** It is a semi-municipal authority established for a small town and carries out regular civic functions by a separate State Legislature Act. Its membership can have any format of either elected, nominated or a mix of both.
6. **Cantonment Board:** A Cantonment Area has civilian population also living there and need municipal administration and is set-up under the Cantonments Act, 1924. It works under the Ministry of Defence of the Union government and managed by it. They are classified into three, which are:
   - **(i)** Class I: Civilian population more than 10,000
   - **(ii)** Class II: Civilian population between 2500 and 10,000.
   - **(iii)** Class III: Civilian population less than 2500.

   **Composition:** Its composition is of a mixed nature of elected and nominated members with a term of three years but the nominated members remain members till they are stationed there. The

Commanding Officer of the station is the president of the board and presides over its meetings who is helped by a Vice-President elected by the board members for a term of three years. The president appoints an executive officer who is responsible for the implementation of the Board decisions and belongs to the Central Cadre.

7. **Special Purpose Agency:** Such agencies are statutory bodies, constituted by an Act of a State legislature or a Departmental Executive Resolution, for a specific purpose based on functions and not area. They are called by various names depending on the purpose, for example, Town Improvement Trusts, Housing Boards, etc. They are autonomous and work independent of any other body.
8. **Township:** Large public enterprises establish in towns to meet the civic requirements for their own staff and workers who live in the campuses of the public enterprises. It appoints a Town Administrator to look after the administration of the township who is assisted by engineers, technical and non-technical staff. It is an urban government body without any elected members in the ambit of the administration of the public enterprise.
9. **Port Trust:** As the name suggests, the port trusts are established in sea-ports to manage the ports as well as the civil needs by an Act of the Parliament with a mixed membership of elected and nominated members. Its functions are same as a municipality.

The classification of the structures given above shows that there is a variability in the structures to be established in different urban areas according to the law. The State government has the right to decide according to the classification which body would be suited best for the respective urban areas.

The other major features of the 74th Amendment Act are given below in Figure 38.2 and described after that.

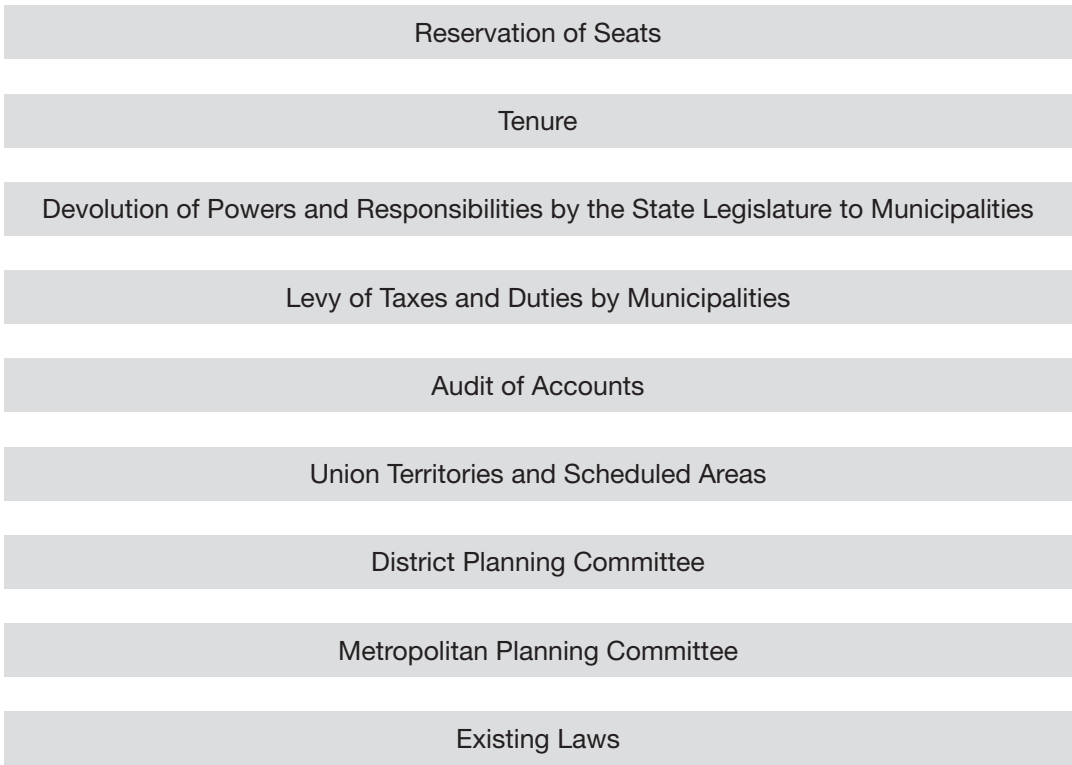



***Figure 38.1: Main Features of 74th Amendment Act***

## (II) Reservation of Seats (Article 243T)

In every municipality, the reservation of seats will be done as follows:

- For Scheduled Castes and Scheduled Tribes in proportion to their population of which not less than one-third shall be for women.
- For women which shall not be less than one-third of the total number of seats.
- In favour of backward class of citizens if so, provided by the legislature of the State.
- For Scheduled Castes, Scheduled Tribes and women in the office of Chairpersons as may be specified in the State law.

## (III) Tenure (Article 243U)

There shall be a fixed term of five years for the municipality and re-election within six months of end of tenure. If a municipality is dissolved before expiration of its duration, elections to be held within a period of six months of its dissolution.

## Disqualification of Members (Article 243V)

The members of the municipalities can be disqualified:

- If he/she is disqualified by or under any law but he/she must not be less than 25 years of age and more than 21 years.
- If he/she is disqualified for the time being in the election period of the State legislature.

## (IV) Devolution of Powers and Responsibilities by the State Legislature to the Municipalities (Article 243W)

The State legislature shall devolve powers and responsibilities to the municipalities in the following areas:

- Preparation of plans for economic development and social justice.
- Implementation of development schemes as may be required to enable them to function as institutions of self-government under matters listed in the Twelfth Schedule.[3]

## (V) Levy of Taxes and Duties by Municipalities (Article 243X)

The municipality may assign such taxes and duties as permitted by the State legislatures for making grants-in-aid by the State in the following cases:

**(i) Finance Commission:** A Finance Commission, constituted under Article 243I, to review the finances of the Municipalities and to recommend principles for:

- Determining the taxes which may be assigned to the municipalities.
- Sharing of taxes between the State and municipalities.
- The grants-in-aid shall be given to the municipalities from the Consolidated Fund of the State.
- Measures needed to improve the financial position of the municipalities.

The Governor shall cause every recommendation made by the commission with an explanatory memorandum to the action taken, to be laid before the State legislature.

**(ii)** **Taxes:** The municipality must be authorized to levy, collect and appropriate such taxes, duties, tolls and fees levied and collected by the State government for such purposes subject to conditions and limits.

**(iii)** **Funds:** Such funds must be constituted for crediting all moneys received, respectively by or on behalf of municipalities and also for withdrawals of such money.

## (VI) Audit of Accounts (Article 243Z)

The Comptroller and Auditor General shall audit the accounts of the municipal corporations concerned which they will lay before the State legislature.

## (VII) Enacting Law

The State legislature must make laws regarding elections to the municipalities to be conducted under the superintendence, direction and control of the Chief Electoral Officer of the State.

## (VIII) Union Territories and Scheduled Areas (Article 243ZB)

The provisions of the Act will be applicable to any Union Territory or a part thereof with any modifications, if required and specified by the President. The scheduled areas may be exempted as the President may, by public notification, direct and specify in it. As per Article 243ZC, the Part shall not apply to Scheduled Areas and Scheduled Tribes mentioned in Article 244 and Darjeeling Gorkha Hill Council in West Bengal.

## (IX) District Planning Committee (DPC) (Article 243ZD)

There shall be a DPC constituted in every State at the district level for consolidation of the Plans prepared by the Village Panchayats and the municipalities in the district and to prepare a draft development plan for the district as a whole. The law states that:

**(i)** The State legislature may make provision with respect to:

- The composition of the DPC.
- The manner in which the DPC will be filled and the provisions of the law state that not less than four-fifth of the total members of the DPC shall be elected from the elected members of the *Panchayat* at the district level and the municipalities in the district in proportion to the ratio between the rural-urban population in the district.
- The functions relating to district planning which may be assigned to the DPC.
- The manner in which the Chairperson shall be chosen.

**(ii)** The Draft Development Plan will be prepared by the DPC and shall take consideration of the following:

- Matters of common interest between the *Panchayats* and the municipalities including:
  - Spatial planning
  - Sharing of water and other physical resources
  - The integrated development of infrastructure and environment.

- The extent and type of available resources whether financial or other.
- Hold consultations with institutions and organizations by Governor's order.

**(iii)** The DPC Chairman shall forward the development plan to the State government.

## (X) Metropolitan Planning Committee (Article 243ZE)

A Metropolitan Planning Committee (MPC) shall be constituted in every metropolitan area to prepare a draft development plan for its metropolitan area. The law specifies that:

**(i)** The State legislature may make provision with respect to the following:
- The composition of the MPC.
- The manner in which the seats of the MPC will be filled and the provisions of the law state that not less than two-thirds of the members shall be elected from the elected members of the municipalities and Chairpersons of the *Panchayats* in the metropolitan area in proportion to the ration between the population of Municipality-*Panchayat* in that area.
- The representation of the MPC in any such committees or organizations of the State government or institute.
- The manner in which the Chairperson shall be chosen.

**(ii)** The Draft Development Plan will be prepared on the same lines as it is made by the DPC.

## (XI) Existing Laws

Any law or a part of it related to the municipalities before the commencement of The Constitution (Seventy-Fourth Amendment) Act, 1992, which is not consistent with this Act shall remain in force until it is repealed or amended by a competent authority or until after one year. The constitution laid down in the law is that the municipalities that existed before this Act must complete their tenure.[4]

The above-given are the main features of the 74th Constitutional Amendment Act.

## Q2 *Examine the problem areas of the 74th Constitutional Amendment Act.*

**Ans.** Urban governance has always been the centre point of attention for policy makers. The 74th Amendment Act was considered a giant leap in this direction and its implementation reports reveal that the most of the States promptly ratified the Act by 1994. As per the Census 2011, out of the total population of 1210.9 million, about 377.1 million live in the urban areas accounting for 31.5 per cent of the total population. The fast pace of urbanization has increased the pressure on the level of services and poverty in the urban areas. The economic growth is coming from the urban areas which requires that efficient urban governance must be put in place.[5] The absence of all the features of good governance even after the passing of the 74th Amendment Act clearly shows the lack of implementation. Given below are areas of weakness in the implementation of the 74th Amendment Act in urban governance through Figure 38.3 and explained thereafter.

1. **Weak Legal and Institutional Framework:** The ULBs have to operate within weak legal and institutional framework. Their development and regulatory functions are performed with poor capacity including lack of a professional and sensitized cadre. As given in the Report by Planning Commission[6] while formulating the 12th Five Year Plan, the ULBs' personnel capacity in the sectors of provision of town planning, water waste management, financial management, project

***Figure 38.3: Problem Areas of 74th Constitutional Amendment Act***

management and accounting is appalling. Capacity building needs to be done and more personnel needs to be recruited or replaced and this exercise must be funded in the plan.

2. **Election Commissions:** A survey conducted by 'Centre for Civil Society'[7] in 2004 pointed out that the election commissions had not been actively participating in municipal elections. However, their performance picked up after a few years but the electoral rolls that are prepared for the assembly elections and the ones that they make for local elections do not match up.
3. **Coordination of Development Plans**: The MPC are responsible for coordinating the development plans for growing urban areas are non-existent. They have not yet actualized into functioning bodies or planners. Some States have the provision for an MPC in their Acts also but have been complacent in constituting it.
4. **Financial Constraints:** The local governments are financially constrained as resources have to be released by the State government or through Centrally Sponsored Schemes (CSS). The

CSS render them dependent on the higher levels of government administration as they do not make any efforts themselves. The ULBs have inadequate delegation of taxation powers due to administrative convenience Some taxes must be given to the ULBs provided they have the capacity for it.

5. **Disempowerment:** The ULBs are disempowered because they are subservient to the State government. The mayor is a nominal ceremonial head while the State government's appointed commissioner is vested with the executive powers. The State governments exploit this provision by ascertaining that no city politician emerges as a stronger force to maintain control over the city.
6. **Parastatal Agencies[8]:** The parastatal agencies are created by the State government and operate in the States and sometimes take the form of urban development authorities with the functions of building infrastructure and public corporations which provide services like water, electricity, etc. They have the funds and autonomy directly from the State government and are accountable only to the State government and not only the Local government. Urban planning and land use regulation, which are basic functions of a local government all over the world, is also with the State government controlled development authorities. The parastatal agencies are pre-74th Amendment, which were supposed to be abolished but they have not been done so.
7. **Citizen Participation:** According to the Second ARC, there is very little role that the average citizen plays in his/her own governance. The elected representatives as well as the officials are not sufficiently accountable and this often undermines both efficiency and transparency. It suggested a level of public participation in the cities and towns must be created by not only the resident voters but also non-resident businesses. It also suggested that area *sabhas* must be created with constitutional mandate with explicitly defined composition, functions, duties and responsibilities.
8. **Representation Ratio between Citizens and their Elected Representatives:** The representation ratio between citizens and their elected representatives is ten times larger than the rural areas. Ward Committees have not been constituted as proposed in some States and wherever they have been made, they are hampered by the combination of various factors like the nomination process, limited citizen representation and an ambiguous mandate.
9. **Stability:** An indirectly elected Mayor services in office so long as he/she enjoys the support of the majority in the Council. Such a system is prone to 'horse-trading' and the Mayor's authority is weakened, undermining the quality of administration. A popularly elected Mayor has a fixed tenure and cannot be ordinarily removed from office by the councillors. A long-term vision and stability of leadership is vital to promote good governance.
10. **Accountability:** A directly elected Mayor can be prone to abuse of authority and this can be checked by institutional checks, public opinion and free media.
11. **Reservation with Empowerment:** In cases where a Mayor is indirectly elected and the office is reserved for a specific category, the majority party may not have a suitable candidate elected as a councillor. Many times, the minority party has to come up with a candidate for the post of Mayor. This creates struggle in the council and results in lack of leadership. Hence, it is suggested that a Mayor must be directly elected and made the executive authority.[9]

To sum up, the Indian policy makers have been slow in responding to changing metropolitan forms and have largely visualized urbanization as city expansion. The 74th Amendment Act has failed to have a long vision of the dynamics of large complex urban formations. There is a need to meet these demands on an urgent pace. The NITI *Aayog* has suggested a plan for urban transformation in alignment with the Sustainable Development Goals.

## Q3 *What are the recent initiatives and plans that have been taken or planned for urban governance?*

**Ans.** Urbanization is an integral part of economic development. It grows in three dimensions:

1. **Urban Agglomerations:** Industry and services often concentrate in urban agglomerations while agriculture is primarily a rural phenomenon. In a rapidly growing economy, productivity and wages grow faster in the former and pull workers out of the latter. The resulting migration leads to an increased population, like in metropolitan cities of New Delhi and Mumbai.
2. **Urban Sprawl:** With growth in industry and services, cities expand geographically and absorb the adjacent villages and results in an urban sprawl.
3. **Fostering of New Cities:** Creation of new cities may also foster urban growth. New cities may come up through Greenfield projects as in case of Chandigarh, New Chandigarh, Amravati in Andhra Pradesh.

Efficient urban management is essential for the smooth flow of rural-urban migration and to maximize the well-being of the urban population. Poor management leads to scarcity of commercial and residential space, creation of slums, absence of greenery and common spaces, inadequate availability of electricity, water and sewage and so many other problems.

The Government of India has launched various schemes to deal with the problems of growing transformation. They are given below in Figure 38.4 and described thereafter:

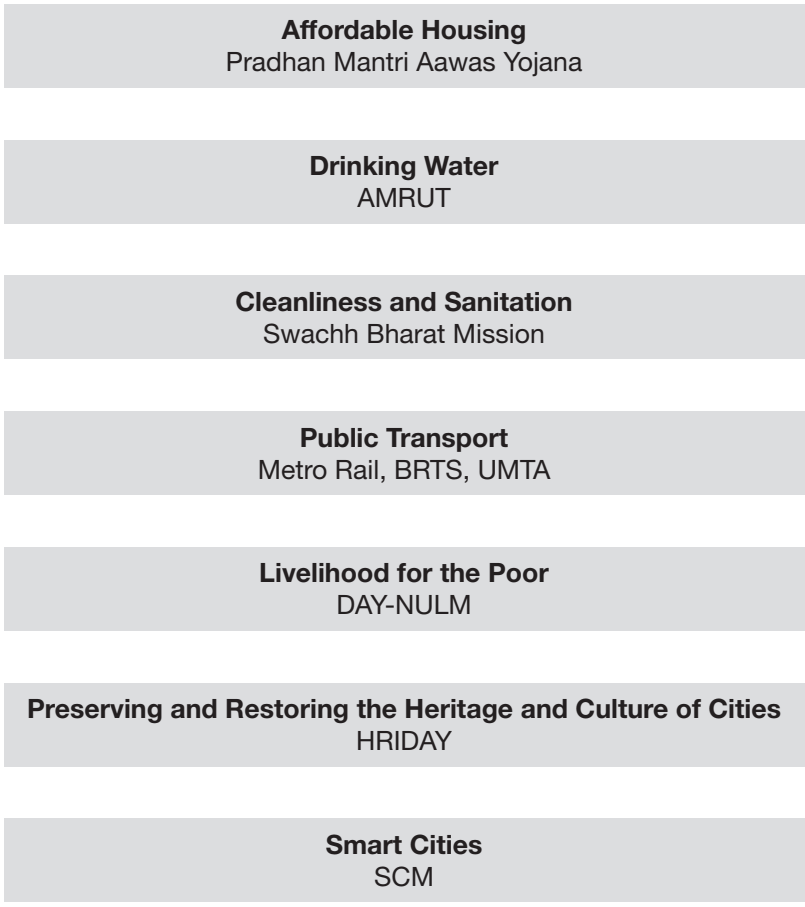



*Figure 38.4: Recent Initiatives for Urban Transformation*

1. **Affordable Housing:** Pradhan Mantri Aawas Yojna—Housing for All (HFA) (Urban Mission) was launched in June 2015 to provide housing to all in urban areas by 2022. The plan is to build two crore houses for urban poor including Economically Weaker Sections (EWS) and Low-Income Groups (LIGs)[10].

   **Constraints:** Indian urban areas ae ridden with certain constraints like:
   - High cost of land
   - Accommodation for migrant workers
   - Low rental yields
   - High borrowing rates
   - Flow of illicit money into real estate
   - High stamp duty
   - Ceiling of land under law has rendered them tied up in litigation
   - Unused government land
   - Stringency of land conversion land shortage of horizontal land.

   **Reforms:** The NITI *Aayog* has suggested reforms in its Three-Year Action Plan to reduce the constraints in affordable housing:
   - Check on the flow of black money into real estate
   - Amendment of the Land Acquisition Act, 2013
   - Shifting of power of land conversion from agricultural to non-agricultural from States to agencies in charge of urbanization by flexible and transparent conversion to release more land from the periphery of urban centres
   - Scarcity of horizontal land must be countered by expanding the space vertically through construction of taller buildings but it depends on the permitted Floor Space Index (FSI) which must be increased
   - Model Tenancy Act must be modified and adopted by the States
   - Dormitory housing for migrants without families will help housing problem.
2. **Drinking Water:** Atal Mission for Rejuvenation and Urban Transformation (AMRUT) has been launched with the objective to provide hard infrastructure for universal coverage of piped drinking water, sewerage and green spaces and parks. AMRUT also incentivizes governance reforms in the cities. The main areas of focus are:
   - The Apex Committee at the Central level shall approve the State Annual Plans (SAAP) and the Union Territories (UT) for the entire mission period.
   - The ULBs must complete the implementation of all the projects of universal coverage of drinking water and sewerage for all households and in other areas.
   - The 500 Mission cities have to develop 200 parks with elderly and children friendly features.
   - The States must pilot the eleven-point urban-sector reform agenda as per the implementation road map in their respective SAAPs.
   - Capacity building programme for officials and elected representatives is to be implemented as per the Plan indicated in SAAPs.

   The centre has allocated ₹ 50,000 crore for AMRUT over a five-year period from 2015–16 to 2019–2020 and is being administered as a CSS. The division of the allocation of the funding is given below:
   - 80 per cent: Project Funding
   - 10 per cent: Incentive Fund for implementation of reforms
   - 10 per cent: State and central administrative expenses

The reforms comprise e-governance of ULBs, constitution and professionalization of municipal cadres, urban and city level planning, review of building by-laws, municipal tax and fee improvements, collection of user charges, credit ratings of ULBs and energy and water audits.

3. **Swachh Bharat Mission (SBM) (Urban):** SBM was launched on 2 October 2014 to keep the cities clean. It proposes to eradicate manual scavenging, introduce modern and scientific solid waste management, induce behavioural change with respect to healthy sanitation practices and generate awareness for sanitation and its link to public health, augment the capacity of ULBs and create an environment for the private sector in waste management.

   As of March 2018, 47.04 lakh household toilets and 3.18 lakh seats of community/public toilets have been constructed according to the data published in the 'Strategy for New India' by NITI *Aayog*. The problems and constraints are the same as before like operation and maintenance of public toilets, non-availability of water, non-segregation of waste and many other issues. It has been suggested by the NITI *Aayog* the following:

   - **Expanding the Scope of SBM:** The concept of *Swachhata* needs to be integrated into hospitals, government offices and other public establishments. The community must be involved in the maintenance of public toilets. Bulk generators of waste should ensure on-site treatment of waste. All drains flowing to rivers should be covered with sewage treatment plants by 2022–23. The ragpickers can be paid to segregate the trash which will help waste-to-energy plants as well as projects related to dry waste management.
   - **Expediting Construction and Leveraging Technology:** The SBM must use biodigester technology to reduce the cost and time incurred on laying sewage pipelines and constructing sewage treatment plants. There must be a wider use of twin-pit toilets and modular wet waste disposal machines for the disposal of biowaste at the household level itself.
   - **Changing Governance and Practices:** Expenditure on toilets and biodigesters must be exempted from GST. Municipal bodies must be pushed to charge user charges for waste collection and disposal. This is being done in most of the cities. Monitoring is very important to keep a check on the SBM in Open Defecation Free (ODF).

4. **Public Transport:** Efficient and sustainable urban transport systems and mobility are critical for the smooth functioning of the city economy and labour markets. The government is committed to promote public transport, adopting intelligent transportation and encouraging non-motorized vehicles. The actions taken by the Government of India on the suggestion of NITI *Aayog* are:

   - **Metro Rail:** About 517 km of metro lines is being constructed under 8 on-going metro rail projects funded partly by Central government. This data is of 2017 and the track covered has increased considerably. The target of metro rail operation is to increase from 325 km to 525 km.
   - **BRTS:** 200 km of Bus Rapid Transit System would be operationalized.
   - **UMTA:** Unified Metropolitan Transport Authority would be established in cities having million plus population and will be responsible for preparing an integrated public transport plan.

5. **Livelihood for the Urban Poor:** The Union government is addressing occupational and social vulnerabilities through Deen Dayal Antyodaya Yojana/National Urban Livelihood Mission shortened as DAY-NULM which aims at creating opportunities for skill development leading to market-based employment and helping the poor to set up self-employment ventures. The mission comprises five key elements, which are:

   - Social Mobilization and Institutional Development (SMID)
   - Self-Employment Programmes (SEPs)
   - Employment through Skill, Training and Placement (EST&P)
   - Shelter for Urban Homeless (SUH)
   - Support to Urban Street Vendors (SUSV).

6. **Preserving and Restoring the Heritage and Culture of Cities:** National Heritage City Development and Augmentation Yojana (HRIDAY) Mission was launched in January 2015 with an aim to rejuvenate the heritage cities with special attention to sanitation, tourism and livelihood. 12 cities had been identified to be completed by November 2018 but 20 projects were completed with an expenditure of ₹ 140 crores.[11]
7. **Smart Cities**[12]**:** 'Smart Cities' concept will be leveraged in select urban clusters to drive job creation and economic growth, significantly improve efficiencies in service delivery and leveraging technology for inclusive, sustainable and participatory developing development by 2022–2023. It is an approach to urban development characterized by area-based development, efficient delivery of basic infrastructure and services in an equitable manner and citizens' participation. The Government of India has selected 99 cities with an outlay of ₹ 2.04 lakh crore. The cities have started the following projects:
   - Smart command and control centres
   - Smart area-based development
   - Smart roads
   - Solar rooftops
   - Intelligent transport systems
   - Smart parks.

   By 14 May 2018, projects worth ₹ 4,800 crores have been completed and works worth more than ₹ 20,000 crores are underway according to the Ministry of Housing and Urban Affairs' Smart City MIS portal.[13]

   The Smart Cities Mission (SCM) has designed four strategies with an objective to leverage the SCM across economy, equity, environment and engagement by 2022–23. These four paradigms are depicted in Figure 38.5 and are explained thereafter:

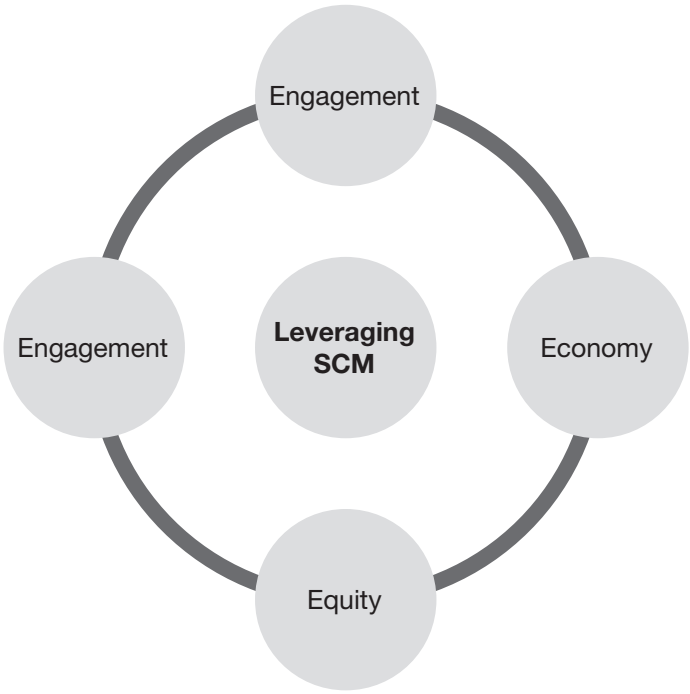



***Figure 38.5: Four Paradigms to Leverage SCM***

1. **Economy:** The NITI *Aayog* has suggested to follow the four paradigms of SCM of which the first is economy. It comprises four main efforts to improve economy through SCM:
   - (i) **Scaling Area-Based Development:** The impact of current area-based development projects on the ease-of-living, economic growth, investments, job creation and citizens' participation must be measured. Best practices can be derived from it and replicated in other cities.
   - (ii) **Mobility:** An integrated and institutional architecture for planning and coordinating the regulation of mobility such as a Unified Metropolitan Transport Authority is needed. Some of the measures that can be taken are mixed use of land use and transport planning to enhance economic activity, reduce commuting time by improving public transport, pooled green transport fund to support such investments and promote electric vehicle agenda.
   - (iii) **Achieving Desired Service Delivery levels:** This can be done by measuring outputs and outcomes for all capital investments in infrastructure and services in cities at quarterly intervals. The present liveability assessment underway will provide the baseline for measurement on 73 indicators.
   - (iv) **Digital Transformation Roadmap:** This roadmap must be planned to harness internet connectivity and its various applications in governance and service delivery across both infrastructure and software applications. It would also build on the considerable work done in cities on geographic information systems (GIS) and apply these for geolocating, mapping and publishing public assets in the city such as parks, playgrounds, public toilets, bus stops, streetlights, manholes, etc. Municipal Acts need to provide for a digital transformation roadmap for ULBs as a mandatory policy document, like spatial plans which will result in building data observatories for multiple users and citizen engagement.
2. **Equity:** Achieving equity in socio-economic development through developmental initiatives is a difficult task. Achieving equity in socio-economic development through developmental initiatives is a difficult task. Inclusive Development is vital to bring in equity in urban areas. Cities are sprawling with the urban poor and slum dwellers including recent migrants and the administration's job is to include them financially through *Jan Dhan Yojana* so that they can avail of subsidies and city services. There must be a defined benchmark to measure if the benefits have reached the targeted poor. A single window facility has been opened in cities for the urban poor to avail services like water supply, drainage and sewerage and affordable housing in the form of dormitory and rental housing. Service deficit must be reduced in the areas of health and education.
3. **Environment:** Sustainable Development Goal 11 emphasizes the sustainable development of cities and communities. Environment sustainability should be recognized as a distinct goal and be measured as part of service levels. The Ministry of Housing and Urban Affairs can issue guidelines in this regard.
4. **Engagement:** Data observatories in partnership with civil society must be encouraged. More than 20 smart control centres are under implementation and an equal number are under tendering. About six of these centres have been completed in Vishakhapatnam, Kakinda, Surat, Nagpur, Vadodara and Ahmedabad are using open source codes. There must be an open source accessibility for public to help the policy makers in the decision-making mechanism and engage the citizens.[14]

   The SCM project is progressing as hoped and will be complete by 2022–23. India needs to introduce the SCM to more cities to transform them into smart cities.

The above-given initiatives are being carried out with proper funding and a time frame. This gives us some hope that things will be done but the reality reports are disappointing. Urban areas are overbrimming with migrants and slum dwellers which requires urgent attention. It is like keeping up with the race of urbanization and the government's efforts.

## Conclusion

Municipal governance can be a big catalyst in achieving the objective of a clean, green and healthy environment with people's participation to support higher and inclusive economic growth through sustainable utilization of available natural resources. Inclusion of all marginalized sections of society in the fields of education, health, housing, drinking and sanitation water, hygiene and such issues is the main goal of municipal governance. The ULBs must be given more funding to deal with such difficult tasks.

## Notes and References

1. Mackenzie, W. J. H. (1961), *Theories of Local Government* in Greater London Paper, London School of Economics, UK.
2. According to the Census 2011, an urban area is defined as follows:
   - **(i)** All places with a municipality, corporation, cantonment board or notified town area committee, etc.
   - **(ii)** All other places which satisfied the following criteria:
     - A minimum population of 5000
     - At least 75 per cent of the male main working population engaged in non-agricultural pursuits
     - A density of population of at least 400 persons per square km.

   Chapter–1, Population, Size and Decadal Change, http://www.censusindia.gov.in, retrieved on 26 March 2019.
3. 'Twelfth schedule (Article 243W)
   - Urban planning including town planning.
   - Regulation of land use and construction of buildings.
   - Planning for economic and social development.
   - Roads and bridges.
   - Water supply for domestic, industrial and commercial purposes.
   - Public health, sanitation conservancy and solid waste management.
   - Fire services.
   - Urban forestry, protection of the environment and promotion of ecological aspects.
   - Safeguarding the interests of weaker sections of society, including the handicapped and mentally retarded.
   - Slum improvement and upgradation.
   - Urban poverty alleviation.
   - Provision of urban amenities and facilities such as parks, gardens, playgrounds.
   - Promotion of cultural, educational and aesthetic aspects.
   - Burials and burial grounds, cremations, cremation grounds and electric crematoriums.
   - Cattle pounds, prevention of cruelty to animals.
   - Vital statistics including registration of births and deaths.
   - Public amenities including street lighting, parking lots, bus stops and public conveniences.
   - Regulation of slaughter houses and tanneries.Adapted from: The Constitution ( Seventy-Fourth Amendment) Act, 1992, https://mhrd.gov.in, retrieved on 27 March 2019.
4. Report of the Working Group on Urban Governance, http://planningcommission.nic.in, retrieved on 27 March 2019.
5. Adapted from: *Ibid.*
6. Adapted from: 74th Amendment: An Overview, https://www.ccs.in, on 27 March 2019.
7. Parastatals are institutions/organizations, which are wholly or partially owned and managed by the government (either autonomous or quasi-governmental).

8. For more information on the recommendations made by Second ARC on Urban Governance, log on to Sixth Report, Local Governance: An Inspiring journey into the future, https://darpg.gov.in
9. Adapted from: India: Three Year Action Agenda, 2017-18 To 2019-20, http://niti.gov.in, retrieved on 27 March 2019.
10. Note that a separate question on smart cities is important.
11. Govt plans to sanction construction of 10 million houses before 2020 https://www.business-standard.com, asessed on 25-04-2019
12. Adapted from: India: Three Year Action Agenda, 2017-18 To 2019-20, http://niti.gov.in, retrieved on 28 March 2019.
13. India: Three Year Action Agenda, 2017-18 To 2019-20, http://niti.gov.in, p.92.
14. India: Three Year Action Agenda, 2017-18 To 2019-20, http://niti. gov.in

# 39 Global Local Debate–New Localism

## LEARNING OBJECTIVES

*After reading this chapter, you will learn about:*

- Origin of New Localism
- Concept of New Localism
- Ways to achieve New Localism

## INTRODUCTION

New localism arose in the first term of the Labour Party in the UK in 1997–2001 when its policies led to over-bureauratization through centralized monitoring and inspection of local agencies to improve public services. Target-setting and performance-based funding was done by an agreement between the Treasury and the department. This centrally-driven policy implementation failed and led to the realization that the local problems could not be addressed without the local people. New localism is devolution of managerial power involving networks of communities for their development. Globalization is transforming the old cities into global cities. In a globalized world, local communities and governments have to compete with global corporations limiting the abilities of nation-states and local councils to implement their own social and economic agenda. The time has come to increase public wealth instead of private wealth with the solution of the concept of new localism.

### Q1 *Discuss the concept of new localism. How can it achieve the targets of capacity of cities to deal with new challenges of technological advancements with a bottom-up approach?*

**Ans.** In 2001, the UK Prime Minister, Tony Blair government published, '*The Urban White Paper*' which provided an overall strategy for improving the quality of life in the cities and towns. The neighbourhood renewal strategy recognized the special needs of the most deprived areas. Local strategic partnerships were set-up to promote a cross-cutting approach to government by bringing together a wide range of agencies from the police to the health authorities.

United Kingdom was the first nation to allow a collaboration of councils and businesses with the power to form their own business-led local enterprise partnerships. They were launched as multisector partnership with focus on business. This bottom-up approach was in direct contrast to the earlier centralized top-down approach which worked with targets and performance indicators which did not work. They were termed as 'Local Enterprise Partnerships' (LEPs) by the mandate of Localism Act, 2011. Its basic objective

was to devolve greater powers to councils and neighbourhoods and give local communities more control over housing and planning decisions. The LEPs worked on the model of planned Enterprise Zones (EZ) and 21 EZs were identified in which business firms were allowed to collaborate and they would get subsidy in the form of time-limited exemption from local property taxes, increased tax allowances to encourage capital investment and a more permissive pro-growth development control regime.

Globalization is a reality according to which a city is not just a demarcated area on its own but has a broader reference to the broader economic, environmental and infrastructure networks of the entire metropolitan region of which city is a part. A city cannot be viewed in isolation. The outcomes that are expected from city administrations are not just the basic amenities but also the emerging issues like:

- More opportunities for jobs and sustainable growth
- Safer and resilient and aging-friendly communities
- Cleaner greener solutions
- Innovative economic hubs
- Creative solutions for affordable housing
- Participative decision-making
- Equitable and inclusive cities.

The urgency to deal with all these problems is not to answer it by generalizations but by giving a granular approach. The main thrust of new localism is to find solutions to how to pay for the structural shift via such models that can be quantified and not just theoretical. The world needs solutions now by the leaders of the cities and not at the national level. A federal structure has its advantages and benefits which cannot be ignored and the advocates of new localism do not question it. The problems lies in the fact that even though decentralization laws are in place, the towns and cities have not been able to deal with issues.

**Populism:** Before understanding new localism, it is important to understand the background that lies in populism. There are two major takeaways here, which are:

- **Structural Change:** A structural change in the role of nation-states is happening the world over due to globalization but in different ways in different countries. Developing countries like India have specific issues that it is going through. The permission of Foreign Direct Investment (FDI) has changed the consumer behaviour and there is neglect of locally produced goods. The individual spending in India is more on consumer goods rather than paying attention to other services and results in frustration when they are deprived of opportunities. The cities are grappling with transformative characteristics of globalization and migration. They have to deal with congestion in traffic, housing, access to basic services and the like. The solutions are coming through partnerships between the publicly owned assets which are professionally managed by the corporate sector in collaboration with the civil society.
- **Localism:** Localism is not about the local government's role and responsibilities but the convergence of global, public, private and civil agencies with the help of innovative universities and knowledge centres.

The left aligned political populist ideology highlights the political grievances that the elites of the society are dominating the society making the whole issue into labour versus capital. The right-wing concentrates more on the national sovereignty and cultural issues. However, both the wings of populism work for the same people who need new institutions that can mediate between the global market place and the local issues. The political culture brings in a chaos, especially, in India but there is a positive side also. It is in juxtaposition with the new initiatives that are happening to innovate the small towns and cities (Discussed in the previous chapter). The problems of the rural people living in the peripheries of the core urban areas need a collective action by an agency with an understanding of interdependencies of the core and periphery areas of cities in spatial terms. Overdependence on local agenda could lead to a wider urban-rural divide.

**New Localism Implications:** Bruce Katz and Jeremy Nowak have proposed a totally new perspective to new localism in which they claim that there is an urgent need to collaborate the markets and the civil institutional mechanisms and build a new structural architecture for the development of towns and cities. New localism is on one axis of the graph and populism on the other with the left and the right-wing views. In all societies there is an angry populism because of growing grievances among the people. The solution lies in building publicly-owned, professionally-managed and privately-driven institutions. It is simply putting all government-owned assets under the aegis of one organization.

Hence, the shift towards the convergence of globalization and localism is new localism. This is explained in Figure 39.1.

| Structural Effect | Levelling Effect | Spatial Effect |
|---|---|---|
| A common global system of rules and norms is diminishing the role of nation-states while enabling the subnational units to express more autonomy. | Economic advancements between places are levelling out as a result of technology, capital access, the diffusion of production. | The global economy is increasingly an urban economy and dominant urban regions comprise the most dynamic parts of the economy of their nations. |

***Figure 39.1: Effects of the Convergence of Global and Local Forces***
***New Localism***

The 20th century passed with a top-down approach of administration through strong bureaucracies and it worked the because nation-states were either reeling under the after-effects of the Second World War or being formed after getting free from the imperialist forces. The 21st century has a whole new set of problems and forces that are working to make the position stagnant or miserable. Even the developed nations are facing emerging stagnation and trouble with dealing with developing sectors. In such a scenario, bottom-up approach is the only solution to deal with network societies and global connectivity driven by an interdisciplinary organization that is publicly owned, corporate managed and with the support of private, community and civic sectors. The philanthropic society can be a large contributor in the development of cities.

The responsibility of socio-economic development earlier was only with the government at the Centre who had to fund the States and cities, towns and villages but with the advent of globalization, the focus is shifting from the nation-states to city-states, from exclusively government responsibility to multiple sectors moving along the global circuits.

## New Set of Norms and Tools for New Localism

New localism requires a new set of norms and tools to be operational in developing countries like India. India is still in the phase of segregating itself from total dependence on government agencies but globalization has changed the networks and cross-disciplinary dynamics. India needs to replicate the successful transformation of cities into business hubs in Copenhagen, Hamburg, Pittsburgh and Indianapolis and use them as best practices. Their growth models have not used a *paisa* from the public exchequer to finance these projects which is ideally suitable for Indian conditions because of the obvious reason of scarce resources in India for the provision of quality public services. The new set of norms and tools to adopt new localism in the face of globalization to meet the local needs are briefly given below:

1. **Growth Models:** The Growth Models are based on innovative, inclusive and sustainable solutions. The coming together of the civic society and the corporate sector to build on existing available public assets can revitalize and rejuvenate the towns and cities that are dead and where nothing happens. This leads to widespread migration of workers to bigger cities making them over-burdened in dealing with their basic needs.

2. **Financial Tools:** The new financial tools enable cities to raise local revenue and benefit from growth. Old organizations have passed their usefulness and new institutions must be incorporated into the system to raise revenue through collaborations of corporates and civic society. The local governments must have networks and hold discussions with stakeholders to come up with solutions. The corporate sector can bring in capital investments for profits but the government can hold a cap on their profits and a legal commitment to invest in the local infrastructure. The civic society can also provide for funds and assist in monitoring and evaluation of the goals achieved. The Public-Private Management Model must focus not on transactions but on an institutional collaboration to organize in extracting value for long-term investment. This will increase public wealth by capitalizing on public assets.
3. **Leadership:** It has to be understood who are the leaders of the collaborative organization to have a long vision. A good example is to develop infrastructure in a town by building institutes of excellence by bringing in the most intellectual persons to invent and innovate new technologies and network systems. Gradually, the town will become a buzzing economic zone and with it will come along secondary and tertiary gains. However, all this can be achieved by a strong leadership with a long vision to build updated institutions fit for the 21st century in a democratic way with an absolute ability to leverage public assets.
4. **Transparency:** Developing transparency in showing public assets in public domain is a new norm must be done to understand what the government owns. The corporate sector will be able to assess the public assets and will be more willing to invest and make plans.

## Conclusion

However, to sum up, there is a lot of work to be done in this area to implement the concept of new localism in India. There have been some efforts by the civil society recently but India faced a lot of problem of sifting out fraud Civil Society Organizations (CSOs) from the genuine ones. It was only in mid-2017 that the Government of India began partnerships with them to achieve inclusive development. India is creating Special Economic Zones (SEZ) for the Public-Private Partnerships (PPP) to collaborate in a collective action. WWF-India collaboration is working together in the areas of climate change and environment in India. There are some other examples of the CSOs and public sector working together and some very useful PPPs are working to build infrastructure, especially, in road construction.

## Notes and References

1. Haughton, Graham and Allmendinger, Philip (edited) (2018), *Spatial Planning and the New Localism*, Routledge Publications, UK.
2. Localism Act 2011, https://services.parliament.uk, retrieved on 28 March 2019.

# 40 Development Dynamics, Politics and Administration with Special Reference to City Management

## LEARNING OBJECTIVES

*After reading this chapter, you will learn about:*

- Development Dynamics
- SDG Index
- Relationship between politics and administration

## INTRODUCTION

Development dynamics is the scientific study of development forces or processes (dynamics) that produce movement/change inside a group or system. The Dynamics Systems Theory was included in development administration only recently which identifies ways and methods to measure development. The discipline of development administration emerged in 1950s after the Second World War. The concept was proposed by a bureaucrat and Indian civil servant U. L. Goswami, in an article titled *Structure of Development Administration*. In 1952, the Community Development Programme was launched in India in 55 Project areas spread all over the country. It was an experiment in development administration but could not sustain for long.

### Q1 *Discuss development dynamics and how it endeavours to quantify the outcomes. (SDGs).*

**Ans.** The subject of development administration evolved into an action-oriented means to achieve targets of developmental activities. It has multiple dimensions comprising government's administrative structure, institutional and personnel capacity and the outcome. The dynamics of development comprises all the scientific processes that are required to bring a developmental change by putting together all resources in a concerted effort to achieve identified goals. Once the projects have been initiated, it is imperative that the progress is monitored and evaluated on fixed indicators.

The history of development administration has not been glorious as the concept, although initiated by U. L. Goswami in India, was a Western one. They devised development models for the Third World countries and kept on giving development aid but the real motive was to find markets for themselves. The western development models failed because the Western scholars had no idea about the socio-cultural factors that are at play in developing countries like India.

Development dynamics is concerned with development and its indicators within a timeframe depending on the context of social, political and cultural factors. The development indicators have to be developed

that are country-specific, for example, the indicators of developed countries cannot be applied to developing countries like India. In India, efforts were made to develop indicators separately as social indicators, economic indicators, etc.

The world and India along with it committed to the Sustainable Development Goals (SDGs) in 2015 which had been formulated by the United Nations. The statement of the Prime Minister of India at Sustainable Development Summit in New York on 25 September 2015 strongly affirmed India's commitment to Agenda 2030 and the SDGs. India's National Development Agenda outlines the measures the government is taking on issues like poverty, sustainable growth, health, nutrition, gender equality and quality education, among several others.[1]

## Agencies that Developed the SDG Index 2018

The key actions undertaken by major agencies responsible for spearheading the work on SDGs are:

**NITI AAYOG:** NITI *Aayog* has been mandated the task of coordinating the work on SDGs and it has adopted a synergized approach involving the following:

- Central ministries
- States/Union Territories
- Civil Society Organizations
- Academia
- Business sector.

It has developed a comprehensive mapping of SDG targets with specific schemes and programmes. It has considered economic, social and environment pillars along with their interlinkages.

## Ministry of Statistics and Programme Implementation (MoSPI)

The MoSPI has prepared the National Indicator Framework (NIF) in consultation with ministries, States and UTs. It also has conducted consultations with global agencies on this framework.

**States/UTs:** Many States/UTs have mapped State and Centrally Sponsored Schemes in alignment with SDGs and have undertaken:

- Long-term (visioning)
- Medium-term (strategy development)
- Short-term (action plan) exercises.

## The SDG India Index 2018

The NITI *Aayog* has constructed the SDG India Index of 13 out of 17 SDGs, excluding Goals 12, 13, 14 and 17. The index tracks the progress of all States and UTs on a set of 62 priority indicators to measure the progress on the outcomes of the developmental schemes of the Government of India. It has been designed to provide an aggregate evaluation of the performance on social, economic and environmental indicators and the progress made towards the SDGs for 2030.

Given below are the national indicators used to assess the development progress made in the Indian States and UTs to give a comprehensive understanding of development dynamics:

### SDG 1: No Poverty

The SDG 1 is, 'No Poverty', related to many other goals because if here is reduction or elimination of poverty, the other goals will automatically be achieved. Five national level indicators have been identified, which are given in Table 40.1.

*Table 40.1: Goal 1: National Indicators*

| SDG Global Target | Indicator | National Target value for 2030 |
|---|---|---|
| **1.2:** By 2030, reduce at least half the proportion of men, women and children of all ages living in poverty in all its dimensions according to national definitions. | **1.** Percentage of population living below National Poverty line. | 10.95 |
| **1.3:** Implement nationally appropriate social protection systems and measures for all, including floors, and by 2030 achieve substantial coverage of the poor and the vulnerable. | **2.** Percentage of households with any usual member covered by any health scheme or health insurance. | 100 |
| | **3.** Persons provided employment as a percentage of persons who demanded employment under MNREGA. | 100 |
| | **4.** Proportion of the population (out of total eligible population) receiving social protection benefits under maternity benefit. | 100 |
| **1.4:** By 2030, ensure that all men and women, in particular the poor and the vulnerable have equal rights to economic resources, basic services and other benefits. | **5.** Number of homeless households per 10,000 households. | 0 |

According to the data supplied by the States and UTs, the performance on these counts was found to be ranging between 37 and 76 for the States and between 21 and 61 for UTs.

The performance of various development schemes was assessed and is given below:

- The population live below the poverty line: 21.92 per cent.
- Households in India having at least one member covered under a health insurance or health scheme: 28.7 per cent.
- People who demanded employment under MNREGA and were provided employment in rural India: 84.75 per cent.
- Maternity benefits: 36.4 per cent.[2]

### SDG 2: Zero Hunger

Eliminating hunger is fundamental to ensure human development. The development dynamics of measuring the achievements of Goal 2, comprises four national level indicators, which are given below in Table 40.2.

*Table 40.2: Goal 2: National Indicators*

| SDG Global Target | Indicator | National Target value for 2030 |
|---|---|---|
| **2.1:** End hunger. | **1.** Ratio of rural households covered under public distribution system to rural household where monthly income of highest earning member is less than ₹ 5000. | 1.29 |
| **2.2:** End all forms of malnutrition and achieve the targets of stunting and wasting in children under 5 years of age. | **2.** Percentage of children under age 5 years who are stunted. | 21.03 |
| | **3.** Percentage of pregnant women aged 15–49 years who are anaemic (11.0g/dl) (%). | 23.57 |
| **2.3:** Double the agricultural productivity and incomes of small-scale food producers. | **4.** Rice, wheat and coarse cereals produced annually per unit (kg/Ha). | 5018.44 |

The SDG Index Score for Goal 2 of Zero Hunger ranges between 35 and 80 for States and 38 and 72 for UTs according to 2018 data. The achievements in developmental schemes are given below:

- Children aged under 5 in India are stunted: 38.4 per cent.
- Rural household covered under PDS for every low-income rural household: 1.
- Annual agricultural productivity of wheat, rice and cereals: 2,509 kg per hectare.
- Pregnant women aged between 15 and 49 anaemic in India: 50 per cent.

### *SDG 3: Ensure Health*

The India SDG Index for Goal 3 measures India's performance on the Goal of Good Health and Well-being and has formulated five national level indicators which capture 4 out of 13 SDG targets for 2030. They are given below in Table 40.3.

*Table 40.3: Goal 3: National Indicators*

| SDG Global Target | Indicator | National Target value for 2030 |
|---|---|---|
| **3.1:** By 2030, reduce the global maternal mortality ratio to less than 70 per 100,000 live births. | **1.** Maternal Mortality Ratio. | 70 |
| **3.2:** By 2030, end preventable deaths of new-borns and children under 5 years of age. | **2.** Under-five mortality rate per 1,000 live births. | 11 |
| | **3.** Percentage of children aged 12–23 months fully immunized. | 100 |
| **3.3:** End the epidemics of AIDS, tuberculosis, malaria, neglected tropical diseases and combat hepatitis, water-borne diseases. | **4.** Annual notification of TB cases per 1 lakh population. | 0 |
| **3.8:** Achieve universal health coverage. | **5.** Number of governmental physicians, nurses and midwives per 1,00,000 population. | 550 |

The data for Goal 3 was between 25 and 92 for States and between 23 and 66 for UTs. The performance results in various developmental activities initiated by the Government of India are given below:

- Maternal Mortality Ratio: 130 per 1,00,000 live birth
- Children aged under 5 years die: 50.
- Immunization cover among children aged 12–23 months: 62 per cent.
- Tuberculosis cases: 138 cases per 1 lakh population annually.
- Governmental health workers: 221 per 1,00,000.

### *SDG 4: Quality Education*

The Government of India amended the constitution to include the Right of Children to Free and Compulsory Education (RTE) Act, 2009. *Sarva Shiksha Abhiyan* and the Mid-Day Meal Scheme had a huge success in the country. Seven national level indicators were formulated to measure India's performance towards quality education. They are given below in Table 40.4.

***Table 40.4: Goal 4: National Indicators***

| SDG Global Target | Indicator Selected for SDG Index | National Target value 2030 |
|---|---|---|
| **4.1:** Ensure that all girls and boys complete free, equitable and quality primary and secondary education leading to relevant and effective learning outcomes. | **1.** Adjusted Net Enrolment Ratio at Elementary (Class 1–8) and Secondary (Class 9–10) school. | 100 |
| | **2.** Percentage correct responses on learning outcomes in language, Math and EVS for Class 5 students. | 67.89 |
| | **3.** Percentage correct responses on learning outcomes in Language, Maths, Science and Social Sciences for Class 8 students. | 57.17 |
| | **4.** Percentage of children in the age group of 6–13 who are out of school. | 0.28 |
| | **5.** Average Annual Dropout Rate at secondary level. | 10 |
| **4.c** Increase the supply of qualified teachers, including through international cooperation for teacher training in developing countries. | **6.** Percentage of school teachers professionally qualified. | 100 |
| | 7. Percentage of elementary and secondary schools with Pupil Teacher Ratio less than/equal to 30. | 100 |

The SDG Index Score for Goal 4 ranges between 36 and 87 for States and 46 and 85 for UTs. The performance results in various developmental activities initiated by the Government of India are given below:

- Eligible children enrolled into school at elementary and secondary level: 75.83 per cent.
- Average marks scored on learning outcome for students in Class 5: 54.69 per cent.
- Average marks scored on learning outcome for students in Class 8: 40.58 per cent.
- One teacher for every 30 students: Approximately 7 in 10 schools
- Dropout of school of children at secondary level: 17.06 per cent.
- Children out of school of children at primary level: 2.97 per cent.

### *SDG 5: Gender Equality*

Goal 5 of the SDG Agenda 2030 relates to gender equality to achieve gender equality and empower all women and girls. Gender equality is a fundamental human right and the goal aims to achieve it by ending all forms of discrimination, violence and harmful practices, including trafficking and sexual violence against women and girls. It calls for full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic and public life for women. Six national level indicators were formulated to measure India's performance towards quality education. They are given below in Table 40.5.

***Table 40.5: Goal 5: National Indicators***

| SDG global Target | Indicator Selected for SDG India Index | National Target value for 2030 |
|---|---|---|
| **5.1:** End all forms of discrimination against all women and girls everywhere. | **1.** Sex, ratio at birth (female per 1000 male). | 954 |
| | **2.** Average female to male ratio of average wages/salaries received per day by regular wage/salaried employees of age 15–59 years for rural and urban. | 1 |
| **5.2:** Eliminate all forms of violence against all women and girls in the public and private spheres, including trafficking and sexual and other types of exploitation. | **3.** Percentage of ever married women aged 15-49 years who have ever experienced sexual violence. | 0 |
| **5.5:** Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic and public life. | **4.** Percentage of seats won by women in the general elections to state legislative assembly. | 50 |
| | **5.** Ratio of female labour force participation rate to male labour force participation rate. | 1 |
| **5.6:** Ensure universal access to sexual and reproductive health and rights. | **6.** Percentage of women in the age group 15-49 years using modern methods of family planning. | 100 |

The SDG Index Score for Goal 5 ranges between 24 and 50 for States and 27 and 58 for UTs. The performance results in various developmental activities initiated by the Government of India are given below:

- Seats held by women in State Legislative Assemblies: 8.7 per cent.
- Spousal violence: 1 in 3 women experienced.
- Females born for every 1000 males: 898 females
- Women aged 15–49 using modern methods of family planning in India: 54 per cent.
- Earning of females of that of males: 70 per cent.
- Women labour force participation rate to that of men: 32 per cent.

### *SDG 6: Clean Water and Sanitation*

Water is critical for agriculture, industrial use and domestic purposes and it is heavily dependent on appropriate waste management. As per Census 2011 data, 85.5 per cent population has access to safe drinking water whereas only 30.8 per cent of the households in rural areas had toilet facilities. To measure Goal 6, five national level indicators were formulated to measure India's performance towards quality education. They are given below in Table 40.6.

***Table 40.6: Goal 6: National Indicators***

| SDG Global Target | Indicator Selected for SDG India Index | National Target value for 2030 |
|---|---|---|
| **6.1:** By 2030, achieve universal and equitable access to safe and affordable drinking water for all. | **1.** Percentage of population having safe and adequate drinking water in rural areas. | 100 |
| **6.2:** Eliminate all forms of violence against all women and girls in the public and private spheres, including trafficking and sexual and other types of exploitation. | **2.** Percentage of rural households with individual household toilets. | 100 |
| | **3.** Percentage of districts verified to be open defecation free. | 100 |
| | **4.** Installed sewage treatment capacity as a proportion of sewage generated in urban areas. | 68.79 |
| **6.4:** By 2030, substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater to address water scarcity and substantially reduce the number of people suffering from water scarcity. | **5.** Percentage annual ground water withdrawal against net annual availability. | 70 |

The SDG Index Score for Goal 6 ranges between 31 and 100 for States and 45 and 100 for UTs. The performance results in various developmental activities initiated by the Government of India are given below:

- Districts that are open defecation free: 32 per cent.
- Rural households having individual household toilets: 82.72 per cent.
- Rural population in India having access to safe and adequate drinking water: 71.8 per cent.
- Net available groundwater in India withdrawn annually: 62 per cent.
- Sewage treatment capacity of urban India: 37.58 per cent.

### SDG 7: Affordable and Clean Energy

The SDG 7 relates to affordable and clean energy by ensuring access to affordable, reliable, sustainable and modern energy for all. India has to ensure access to clean energy to meet its ambitious target of double-digit economic growth. India, currently, ranks 4th globally after China, USA and Germany. To measure India's performance towards achieving the Goal of affordable and Clean Energy, three national level indicators for India Index SDG 7 have been identified. They are given below in Table 40.7.

*Table 40.7: Goal 7: National Indicators*

| SDG Global Target | Indicator Selected for SDG India Index | National Target value for 2030 |
|---|---|---|
| **7.1:** By 2030, ensure universal access to affordable, reliable and modern energy services. | **1.** Percentage of household electrified. | 100 |
| | **2.** Percentage of households using clean cooking fuel. | 100 |
| **7.2:** By 2030, increase substantially the share of renewable energy in the global energy mix. | **3.** Renewable share of installed generating capacity (%). | 40 |

The SDG Index Score for Goal 7 ranges between 11 and 89 for States and 96 and 51 for UTs. The performance results in various developmental activities initiated by the Government of India are given below:

- Households in India using clean cooking fuels such as electricity, LPG/natural gas and biogas: 43.8 per cent.
- Households in India having access to electricity: 95 per cent.
- Renewable sources constitute the total installed generating capacity of electricity in India: 17.51 per cent.

### SDG 8: Decent Work and Economic Growth

The Goal of Decent Work and Economic Growth aims to achieve higher levels of economic productivity through diversification and technological upgradation and also promote development-oriented policies that support decent job creation, entrepreneurship and creativity and innovation. It also seeks to protect the labour rights and promote safe and secure working environments for all workers. To measure Goal 8, four national level indicators were formulated to measure India's performance towards quality education. They are given below in Table 40.8.

*Table 40.8: Goal 8: National Indicators*

| SDG Global Target | Indicator Selected for SDG India Index | National Target value for 2030 |
|---|---|---|
| **8.1:** Sustain per capita economic growth, at least 7 % GDP growth per annum. | **1.** Annual growth rate of GDP per capita (at constant price of 2011–12). | 10 |
| **8.2:** Strengthen the capacity of domestic financial institutions to encourage and expand access to banking, insurance and financial services to all. | **2.** Average unemployment rate per 1000 persons for males and females. | 14.83 |

(*Continued*)

| SDG Global Target | Indicator Selected for SDG India Index | National Target value for 2030 |
|---|---|---|
| **8.10:** By 2030, double the agricultural productivity and incomes of small-scale food producers, especially, women, indigenous people, family farmers, pastoralists and fishers. Secure equal success to land, other productive resources and inputs, knowledge, financial services, markets and opportunities for value addition and non-farm employment. | **3.** Percentage of households with a bank account. | 100 |
| | **4.** Number of ATMs per 1,00,000 population. | 50.95 |

The SDG Index Score for Goal 8 ranges between 33 and 90 for States and 60 and 91 for UTs. The performance results in various developmental activities initiated by the Government of India are given below:

- GDP Growth rate of India: 6.5 per cent.
- Bank ATMs available in the country per 1,00,000 population: 16.84.
- Unemployed persons per 1000 population: 64.
- Households with bank accounts: 99.99 per cent.

### *SDG 9: Industry, Innovation and Infrastructure*

The Goal on Industry, Innovation and Infrastructure aims at building quality, reliable and resilient infrastructure. It further aims at promoting the increased resource use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, to support economic development and human well-being. Investment in innovation is an important pillar of this Goal. To measure India's progress towards the Goal 9, four national level indicators have been identified. They are given below in Table 40.9.

***Table 40.9: Goal 9: National Indicators***

| SDG Global Target | Indicator Selected for SDG India Index | National Target value for 2030 |
|---|---|---|
| **9.1:** Develop quality, reliable, sustainable and resilient infrastructure, including regional and transborder infrastructure to support economic development and human well-being with a focus on affordable and equitable access for all. | **1.** Percentage of targeted habitations connected by all-weather roads under the Pradhan Mantri Gram Sadak Yojana. | 100 |
| **9.2:** Significantly increase access to information and communications technology and strive to provide universal and affordable access to the internet in least developed countries by 2020. | **2.** Number of mobile connections per 100 persons in rural and urban areas (Mobile tele density). | 100 |
| | **3.** Number of internet subscribers per 100 population. | 100 |
| | **4.** Percentage of Gram Panchayats covered under Bharat Net. | 100 |

The SDG Index Score for Goal 9 ranges between 0 and 72 for States and 0 and 100 for UTs. The performance results in various developmental activities initiated by the Government of India are given below:

- Rural habitations connected with all-weather roads: 47.38 per cent.
- Internet subscribers for every 100 persons: 33.
- Mobile Connection for every 100 persons: 83.
- Gram panchayats covered under Bharat Net: 42.43 per cent.

### *SDG 10: Reduced Inequalities*

Goal 10 on Reduced Inequalities calls for progressively reducing not only income inequalities but also inequalities of outcome by ensuring access to equal opportunities and promoting social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, religion or other status relevant within a society. The Goal also aims to enhance representation and voice for developing countries in decision-making in international institutions. To measure India's progress towards the Goal 10, five national level indicators have been identified. They are given below in Table 40.10.

***Table 40.10: Goal 10: National Indicators***

| SDG Global Target | Indicator Selected for SDG India Index | National Target value for 2030 |
|---|---|---|
| **10.1:** By 2030, progressively achieve and sustain income growth of the bottom 40% of the population at a rate higher than the national average. | **1.** Palma ratio[3] of Household Expenditure in urban India. | 1 |
| | **2.** Palma ratio of Household Expenditure in rural India. | 1 |
| **10.2:** Empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status. | **3.** Ratio of transgender Labour Force participation rate to Male Labour force participation rate. | 1 |
| **10.4:** Adopt policies, especially fiscal, wage and social protection policies, and progressively achieve greater equality. | **4.** Percentage of Scheduled Caste Sub Plan fund (utilized). | 100 |
| | **5.** Percentage of Tribal Sub Plan fund utilized. | 100 |

The SDG Index Score for Goal 10 ranges between 38 and 100 for States and 52 and 100 for UTs. The performance results in various developmental activities initiated by the Government of India are given below:

- The number of 10 per cent of the richest households spending in proportion to the 40 per cent of the poorest of the households on monthly consumption in urban India: 1.41 times.
- The number of 10 per cent of the richest households spending in proportion to the 40 per cent of the poorest of the households on monthly consumption in rural India: 0.92 times.
- Fund allocated towards Scheduled Caste population utilized: 77.67 per cent.
- Fund allocated towards Scheduled Tribe population utilized: 82.98 per cent.
- Transgender Labour force participation of the male population: 0.64 times.

### *SDG 11: Sustainable Cities and Communities*

SDG 11 relates to developing sustainable cities and communities by promoting inclusive and sustainable urbanization by providing access to safe and affordable housing, public transport, basic services and green public spaces through improved urban planning and management. This Goal also aims at reducing the adverse per capita environmental impact of cities and also the number of deaths and direct economic losses caused by disasters. To measure India's progress towards the Goal 11, four national level indicators have been identified. They are given below in Table 40.11.

***Table 40.11: Goal 11: National Indicators***

| SDG Global Target | Indicator Selected for SDG India Index | National Target value for 2030 |
|---|---|---|
| **11.1:** By 2030, ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums. | **1.** Houses completed under Pradhan Mantri Awas Yojana (PMAY) as a percentage of net demand assessment for houses. | 100 |
| | **2.** Percentage of urban households living in slums. | 0 |
| **11.6:** Reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management. | **3.** Percentage of wards with 100% door to door waste collection. | 100 |
| | **4.** Percentage of waste processed. | 100 |

The SDG Index Score for Goal 11 ranges between 23 and 71 for States and 6 and 64 for UTs. The performance results in various developmental activities initiated by the Government of India are given below:

- Wards collecting 100 per cent of the waste through door to door collection across India: 73.58 per cent.
- Houses completed under PMAY (U): 3.2 per cent.
- Urban households living in slums: 5.41 per cent.
- Total waste generated in India getting treatment: 24.8 per cent.

SDG 12 deals with ensuring sustainable consumption and production patterns by 'doing more and better with less'. This involves promoting resource and energy efficiency, sustainable infrastructure and providing access to basic services, green and decent jobs and a better quality of life for all of us.
India is the third largest emitter of carbon dioxide and is responsible for 6.9% of global emissions. India has pledged itself to the Paris Agreement to reduce its emissions intensity of GDP by 20-25% from 2005 levels by 2020 and 30-35% till 2030.[4]

SDG 13 deals with climate change and the NITI Aayog has laid down a blueprint in its 'Three-Year Action Agenda' to deal with sustainable environment. Lastly, SDG 14 is named as 'Life below Water' to conserve and sustainably use the oceans.

### *SDG 15: Life on Land*

SDG 15 relates with the aim to:

- Protect, restore and promote sustainable use of territorial ecosystems
- Sustainably manage forests
- Combat desertification
- Half and reverse land degradation
- Integrating ecosystem and biodiversity into national and local planning
- Developmental processes
- Poverty reduction
- National accounts
- Promote fair and equitable sharing of benefits arising from utilization of genetic resources and promote appropriate access to such resources
- Prevent poaching and trafficking of protected species of flora and fauna.

To measure India's progress towards the Goal 15, four national level indicators have been identified. They are given below in Table 40.12.

***Table 40.12: Goal 15: National Indicators***

| SDG Global Target | Indicator Selected for SDG India Index | National Target value for 2030 |
|---|---|---|
| **15.1:** By 2020, ensure the conservation, restoration and sustainable use of terrestrial and inland freshwater ecosystems and their services. In particular, forests, wetlands, mountain and dry lands, in line with obligations under international agreements. | **1.** Percentage of total land area covered under forest. | 33 |
| | **2.** Decadal change in extent of water bodies within forests from 2005–2015 (%). | 0 |
| **15.2:** By 2020, promote the implementation of sustainable management of all types of forests, halt deforestation, restore degraded forests and substantially increase afforestation and reforestation globally. | **3.** Change in forest area from 2015–2017 (%). | 0 |
| **15.7:** Take urgent action to end poaching and trafficking of protected species of flora and fauna and address both demand and supply of illegal wildlife products. | **4.** Percentage change in estimated population of wild elephants over five-year period. | 0 |

The SDG Index Score for Goal 15 ranges between 43 and 100 for States and 50 and 100 for UTs. The performance results in various developmental activities initiated by the Government of India are given below:

- Land in India covered under forests: 21.54 per cent.
- Increase in forest cover nationally: 6,778 sq.km (between 2015–2017).

- Increase in population of elephants in India: 20 per cent (2012-2017).
- Extent of water bodies within forests: 18.24 per cent (2005-2015).

### *SDG 16: Peace, Justice and Strong Institutions*

Peace, security, effective governance based on rule of law and upholding principles of equality, human rights, justice and pre-requisites for sustainable development. Cycles of conflict, violence, crime and exploitation undermine and reverse development gains. Goal 16 focusses on the following:

- Reducing all forms of violence
- Promoting the rule of law at the national and international levels
- Ensure equal justice for all
- Solutions to end abuse, exploitation, trafficking, bribery and corruption
- Develop effective, accountable and transparent institutions
- Ensure inclusive and representative decision-making at all levels.

To measure India's progress towards the Goal 16, six national level indicators have been identified. They are given below in Table 40.13.

***Table 40.13: Goal 16: National Indicators***

| SDG Global Target | Indicator Selected for SDG India Index | National Target value for 2030 |
|---|---|---|
| **16.1:** Significantly reduce all forms of violence and related death rates everywhere. | **1.** Reported murders per 1 lakh population. | 1.2 |
| **16.2:** End abuse, exploitation, trafficking and all forms of violence against and torture of children. | **2.** Reported cognizable crimes against children per 1 lakh population. | 0 |
| **16.3:** Promote the rule of law at the national and international levels and ensure equal access to justice for all. | **3.** Estimated number of courts per 10 lakh persons. | 33.76 |
| **16.5:** Substantially reduce corruption and bribery in all their forms. | **4.** Estimated reported corruption crimes per 1 crore population | 17 |
| **16.9:** By 2030, provide legal identity for all, including birth registration. | **5.** Percentage of births registered. | 100 |
| | **6.** Percentage of population covered under Aadhar. | 100 |

The SDG Index Score for Goal 16 ranges between 53 and 91 for States and 63 and 92 for UTs. The performance results in various developmental activities initiated by the Government of India are given below:

- Cognizable crimes against children per one lakh population: 24.
- Murders reported for every 1 lakh population: 2.4.
- India's population covered with Aadhar that provides universal legal identity: 90 per cent.

- Courts per 10 lakh population: 13.
- Corruption cases reported in 2015–16 per 1 crore population: 34.
- Total births registered: 88.3 per cent.

NITI Aayog carried out a detailed mapping of the 17 Goals and associated 169 targets on Central Ministries, Centrally Sponsored Schemes/Central Sector Schemes and other government initiatives. Almost all States have mapped out the departments, schemes and programmes. The UTs have yet to do this exercise. There is a need to conduct mapping of all schemes and programmes to address the interconnectedness of SDGs. The above-given data shows the latest development dynamics at play in India. Quantification of developmental schemes makes a sense out of the progress being made in the developmental areas.

## Q2 *Examine the politics and administration with special reference to city management.*

**Ans.** The relationship between politics and administration and especially the distribution of power between the two spheres since the writings of Max Weber and Woodrow Wilson. The politics–administration dichotomy has been a subject of scholars of political science as well as public administration. However, after more than a century both politics and administration in practical overlap each other and there are situations of conflict and cooperation at the same time.

**Conflict:** Conflict between politics and administration emerges in the governance of smaller areas like cities because they are governed by municipal corporations which are headed by a Municipal Commissioner who is a bureaucrat from the State cadre. On the other hand, the staff of the corporation is not from the integrated personnel system which makes them closer to the elected representatives. Their coordination with the elected representatives is more than with the bureaucrat which makes tasks difficult for the commissioner if there are different views on an issue. This gives more power to the Mayor and his councillors going over and beyond the municipal bureaucracy.

**Control:** Urban Local Bodies (ULBs) face a problem as a result of the conflict between politics and administration regarding the issue of who the in-charge of the governance is. They partner with private stakeholders or parastatal organizations to carry out and enhance the delivery system with respect to basic services. The ULBs do not have full control over existing city limits, leaving some parts of it outside its jurisdiction. The present arrangement of institutions in a city in India cast a shadow of doubt over who is in control. This dubiousness is always bad for administration because it results in lack of coordination and leadership.

**Civil Society:** The ULBs have been slow and complacent in developing linkages with the civil society in the spirit of new localism and improve the delivery system. However, there are some cities, especially, in the Southern part of the country where the civil society is actively involved in assisting the city management but there have been cases of utter neglect of the public assets even though the ULB has adequate funds, for example, in Mumbai, the neglect of bridges has led to their collapse and loss of lives. This implies that weak institutional structures and linkages with the civil society and also the private sector has led to disastrous results. Going deeper into this complex problem, there is politics involved in the administration. Differing views on the ways and methods and the confusion over who is the in-charge complicates the issue.

**Legacy from the Central Level:** The politics–administration dichotomy that exists at the Centre has trickled down to the local levels of government also. The elected representatives at the local level belong to the larger national or regional level political parties and the pressure from them impacts their behaviour towards the administration staff. Also, the tussle between the administrators and the elected representatives continues at the local level.

**Prevailing Political Culture:** The relationship between politics and administration has an impact on urban governance in cities which depends on the prevailing political culture in the country at the particular time period and place. Although there is a separation between the politics and administration, the political forces affect administrative behaviour. There can be two scenarios in this situation. Either the commissioner will have leanings towards the elected representatives and become a part of political agenda, which is definitely wrong or he/she can stick to his/her standpoint and convictions. If the second scenario is chosen by the commissioner, there is bound to be controversy, tempers and ego issues which will adversely affect the elements of good governance.

India faces a serious lack of balance between the rate of political development and bureaucratic growth because India is a prismatic society.[5] It has been observed that in India, city councillors are more involved in administrative matters rather than on doing their job of policy-making. They focus on the tenders, contracts, location of establishing some new institution, etc. They need to understand that their job is policy formulation but another constraint comes in their way. Financial and legal restrictions imposed by the State governments in some areas severely limit the ability of municipalities about prioritizing policies. They need to concentrate on matters that are in their purview and not on administrative tasks.

## Conclusion

To sum up, this chapter is divided into two parts. The first part deals with the development dynamics in India. Dynamics literally means the forces in the external as well as internal environment that affect growth, development or change in a system or a process. Development dynamics means the important and relevant forces that impact and result in development. To measure and quantify development, sustainable development in today's context, is important so that growth and development can be tracked. Quantification will result in displaying the ways and methodologies implemented to reach the levels of development. The schemes and projects will be open knowledge and how much progress was made will let the policy makers and assessors to take account of what more needs to be done. The SDG Index for India was developed with detailed indicators and the data was released in 2018.

The second part of the chapter deals with the impact of politics and administration on city management. It explains the politics–administration dichotomy plays a balancing act in the urban governance.

## Notes and References

1. SDG India, Index Baseline Report 2018, http://niti.gov.in, retrieved on 29 March 2019.
2. *Ibid.*
3. The Palma ratio is a measure of inequality. It is the ratio of the richest 10 per cent of the population's share of Gross National Income (GNI) divided by the poorest 40 per cent's share.
4. Politics and Bureaucracy in Urban Governance: The Indian Experience, http://in.one.un.org, accessed on 25-04-2019.
5. SDG 12: Sustainable Consumption And Production, https://pdfs.semanticscholar.org, retrieved on 30 March 2019.

UNIT

# XIII LAW AND ORDER ADMINISTRATION


**Chapter 41** British Legacy

**Chapter 42** National Police Commission

**Chapter 43** Investigative Agencies

**Chapter 44** Role of Central and State Agencies in Maintenance of Law and Order

**Chapter 45** Criminalization of Politics and Administration

**Chapter 46** Police-Public Relations – Reforms in Police

*This page is intentionally left blank.*

# 41 British Legacy

## LEARNING OBJECTIVES

*After reading this chapter, you will learn about:*

- Rule of Law
- Indian Police System with a British Hangover
- Aspects of Indian Police with British Legacy

## INTRODUCTION

The origin of the concept of Rule of Law can be found in ancient India and ancient Greek societies. The phrase 'Rule of Law' is derived from a French phrase, *la principe de legalite* which translates in English to 'The Principle of Legality'. The principle is now accepted in the UK, USA and all other countries as it is one of the main indicators of Worldwide Governance Indicators. Philosophers of ancient times wrote about the concept in their respective countries at different periods of time emphasizing its importance. Some of the wise words are:

**Plato:** 'Where the law is subjected to some other authority and has none of its own, the collapse of the state, in my view, is not far off, but if law is the master of the government and the government its slave, then the situation is full of promise and men enjoy all the blessings that the Gods shower on a State'.

**Aristotle:** 'Law should govern and those in power should be servants of the law'.

**Kautilya:** *Dandaneeti* (punishment) is central to *Rajdharma* (Ethical Governance). *Dandaniti* is the means to make acquisitions, keep them secure, to improve them and to distribute among the deserved the profits of investment. On the other hand, the police were allowed *saam, daam, dand, bhed* which is not the same concept as it is today. There was a policing system in Kautilya's times but today's policing is totally different from it.

The importance of Rule of Law makes it clear that policing was a part of the administration in the ancient societies also. If the concept was prevalent, it is logical that the agencies implementing it were also there. Police have been a part of the Indian society since then.

## Q1 *'The present culture of the Indian police system appears as a continuation of what was obtained under the British regime. In public estimate, the police appear as an agency more to implement and enforce the objectives of the government in power as distinct from enforcing law as such as an independent and impartial agency'. Comment.*

**Ans.** The above-given statement is quite true as initially, the British interests in India were mainly of achieving a monopolistic trading position. Their main objective in India was to grow a regime of free trade, making it a large market for British goods and a source of raw materials. The remittances the British sent home, helped the British to balance their payments. As far as the world position was concerned, the British wanted to keep their superior position by having complete control over India. They were not interested in any kind of the development of India but if it helped their interests, they were not averse to it. They developed railways, post and telegraph and roads only so that they this infrastructure could help them in transporting their goods and raw materials and in communication. Before understanding how the Indian policing is a legacy of the British, a short historical account is important.

**18th Century:** As far as the policing was concerned, in 1765, Robert Clive, the Revenue Minister, established a policing system. The District Police Chief was known as the Superintendent who worked under the District Magistrate or a Collector/Deputy Commissioner. The districts were further divided into divisions called *Parganas,* each in the jurisdiction of a Deputy Superintendent of Police having police stations under the charge of a sub-inspector known as *Thanedar, Daroga or Kotwal.*

**Zamindari System:** With the introduction of the system of dyarchy, policing duties were entrusted to the *Naib Diwans* and the *Zamindars* were supposed to support the police staff for the maintenance of law and order. Sadly, the *Zamindars* did not do their duties and the chaos led the British to abolish the posts of *Faujdars and Amils* (Mughal terms for police staff).

**Warren Hastings:** In the tenure of Warren Hastings, in 1772, civil and criminal courts were established and *Faujdari* system was brought back with its duties given to the *Zamindars*. However, the *Zamindars* once again joined hands with the dacoits to share the booty.

**Lord Cornwallis:** In 1793, Lord Cornwallis enacted the Regulation XXII of 1793 emphasizing the principles to be followed by the police, they are as follows:

'The police of the country are in future to be considered under the exclusive charge of the officers of the government, who may be specifically appointed to that trust. The landholders and the farmers of the land, who keep up establishments of *Thanedars* and police officers for the preservation of peace, are accordingly required to discharge them'.[1]

**Lord Minto:** In 1807, Lord Minto, the Governor-General, realized that the police organization was not adequately organized and lacked control as well as proper division of labour. He introduced a coordinating agency of control in the police administration which brought improvement in it but in 1892, the post of Superintendent of Police was abolished and his powers were transferred to the Divisional Commissioner. The District Magistrate became the head of the police.

**1843:** Charles Napier organized a regular police force for Sind with exclusive functions of police. The Superintendent of Police was appointed in every district under the magistrate.

**1857:** After the mutiny of 1857, a Police Commission was appointed to examine the problems of police administration and to recommend ways to improve police efficiency and reduce the cost of maintaining the police force. The recommendations of the Police Commission in 1860 were:

- Abolition of the military police as a separate force.
- A single homogeneous police force for all police duties.
- An Inspector General of Police (IGP) to be the head of the provincial head of the police organization.
- The district police organization to be headed by a Superintendent of Police (SP) under the District Magistrate.
- The IGP and the SP were to belong to the European origin.
- The police force was to include inspectors, head constables, sergeants and constables.
- Retention of village police.

The above-given recommendations were passed into a law as Act V of 1861.

**After Independence:** Under the Constitution of India, police are a subject governed by states. So, each of the 29 states have their own police forces. The Centre is allowed to maintain its own police forces to assist the States with ensuring law and order. Therefore, it maintains seven central police forces and some other police organizations for specialized tasks such as intelligence gathering, investigation, research and record-keeping and training.[2] According to the List of the Seventh Schedule, the Central government may enter the police field only in connection a 'Central Bureau of Intelligence and Investigation'. The regulation of the police force is a central subject.

Independence did not change much to the police administration and the police had to adjust itself to a new political context. Their accountability changed but not their ways and means. The police affairs are managed by the Ministry of Home Affairs and for the State governments by the Home Departments. The senior posts go to the members of the Indian Administrative Services (IAS) and the Director General of Police is responsible to the Home Department and the Secretary to the Ministry of Home Affairs.

**Article 245 and 255:** The States have exclusive power over their control and regulation of the police force. However, the Central government has the power to amend some of the basic laws related with police like:

- The Code of Civil Procedure, 1859
- The Indian Penal Code, 1860
- The Indian Police Act, 1861
- The Code of Criminal Procedure, 1861
- Other matters like administration justice, preventive detention and other such issues.

Hence, the subject of police is flexible regarding its jurisdictional powers.

The Indian Police System is considered as a British legacy due to the constitutional provisions directly borrowed from the British system given above. The other aspects of the Indian Police System that are a British legacy are:

1. **The Principle of Authority, Autonomy and Accountability:** The police must work on the principle of authority, autonomy and accountability. Police, being a state subject, enjoys the authority given to it by the respective State governments. However, the Police Act, 1861 is still the basic instrument governing the Indian Police but the reality is that this authority is highly centralized without authority. It is a top-down hierarchy where the said principle is missing despite of all the commissions had given their recommendations as an eyewash.[3]
2. **Disaggregation and De-concentration:** The Indian Police have a multiple range of functions like, maintaining law and order, riot control, crime investigation, protection of State assets, VIP protection, traffic control, ceremonial and guard duties; service of summons and production of witnesses

in courts, anti-terrorist and anti-extremist operations, intelligence gathering, elections, crowd control and many other miscellaneous duties.[4]

The problem arises out of aggregation of these functions in a single force because of the following reasons:

- The core functions are neglected.
- It becomes difficult to quantify performance and have accountability if the functions are not clear.
- The skills and resources required for discharging their functions are not specialized which affects their morale and professional competence.
- Each different function requires a unique system of accountability and control but it becomes difficult to do so by a single agency.

There must be a balance between authority and accountability; and between autonomy and coordination to do public good. However, to implement disaggregation of the police functions, the concept of local police managed by the local governments is not possible due to financial and political constraints. This has been derived from the British Police of it doing all the functions by itself. They had their reasons of not investing much in law and order arrangements and no interest in the public good. Now, India needs a police force that considers its work as a service and not as a force.

3. **Independence of Crime Investigation:** The crime investigation does not have a separate organization and continues to be a part of the police organization as it was in the British regime. If it is replaced by an autonomous crime investigation agency with statutory jurisdiction, it will be more impervious to political and partisan influences although the political executive will have the power to give broad guidelines. This principle of separation has not materialized even though it has found mentions in various recommendations of the commissions.

   The Bureau of Police Research and Development has stated that a special cadre of officials cannot be constituted because of the problems of promotions and transfers but a separate unit of crime investigations can be set-up in the police stations who would be insulated from political influences. However, none of the States or UTs has filed any compliance reports citing reasons like lack of manpower, service rules and promotion policies.
4. **Self-esteem:** Nearly 87 per cent of the police personnel belong to the category of constables who are recruited through an open system. They do not have many opportunities of promotion and just obey orders with no application of their minds. As a result, their self-esteem is very low. They are transferred within a year due to reasons like punishment or pleasing the politicians for their whims according to various surveys conducted. Their low wages do not help in their morale and motivation. This issue, once again a legacy from the British rule because they did not want anyone much higher than the constabulary class, can be improved by introducing financial incentives of performance pay.[5]
5. **Professionalization, Expertise and Infrastructure:** Policing requires professionalism and competence supported by infrastructure and training. Well-endowed forensic labs are a pre-requisite for solving crimes as are strong communications support, sophisticated weapons and modern tools and equipment. However, the districts are not equipped financially to have their own forensic labs and other weaponry. Recently, the introduction of IT to detect cybercrime is an achievement but not all police stations have it.
6. **Police Service and not a Force:** The United Nations Basic Principles on the use of Force and Firearms state that the work of law enforcement officials is a social service. The concept of police as a 'service' rather than 'force' will enhance effective accountability, citizen-centricity, respect for human rights and an individual's dignity. The public–police relations through community policing is improving and reducing the gap between the police and the public. However, there are many reported cases of

violation of human rights over police personnel and deaths or rape in custody. More efforts need to be made for the police to be of service.

The British Police Act, 1861 had been enacted for the entire country but the States changed some basic features according to their own needs. The existing police system in India is a legacy of the colonial rule. Police in India was created to serve the colonial interest. Unfortunately, after independence no fundamental change could be administered in the existing police set-up. Colonial era police laws enable state and local politicians to interfere routinely in police operations, sometimes directing police officers to drop investigations against their known criminals or to harass political opponents. Hence, the police in India is operating with the same colonial attitude.[6]

There is an imperative need to have uniformity in the basic features for which a Draft Model Police Act, 2015 has been prepared and 17 States have either enacted their own laws or amended them accordingly. It aims at higher accountability and efficiency of the police service.[7]

## Notes and References


1. Griffiths, Sir Percival Joseph (1979), *To Guard my People: The History of the Indian Police,* Ernest Benn Publishers, UK.
2. Entry 2 and 2A, List I, Schedule 7, Constitution of India, 1950, Government of India, New Delhi.
3. Adapted from: The Indian Police Journal, http://www.bprd.nic.in, retrieved on 01 April 2019.
4. Second Administrative Reforms Commission (2007), *Fifth Report,* Chapter 4.
5. 'Police Organisation in India' Commonwealth Human Rights Initiative, New Delhi available at http://www.humanrightsinitiative.
6. The Indian Police Journal, http://www.bprd.nic.in, retrieved on 01 April 2019.
7. Model Police Act, http://pib.nic.in, retrieved on 01 April 2019.

# 42 National Police Commission

## LEARNING OBJECTIVES

*After reading this chapter, you will learn about:*

- Composition of the National Police Commission
- Reports and of the National Police Commission
- Current Status of Recommendations made by Commissions.
- Reports by National Police Commission

## INTRODUCTION

The need for police reforms was long recognized and many committees and commissions were constituted which were tasked to examine police reform specifically, dating even before independence. It is difficult to work out the exact figure of the commissions by the States but they were futile. Police constitute the key element of the power of the State for enforcing law, hence the institutional framework of police reforms must ensure minimal dislocation to meet the challenges arising out of changing socio-economic scenario. The police are seen as selectively efficient, unsympathetic to the underprivileged. It is further accused of politicization and criminalization.[1] The 1861 Act is still the basis of the present Act that rules the country with insignificant changes whereas the society has undergone dramatic changes, especially in post-independence times. The public expectations from police have multiplied and newer forms of crime have surfaced. the policing system needs to be reformed to be in tune with present-day scenario and upgraded to effectively deal with the crime and criminals, uphold human rights and safeguard the legitimate interests of one and all.[2]

Maintenance of law and order is the first condition for the democratic functioning of a country. All kinds of growth—economic, social and political, will become stagnant. Law and order has a wide coverage extending from behavioural attitudes to operational activities whereas public order relates to the peace in the society with order of security. The three concepts of law and order, public order and security of State can be explained in the Figure 42.1 below.

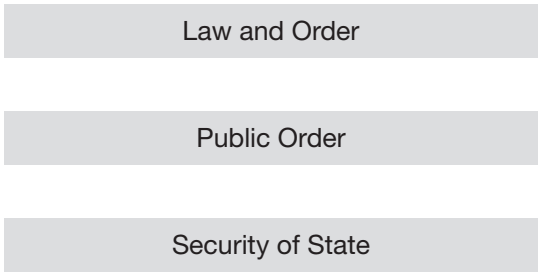



*Figure 42.1: Distinction between Law and Order, Public Order and Security of State*

The above figure clearly shows that law and order have a wide connotation and scope while public order apprehends disorders of less gravity than those affecting security of State.

## Q1 *Discuss the major recommendations made by the National Police Commission with respect to police reforms in India.*

***Or***

***'Law and order problems of the twenty-first century cannot be tackled through legislations and structures of the nineteenth century'. Give suggestions for transforming the law and order machinery at the State level.***

**Ans.** The need for police reform in India is of utmost importance and relevance at this juncture due to the changes in the globalized world. Since 'Police' is a State subject in the Seventh Schedule to the Constitution of India, it is primarily the State governments who have to implement the various police reforms measures. The Centre has been making consistent efforts to persuade the States from time to time to bring the requisite reforms in the police administration to meet the expectations of the people.[3] Given below are the important features of the National Police Commission and the recommendations that it made.

## NATIONAL POLICE COMMISSION (NPC)

The NPC was constituted in 1977 to study the problems of police and make a comprehensive review of the police system at national level. The Government of India in the Ministry of Home Affairs, via a Resolution, dated 15 November 1977, appointed six signatories to this report, jointly to constitute the NPC. It submitted eight reports between 1979 and 1981. The Resolution stressed on the point that in India, there have been far reaching changes that have taken place after the enactment of the Indian Police Act, 1861, and a Second Police Commission was set-up in 1902 and nothing after that. Some commissions were set-up by States but there has been no comprehensive review at the national level of police system. The members of the NPC were:

- Shri Dharma Vira
- Shri K. F. Rustamji
- Prof. M. S. Gore
- Shri N. K. Reddy
- Shri N. K. Saksena
- Shri C.V. Narasimhan

## Terms of Reference (ToR) of the NPC

The NPC had the following ToR on which it had to progress in its examination and review of the police system in India[4]:

1. **Redefine:** The commission was to redefine the role, duties, powers and responsibilities of the police with special reference to prevention and control of crime and maintenance of public order.
2. **Principles:** To examine the development of principles underlying the present policing system, including the:
   - Method of magisterial supervision
   - Evaluate the performance of the system
   - Identify the basic weaknesses of inadequacies
   - Suggest appropriate changes in the system
   - The basic laws governing the system.
3. **Required Changes:** Examine, if any changes are necessary in the existing method of administration, disciplinary control and accountability.
4. **The System of Investigation and Prosecution:** Inquire into the system of investigation and prosecution by considering the following:
   - The reasons for delay and failure
   - The use of improper methods
   - The extent of their prevalence
   - Make suggestions how to change the system to make it more efficient, scientific and humanitarian
   - How the related laws may be suitably amended.
5. **Crime Records:** Examine methods of maintaining crime records and statistics and suggest methods for making them uniform and systematic.
6. **Rural Areas:** Review of policing in rural areas while evaluating any new arrangements that have been made and make recommendations if any necessary changes are required.
7. **Urbanized Areas:** To examine the system of policing required in non-rural, urbanized and metropolitan areas and suggest the pattern that would be the most suitable.
8. **Modernization of Police Work:** To examine the steps taken for the modernization of law enforcement related to the following:
   - Evaluate the work of police communications through the computer network
   - Scientific laboratories and agencies for research and development
   - Examine whether modernization can be speeded-up
   - Examine to what extent modernization is required to restructure and how it would be possible to economize in the manpower in the various areas of its activities.
9. **Social Responsibilities:** Examine the social responsibilities of the police towards the marginalized sections of the society and suggest steps to ensure prompt action to safeguard the rights and interests of weaker sections.
10. **Institutional Arrangements:** Suggest measures and institutional arrangements:
    - To prevent misuse of powers by the police and to examine if proper police behaviour is maintained at the correct level.
    - To prevent misuse of police by administrative or political executive or oral orders of any type contrary to law.

- Quick and impartial inquiry of public complaints made against the police about its misuse of powers.
- Quick grievance redressal of police personnel to keep them motivated.
- A periodic evaluation of police performance at the district/metropolitan area.

11. **Public–Police Relationship:** To examine the manner and extent to which the police can enlist the individuals in the public for cooperation.
12. **Training:** To examine the methods of police training, development and career planning and if they fall short of requirements, then suggest measures to improve them.
13. **Nature of Problems:** The nature of problems that the police personnel have to face must be examined and suggest ways to deal with them.
14. **Miscellaneous:** Study and make recommendations on any other matter the government asks it to.
15. **Impact:** Recommend on any other important matter having an impact on the subject.

## Reports of the NPC

The NPC produced eight reports between 1979 and 1981 giving recommendations for the prevalent police system in India and finally, a Model Police Act in 2006. A summarized version of the eight reports is given below which have been sourced from the 'Commonwealth Human Rights Initiative'[5] which are in public domain and the original reports are not accessible from the public domain on government websites. They are:

## (I) First Report–Complaints Against the Police

The major focus of the first report was regarding the complaints against the police. Any arrangement for inquiry into complaints against police should be acceptable both to police and pubic as fair and just. The NPC suggested the following arrangements:

- Inquiries conducted by departmental authorities by police supervisory ranks in the police hierarchy, and
- 'Inquiries conducted by an independent authority outside the police.'

### *Types of Complaints Against the Police for a Judicial Inquiry*

The NPC suggested the following categories of complaints against the police for a judicial inquiry:

- Alleged rape of a woman in police custody,
- Death or grievous hurt caused while in police custody, and
- 'Death of two or more persons resulting from police firing in the dispersal of unlawful assemblies.'

The mandatory provisions of the judicial inquiry should have the following elements:

**(i)** **District Inquiry Authority (DIA):** The designation of the DIA will be held by the additional sessions' judge nominated for this purpose in every district by the State government in consultation with the high court.

**(ii)** **Assistance:** He/she will be assisted by an assessor.

**(iii)** **Report:** The report shall be sent to the State government.

**(iv)** **Publication:** The report shall be published and a decision shall be made within two months of its receipt.

(v) **Oversight:** The DIA shall also serve as an independent authority to oversee the ultimate disposal of complaints dealt with departmentally.

(vi) **Police Complaint Board:** The Police Complaint Board shall be established at the State level to oversee the satisfactory implementation of the entire scheme.

## (II) Second Report–Criminal Justice

The second report consisted of five major recommendations to improve the criminal justice system. They are:

1. **Appointment of Criminal Justice System:** All wings of the criminal justice system in a country must work in coordination to be successful. Hence, a body must be constituted whose main function shall be to periodically monitor all agencies. The existing Law Commission can serve as a Criminal Justice Commission on a statutory basis at the Centre and similar arrangements must be made at the State level also.
2. **Role of Police:** The role of police must serve based on two main principles, which are:
   (i) **Enforcement:** The Police Act must clearly lay down that the basic role of the police is to function as a law enforcement agency without any bowing down to the pressures of wishes, indications or desires of the government which come into conflict with the law or does not conform to the provisions contained in the Constitution of India.
   (ii) **Service-oriented:** Secondly, the police must serve the public in the provision of relief in distress situations. Their training must include the concept of service-orientation.
3. **Political Interference:** The NPC notes that police under the States has been abused by the political executive eroding the rule of law and the credibility of the police as an organization. The police are usually threatened by the politicians with suspension or transfers to get their work done. The commission recommended the following:
   (i) **Superintendence:** There should be limited superintendence of the State government over the police to ensure that its performance is as per the law.
   (ii) **Guidelines**: There must be broad guidelines from the government for adoption in different situations but not in the operational activities in the field, especially, there should be no political or executive interference in the investigations.
   (iii) **State Secretary Commission:** Each State must establish a State Secretary Commission to formulate a framework of policy guidelines regarding the superintending duties of a State government. It should:
      - Lay down directions for the performance of preventive tasks and service-oriented police work,
      - Evaluate the annual performance of the State police and submit the report to the State legislature,
      - Provide a forum for appeals by the police personnel who feel subjected to illegal orders or regarding their promotions, and
      - 'Review the functioning of the State police.'
4. **Selection and Statutory Tenure of Service:** The Chief of Police must be selected from a panel of three IPS officers which must be prepared by the Union Public Service Commission. The Chief of Police must have a fixed tenure of four years or for a period extending up to his/her retirement, whichever is earlier. He/she can be removed with the permission of the State Secretary Commission.

5. **Transfer/Suspension:** The Model Police Act must protect the whimsical suspension orders of transfer/suspension orders. It must be clarified which authority shall have the power to issue such orders and any other order shall be rendered null and void.

## (III) Third Report–Weaker Sections, Postings, Vexatious Arrests, Imprest Money

The third report given by the NPC made the following recommendations:

1. **Police and Weaker Sections:** The following suggestions were made regarding police response towards the weaker sections:
   - **(i) Special Investigation Cell:** A State level Special Investigation Cell must be established to monitor the progress of investigation of cases under the Protection of Civil Rights Act or atrocities against the Scheduled Castes/Tribes. A district level composite cell can be set-up under the Sub-Divisional Officer in the same vein.
   - **(ii) Non-Cognizable Offences:** Section 155 of the Code of Criminal Procedure should be suitably amended to facilitate appropriate and effective police response to non-cognizable complaints under two categories, which are:
     - To protect a member of the weaker sections from exploitation and injustice.
     - To prevent a possible breach of public peace that might result from absence of effective action on complaint of a non-cognizable offence.
   - **(iii) Allotment of Land:** A comprehensive legislation should be enacted which gives a detailed procedure for the allotment of land to the landless poor which should be monitored by the police officers and a record of it must be kept at the police station.
2. **Postings of Officers:** The District Superintendent of Police must have the exclusive responsibility of the postings of the officers in charge of police stations. On the other hand, the Chief of Police shall be responsible for the postings of the District Superintendents of Police.
3. **Avoidance of Vexatious Arrests:** The powers of police give them a wide scope of harassment and humiliation of persons whereas most of the persons arrested are let free due to political pressures. Harmless individuals are arrested and harassed on inadequate grounds. The commission has given strict guidelines for making arrests by the police and must be adhered to by the senior-supervisory ranks. There are two proposed amendments by the NPC, which are:
   - **(i)** Sections 2 (c) and 2 (1) of the Code of Criminal Procedure must be amended to remove the emphasis on arrest in the definition of cognizable and non-cognizable offences.
   - **(ii)** Section 170 of the Code of Criminal Procedure must be amended to remove the impression that it is mandatory to make an arrest in non-bailable cases.
4. **Use of Handcuffs:** The threat of the use of handcuffs is another cause of harassment by the police officials. The NPC has formulated guidelines regarding this, which are:
   - **(i)** If a person can be kept in custody without handcuffs, then for reasons of age, sex or infirmity it must not be done.
   - **(ii)** If an individual has been arrested on a bailable offence, then he/she must be handcuffed only if it is believed that the individual is likely to escape.
   - **(iii)** In cases of judicial custody, the court's instructions shall be obtained before the accused is handcuffed.
   - **(iv)** Undertrial and other accused persons shall be handcuffed or put in chains only if it is believed that such persons may use violence or attempt to escape and the police escort must be sufficiently strong to prevent escape.
   - **(v)** The facts and reasons must be recorded in the Sentry Relief Book if any accused is handcuffed.

5. **Imprest Money to the Police Station:** The NPC noted that the police stations did not have imprest money to meet its expenditure, hence such money must be provided to them to meet the contingent expenses for day-to-day work.

## (IV) Fourth Report–FIR, Witness Statement, Stolen Property, Compounding Offences, Third Degree Methods, Court Inspections, Witness Attendance

The NPC considered the above-given issues in the heading and gave the following recommendations:

- **Registration of FIR:** Many times, victims of crimes are turned away when they come to the police station to get their FIR registered on the grounds of jurisdiction. Section 154 Code of Criminal Procedures (Cr.P.C.) must be amended to allow the victim to get the FIR registered whether or not the crime has taken place in the jurisdiction of the Police Station. The case can be transferred later to the concerned police station.
- **Statement of Witness:** The practice of a police officer being precluded from obtaining the person's signature whose statement has been recorded by him. The NPC has recommended that the investigating officer can record the facts as ascertained by him on the examination of a witness. A copy of the statement must be given to the witness which will safeguard against the malpractice of paddling of statements for which the police officers are mostly accused of.
- **Stolen Property:** Presently, the properties recovered by the police are transferred to the custody of the court before it can be returned to the victims. The goods get damaged in the intervening period. The NPC has recommended that the procedure must be changed and stolen items be returned earlier.
- **Compounding Offences:** The concerned laws must be amended with regard to compounding the offences when both parties to a dispute may themselves like to settle the matter amicably. This will reduce the workload of the courts.
- **Intimation about Arrest:** The NPC recommended that Section 50 A in Chapter V of Cr.P.C. requiring the police to give intimation about the arrest of a person to anyone who maybe named by the arrested person to avoid distress of the family.
- **Use of Third-Degree Methods:** The NPC has recommended the following to reduce the use of third-degree methods:
    - Surprise visits by senior officers to police stations to detect illegally held persons or ill-treatment being meted out to them.
    - The magistrate must question the arrested individual if he has any complaint of ill-treatment by the police and in case of complaint should get him medically examined.
    - There must be a mandatory judicial inquiry in case of death or grievous hurt caused while in police custody.
    - Police performance should not be evaluated on the basis of crime statistics or number of cases solved.
    - Training institutions should develop scientific interrogation techniques and impart effective instructions to trainees in this regard.
- **Inspection of Courts:** A scheme must be evolved regarding inspections at the level of high court as well as sessions courts to ensure proper functioning of the subordinate courts. A whole-time functionary of the rank of a senior district sessions judge who is qualified for appointment as high court judge may be attached to each high court to inspect the district courts periodically. A similar functionary of the rank of additional sessions judge may be entrusted with inspections at the district level. The inspecting arrangement proposed above also ensure the availability of adequate facilities for the witnesses and others who participate in court proceedings.

- **Attendance of Witnesses:** The allowances payable to witnesses for their attendance in court should be fixed on a realistic basis and their payment should be affected through a simple procedure, which should avoid delay and inconvenience.

## (V) Fifth Report–Recruitment, Psychological Tests, Evaluation During Training, Control of District Magistrate, Causes of Poor Police–Public Relations, Vertical Communication, Need for Transparency, Women Police

The NPC gave the following recommendations in its fifth report:

- **Recruitment to the Police:** It must be at two levels only—the Constable and the Indian Police Service and the rest must be eliminated in a phased manner.
- **Psychological Tests:** The selection procedure of the police personnel must include a properly prepared psychological test formulated by the Central government with the help of Ministry of Defence.
- **Evaluation during Training:** There must be constant evaluation of the performance, attitudes and behaviour of all recruits during training and those who are not doing well must be weeded out.
- **Control of the District Magistrate:** The 1861 Police Act, Section 4, states that the District Police is subjected to the 'general control and direction' of the District Magistrate (DM). The police must not be subordinate to the DM and such laws must be repealed. However, the role of the DM as a coordinating authority should be recognized by the police.
- **Poor Police–Public Relations:** Police–public relations are in a very unsatisfactory state. Police partiality, corruption, brutality and failure to register cognizable offences are the most important reasons.
- **Vertical Communication in Police:** Since the police officials at the lower levels are ill-treated by the seniors, they behave in the same way with the public which needs to be changed.
- **Victims of Crime:** The criminal justice does not show any concern for the victims of crime at any stage. The NPC recommended the formulation of a Criminal Injuries Compensation Act.
- **Transparency:** All police activities should be transparent except:
  - Operations
  - Intelligence on the basis of which operations are planned and conducted
  - Privacy of the individual citizen
  - Judicial requirements.
- **Women Police:** More women police must be inducted in the police force, especially, in the lower levels and must be strengthened and assigned investigation work.

## (VI) Sixth Report–Promotion, Central IPS Cadre, Police Commissioner System, Communal Riots, Reservation, Separation of Investigating Staff from Law and Order Staff

The sixth report suggested the following recommendations:

- **Promotion of Officers:** All officers must undergo pre-promotion courses followed by an examination and an objective selection process. Two more chances may be given to the disqualified officers after which they may be retired.
- **Central IPS Cadre:** There must be two Central IPS Cadres, the first, for paramilitary organizations and the second for organizations like RAW, CBI, IB, etc.

- **Major Cities:** A Police Commissionerate system must be established for large cities with a population of five lakhs and above for effective policing.
- **Communal riots:** Special investigating agencies must be created under the CID with officers of high integrity and prosecution must be processed after a thorough investigation to act as a deterrent to communal riots.
- **Reservation:** There must be no reservation for SC/ST and OBCs to prevent communalism in the police force.
- **Separation of Investigating Staff from Law and Order Staff:** The NOC recommendations regarding this separation is conflicting because it favoured it in the sixth report whereas it opined against it in the seventh report.

## (VII) Seventh Report–Norms for Police Stations, Police Hierarchy, Management, Central law for Armed Forces, Central Police Committee, All India Police Institute

The seventh report gave the following recommendations:

- **Norms for Police Stations:** A police station must not have a jurisdiction of more than 150 kms. And in urban areas, the consideration must be population density among other factors. It should cater to a population of not more than 60,000 and if there are more than 700 registered crimes, another police station must be established.

  Three categories may be made in cities:

  **(i)** Police stations with more than 900 cognizable IPC offences must have a Deputy SP/ASP as the SHO.

  **(ii)** The ones having over 300 IPCs per year should be headed by an Inspector of Police.

  **(iii)** Smaller police stations must be headed by a Sub Inspector.

  **(iv)** One Investigating Officer must investigate from 50 to 60 IPC cases.
- **Restructuring of Civil Police Hierarchy:** The strength at the middle level of ASI/SI/Inspector must be increased and constabulary must be reduced. This will increase the number of investigating officers and improve the promotional opportunities for the lower ranks.
- **Management of the Police Force:** The Chief of Police must manage the police force internally. The Chief's powers must be enhanced to promote personnel, financial and infrastructural facilities.
- **Central Police Committee:** A Central Police Committee must be established to look after the functions of consultancy and monitoring. It can advise advice the Central and State Security Commissions related to:
  - Police reforms of a general nature
  - Central grants and loans to the State Police Forces for their modernization and development
  - Budgetary allotments to State Police Forces.
- **All India Police Institute:** An All India Police Institute must be created under the proposed Central Police Committee.

## (VIII) Eighth Report–Accountability, Withdrawal of Protection, Model Police Act

The eighth report gave the following recommendations:

- **Public Accountability:** The State Security Commission should have an independent cell to evaluate police performance. Its annual report must be supported by assessment report of the Central Police Committee which will be placed before the State legislature.

- **Withdrawal of Protection:** Various categories of civil servants under Sections 132 and 197 of the Cr.P.C. are provided protection against them for official duties. This must be withdrawn so that a private complainant is free to press his complaint.
- **Model Police Act:** The Police Act, 1861 should be replaced by a new Police Act which improves the police system and the role of police.

After the NPC, more committees were set-up, which are briefly given below in Box 42.1.

***Box 42.1: Committees on Police Reforms after NPC***

**Ribeiro Committee:** It was constituted by the government on 25 May 1998 under Shri J. F. Riberio, IPS (Retd) which submitted two reports during 1998 and 1999 in the Supreme Court. The copies of the Reports were sent to the States for appropriate action.

**Padmanabhaiah Committee:** In 2000, the government set-up a committee under the Chairmanship of Shri K. Padmanabhaiah, former Union Home Secretary to suggest structural changes in the police to meet the challenges in the new millennium. It submitted its report on 30 August 2000. It recommended review of allocation of cadre policy, direct IPS officers to be given charge of District, to post IAS/IPS as judicial magistrate, etc. The report was sent to the State governments for implementation.

**Malimath Committee:** The government set-up a committee under the Chairmanship of Dr (Justice) V. S. Malimath, former Chief Justice of Karnataka and Kerela High Courts to consider and revamp the Criminal Justice System. It submitted its report in April, 2003 which contained 158 recommendations regarding strengthening of training infrastructure, forensic science laboratory, enactment of new Police Act, etc. The investigation was recommended to be separated from the law and order wing in the police stations. The recommendations were sent to the State governments for implementation.

**Review Committee set-up by MHA:** A committee was constituted by the Ministry of Home Affairs in December 2004 to review the status of implementation of recommendations made by various committees/commissions on police reforms and shortlist those which have not been implemented so far or have not been implemented partially. They shortlisted 49 recommendations that were crucial to the process of transforming the police into a professionally competent and service-oriented organization.

**Expert Committee to draft a New Model Police Act:** The MHA set-up an Expert Committee to draft a new Model Police Act in September 2005. It submitted a Model Police Act on 30 October 2006.

**Source:** Status Note on Police Reforms in India, https://mha.gov.in, retrieved on 03 April 2019.

The copies of draft Model Police Act as framed by the committee were forwarded to the State governments for consideration and appropriate action vide Home Secretary D. O. letter dated 30 October 2006. As per information available, 17 States[6] have either enacted the Police Act or amended the existing Act.

## Conclusion

**The Present Concerns:** Former Prime Minister, Dr Manmohan Singh said, '… serious internal security challenges remain. Threats from terrorism, left-wing extremism, religious fundamentalism and ethnic violence persist in our country. These challenges demand constant vigilance on our part. They need to be tacked firmly but with sensitivity.'[7] Newer forms of threat are challenging the police force like cyberattacks, bank frauds, organized crimes form the Fourth Generation War with an invisible army. The role of a police official becomes even more important as internal security is a subject of the State police. The existing police stations suffer from many deficiencies like the lack of cybercrime units, intelligence gathering

techniques and obsolete weaponry. Corruption leads to inefficiencies which can be curbed to some extent at the recruitment level via administration of strict psychological tests.

Usually the police officers join the force only because of lack of alternative employment opportunities. This should not be a criterion for selection because this does not reflect the police officer's commitment to serve the community. The recommendations of curbing political interference have not been implemented which is the main source of inefficiency in the police system. Manpower shortage is another cause of inefficiency as the recommended ratio by the United Nations of 222 policemen per lakh population whereas India has the ratio at 192. Other issues are police mobility, obsolete weaponry and communication networks. All these issues need to be addressed sooner than later.[8]

## Notes and References


1. The Indian Police Journal, http://www.bprd.nic.in, retrieved on 02 April 2019.
2. Status Note on Police Reforms in India, https://mha.gov.in, retrieved on 02 April 2019.
3. *Ibid*.
4. The ToR adapted from: First Report on National Police Commission, https://ipc498a.files.wordpress.com, retrieved on 02 April 2019.
5. Adapted from: Some Selected Recommendations of the National Police Commission, http://www.humanrightsinitiative.org, retrieved on 02 April 2019. Model Police Act, http://pib.nic.in
6. Assam, Bihar, Chhattisgarh, Gujarat, Haryana, Himachal Pradesh, Kerela, Karnataka, Maharashtra, Meghalaya, Mizoram, Punjab, Rajasthan, Sikkim, Tamilnadu, Tripura and Uttarakhand.
7. Press Information Bureau (2012), 'Prime Minister's Speech at the Conference of CMs on Internal Security.'
8. Police reforms in India, https://www.prsindia.org
   Model Police Act, http://pib.nic.in

# 43 Investigative Agencies

## LEARNING OBJECTIVES

*After reading this chapter, you will learn about:*

- Why independence of Crime Investigation is important?
- Various Investigative Agencies—National Investigation Agency, Directorate of Revenue Intelligence, Central Bureau of Investigation, Directorate of Criminal Investigation and Serious Fraud Investigation Office

## INTRODUCTION

Over the past many years, India has been a victim of internal disturbances and incidents of cross-border terrorist attacks. The left-wing extremism has been increasing in various parts of the hinterlands. Such incidents are found to have complex interstate and international linkages and possible connection with other activities like the smuggling of arms and drugs, pushing in and circulation, pushing in and circulation of fake Indian currency, infiltration from across the borders, etc. There is a need for investigating agencies at the Central level to investigate officers related to terrorism and such other acts. The Second Administrative Reforms Commission had suggested in its report that such an agency would help in concurrent jurisdiction framework with the provisions for taking up specific cases under specific Acts for investigation.

This chapter specifically deals with the investigative agencies and not intelligence agencies. At the federal level, the investigative agencies fall under the purview of the Ministry of Home Affairs which support the States in their duties since policing is a State subject.

### Q1 *How important is independence of crime investigation? Discuss the investigative agencies in India that strengthen the investigative role of the police in India.*

**Ans.** Once a crime has been committed or the police have gotten a tip-off that a crime is going to be committed, it becomes imperative that the crime gets investigated so that a conclusion can be reached. The investigation of crime has never enjoyed a high professional reputation. It is ridden by long delays in concluding about a crime making the investigation look like a bungle up and suspicious in the eyes of the common man. The Lumsden Committee observed, 'There is apparently almost complete unanimity, in our observation that both the officials and the investigative agency are insufficient in numbers. And the standard of investigation is very poor.'[1] The Second Administrative Reforms Commission (ARC) stated that crime investigation is a function, in particular, dealing with serious offences. It can be treated as a quasi-judicial function and can be created to discharge this crucial function.[2]

**Independence of Crime Investigation:** The perception of the public is that the police are essentially a crime prevention and investigation agency. The functions of police include:

1. Unearthing evidence in a crime
2. Identifying the culprit
3. Establishing the means, motive and opportunity
4. Presenting evidence in a court of law through the prosecution
5. Securing a conviction

Many citizens believe that the painstaking crime investigation and prosecution detailed matters are the functions of the police from their information from crime fiction novels and television series. In real life, however, this core function is neglected because the police focus more on the physical coercion methods to extract information from the culprits instead of going into the details of investigating the crime. Failure of analytical linkage of all threads in a criminal case leads to dependence on oral evidence in the courts. This creates the problem of witnesses turning anytime if offered monetary inducements or use of fear and results in lower rates of conviction cases. The real criminals get to go scot-free and the ones who get convicted are mostly those on whom the third-degree torture has made them confess.

The scenario in India has become a lawless chaotic mess with criminal gangs who are being used by land mafias or the sand mafias to settle disputes, perform illegal activities and there are cases also of financial institutions hiring such gangs to recover their loan repayments. Such 'crime lords' have progressed into politics expecting that they would be able to manipulate State police as they want to. The criminalization of politics and the use of police as their protectors of their illegal activities led to the conviction of expert bodies and jurists that crime investigation must be separated from other police functions.

The police lack professionalism and skill in an underfunded, overworked environment has resulted into a perception among the citizens that police does is unresponsive and corrupt. This perception made the Second ARC to recommend the constitution of a separate elite investigation agency of police in each State which must be entrusted only with such cases that require its expertise. It must have autonomy, statutory jurisdiction and be impervious to political and partisan influence. However, the political executive must have the authority to give broad guidelines.

Given below are various crime investigative agencies set-up in India in Figure 43.1 and described thereafter.

***Figure 43.1: Investigative Agencies in India***

## (I) National Investigative Agency

The Government, after due consideration and examination of the issues involved, proposed to enact a legislation to make provision for establishment of a National Investigation Agency (NIA) in a concurrent jurisdiction framework, with provisions for taking up specific cases under specific Acts for investigation. The NIA Act was enacted on 31 December 2008 which functions now as the Central Counter Terrorism Law Enforcement Agency in India. As per the information in the public domain, it has investigated 244 cases till date. After submission of charge sheets, 37 cases have been finally or partially decided in trial and 35 cases have ended in conviction giving NIA an enviable percentage of 91.3 per cent.[3]

### *Vision and Mission*

The NIA aims to be a thoroughly professional investigative agency matching the best international standards. It sets the standards of excellence in counterterrorism and other national security related investigations at the national level by developing into a highly trained partnership-oriented workforce. Its mission, as given on its website in public domain, is as follows:

- In-depth professional investigation of scheduled offences using the latest scientific methods of investigation.
- Ascertaining speedy and effective trial.
- Developing into a professional, result oriented organization that would uphold the rule of law in the country while giving full protection to human rights.
- Developing a workforce through regular training into a professional one with scientific temper and progressive spirit.
- Maintain cordial relations with other investigating agencies and the governments of all States/UTs to assist them in investigation of terrorist cases.
- Build a database on all terrorist related information to be shared with all States and UTs.
- Study and analyze laws related to terrorism in other countries and examine laws in India if they need to be amended.
- To build trust among the citizens of India.

There are 38 special judges notified under the NIA Act, State wise and seven in UTs.

## (II) Directorate of Revenue Intelligence (DRI)

The Directorate of Revenue Intelligence (DRI) has a British history that can be accrued to it. It was the Central Excise and Customs administration, which was deployed mainly for the collection of revenue but after the independence, it was called upon to shoulder the responsibility to guard the tariff wall along the country's vast coastline and land frontiers. In 1953, it was christened as the Central Revenue Intelligence Bureau (CRIB) charged with the responsibility of dealing with all matters connected with anti-smuggling and anti-corruption in the Customs and Central Excise organizations all over India.

The DIR was constituted on 4 December 1957 to deal exclusively with the work relating to the collection and study of information on smuggling activities and the deployment of anti-smuggling resources at the All-India level, besides training for the intelligence and Investigation Officers of the Custom Houses and Central Excise Collectorates deployed on similar work. The DIR is the apex intelligence and investigative agency for matters relating to violation of the Customs Act.

### *Responsibilities of the DIR*

The responsibilities of the DIR are:

- To collect and collate information and to strike swiftly.
- It is officer intensive and the ministerial staff has been kept at a minimum.
- Although small, it is a high-powered organization so that it can issue instructions to the Collectors and can command the confidence and respect of other State and Central organizations with which it has necessarily to deal in order to become effective.
- It will consist of selected officers, that is, those who, by temperament and experience, are equipped to do this specialized kind of work.
- It will have complete liberty to act on hunches and only the ends shall justify the means it adopts.[4]

## (III) Central Bureau of Investigation (CBI)

The Central Bureau of Investigation (CBI) traces its origin to the Special Police Establishment (SPE) which was set-up in 1941 by the Government of India. Its main functions were to investigate bribery and corruption cases in the transactions with the War and Supply Department of India during the Second World War. The SPE was retained for the same functions under 'The Delhi Special Police Establishment Act' in 1946 and the Ministry of Home Department. A Home Ministry Resolution dated 01 April 1963, changed its name to the popular current name, Central Bureau of Investigation'. Initially, the offences that were notified by the Central government related only to corruption by Central government servants but later it extended to all the UTs, employees of Public Sector Undertakings and Public Sector Banks.

**Motto:** The motto of the CBI is, 'Industry, Impartiality and Integrity, these must always guide your work. Loyalty to duty must come first, everywhere, at all times and in all circumstances'.

**Supervision:** The superintendence of CBI related to investigation of offences under the Prevention of Corruption Act, (PCA) 1988 lies with the Central Vigilance Commission (CVC) and in other matters with the Department of Personnel and Training (DoPT) in the Ministry of Personnel, Pension and Grievances of the Government of India (GoI).

**Divisions of CBI:** CBI has grown into a multidisciplinary investigation agency over a period of time. Today, it has the following three divisions for investigation of crime:

1. **Anti-Corruption Division:** It investigates cases under the PCA against Public Officials and the employees of Central government, Public Sector Undertakings, Corporations or Bodies owned or controlled by the GoI. It is the largest division that has its presence almost in all the States of India.
2. **Economic Offences Division:** It investigates major financial scams and serious economic frauds, including crimes relating to Fake Indian Currency Notes, Bank Frauds and Cyber Crime.
3. **Special Crimes Division:** This division investigates serious, sensational and organized crime under the Indian Penal Code (IPC) and other laws on the requests of State governments or on the orders of the Supreme Court and high courts.[5]

**CBI as an Interpol of India:** In the present-day globalized world, crimes often cross national boundaries. The International Police Criminal Organization (IPCO or Interpol) has emerged as an important organization in strengthening cooperation amongst law enforcement agencies of various countries. Its functions include the following:

- The CBI, as the Interpol of India acts as an interface between law enforcement agencies of India and other countries by facilitating exchange of information.

- It red flags the Indian fugitive criminals.
- To negotiate and finalize treaties like the Mutual Legal Assistance Treaties (MLATs) and Extradition Treaties between India and other countries.
- It enables execution of Letter of Requests for Investigation within and outside of India.

**Divisions of CBI:** The CBI has six divisions which are given below:

1. Anti-Corruption Division.
2. Crime Records and Statistics Division.
3. Directorate of Prosecution
4. Administration Division.
5. Economic Offences Division
6. Special Crimes Division
7. Policy and Coordination Division

Over the years, the CBI has emerged as a premier investigating agency of India despite of the recent controversy in 2018 over the Directors levelling charges against each other. It has evolved from an anti-corruption agency to a multifaceted and multidisciplinary central police law enforcement agency with capability, credibility and legal mandate to investigate and prosecute offences anywhere in India.[6]

## (IV) Directorate General of Income Tax (DGIT) (Intelligence and Criminal Investigation)—Directorate of Criminal Investigation

In 1975, The Income Tax Department (ITD) formed the Central Information Branch (CIB) to strengthen the tax database. The CIB worked under the Directorate of Income Tax (Intelligence) in June 2007. However, with changing socio-economic global situations affecting India, a need arose for the constitution of a new directorate named as the Directorate of Income Tax (Intelligence and Criminal Investigation) under the DGIT comprising intelligence and CBI set-up.

It has 18 field agencies under the directorate which include nine DsIT (Intelligence and Criminal Investigation) at Ahmedabad, Chandigarh, Delhi, Jaipur, Kolkata, Lucknow, Mumbai and Nagpur while nine DsITs (Intelligence) at Bangalore, Bhubaneshwar, Bhopal, Guwahati, Hyderabad, Kochi, Kanpur, Pune and Patna.

### *Functions of the Directorate of Criminal Investigation, (DCI)*

The DCI is a nodal agency of the ITD and has the following main areas of functions:

- Widening of tax-base through identification of stop fliers and non-fliers.
- Deepening of tax base by providing information for proper selection of cases for scrutiny assessments.
- Through collection, collation of information from internal as well as external sources and its dissemination to the Assessing Officers (AOs) and other users in ITD.
- It collects information regarding financial transactions like investment, expenses, payment of taxes, etc., and details of persons who are involved in specified activities.
- It identifies and investigates cases of tax evasion arising out of criminal matters, having any financial implication punishable as an offence under Direct Tax Law.

## (V) Serious Fraud Investigation Office

The Serious Fraud Investigation Office (SFIO) is a multidisciplinary organization that falls under the Ministry of Corporate Affairs, Government of India. It consists of experts in the field of accountancy, forensic auditing, law, information technology, investigation, company law, capital market and taxation for detecting and prosecuting or recommending for prosecution white-collar crimes/frauds. It was set-up on the recommendations of Naresh Chandra Committee in the backdrop of stock market scams and the failure of non-banking companies resulting in financial loss to the public. On January 2003, the Cabinet decided to establish the Serious Fraud Investigation Office ( SIFO) and issues a Resolution on 2 July 2003. The legislative framework was formulated along the lines of SFIP, UK.

### *Functions and Responsibilities of the SFIO*

The functions and responsibilities of the SFIO are as follows:

- **Specified Cases:** The SFIO normally takes up only such cases, which are characterized by:
  - Complexity and having interdepartmental and multidisciplinary ramifications;
  - Substantial involvement of public interest to be judged by size.
  - The possibility of investigation leading to a or contributing towards a clear improvement in system, laws or procedures.
- **Serious Cases:** The SFIO shall investigate serious cases of fraud received from the Department of Company Affairs or may take-up on its own and forward its investigations to the concerned agencies for appropriate actions.
- **Decision of selection of Case:** The decision of selecting a case would rest with the Director of SFIO stating the reasons to do so on record in writing. The Coordination Committee would take a final review to decide.

According to the Companies Act, 2013, the SFIO has been established by the Government of India vide Notification No. 2005(E) dated on 21 July 2015. The Director of the SFIO is the head of the organization in the rank of Joint Secretary to the Government of India with its Headquarters at New Delhi and five regional offices.[7]

## Conclusion

The above-described five agencies are the primary investigating agencies in India to prevent and investigate serious frauds and crimes. A political shadow over their working robs them of the lacklustre. India must follow the examples of how the investigative agencies work in Japan or Italy where they are not swayed by any political influences. The investigative agencies in India need to be more accountable as they have a very wide leeway in their working although there are periodic review of their ways and means. They are increasingly becoming adventurists and are involved in a humungous number of litigations. Adventurism against professionalism needs to be curbed to increase the rate of convictions in the courts. Investigative adventurism involves itself in relying on presumptions and media leaks with no legal permissibility leaving the cases in the court too loose and ruining the image of the innocent parties. On the other hand, professional investigation targets the real accused based on actual permissible evidences making their cases watertight in the courts.

## Notes and References


1. Inspector General's Standing Order No. 51.
2. Fifth Report, Public Order, https://darpg.gov.in, retrieved on 03 April 2019.
3. About Us, http://www.nia.gov.in, retrieved on 03 April 2019.
4. http://www.dri.nic.in/, retrieved on 03 April 2019.
5. FAQ, http://cbi.gov.in, retrieved on 03 April 2019.
6. *Ibid*.
7. History of SFIO, https://sfio.nic.in, retrieved on 04 April 2019.

# 44 Role of Central and State Agencies in Maintenance of Law and Order

## LEARNING OBJECTIVES

*After reading this chapter, you will learn about:*

- Role played by Central Agencies in Maintenance of Law and Order
  - Assam Rifles
  - Border Security Force
  - Central Industry Security Force
  - Central Reserve Police Force
  - Indo-Tibetan Border Police
  - National Security Guard
  - Sashastra Seema Bal
- Role played by State Agencies in Maintenance of Law and Order
- How Law and Order and Development Management are inter-related

## INTRODUCTION

This chapter deals with two sections related to the paramilitary forces, countering insurgency and terrorism and how law and order impacts development management. The major key to all development is law and order that is maintained by various Central and State agencies besides the State Police. The paramilitary forces like the Central Reserve Police of India, Border Security Force, Indo-Tibetan Border Police and the likes, work incessantly to protect and safeguard Indian borders and internal disturbances.

### Q1 *What are the main Central and State agencies? Discuss their role in the maintenance of law and order countering insurgency and terrorism.*

**Ans.** The Ministry of Home Affairs (MHA) discharges various responsibilities like, internal security, border management, Centre–State relations, administration of Union Territories, management of Central Armed Police Forces, disaster management, etc. Article 355 enjoins the Union to protect every State against external aggression and internal disturbances and to ensure that the government of every State

is carried on in accordance with the provisions of the constitution. The MHA continuously monitors the internal security situation, issues appropriate advisories, shares intelligence inputs, extends manpower and financial support, guidance and expertise to State governments for the maintenance of security, peace and harmony without encroaching upon the constitutional rights of the States.

The Central Armed Police Forces which are also called the paramilitary forces are given below in Figure 44.1 and described thereafter.

***Figure 44.1: The Central Armed Police Forces***

**1. Assam Rifles:** The Assam Rifles are called the 'Sentinels of the North East'. It is important to understand its history before its organizational structure and functions are studied.

**History:** It came into existence in 1835, as a militia called the 'Cachar Levy' with approximately 750 men with the objective to protect the British Tea Estates and their settlements against tribal raids. Later it was renamed as the 'Frontier Force' and increased its functions beyond Assam to carry out punitive expeditions. They were sent to fight alongside the British Army during the First World War to Europe and Middle East and was named the 'Assam Rifles'.

It took part in the Sino-India War in 1962, worked as part of the Indian Peace Keeping Force (IPKF) in Sri Lanka in 1987 (Operation Pawan). It has played a major role in the North-Eastern regions to curb the insurgency and bringing peace to the area. Presently, it is deployed in some of the most remote and underdeveloped areas of India to protect the local people. Its numbers have grown significantly from 17 battalions in 1960 to 46 battalions at present. They are called, 'Friends of the North East People' and is the highest awarded and decorated paramilitary force of India. The Assam Rifles is bound to function under the Assam Rifles Regulation, 2016.

**Role and Tasks:** Given below are the role and tasks of Assam Rifles:

- It conducts counter insurgencies operations in the north east and other areas where it is considered essential under the control of the army.

- During peace time or a proxy war, it strives to ensure security at the borders of China and Myanmar and in war times, in tactical battle area it acts as the rear area security.
- In case of internal security threatening situations, it functions as a 'penultimate interventionist force' of the Central government under the control of the army.[1]

## Organization Structure

The organizational structure is depicted in Figure 44.2 as follows.

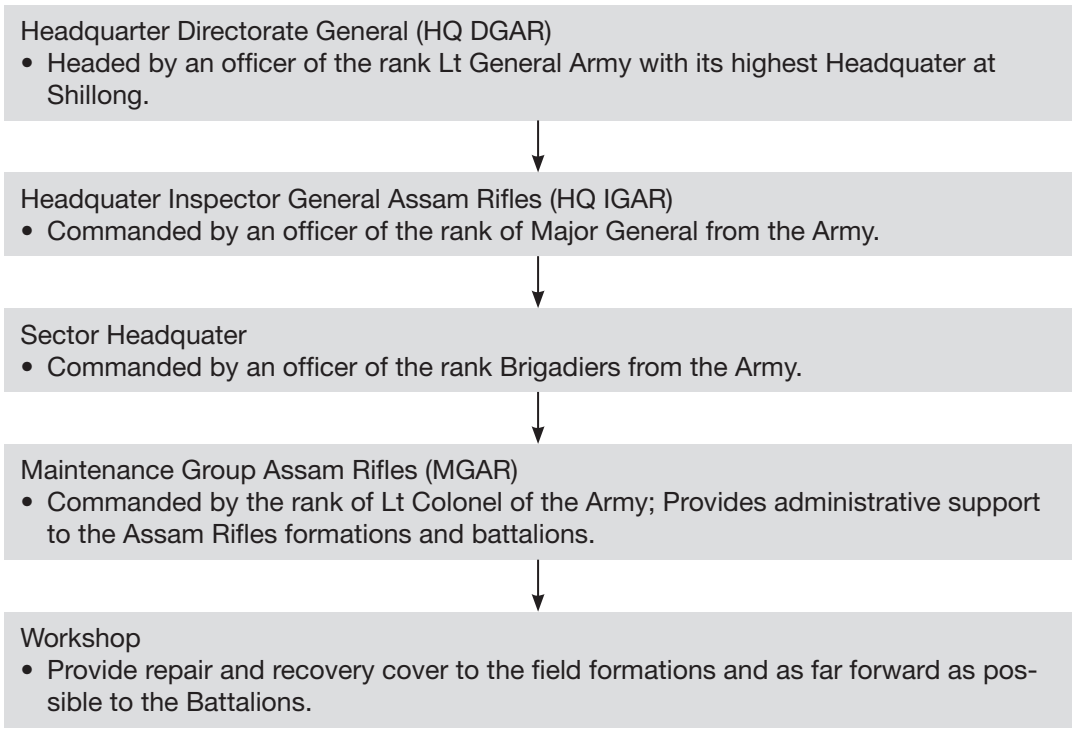



***Figure 44.2:***

**2. Border Security Force:** The Border Security Force (BSF) is a border guarding force of India, established on 1 December 1965. It has the responsibility of guarding India's land border during peace time and prevents transnational crime. It is a Central government agency under the control of the MHA and is presently the world's largest border guarding force.

**History:** India's border with Pakistan was manned by the State Armed Police Battalion till 1965 when Pakistan attacked India at the posts of Sardar Post, Chhar Bet and Beria Bet on 9 April, in Kutch. This brought out the fact that there was a need for a specialized centrally controlled BSF which would be armed and trained to man the international border with Pakistan. So, the BSF came into existence on 1 December 1965. Shri K. F. Rustamji was the first chief and founding father and Shri Rajni Kant Mishra, IPS is the current Director General of the BSF.

**Role of BSF:** The tasks of the BSF are divided into peace and war time as follows:

**Peace Time:** The functions of BSF during peace time are:

- Promotion of a sense of security among the people living in the border areas.
- Avert transborder crimes, unapproved entry into or exit from the territory of India.
- Prevent smuggling and any other illegal activity.
- Perform counterinsurgency and internal security duties.

**War Time:** The BSF tasks include the following:

**(i)** **Deployment:** During war time, the BSF can remain deployed to hold the fort till the situation becomes too aggressive to keep the Army free for offensive attacks. If the BSF finds the situation going out of hand, the Army can reinforce it with artillery support or relieve it from the post.

**(ii)** **Protection of Vital Installations:** The BSF can be given the function of protecting vital installations like air fields, strategic bridges, security infrastructure, etc., against enemy raids but they would be under Army operational control.

**(iii)** **Extension to Main Flanks:** The BSF provides extension to main flanks of the main defence line by holding strong posts in union with other units.

**(iv)** **Aggressive Action:** It takes limited aggressive action against the irregular forces of the army but within the overall plan of the Armed Forces.

**(v)** **Special Tasks:** Special tasks like raids conducted based on intelligence can be entrusted to the BSF by the Indian Army keeping in mind the capability of the BSF for the task in terms of adequate training, arms and ammunition.

**(vi)** **Route Guide:** The BSF can be a guide for the route in border areas which are known to it.

**(vii)** **Enemy Administered Territory:** The BSF maintains law and order in enemy administered areas under the control of army, by providing support to the civil police where required.

**(viii)** **Control of Refugees:** The BSF may be entrusted of the control and charge of refugees though it is the task for Home Guards provided the situation demands.

**(ix)** **Anti-infiltration of Duties:** The duties of BSF in this regard are yet not clear.

Besides these duties, the BSF has the tasks of provision of escorts and guards the prisoner of war cages. The BSF has contributed in areas of providing a number of personnel for services for the UN mission. It helped the Indian Army in achieving victory at the Kargil peaks and is performing internal security duties in Manipur. It caters to communal riots, erection of Jammu and Kashmir border fencing and disasters hit areas.[2]

**3. Central Industrial Security Force (CISF):** The CISF was constituted in 1969 with only three battalions with the objective of providing security to Public Sector Undertakings (PSUs) because they had a strategic importance for the Indian economy in those times. Presently, the force has increased to 1,483,71 lakh personnel because its scope of duties has augmented to include safeguarding, he majors critical infrastructure facilities and installations in India.[3] The critical infrastructure includes nuclear installations, space establishments, airports, seaports, power plants, sensitive government buildings, heritage monuments, Delhi Metro Rail Corporation, VIP Security, Disaster Management and a Formed Police Unit (FPU) of the UN at Haiti.

Its vision and mission are to 'consistently upgrade skills and develop core competencies to protect and secure the nation's critical infrastructure and assets through optimal utilization of human resources and modern technology'. It is the premier force securing the nation's critical infrastructure.

**Consultancy and Services:** The CISF provides consultancy and services which are given below:

**(i) Quality Policy and Objectives:** The CISF provides quality consultancy services in the areas of fields of Security and Fire Protection through its expert and professional team of personnel. Its objective is to emphasize on client satisfaction through perpetual improvement in the management systems.

**(ii) Quality Objectives:** The CISF is committed in attaining its objectives through:

- Upgradation of its services keeping in mind the perception of threat and continually changing needs of the customers.
- Shortest possible response time in catering to the needs of the clients.
- Imparting training to the officers on the panel of the wing as per schedule.

**(iii) Security Consultancy Services:** The CISF provides consultancy services in scientific designing of security. It has an extensive research base of security bases and offers time-tested security solutions. It has the certification of ISO 9005–2015 of the year 2018.

**(v) Security Solutions:** The security solutions that the CISF offers are threat perception and risk analysis, access control and perimeter protection, assessment of manpower requirements, security system applications, etc.

**(vi) Consultancy Fee Structure:** The MHA approves consultancy fees charged by the CISF for providing solutions which is paid in advance by the client.

**(vii) Methodologies:** Some of the methodologies among many, of the CISF are given below[4]:

- Threat perception and risk analysis is done keeping in mind of the law and order situation of the specific area with the help of local police and government agencies.
- Security and fire audit is carried out on existing methods, procedures and practices of fire and safety. The prevailing system is analysed and weaknesses are identified to suggest solutions.
- Gadgetry are suggested based on requirement and their integration to the extent required are suggested.

The CISF runs a programme called, *Sanrakshika* which looks after the welfare of the families of the CISF personnel when they are away on duty.

**4. Central Reserve Police Force (CRPF):** The CRPF was established as the Crown Representative's Police on 27 July 1939. After independence, it was changed to CRPF on the enactment of the CRPF Act on 28 December 1949. It has completed 80 years of glorious years and now it has 246 battalions, 43 group centres, 20 training institutions, 3 CWS, 7 AWS, 3 SWS, 4 composite hospitals of 100 bed and 17 composite hospitals of 50 beds.

**Mission:** Its mission is to enable the government to maintain Rule of Law, Public Order and Internal Security effectively and efficiently to preserve national integrity and promote social harmony and development by upholding supremacy of the constitution.

**History:** CRPF, as the Crown Representative Police in 1939, was raised to deal with the political unrest in the then princely States of India following the Madras Resolution of the All India Congress Committee in 1936. The Crown wanted to bring back law and order to the native States of India as a part of its policy. The CRPF Act gave the mandate to the CRPF as a paramilitary force having a multidimensional role for the new India. It played a great role in disciplining the rebellious princely States of Junagarh and Kathiawar in Gujarat which had declined to join the Indian Union of States.

Contingents of CRPF helped in manning the borders at Kutch, Rajasthan and Sind to check infiltration and transborder crimes. They were deployed at the Jammu and Kashmir border to resist and fight back attacks from Pakistan and later the Chines attack in 1959. On 21 October 1959, in an ambush with the

Chinese, the CRPF lost 10 of its men and this day is commemorated every year as the Police Commemoration Day. The CRPF lost its men in the 1965 and 1971 wars with China and Pakistan respectively.

Thirteen companies of the CRPF were airlifted as a part of the Peace Keeping Force to Sri Lanka and fought militant cadres. They have been sent to Haiti, Somalia, Namibia and Maldives as a part of the UN Peace Keeping Force. More numbers of men were inducted in the force in the late 70s to deal with extremism in Tripura, Manipur and Brahmaputra valley. Their contribution in the North-Eastern region and Jammu and Kashmir is very high.

**Role of CRPF:** The duties of the CRPF are given below in brief:

- Crowd and riot control
- Counter military/insurgency operations
- Dealing with left-wing extremism
- Security arrangements for elections in disturbed areas
- Protection of VIPs and vital installations
- Checking environmental degradation and protection of flora and fauna
- Fighting aggression during war time
- Provides security to important shrines—Krishna Janambhoomi–Shahi Idgah Masjid Complex (Mathura), Ram Janambhoomi–Babri Masjid complex (Ayodhya) and Kashi Vishwanath Temple–Gyanvapi Mosque (Varanasi) plus Mata Vaishno Devi Shrine (Katra, Jammu and Kashmir)
- Being a part of the UN Peace Keeping Force
- Rescue and relief operations in disasters.

## Divisions of CRPF

**Rapid Action Force (RAF):** The RAF is a specialized force which was established in October 1992 with 10 unattached battalions which were increased to 15 in 2018. They are specially trained to deal with riots and such situations maintaining internal security.

**Mahila Battalions:** CRPF is the only paramilitary force having six *Mahila* (Ladies) Battalions. They were trained and inducted in 1988 and have greatly contributed in various situations like handling the Meerut riots, as a part of the IPKF in Sri Lanka and the Lok Sabha elections in 1996 in various States. *Mahila* Battalions are deployed in Jammu and Kashmir and they also form a part of RAF. They also are valuable in controlling the women agitations.

**Commando Battalions for Resolute Action (COBRA) Sector:** The Commando Battalions for Resolute Action (COBRA) are a specialist force which has been raised for guerrilla/jungle warfare type of operations to deal with extremist and insurgents. They were given approval in 2008 by the government. It sanctioned raising of 10 unattached battalions with a Sector Headquarter at New Delhi for these battalions headed by an Inspector General. The COBRA became operational in 2009.[5]

**5. Indo-Tibetan Border Police Force (ITBPF):** The ITBPF was raised on 24 October 1962 and is deployed on border guarding duties from Karakoram Pass in Ladakh to Jachep La in Arunachal Pradesh, at present, which covers 3488 km of Indo-China border. It provides manning of border outposts on altitudes ranging from 9000' to 18700' in the Western, Middle and Eastern sectors of the Indo-China border. It is a specialized mountain force and most of the officers and men are professionally trained mountaineers and skiers. Being the first responder for natural disaster, ITBPF has been carrying out numerous rescue and relief operations across the country.

**History and Role:** ITBPF was initially raised under the CRPF Act but in 1992, the Parliament enacted the ITBPF Act and the rules there under were framed in 1994. It was given additional duties for managing guarding, counter insurgency and internal security finally raising the number of ITBPF battalions to 56 service battalions, 4 specialist battalions, 17 training centres and 7 logistic establishments with a total strength of 90,000 personnel. In 2004, the ITBPF was given the entire stretch of India-China border of 3488 kms for guarding duty and replaced Assam Rifles in Sikkim and Arunachal Pradesh. They are called the 'Himveers' and their motto is, 'Shaurya-Dridhata-Karma Nishtha (Valour-Determination-Devotion to Duty).

It has a wide network of five branches—personnel, recruitment, administration, organization and engineering.

**6. National Security Guard (NSG):** NSG is Federal Contingency World Zero Error Force to deal with anti-terrorist activities in all manifestation. The NSG is a Force specially equipped and trained to deal with specific situations and is therefore, to be used only in exceptional circumstances to thwart serious acts of terrorism. The character of the NSG is premised on the following:

- Pursuit of excellence
- Lead from the front
- Zero error
- Speed, surprise, stealth, precision and accuracy are its hallmarks.

**History:** In 1984, the Union Cabinet decided to create a Federal Contingency Force comprising motivated, specially equipped and well-trained personnel to deal with the issues of terrorism. A caucus consisting of the Director General of NSG and other essential elements were sanctioned and steps were initiated to raise the Force. The NSG became a formal organization through an Act passed by the Parliament in 1986.

**Basic Premise:** The basic premise on which the NSG was based on swift and speedy strike and immediate withdrawal from the centre of action. It has been the specific role to tackle various types of problems of terrorism in any part of India as a part of Federal Contingency Force. The NSG was modelled on the design of the Special Air Service (SAS) of the UK and *Grenzschutzgruppe* 9 (GSG 9) is the elite Police Tactical Unit of the German Federal Police (German: *Bundespolizei*).

**Elements of NSG:** The NSG is a force having two complementary elements, which are:

**(i)** Special Action Group (SAG) comprising Army personnel

**(ii)** Special Ranger Groups (SRG) comprising personnel drawn from the Central Armed Police Forces/ State Police Forces.

**7. Sashastra Seema Bal (SSB):** The SSB has been mandated to prevent border crimes, smuggling and any other illegal activity to promote a sense of security among the people living. Its main role has the following functions:

- Prevent transborder crimes
- Prevent unauthorized entry into our exit from territory of India
- To carry out civic action programme
- To perform any other duty assigned by the Central government.

**History:** After the Indo-China war in 1962, a need felt for a resolute will of a committed border population which had the familiarity of the terrain by creating a unique but a specialized organization. It would function in the remote areas and protect our national sovereignty. The Special Service Bureau (now Sashastra

Seema Bal) was conceived in 1962 and created in March 1963 to achieve 'Total Security Preparedness' in the remote border areas for performing a 'stay behind' role in the event of a war. It started functioning in north Assam, north Bengal, hill districts of Uttar Pradesh (now Uttarakhand), Himachal Pradesh, part of Punjab and Ladakh area of Jammu and Kashmir. The initial years required a lot of motivation amongst the personnel of SSB.

Later, the jurisdiction of SSB was extended to Manipur, Tripura and Jammu (1965), Meghalaya (1975), Sikkim (1976), Rajasthan (1985), south Bengal, Nagaland and Mizoram (1989). Its area coverage extended to 15 States covering 80,000 villages and 9917 kms of India's international borders. Villagers were trained in small arms and the art of self-defence under 'Village Level Training Programmes and Refresher Training Courses' in civil defence to defend their own villages.[6]

**Role:** SSB was declared as a Border Guarding Force in 2001 under the Ministry of Home Affairs and renamed Sashastra Seema Bals in 2003. It was given the mandate to guard the Indo-Nepal Border (1751 kms.) and was declared the Lead Intelligence Agency for that area. The additional function of guarding Indo-Bhutan Border was given to SSB in 2004, again declared as the Lead Intelligence Agency. Now, it is spread along all the border areas of Uttarakhand, Uttar Pradesh, Bihar, West Bengal, Sikkim, Assam and Arunachal Pradesh.

The present charter of SSB's duties include:

- Safeguard the security of assigned borders of India and promote sense of security among the people living in border areas.
- Prevent transborder crimes, smuggling and any other illegal activities.
- Prevent unauthorized entry into or exit from the territory of India.
- Carry out civic action programme in the area of responsibility.
- Perform any other duty assigned by the Central government (SSB is being deployed for Law and Order, Counter Insurgency Operations and Election Duty).

The transition of the Special Service Bureau as an organization to Sashastra Seema Bal as a force has been very smooth, effective and is expected to have the desired impact on the security scenario on Indo-Nepal and Indo-Bhutan borders.

**Civic Action Programme (CAP):** The CAP is carried out for the welfare and upliftment of the border population and transform the perception of people to get the desired results. The aims and objectives of the CAP are:

- To nurture the relationship between frontiersmen and national mainstream.
- Build sentiments of security consciousness, patriotic favour, understanding of enemy designs amongst the frontiersman.
- Bring awareness of national issues among the border population.
- Provision of free medical facilities and medicines to the border population.
- Provision of veterinary facilities and artificial insemination programme and free medicines and immunization facilities for the border population.
- Running mobile medicare services for the patients of border area.
- Socially transform the border area traditional people into modern ones.
- Upliftment of the socio-economic conditions of the border population through speedy implementation of government Programmes.
- Spread awareness of their customs on social issues and culture through *Samajik Chetna Abhiyan*.[7]

Hence, the above-described paramilitary organizations help in safeguarding our borders and countering insurgency and terrorism. India has border issues with Kashmir, China and infiltration of illegal immigrants from Bangladesh and Myanmar which need the swift action provided by the paramilitary forces.

## Role of State Agencies in the Maintenance of Law and Order

According to the Police Act, 1861, the State government has the power to establish its own police forces with the exclusive jurisdiction over it. 'Police' and 'Public Order' are State subjects under the Seventh Schedule to the Constitution of India and therefore, it is the primary duty of the State governments to prevent, detect, register and investigate crime and prosecute the criminals. The Central government, however, supplements the efforts of the State governments by providing them financial assistance for modernization of their Police Forces in terms of weaponry, communication, equipment, mobility, training and other infrastructure under the Scheme of Modernization of State Police Forces. Further, intelligence inputs are regularly shared by the Central Security and intelligence Agencies with the State Law Enforcement Agencies to prevent crime and law and order related incidents.[8]

The National Crime Records Bureau (NCRB) is the nodal agency under the Ministry of Home Affairs, is engaged in the process of collecting, compiling and analysing the crime statistics with a view to help the States to evolve appropriate strategies for better prevention and control of crime. It has established computerized systems at every District Crime Records Bureau (DCRB) and State Crime Records Bureau (SCRB) across the country under a project, viz., 'Crime Criminal Information System' (CCIS). This system maintains a National level database of crimes, criminals and property involved in crime with the objective of helping the law enforcement agencies in prevention and detection of crime and improving service delivery mechanisms.[9]

**State Police:** The State Police is headed by the Director General of Police/Inspector General of Police. A State is divided into convenient territorial divisions called ranges and each police range is under the administrative control of a Deputy Inspector General of Police. A number of districts constitutes the range. District Police is further subdivided into police divisions, circles and police stations.

Besides the civil police, the States also maintain their own armed police and have separate branches of intelligence agencies like crime branches, etc. The big metropolitan cities like Mumbai, New Delhi, Kolkata, Chennai, Bengaluru, Hyderabad, Ahmedabad, Nagpur, Pune, etc., are directly headed by a commissioner of Police who is empowered with magisterial powers. All senior police posts in States are manned by the Indian Police Service (IPS) cadres and recruitment is made on an All India basis.[10]

**Communal Harmony:** The Central forces can be deployed in a riot hit area only if the State Government seeks it otherwise it shall endanger the balance of federal polity. However, the Centre can intervene, as per Constitutional provisions, if any State government ceases to respect the secular fabric of our country or fails to uphold the rights guaranteed by the Constitution to citizens. The office of the Governor functions as the Centre's watchdog if the State government fails in its functions and duties.

States, whose duty it is, under the Constitution, to maintain public order, obviously attract overriding responsibility for the maintenance of communal harmony. If such violence gets prolonged and threatens to cause internal disturbances in a large area of the State, or which has the potential for escalation in other parts of the country, then by common understanding, it becomes the duty of the Union under Article 355 to protect all its citizens and the property and bring the situation back to normal. Laws can be implemented if there is a political consensus otherwise chaos and anarchy shall follow which is detrimental to human justice and development.

## Recommendations by the Punchhi Commission on the Mitigation of Communal Conflict

The Punchhi Commission had commissioned a Task Force to study among other issues, the problem of mitigating communal conflict. In its exercise of the conducting a survey through a questionnaire, it observed that there was a convergence between the State governments and the recommendations of the Task Force, both:

**(i)** In respect of prevention and control of communal conflicts and steps to be taken for such prevention and control.

**(ii)** Sharing of the responsibility between the Centre and the States for this task including, to a large extent, on the issue of deployment of Central Paramilitary Forces.

The Task Force recommended that the initial and primary responsibility of accountability for quick and timely action to mitigate and control communal conflict incidents must lie with the local law and order machinery of the State but of course with a continual support from the Centre, depending on the situation. Some major suggestions of the State governments and political parties given to the Task Force are given below in brief:

- Strengthening of their capabilities with increased intelligence, technical and financial support by the Centre
- Application of Article 355
- A *suo moto* deployment of paramilitary forces in case of escalated communal violence with the consent of the State
- Institutionalization of the Empowered Committee of Home Ministers to facilitate planning and controlled action for post event facilitations
- Regulation of media by the constitution during the times of communal riots and violence.[11]

Many policing functions—such as traffic control, enforcement of civic laws, investigation of 'ordinary' crimes, and routine law and order problems—can be effectively supervised by state-police forces. However, the police are the first responders in almost all internal security crises and have to deal regularly with organized crimes, cybercrimes, terrorism, insurgency and large-scale political violence. The nexus between terrorists on the one hand and organized crime syndicates (such as smugglers and drug traffickers) on the other has added a new dimension to the internal security situation.[12]

## Q2 *Discuss how law and order are mutually interrelated and reinforcing for development management.*

**Ans.** All Member States of the United Nations agreed in the Declaration of the High-Level Meeting on the Rule of Law that development and Rule of Law are strongly interrelated and mutually reinforcing that the advancement of the Rule of Law at the national and international levels is essential for sustained and economic growth. Sustainable development shall lead to the eradication of poverty and hunger and the full realization of all human rights and fundamental freedoms including the right to development, all of which in turn reinforce the 'Rule of Law'.

The Rule of Law must ensure protection for all human rights, including economic, social and cultural rights and the right to development. It is only the Rule of Law that can provide for development that is inclusive and sustainable. Sustainable development will flourish only in the light of successful Rule of Law and justice for all. Protection of natural disasters is equally important because any violent disputes will lead to a break in development. Hence, law and order are of utmost important in developmental activities.[13] The relationship is further discussed in the following points:

1. **Established Relationship:** The relationship between law and order and development has been established since a century. Max Weber mooted this idea of the relationship between legal institutions and development almost a hundred years ago. It is a well-known fact that development administration gained importance after Second World War and emerged as a solution for developmental problems in the Southern hemisphere. The Western scholars developed various development models but since they had been made on Western lines, failed in the developing countries. In the 1990s, the international agencies changed their viewpoint and there was a massive surge in development assistance for law reform projects in developing and transition countries. The law and development movement caught momentum which had begun in the 1960s and came up in full force in 1990s.
2. **Role of State:** The priority was given to the role of State in the economy and the development of internal markets. The developing countries focussed on increasing their industrial capacity. The model comprised of the State as a regulator of the market economy as well as state ownership of major industries. The planners believed that development would follow from economic growth but the followers of the law and development movement remodelled the strategy of economic growth through law. They professed that the economic role of law and the State actors must direct the economy accordingly. Regulation of private sector will relieve distress of the workers and take social development along with it.
3. **Formalism:** Formalism means rigidity in legal structures, laws and institutions and it was highly prevalent in developing countries in the decades before 1960s. Such weak laws were copied from more developed nations and were mostly inapplicable in the developing world. Sound legal structure which is most appropriate to a specific country is imperative to maintain law and order so that development can take place without hindrance. Training of lawyers in the public as well as private sector is very important to sustain democracy, social justice and human rights. In the 1990s, Rule of Law began shaping as it is today. The 1991 economic reforms in India led to amendments in laws and regulations so that economic development could place. Inclusive development comes only after there has been a considerable minimum level of economic growth. Law and development were established as mutually supportive to each other.
4. **Global Institutions:** The local law firms tied up with foreign companies and emerged as international multinational global players. They created global legal practices and found place in national legal systems. A new phase of law and development began to take place and the conviction grew stronger that better laws and their efficient implementation was the need of the hour.
5. **Law as a Development Assistance Priority:** The development agencies are committed to investing in legal reform which also have an impact on human rights and democracy. It is obvious that development can be hindered if law does not support it. The objectives of democracy and economic growth converged and relied on the Rule of Law. The lesson to be learnt is to shun the top-down approach and 'one-size-fits-all'. Law and order can only be country specific and no amount of international or Western models can be applied. However, certain guidelines, principles and best practices can be followed. The 'Washington Consensus' that was passed in 1989 stating ten major economic and structural policies specifically for developing nations did not fly well with the developing nations because it laid very stringent conditions on them to take advantage of development assistance from the international agencies and developed nations.
6. **Inability to Mobilize Capital:** The developing countries like India do not have the problem of capital but the ability of mobilization of the capital which is impeded by the lack of legal support. Underutilization of resources leads to a fall in economic growth but it can be corrected by removing the major factors inhibiting the efforts to simplify and rationalize business regulations and improve property rights.

To sum up, mere maintenance of law and order and protection from foreign aggression or internal disturbances shall not lead to development. Implementation of legal provisions that protect property rights and the use of natural resources is important for development. Maintenance of law and law order is the implementation aspect of 'Rule of Law' which is a cornerstone for better functioning economy that adheres to regulations, greater internal mobility, social cohesion and good governance.

The Sustainable Development Goals (SDGs) are impossible to achieve if access to justice cannot be achieved. Improving legal rights amplifies all other developmental activities. It creates institutional transparency, good governance and combats corruption. In order for sustainable health security, equality or environmental policies to be established, a country must first respect the Rule of Law. The inclusion of access to justice as part of the suite of development goals with SDG 16 represents a pivotal moment in the human rights development.[14] However, the entry of global players and stakeholders make development a much bigger game in which agencies must be careful of identifying and acting against fraud and malpractices.

## Notes and References


1. Adapted from: https://www.assamrifles.gov.in, retrieved on 04 April 2019.
2. Adapted from: http://bsf.nic.in/, retrieved on 04 April 2019.
3. Adapted from: https://www.cisf.gov.in/, retrieved on 04 April 2019.
4. Log on to https://www.cisf.gov.in/ for more information on methodologies.
5. Adapted from: https://www.crpf.gov.in/, retrieved on 05 April 2019.
6. https://ssb.nic.in/, retrieved on 05 April 2019.
7. Central Police Organizations have been covered in Chapter 43 and the 'Role of State Agencies in Maintaining Law and Order' has been covered in Chapter 42.
8. Law and Order, https://mha.gov.in
9. *Ibid.*
10. Enforcement Agencies, https://archive.india.gov.in, retrieved on 06 April 2019.
11. Adapted from: Commission on Center-State Relations Report, Volume-V, http://interstatecouncil.nic.in, retrieved on 06 April 2019.
12. Building the resilience of India's internal security apparatus, https://www.orfonline.org, retrieved on 06 April 2019.
13. Adapted from: Rule and Law of Development, https://www.un.org, retrieved on 05 April 2019.
14. Why rule of law is the bedrock of sustainable development, https://www.weforum.org, retrieved on 06 April 2019.

# 45 Criminalization of Politics and Administration

## LEARNING OBJECTIVES

*After reading this chapter, you will learn about:*

- Historical Timeline of Efforts to Decriminalize Politics
- Reasons behind Criminalization of Politics
- Counter-measure towards Criminalization of Politics

## INTRODUCTION

In a ruling of the Supreme Court on 25 September 2018, regarding the issue of criminalization in politics and administration, it quoted by our founding fathers to stress on the matter's importance. The Chief Justice of India Dipak Misra recalled how C. Rajagopalachari, the last Governor General of India and a freedom fighter had remarked in 1922 in his prison diary, 'elections and their corruption, injustice and tyranny of wealth and inefficiency and administration, will make a hell of life as soon as freedom is given to us'.[1] Dr Rajendra Prasad said, 'A Constitution like a machine is a lifeless thing. It acquires life because of the men who control it and operate it and India needs today nothing more than a set of honest men who will have the interest of the country before them.' Dr B. R. Ambedkar said, 'A Constitution can provide only the organs of the State such as the Legislature, the Executive and the Judiciary. The factors on which the working of those organs of the State depend are the people and the political parties they will set-up as their wishes and their politics. Who can say how the people of India and their parties will behave?'

### Q1 *Examine historically how politics and administration were affected by criminalization in today's society from one with patriotic and nationalist values after independence.*

**Ans.** India gained independence in 1947 after a long struggle full of bloody battles and sacrifices of life. The politicians during that period had Gandhian values with a nationalist desire to serve their countries but soon power started turning their values their other way. As it is said, power corrupts and absolute power corrupts absolutely. They began misusing their power to misuse the public money meant for developmental activities by favouring their people in giving contracts and taking a cut in return. They progressed or rather regressed from their golden period of values to one of corruption. They became bereft of any established principles as Napoleon endorsed that politics and principles seldom go together. The growing criminalization leads to a downfall in policing breaking down the democratic values and rights.

The 1950s and 1960s became the decades of the beginning of corruption and criminalization of politics and administration. The Indian National Congress split in 1969, which broke down the value system completely because the principled leaders got sidetracked and a new generation of politicians came into the national scene who hardly had any principles or values.

The 70s and 80s proved these years to be laden with the evil designs of opportunistic leaders. The corrupt values permeated to the *babus* and officials affecting administration also. Bureaucrats began aligning with politicians in power to get transfers and postings of their choice. This unholy nexus between administrators and politicians led to criminalization because the criminals could provide them with illegal means to make money and a shield or cover to hide behind. Various efforts made by the Government of India and the judiciary are given below:

**The Santhanam Committee Report, 1963:** It was a parliamentary committee constituted to submit a report on the ways of eradicating corruption. In its report, it stated that political corruption was more dangerous than the corruption of officials. The ministers amass wealth illegally and make gains by taking favours in getting top jobs for their children and family. It suggested that political corruption must be given priority rather than administrative corruption because the top-level cleaning will have a cascading effect at the lower levels.

**Dharamvira National Police Commission, 1977:** The Dharamvira National Police Commission gave its report in 1977 and commented, 'The manner in which different political parties have functioned, particularly on the eve of periodic election, involves the free use of muscleman and *dadas* to influence the attitude and conduct sizable sections of electorate. The *Panchayat* elections, like other elections in the recent past, have demonstrated once again that there can be no sanity in India as long as politics continues to be based on caste and gangsterism. The politicians have been relying on muscle power of criminals and gangsters since so many decades now that the whole system has become incorrigible. In 1977, the Government of India passed a Resolution in the House saying that, 'more especially, all political parties shall undertake all such steps as well as attain the objective of ridding of our policy of criminalization or its influence'.

**Vohra Committee, 1993:** There have been many studies on the reasons of criminalization of politics and administration and one of the main reasons has been the political interference in the administration. The disciplinary hierarchy of the civil services has gradually decreased. By 1990s, the situation had worsened to an extent that the government established a committee, under the Chairmanship of the Home Secretary, N. N. Vohra, to take stock of all available information about the activities of crime syndicates/mafia organizations which had developed links with government functionaries and political personalities, popularly known as the Vohra Committee Report.

It mentioned, 'The various crime syndicates and mafia organizations have developed significant muscle and money power and established linkages with governmental functionaries, political leaders and others to be able to operate with impunity'. It recommended setting up of a nodal agency under the Ministry of Home Affairs to which all existing Intelligence and Enforcement agencies shall promptly pass on any information which may come across related to crime syndicates and their linkages with politicians of administrators.[2]

**Statistics of Politicians with Criminal Record, 1997:** The Election Commissioner G. V. K. Krishnamurthy startled the nation by releasing statistics, showing politicization of criminals. He stated that 1,37,752 candidates who contested elections in Lok Sabha elections in 1996, nearly 1500 had criminal records of heinous offences. Uttar Pradesh and Bihar were on the top.[3]

**Indrajit Gupta Committee on State funding Election Reforms, 1999:** It recommended, 'What is needed is an immediate overhauling of the electoral process whereby elections are freed from evil influence of all vitiating factors, particularly, criminalization of politics. It goes without saying that money power and

muscle power go together to vitiate the electoral process and it is their combined effect which is sullying the purity of electoral contests and effecting the free and fair elections'.[4] It recommended State funding for election campaigning so that illegal money is not used.

**Padmanabhaiah Committee Report, 2000:** It was set-up in 2000 by the Ministry of Home Affairs which pointed out in its report that politicization and criminalization for the police force had been increasing and its root cause was corruption. Criminalization of police is linked with the criminalization of politics which has led to a culture of impunity that permits the corrupt policemen to get away with their wrongdoings. The political executive's interference in police work in arbitrary transfers and suspensions has worsened the atmosphere into a fearful environment in which the police functionaries work. The committee recommended that the Director General of Police or the Commissioner of Police must coordinate with the Secretariat and any politician approaching for transfers or rewards/suspension must be severely dealt with.

**Supreme Court Ruling, 2002:** The Supreme Court delivered a historic judgement that every candidate contesting elections at all levels has to declare his/her criminal records, his financial records and educational qualifications. Honourable Mr Justice M. B. Shah stated in his judgement order that there has been a rapid spread and growth of criminal gangs, armed *senas*, drug mafias, smuggling gangs, drug pedlars and economic lobbies in the country which have, over the years, developed an extensive network of contacts with the bureaucrats/government functionaries at the local levels, politicians, media persons and strategically located individuals in the non-state sector, some of the syndicates also having linkages with foreign intelligence agencies.

The gangs enjoy the patronage of politicians and government functionaries who become their leaders and enter the nation's legit political system. It noted that despite of Vohra Committee's recommendations and Reports of the Law Commission, the successive governments had failed to take any action. It said that a petition has been filed for the implementation of these reports and for a directive to the Election Commission to make mandatory for every candidate to provide information by the Parliament amending the Representation of People's Act, 1951 or the Election Rules.[5]

Even though this ruling was implemented in 2004 Lok Sabha elections, many candidates with criminal records managed to enter the Lok Sabha. This implies that its enforcement could not be done emphatically. In 2018, the Supreme Court in a hearing of a batch of petitions demanding disqualification of lawmakers facing criminal charges was being argued against it that disqualification should take place once the police has chargesheeted against the lawmaker, said that there was already a Supreme Court judgement that debars an elected representative from continuing as a member of the House if he or she is convicted in a criminal case and sentenced to jail for three years or more.

The Supreme Court said in its ruling that it has directed that each contesting candidate will have to fill up the form provided by the Election Commission of India and he or she will have to state 'in bold letters' about the criminal cases against the candidate. The candidate must inform his/her political party about it and the concerned political party must put up this information on its website and issue a declaration in widely circulated newspapers in the locality and in electronic media at least thrice after the filing of nomination papers.

Criminalization of politics was never an unknown phenomenon in Indian political system but its presence while the Centre contended that the judiciary should not enter into the legislative sphere. Such actions of publicizing a candidate's criminal record will hamper the right of the candidate to participate in polls. The Supreme Court bench said in 2018 in its verdict that the court cannot cross the *Lakshman Rekha* and that the Parliament had to make a stricter law to combat with the menace of criminalization of politics. Such measures that have been taken by the courts and political parties need more effort in its practice.

## Q2 *Discuss what is hampering the resolution of the issue of criminalization of politics.*

**Ans.** The experts and scholars have researched the topic of criminalization of politics in detail and have arrived at the conclusion, according to that data compiled by the Association for Democratic Reforms (ADR) till 2014 elections, for the Lok Sabha According to the ADR analysis, in 2014, among the total 543 elected MPs, 186 or 34 per cent of them have criminal records. It shows that it is very difficult to weed out criminals from politics. 112 MPs or 21 percent MPs are facing serious criminal charges.[6]

### Reasons for Continual Criminalization of Politics

Given below are the reasons why India cannot shake itself off from the criminalization of politics:

**Corruption:** Corruption began entering our democratic system right after independence when the politicians saw power and misuse of power became a norm. it is entrenched in our system with India's rank of 78/180 countries in the world according to Transparency International data of 2018. Thirty-three per cent of Indian elected representatives have criminal cases pending against them. The Supreme Court has directed the Parliament to make a stringent law banning candidates to come into the political arena with criminal records but the Parliament has yet to make such a law because the majority of them are themselves totally engulfed in it.

**Muscle and Money Power:** The link between muscle power and money power is as old as the 1960s and is present today in 2019 as it was then. The level of advancement of a State has no impact on the voter behaviour because according to them they do not care about the criminal record of a candidate as long their work is done. The whole system has been conditioned in such a way that bringing back a clean environment is not easy. The voters have also been ingrained by such an atmosphere by acceding to the fact that *sab chalta hai elections me* meaning anything and everything goes in elections.

**Robinhood Concept:** The candidates with a criminal record have built a concept of helping the poor to elevate their living conditions as a Robinhood. Even in the movies, the protagonist is shown as a criminal who looks after the poor. The voters in the hinterland where the government schemes do not reach the poor are influenced by the criminal politicians with monetary and in-kind inducements. The voters also seem to see such a candidate in good light. This implies that awareness campaigns of the need for clean candidates must be reinforced by the Election Commission in rural as well as urban areas through all mediums of publicity.

**Delayed Trials:** Since the law allows candidates to contest elections even if they have pending criminal cases against them, they openly and brazenly brandish their record as an accomplishment and a vendetta against them showing to the public how important they are. This problem is compounded by delayed trials in courts. Only if such cases were fast-tracked, the hinderance could be eliminated and the system cleansed.

**State Funding:** Election campaigning in India costs a humungous amount of money. The campaigning has changed with time. Now, it is handled by large management and data analytics corporations who predict trends based on the past trends and also data tracked by social media usage. Posters, rallies and advertisement videos, etc., have been added with social media campaigns and not to forget the distribution of cash for votes which is clearly illegal. The police are proactive in catching the illicit hauls of liquor, cash and other items that are to be distributed but that is only a small percentage. All this adds up to large amounts of funds required for election campaigning but the State allows a very low cap on funds. This leads the politicians at the gates of criminals who have plenty illegal funds to support them but this a dark path. The criminals finance a politician to take favours from them once they win the seat to cover their illegal activities.

To sum up, one can say that the whole game of politics is played with only one goal, that is, of acquiring more wealth. Democracy at the roots is at tatters and it is already late for the Parliament to make stringent law against criminalization of politics or amend the Representation Act, 1951. Conducting surveys and talking about democratic values, all seem to be futile exercise except clearly showing the dismal picture. The constitution does not provide for the working of political parties which proves as a hindrance due to the act of omission. Speedy trails of candidates with criminal records is one way of clarifying one big issue. Lack of ethics is a difficult issue but the political parties must practice it and curb it by taking action themselves.

## Notes and References


1. Adapted from: Criminalisation in politics: SC Bench quotes Rajagopalachari, Ambedkar, https://www.thehindu.com, retrieved on 06 April 2019.
2. Adapted from: Vohra Committee Report, https://adrindia.org, retrieved on 06 April 2019.
3. De-Criminalization of Politics, http://www.legalservicesindia.com, retrieved on 06 April 2019.
4. Committee on Status Funding of Elections, https://adrindia.org, retrieved on 07 April 2019.
5. Supreme Court's Judgment: 2-May-2002, https://adrindia.org, retrieved on 07 April 2019.
6. https://adrindia.org/

# 46 Police–Public Relations–Reforms in Police

## LEARNING OBJECTIVES

*After reading this chapter, you will learn about:*

- Police–Public Relations
- What are the Police Reforms taken for improving Police Public Relations

## INTRODUCTION

Police–public relations in a welfare state like India is built on trust, understanding and mutual regard for each other. Instead of such values, this relationship is encountered with problems of the antonyms of these values of mistrust, exploitative attitude and arrogance. This police attitude towards the public can be said to be of a colonial hangover. Healthy police–public relationship is a pre-requisite for the acceptability of police operations. The discord between the two leads to a conflict and the public is afraid to go to a police station. The process of filing a report becomes a task itself for the victim of the crime while he/she is suffering from the crime done against him/her. The guidelines of how the police has to impose the laws and regulations have been very unclear leaving unlimited discretionary power to them to operate how they wish to do so.

This implies that sensitizing exercising needs to be taken for the police personnel by bringing police reforms to the fore and accept the recommendations made by various commissions and committees. Recently, NITI *Aayog* has given recommendations for SMART policing which have been formulated while considering the challenges of the 21st century.

### Q1 *How can the challenges of the 21st century be met by the police? Discuss the various ways in which police–public relationship can be improved.*

**Ans.** The recommendations made by the National Police Commission and various other bodies have not been complied by all States and Union Territories absolutely in India even though the Supreme Court had directed to do so. The police in India, whether it is the Central Police or the State Police, lack the soft skills required to deal with the public on a regular basis. The need for police reforms made the Government of India to sanction ₹ 25,000 crores as a three-year package beginning in 2017–18 for the modernization of police. Forty per cent of the package was marked as a priority fund for the Jammu and Kashmir State, the North-Eastern States and the States affected by left-wing extremism.

Politicization, inefficiency, ineptitude of the organization and its leadership, disinterest of the political parties to implement police reforms, lack of respect for good policing and lack of funds for modern police equipment make the police force frustrated and cause their performance to decline. In all this scenario, the police–public relationship remains in shambles. Given below are the ways through which the challenges of the 21st century can be overcome by reforms and programmes but the main thrust needs to remain their effective implementation to improve police–public relations in Figure 46.1 and described thereafter.

***Figure 46.1: Ways to improve Police–Public Relations***

1. **Community Policing:** Community policing can be defined as an area specific proactive process of working with the community for prevention and detection of crime, maintenance of public order and resolving local conflicts and with the objective of providing a better quality of life and sense of security.[1]

## Elements of Community Policing

There are four elements of community policing given below:

**(i)** Community-based crime prevention

**(ii)** Patrol deployment for non-emergency interaction with the public

**(iii)** Active solicitation of requests for service not involving criminal matters

**(iv)** Creation of mechanisms for grass roots feedback from the community.

The basic principle underlying community policing is that 'a policeman as a citizen is a policeman without uniform'. The term implies getting the citizens involved in creating an environment which enhances community safety and security. It is a philosophy in which the police and the citizens act as partners in providing security to the community and controlling crime. The police take suggestions from people on one hand and on the other hand, uses the citizen as a first line of defence. There are cases of community policing in Andhra Pradesh as, *Maithri*, 'Friends of Police' in Tamil Nadu and *Mohalla* Committees at Bhiwandi in Maharashtra.

## Principles of Community Policing

Given below are the principles of community policing:

- It is a philosophy and not just a few initiatives.
- The citizens must get a feeling that they have a say in the local policing making the community the first line of defence. It should become an effective forum for police–citizen interaction.
- Representative groups must be selected at different levels for interaction and let the community policing be people-driven and not police-driven.
- An attempt must be made to converge the activities of various government organizations and departments.[2]

2. **'SMART' Policing:** The Indian Police will have to continuously evolve and develop efficiencies to deal with newer challenges like increasing population, urbanization, new economic and social laws, organized crime, ever increasing traffic, cybercrimes, economic offences, etc. The Prime Minister gave the concept of 'SMART' policing in 2014, as an acronym which means:

   S: Strict and Sensitive

   M: Modern and Mobile

   A: Alert and Accountable

   R: Realistic and Responsible

   T: Tech-savvy and Well-trained[3]

3. **Human Resource:** The police–public ratio in India is an average of 149 police personnel per lakh of population. The States must augment their police strength to reduce their reliance on Central Armed Police Force. An assessment must be first made regarding the population, quantum and type of crime and law and order problems in their respective States. A weekly off and an eight-hour shift must be maintained. Recruitment must be made with the use of Information and Technology (IT) based systems such as web-based uploading of applications, software applications in postings and transfers, etc. The human resource must be trained as per modern-day requirements. The state-of-the-art training schools must train the new recruited police functionaries in counterterrorism, cybercrime, use of technical gadgets, forensic science, respect of human rights and soft skills. A public-friendly policing must be promoted.

4. **SMART Police Stations:** Automated systems as an integral part of the Crime and Criminal Tracking Networks and Systems (CCTNS) must be used to register all complaints of cognizable offences. They must have adequate facilities in the police stations like reception counters, facilities for public, advanced communication system, non-lethal weaponry, police patrolling and emergency response vehicles, proper lock-up, store rooms, security measures and Closed-Circuit Television (CCTV), etc.

   In sensitive areas like insurgency affected and affected by extremists, there must be provision of CCTV at the reception counter, lock-up and interview room, electronic maintenance of case investigation records, biometric weapon management and attendance management system, etc.
5. **Integrated Emergency Response:** Police is required to provide the citizens relief and protection in emergencies as quick as possible. Emergency management has four key phases:
   **(i)** Mitigation
   **(ii)** Planning
   **(iii)** Response
   **(iv)** Recovery.

   The State police must coordinate closely with responder agencies such as fire, health, electricity, telecommunication, weather department, civic administration and disaster management department. For swifter incident reception and despatch of police units for minimum response time, the Next Generation100 system should be deployed.[4]
6. **Safety and Security:** The surveillance and monitoring system must be put in place to cope with increasing population and mobility of personnel. It must have the following features:
   - A proactive approach providing multiple real time sources of security information to improve response time.
   - Network of street level security systems with CCTV cameras.
   - Technology solutions like video analytics, face capture/recognition, motion detection, etc.
   - Standardization, deployment and integration of private security surveillance system.
7. **Traffic Management and Enforcement:** Urban transport is expected to be safe and secure so that the women and children can commute without fear at night. The police provide appropriate inputs in framing of the transport policies including dedicated parking, encroachment free pavements and timely public transport and private vehicles and interruption free flow of vehicular traffic. The police must be equipped with intelligent traffic management systems:
   - With predictive analytic capabilities to analyse real time and historical traffic data to ensure smooth flow of traffic.
   - For real time traffic forecasts to warn commuters about adverse traffic situations like road congestion and repairs, availability of parking, etc.
   - Equipped with latest technologies and solutions.
8. **Intelligence Collection:** Efficient and timely actionable intelligence collection is key to preventing law and order situations, prevent terrorist attacks, communal disturbances. The personnel must be provided and trained in latest technology gadgets and intelligence gathering techniques especially in the era of increased use of social media. They must be given upgraded technological equipment for data analytics, data mining, ethical hacking, etc.
9. **Crime Investigation:** The police personnel must be trained and updated in investigative skills, use of technology and latest forensic tools and gadgets to manage scene of crime and gather evidence. Legal knowledge and forensic science technology are two major skills to be developed in the police personnel to investigate crime scenes efficiently and if there is a shortage, then more

personnel in these fields must be hired. Some recommendations to upgrade the crime investigation are:

- e-FIRS, app-based crime prevention and emergency response system and criminal surveillance system.
- SMS based information system for expediting crime investigation.
- Creation of e-courts and their integration with police work.
- Seamless integration of various databases such as driving license, passport, video footage on CCTV network, etc.

10. **Police–Public Partnership:** As mentioned in the point of community policing, police–public partnership is essential to leverage the local relationship. The police personnel must be sensitive to local issues and bridge the gap between public expectations and quality of service. Interactions between the two could lead to the much-needed intelligence to the police to detect and contain crime, maintain law and order and ensure public safety and security. New technologies like:
    - Monitoring of social media for anti-national activities in close rapport with mobile telephone operators.
    - Electronic and print media may be closely watched by control room for news updates, rumour-mongering or any other emergency development leading to major law and order problem.

## Conclusion

All the above given recommendation given by the Bureau of Police Research and Development (BPRD) and the Second Administrative Reforms Commission must be implemented at once to make the police capable to meet the challenges of the 21st century by building a positive interactive relationship between the police and the public. The new technologies will help the police to build the relationship in a stronger manner because the public would have more trust in them and their capabilities. All police functions and activities can be successful only if the public has trust in them and these police reforms will be building trust measure.

## Notes and References

1. 'Community Policing' in *Journal of National Police Academy*, Hyderabad.
   Sardar Vallabbhai Patel National Police Academy, http://www.svpnpa.gov.in, retrievd on 12-05-2019
2. Adapted from: Fifth Report, Public Order, https://darpg.gov.in, retrieved on 07 April 2019.
3. Adapted from: A Compilation of Best Practices and Smart Policing Initiatives, http://bprd.nic.in, retrieved on 07 April 2019.
4. Evolution of Illumina Next-Generation Sequencing (NGS). Recent Illumina next-generation sequencing technology breakthrough include one-channel SBS—The iSeq 100 system combines a complementary metal-oxide semiconductor chip with one-channel SBS to deliver high-accuracy data in a compact system.
   Next Generation Sequencing, https://www.illumina.com, retrieved on 07 April 2019.

*This page is intentionally left blank.*

UNIT

# XIV SIGNIFICANT ISSUES IN INDIAN ADMINISTRATION


**Chapter 47** Values in Public Service

**Chapter 48** Regulatory Commissions

**Chapter 49** National Human Rights Commission

**Chapter 50** Problems of Administration in Coalition Regimes

**Chapter 51** Citizen-Administration Interface

**Chapter 52** Disaster Management

*This page is intentionally left blank.*

# 47 Values in Public Service

## LEARNING OBJECTIVES

*After reading this chapter, you will learn about:*

- How Values and Ethics are different
- System of values in public service

## INTRODUCTION

Values are the basis of personal and collective judgements about what is important in life—influenced by culture, religion and laws. They are factors in our decision-making on social, environmental and political matters and on the best uses of our time, money and natural resources.[1] Values are the individualistic principles and ideals that helps in thoughtful decision-making in prioritization of issues at hand. Values are also used interchangeably with ethics whereas ethics is different from the values an individual, an organization or a government holds. Ethics, on the other hand, refers to the guidelines for conduct and behaviour regarding one's morality. It is a uniform code of moral principles and prescribes what is the moral path one needs to take in a given situation.

Individual values shape our behaviour but when we talk about values in public services, it changes its meaning. The organization or agency or government adopts a value system to make the choices that will take the public services even to the most vulnerable people and sections. Values, being individualistic, have a tendency of changing shape according to emotional events occurring in life.

### Q1 *Discuss the importance of values in public services with special reference to India.*

**Ans.** Values in public services are more often confused with ethics whereas ethics is only a part of values. Values can be ethical or non-ethical, meaning, they are neither right or wrong but they are what they are in a system. The premise here is of the choice of value that a government organization has to take at that time, given the environment and situation. The role of organizational values affects the social, economic and cultural fabric of a society. Achieving stability in values in public service is a complex and difficult task but managing values is one of the highest priority tasks. All public institutions are taking the issue of adopting the deliberate and systematic management of values. The Government of India is deliberating on formulating a value system for public organizations for efficient and effective delivery of public services like education, training, health, etc.

Values are the foundations of an ethical system and in the public sector, the values that are held in public administration are compliance of law and working in the public interest. The problem arises when employees get confused over what is the right thing to. In an ecosystem of scarce financial resources

where emphasis is on efficiency and effectiveness, values sometimes tend to lag behind. In India, good governance and Antyodaya are the *mantras* to the value system. Lack of a value system does not remain vacant because it is quickly filled by corruption and inefficiencies.

A definition of 'public values' is important to study here to understand the context. They are defined as those values that provide normative consensus about:

- The rights, benefits and prerogatives to which citizens should (and should not) be entitled.
- The obligations of citizens to society, the state and one another.
- The principles upon which governments and policies must be based.[2]

The World Economic Forum (WEF) has laid down the guidelines to develop a system of values in public service in the midst of the Fourth Industrial Revolution. They have been applied in the Indian scenario to comprehend what India has accomplished and what needs to be done to improve the value system in public services. There are four main indicators which have been further sub-divided into various parameters. They are given below in the Figure 47.1 and described thereafter in detail.

***Figure 47.1: Indicators of Values***

**(I) Maintaining Trust:** The failures of the leaders of the country in the provision of public services has led to trust deficit among people. The public value system includes the following elements given in Figure 47.2 and briefly stated, thereafter.

1. **Global Governance:** Public issues that cut across national boundaries denote global governance. In today's world, issues like formal and informal rule-making, monitoring, financing and enforcement are at the forefront. Effective governance based on a value system is vital in building a peaceful society.
2. **Human Rights:** Human rights are based in the concept of equal moral status which includes the Universal Declaration of Human Rights and related treaties and fundamental rights in India. The key issues to be considered to uphold the human rights are to tackle resource scarcity, civic space, growing inequality and the impact of technological innovations.
3. **Justice and Legal Infrastructure:** Values in public services have to be supported by a sound legal structure but developing nations who got independence from the imperialist rule like India are still following century old laws which must be revamped.
4. **Corruption:** In India, corruption has permeated at all levels of governance like, petty bribery, electoral frauds, illicit financial flows, etc. Issues like business integrity, transparent and open government, Rule of Law and its enforcement and public awareness and education need to be inculcated and imbibed into our systems to improve the value system.

***Figure 47.2: Elements of Maintaining Trust***

5. **Agile Governance:** Our government needs to be proactive in meeting the demands and expectations of the citizens. A complacent and negligent government means that their value of commitment to work is lost. Policy-making must be backed by the newest technologies and innovations by involving multi-stakeholders in the delivery of public services.
6. **Financial and Monetary Systems:** Emerging markets like India have become one of the biggest contributors of global GDP expanding the middle class. Such a climate requires the government to keep its financial risks at bay and being resilient in the face of global competitiveness. The expanding middle class has aspirations which must be taken care of to build a stable value system.
7. **Civic Participation:** It can be expressed by voting and community service but of the populace is dissatisfied, it comes out in protests, unrest, violence and anarchy. The citizens are getting together through the use of digital technology, though the issue of fake news exists as a menace, if they are not happy. Hence, the governments have to acknowledge the rising demand of change of clean and efficient governance. Issues like demographic differences, breakdown of trusts, rise of populism must be addressed to deliver honestly.

**(II) Environmental Stewardship:** One would question this indicator about how is environmental stewardship related to the values in public services. Climate change caused by human activity has led the world and also India to extreme weathers, crop failures, shortage of safe drinking water, floods and epidemics erupting due to them and many such problems. Air pollution in the major cities in India is beyond the danger levels. Majority of the people are not aware or do not care about protecting their environment in India. Investments in renewable energy, circular economy, collaborating with private stakeholders and investment in institutions. Given below are the elements that constitute the environmental stewardship in Figure 47.3 and briefly explained thereafter.

1. **Institutional Investors:** Institutional investments in pension funds, insurance sector and the like monitor standards and behaviour of the firms that they invest in. They play an important role in capital distribution, growth and sustainability of the private sector who have to work within the laws and regulations of environmental protection.

***Figure 47.3: Elements of Environmental Stewardship***

2. **Circular Economy:** It involves a circular approach of using regenerative materials which will lead to job creation and innovation, for example, major companies are making denim jeans out of plastic, Netherlands is making absolute use of its waste, etc. The regenerative policies of the government will develop a new value system as the goods produced are cheaper and they save the environment.
3. **Private Investors:** Post-economic crisis of 2008. The private investors have become entities of mistrust around the globe. India has had its share of scams in financial institutions and needs to revive the trust deficit instead of moving towards the opposite spectrum of lack of oversight.
4. **Forests:** Humanity is interlinked with forests for their livelihood while they have the power to benefit the mankind by absorbing and storing carbon, providing food and water, wood products, vital medicines and supporting biodiversity. On the other hand, deforestation, degradation and fragmentation have imbalanced the benefits that were so valuable like air purification and climate regulation, illegal logging, etc. This has resulted in related corruption causing loss of public revenue and conflict. There is a dire need that the Government of India take urgent steps in this direction for the preservation of our forests.[3]
5. **Oceans:** Oceans have their intrinsic as well as extrinsic value giving us nutritious food, income, inspiration and stability. A 2017 estimate published by the consultancy of Boston Consulting Group (BCG) valued global 'ocean assets' at more than $ 24 trillion. However, marine ecosystems face dangers putting this value at risk like climate change, ocean warming, increased acidification and so on. The government has to commit to save our oceans by formulating innovative policies and adding to our value system in public services of the preservation of business of fishing for the marginal sections on the coastlines.[4]

6. **Participation of the Youth:** Youth perspective forms more than half of the world's population but are also the most unrepresented on most of the forums. They have the zeal and innovative ideas to address the issues of environment and they must be supported by the government.
7. **Environment and Natural Resource Security:** The environmental risks related to extreme weather events and the potential failure of climate change mitigations efforts are the areas that require innovative responses to be initiated by the government and in collaboration with private and civil society stakeholders. The political leadership must take up the challenges and resolve to switch to green finance and prepare for sea-level rise.

**(III) Human Dignity:** According to the Oxfam Inequality Report, the 26 richest people on the planet had the same collective net worth as the poorest 3.8 billion people, which is half of the global population. The inequality between the rich and the poor in India is also very wide with 23 per cent of the people living below the poverty line. The Government of India has started various welfare programmes to increase their outreach extensively like giving gas cylinders, electricity, building toilets, health insurance, etc. However, this is just a beginning and a lot needs to be done to reduce the gap. Given below are the parameters covered in restoring human dignity to build and enhance the public value system in Figure 47.4 and briefly described thereafter.

***Figure 47.4: Elements of Human Dignity***

1. **Behavioural Sciences:** Behavioural sciences can be used as a tool by governments as well as the private sector to achieve responsible decision-making and improve quality of life. It has a wide range from improving food habits to have better health or to help people change their attitudes in paying taxes. The Fourth Revolution is impacting and changing the lives of people at a very rapid pace and the marginal sections of the society are confounded by it. The government must educate them and consider it as a public service while the digital education, a value to be delivered with commitment.
2. **Education and Skills:** Another challenge in India as well as other developing nations is that the employers face with an unemployable educated generation. This needs to be changed by providing

quality education backed by new technologies to all and not just in private schools. Higher education must be subsidized and improved to match up with global standards of education emphasizing on digital fluency and Science, Technology, Engineering and Math (STEM) skills. There is enough talk and discussion about it in various forums in India but all these innovative methodologies and skill-building is found lacking in the government education sector. This area must be given special attention and be delivered as a public service by the government. The commitment may be there with the government but monitoring and supervision needs to be increased. More avenues for raising funds for the education sector must be explored by involving private stakeholders imbibing the principles of new localism.

3. **Workforce and Employment:** The Government of India needs to consider some important factors in the exercise of policy formulation for its workforce and employment, which are:
    - Protection of workers and employers
    - A firm understanding of demographics
    - Shifting job roles
    - Evolving demand for skills
    - Gender inclusion.
4. **Gender Parity:** Women, forming the 48 per cent of the population, cannot be left behind. Government policies to reduce gender parity expands the pool for skills and talent to contribute to the economy. In India, women are still being motivated under various programmes to come forward to explore their talents. Many States are still fighting to end the evil of killing of the unborn girl child and improving the gender ratio. Women are not paid the same pay as men in the private sector and have to face discrimination. The gender dynamics in the workplace must be emphasized to reduce gender disparity in the socio-economic spheres. The government must motivate its administrative executive officers to sensitize the field workers to work in this area and improve the service delivery.
5. **Public Finance and Social Protection:** Social protection for the elderly is a big issue as the rates of life expectancy are increasing with every passing year with good health care. The Government of India's programmes for the elderly are distributing a very small amount presently which hardly covers their square meal a day. More funds must be created and diverted to increase social protection for the elderly marginalized sector.
6. **Global Risks:** According to the 2019 iteration of the World Economic Forum's Global Risks Report, the global risks are intensifying but there is no collective will to tackle them.[5] The major risk of pronounced inequality needs to be addressed by the Government of India by working towards inclusion in all sectors, especially, the digital realm.

**(IV) Common Good:** The governments all over the world are moving towards policies of more inclusive and responsible economic models. Multinational Companies (MNCs) have the potential of solving global challenges with the mandatory 2 per cent of Corporate Social Responsibility. Since the turnover of MNCs are very big, the 2 per cent becomes a big number in developing countries like India. The parameters included in achieving the common good are the values. The MNCs who give more attention to values parameters are the values (values of honesty, integrity, truth, etc.). Values of honesty, integrity, truth, etc rather than profit gain more eventually because they are capable of retaining the best talent in their staff. The Government of India work on a welfare economic model and strives to bring value to public services. It can generate more funds from the private sector by involving them in the achievement of the goals of common good because it has been observed in research surveys that the executives in the corporate sector as well as the youth want to do more than just earning money.

The common good is an encompassing model for practical reasoning among the members of the political community. The relevant public services meted out to the people that form the common good are what

guides the citizens to vote for a particular political party in power. People confront the decision regarding public policy, any legislation or the social responsibility of a government by evaluating what services had been given to them that constitute the common good. A citizen-centric government puts the citizen at the centre of all efforts to provide and improve the public services.

**Contemporary Values in Public Services in India:** To sum up, since the Government of India like any other developing nation has to find funds for delivering better public services, it has to raise taxes for more generation of funds. This method has a limitation of its own which leaves the government to resort to new localism by collaborating with the private sector and the civil society. Clarity about values is extremely important for the government as well as in the public employees in an ever-changing political system. However, ethical, managerial and political values are not separate and an amalgamation of the three must guide in political and administrative decision-making. Since there is a perpetual shift in values, a continuum of value consensus must always be considered and decisions should be made accordingly.

The values of the government in delivery of public services can differ from that of administrators and public officials because an administrator is affected by his/her own personal values which impacts his/her behaviour. The public administrator has to uphold the social contract with the citizens of the delivery of public services by not putting his selfish interests and using illegal means over his/her civic integrity. Lastly, the shift from public governance to private governance through collaborations is putting transparency and accountability under a threat. Corruption in India has become in itself a value system which is a big hindrance in the efficient working of the public functionaries. Recently, the Government of India began using an e-way bill in UP for vehicles at toll plazas to eliminate any opportunity of corrupt practice but the major issue is not what the government is doing to monitor because the government functionaries will find a way around it. The fact of the matter is that the value system held by the functionaries needs to be changed gradually. It can be so that their pay structure is very low and to meet their expenses they have to resort to corrupt practices, throwing their value system out of the window.

On the other hand, knowing human nature to be dishonest when faced with an opportunity, the governments have to evolve a value system to break the cycle. In India, we do not have a Code of Value system but we do have a Code of Ethics but ethics only forms a part of value. Even *Dharamshastra* before Kautilyan era stated punitive measures for corruption and dishonest for public officials and prescribed a code of values by giving various situations. This implies that it is a natural individualistic course of action that a person takes by holding his/her own value system.

However, everything is not so dark and bleak. The new generation of officials that are joining the government services have a different set of values and want to become the agents of social change by checking corruption and retaining their values in the delivery of public services. The above given areas that have been covered by the WEF are the areas that need a value system by the government as well as the public officials to increase their outreach to people in the delivery of public services.

## Conclusion

The above-given issues represented in the indicators and parameters of building a value system in public services is an innovative approach given by the WEF instead of talking about values with a cultural perspective. This is not to undermine the values given by Kautilya and Mahatma Gandhi but the times and socio-economic environment has changed 360 degrees. So, when we have new challenges, one needs a new approach to resolve issues. The government must include all these issues to develop a value system so that public services can be equitably delivered efficiently to the people. equitably. The Three-Year Action Plan presented by the NITI *Aayog* (2017–2020) has made an effort to include the parameters and indicators given by the WEF which shall also be achieved as they are in alignment with the Sustainable Development Goals (SDGs).

## Notes and References


1. Values, https://toplink.weforum.org, retrieved on 08 April 2019.
2. De Vries, Michiel S and Kim Pan Suk (edited) (2011), *Value and Virtue in Public Administration: A Comparative Administration*, Palgrave Macmillan, UK.
3. Adapted from: Forests, https://toplink.weforum.org, retrieved on 08 April 2019.
4. Adapted from Oceans, https://toplink.weforum.org, retrieved on 08 April 2019.
5. Global Risks, https://toplink.weforum.org, retrieved on 08 April 2019.

# 48 Regulatory Commissions

## LEARNING OBJECTIVES

*After reading this chapter, you will learn about:*

- Telecom Regulatory Authority of India (TRAI)
- Insurance Regulatory and Development Authority (IRDA)
- Securities and Exchange Board of India (SEBI)

## INTRODUCTION

The economic liberalization in 1990s initiated the State withdrawal from ownership and the incoming of private stakeholders in collaboration with the State in the provision of public services, especially, in the infrastructure sector. Public private partnerships and private sector participation required governmental priorities to be achieved through independent regulation and the law of contract. Regulation is conducted by the State 'to address social risk, market failure or equity concerns through rule-based direction of social and individual action.' Economic regulation is required if the markets align in a way that gives rise to a monopoly in a specific sector or if there is some misuse by a company of market failure to its own advantage. Functions of economic regulation also includes identification of subsidies or cross-subsidies[1] that may be needed to control pricing of the infrastructure services.

The main role of economic regulation is to ascertain universal and equitable access, consumer protection and maintaining safety and health standards. It has a novel status existing between the legislature, judiciary and executive on one hand and the markets on the other.[2] The Regulatory Commissions are put in place as constitutionally and legally viable institutions.[3] Three major regulatory institutions will be covered in this chapter in brief to have an understanding their nature of work.

### Q1 *Discuss the establishment and role of the Telecom Regulatory Authority of India (TRAI) and if it has been able to achieve its goal till now? How has net neutrality affected the authority's position?*

**Ans.** In the background of the economic liberalization in 1991 in India, when the state-led industrial sector, riddled with inefficiency and corrupt neo-feudal rent-seeking, was forced to open up the market forces—national and international.[4] The telecom sector was under the jurisdiction of the Union government and functioned as a monopoly until 1991. The transfer of the telecom from the

State control to an indirect independent regulatory mechanism was supposed to improve governance, transparency and accountability. The genesis of telecom services in India goes back to the Indian Telegraph Act, 1885, which grants the Central government exclusive privilege to establish telegraph services. The Central government operated as a monopoly through the Department of Telecommunications (DoT) and international services like Videsh Sanchar Nigam Limited (VSNL). The government announced a National Telecom Policy in 1994 to change the policy by allowing the participation of private entities.

**Establishment of TRAI:** The TRAI was established with effect from 20th February 1997 by an Act of Parliament called The Telecom Regulatory of India Act, 1997 with the objective of regulating telecom services, including fixation/revision of tariffs for telecom services which were earlier vested with the Central Government.[5]

**Mission and Objectives:** The mission of TRAI includes the following which lay down the objectives also:

- To create and nurture conditions for growth of telecommunications in the country in a manner and at a pace which will enable India to play a leading role in emerging global information society.
- To provide a fair and transparent policy environment which promotes a level playing field and facilitates fair competition.
- To issue regulations, orders, directives to deal with the emerging issues like tariff, interconnection, quality of service and governance of the authority to provide a direction so that the telecom industry can become a multiservice open competitive market.

**Amendments:** The TRAI Act, 1997 was amended in 2000 by virtue of which the Telecommunications Dispute Settlement and Appellate Tribunal (TDSAT) was set-up to take over the function of adjudication and settling of disputes from TRAI or any other conflicts arising between a licensor and the licensee. It was amended in 2014 again to repeal the ordinance.

**Telecommunication Services:** They comprise a range of sectors including basic and cellular telecom services, provision of internet access and broadcasting services. Many changes have come since 1997 and carries out fixing and regulating tariffs for such services. It has promoted a competitive spirit in the market. Some measure taken in empowering consumers of telecommunication services are:

- Mobile Number Portability (MNP)
- Prohibition of unsolicited communications
- Transparency norms
- Redress by service providers
- Broadcasting and cable services division
- Consumer affairs and quality of service
- Financial and economic analysis
- Networks spectrum and licensing[6].

**Achievements and Current Challenges:** The TRAI has achieved a great amount of success in its mission by increasing the welfare of telecom users as well as efficiency and innovation in many other allied sectors of the economy. The challenges of the 21st century need dynamic but balanced approaches to regulation. The challenges in front of the TRAI are given in Figure 48.1 and briefly described thereafter.

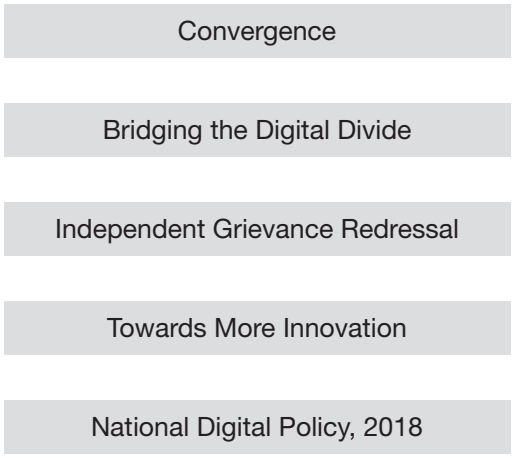



***Figure 48.1: Challenges in front of TRAI***

1. **Convergence**: A landmark development in technology and innovation is the convergence[7] of telecom, media broadcasting and internet services. However, there is the challenge of optimization of strategy to be adapted. The TRAI has to consider the issues of discrimination between service providers because of the variation in the use of technology and imperfect competition due to different FDI limits for different technologies providing the same end service. So, the TRAI has the challenge of resolving the matter of different entities providing the same service. Coordination between the various agencies is important as the two have different responsibilities. They are:
   - **DoT:** It is responsible for licensing, spectrum management, investment promotion, standardization and research and development efforts in telecom.
   - **TRAI:** It is responsible for tariff and consumer protection related issues of telecom and broadcasting.
   - **Ministry of Electronics and Information Technology (MeitY):** It is responsible for administering the Information Technology Act, 2000 related to electronic transactions and matters of internet governance. It oversees the development of government IT infrastructure and the promotion of ICT services in India.
2. **Bridging the Digital Divide:** The government has supported the telecom sector to bridge the digital divide. There has been a double-digit growth in internet subscribers and increased the teledensity and usage but there is a lack of telecom infrastructure in semi-rural and rural areas because the telecom industries need heavy capital investments in the rural areas and even if they tend to do so, there is a deficiency of trained personnel to give services. There is also the factor of lack of skills and content in these areas. The TRAI has taken some initiatives in this regard, which are:
   - Broadband proliferation through Build, Operate, Own, Transfer (BOOT) model.
   - Broadband proliferation through public Wi-Fi.
   - Free data in rural India.
3. **Independent Grievance Redressal:** Redressal of grievances of the consumers must be improved by looking into independent complaints. The TRAI has issued regulations specifying the grievance redress mechanism to be put in place by service providers.

4. **Towards More Innovation:** Research and development is a key objective of the government on issues like interoperability standards, next-generation networks, cybersecurity and new technologies like Internet of Things (IoT), innovative ecosystems and investment in these areas.
5. **National Digital Policy, 2018:** It proposed to address the problems of the sector and enhance ease of doing business by receiving license fees, spectrum usage charges and universal service obligation fund levy, all of which, add to the cost of telecom services.

The TRAI is keen to engage in detailed consultations on creating a culture of innovation in the country and its promotion in the future.

## Net Neutrality and TRAI

Net neutrality can be defined as the idea, principle or requirement that internet service providers should or must treat all internet data as the same regardless of its kind, source or destination. The TRAI recommended that internet access services should be governed by a principle that restricts any form of discrimination or interference in the treatment of content, including practices like blocking, degrading, slowing down or granting preferential speeds or treatment to any content. This principle would apply to any discriminatory treatment based on the sender or receiver, the network protocols, or the user equipment, but not to specialized services or other exclusions. It would also not restrict the adoption of reasonable traffic management practices by the service provider.[8] This implies that ISPs cannot block or throttle any web traffic or offer fast lanes for content providers who pay for the privilege. The TRAI had banned the service of Facebook's Free Basics and Airtel Zero. However, emerging and critical services like remote surgery and autonomous cars or in disaster situations that may require high-speed internet lanes have been excluded from the rules of net neutrality. Moreover, the registered but unlicensed players would be able to give Wi-Fi hotspots. They would become public data office aggregators or the aggregator and generate revenue since the carriers shall have to share that revenue with the government.

To sum up, TRAI has emerged strong despite of the 2G spectrum scam and the recent issue of *Cambridge Analytica* influencing elections by targeting voters by using Facebook users' data. There is a bigger governance problem in the telecom sector in the cyberspace for which Conferences and discussions are being held but nothing concrete has come out yet.

## Q2 *Discuss the role and functions of the Insurance Regulatory and Development Authority of India.*

**Ans.** At present, the insurance sector is a colossal one and is growing at a speedy rate of 15–20 per cent. It adds up to 7 per cent to the country's GDP along with banking services. It is a boon for the economic development as it provides long-term funds for infrastructure development while strengthening the risk taking ability of the country. The IRDA was constituted in India as an autonomous body in April, 2000. It opened up the market in August, 2000 with the invitation for application for registrations. Foreign companies were allowed ownership up to 26 per cent. It can formulate regulations under Section 114A of the Insurance Act, 1938.[9]

**History:** In India, the concept of insurance has existed since the times of Manu (*Manusmriti)*, *Dharamshashtra* and *Arthashastra.* There is mention of pooling of resources that could be redistributed during disasters. There is evidence of insurance in the form of marine trade loans and carriers' contract insurance. The Oriental Life Insurance Company was established in 1818 in Calcutta but failed in 1834. The British Insurance Act was passed in 1870 and three companies, namely, The Bombay Mutual (1871), The Oriental (1874) and Empire of India (1897) were started in the Bombay Presidency.

In 1938, The Insurance Act, was passed to protect the public who got insurance but the period after independence saw a large number of insurance companies who indulged in unfair practices. In 1956, the Life Insurance sector was nationalized through an ordinance. The Life Insurance Corporation (LIC) absorbed 154 Indian, 16 non-Indian insurers and 75 provident societies. In 1968, the General Insurance Business (Nationalization) Act was passed and with effect from 1 January 1973 the general insurance business was nationalized.

**Objectives:** The objectives of IRDA include promotion of competition to enhance customer satisfaction through increased consumer choice and lower premiums while ensuring the financial security of the insurance market.

**Composition:** The IRDAI, according to the section4 of the IRDAI Act, 1999 is a ten-member team consisting of:

- A Chairman
- Five whole time members
- Four part-time members.

**Functions:** The insurance companies offer products insuring life, general reinsurance and health. They offer services in a wide range and they also act as a tool to save tax. The major functions of the IRDA comprise the following, given in Figure 48.2 and mentioned thereafter.

***Figure 48.2: Functions of IRDA***

- To protect the interest of the insurance policyholders in matters related to surrender value of the policy, settlement of insurance claims, insurable intent, nomination by policy-holders etc.
- Can renew, modify, withdraw, suspend or cancel the Certificate of Registration of the applicant.
- States the qualifications, code of conduct and practical training for the intermediaries and insurance agents.

- Promotes the efficiency in the conduct of the business of insurance.
- States the code of conduct for surveyors and loss assessors.
- Promotes and controls the professional organizations that are connected with the insurance business and levies fees and charges for carrying out the purposes of the Act.
- Regulates the margin of solvency.
- Lays down the percentage of life insurance and general insurance business that can be carried out by the insurer in the rural or social sector.[10]

**Impact:** The IRDA has an impact on various stakeholders. They are given below in brief:

1. **Regulation of Insurance Industry:** The authority regulates the insurance sector and aims to protect the interests of the insurance policy holders while encouraging and ensuring the systematic growth of the insurance industry.
2. **Protection of Policyholders:** The authority provides fair treatment to all the policy-holders.
3. **Awareness:** It creates awareness amongst the people about the benefits of insurance and has a website to educate and inform people.
4. **Insurance Market:** The control of IRDA over the insurance market ensures that there is a healthy competition and a rapid growth.
5. **Development of Insurance Product:** All companies need to take approval from the IRDA prior to the launching of a new product or make changes to the existing product. If there are no objections from the authority, the company can go ahead with it.
6. **Competition between Private and Public Sector:** There is a healthy competition amongst the companies in the insurance sector giving more choices to the customer.
7. **Effects over Banks and Post Offices:** The fund flow has shifted to the insurance industry from banks and post offices as insurance has the advantage of covering losses and saves tax.

Insurance has emerged as a very important tool for the customers in various aspects of life such as health, life, travel, body organs, carriage, and many others. The number of companies in the insurance sector has increased and is contributing substantially to the economy of India. The IRDA has ensured that the customers are protected against fraudulent acts.

## Q3 *What is the role and functions of Securities and Exchange Board of India?*

**Ans.** The Securities and Exchange Board of India (SEBI) was established on 12 April 1992 in accordance with the provisions of the Securities and Exchange Board of India Act, 1992. It was established as a result of huge malpractices and fraudulent actions in the Indian stock market because of an unanticipated cash flow in the market. Price rigging became a common method to earn quick money with no one to check. Genuine investors began staying away from the market which alarmed the Government of India to constitute this body to turn back the numbers in the financial market.

**Preamble:** The Preamble of SEBI describes the basic functions of the SEBI as '…. To protect the investors in securities and to promote the development of, and to regulate the securities market and for matters connected therewith or incidents thereto.'

**Organizational Structure:** The organizational structure comprises nine members:

- One Chairman appointed by the Government of India
- Two members (officers) appointed from the Ministry of Finance at the Centre

- One member from the Reserve Bank of India
- Five members are appointed by the Union Government of India. Three out of five are whole time members.

**Role and Functions:** The major functions of the SEBI are[11] with reference to regulate the financial market of India. They are given in Figure 48.3 and explained thereafter:

**Protection**
Check on price rigging, insider training, financial education for investors, guidelines.

**Development**
Electronic platform, DEMAT, discount brokerage, training for financial intermediaries, trading of mutual funds directly from an AMC, IPO allowed through exchange.

**Regulatory**
Code of conduct, guidelines, registration of all individuals involved with stock exchange, regualtion of takeover of companies, conduct inquiries and audit of exchange.

***Figure 48.3: Role and Functions of SEBI***

1. **Protection:** The SEBI provides protection to investors for their investments by keeping a check on the following:
   - **Check on Price Rigging:** It keeps a watch over the high or low fluctuations if they are fixed, called price rigging, by a group of corporates to make profits out of it. If the SEBI feels that such a rigging is occurring, it imposes a circuit (a circuit is a threshold with respect to previous day closing). This system works in bringing in a circuit breaker if the price of a security goes higher than the defined circuit and trading on that security is halted for some time or the whole day.
   - **Insider Training:** It is price rigging when any future company announcement is leaked by someone who had access to it. Those who are privy to this announcement take advantage of it and buy or sell that security beforehand. The SEBI prevents insider trading by implementing the rule of barring trusts of listed companies and employee welfare schemes from purchasing their own shares from secondary markets. It takes stock of all employee benefit schemes of companies involving stock purchase and aligns them in accordance with the guidelines within a given timeframe.
   - **Financial Education for Investors:** The SEBI conducts online and offline seminars to educate the investors to understand the basics of financial markets.
   - **Guidelines:** SEBI has laid guidelines which are given in the public domain on their website to prevent unfair practices.
2. **Development:** The SEBI makes continuous efforts to bring innovation in the financial market India which include:
   - An electronic platform for financial market
   - DEMAT form of securities
   - Discount brokerage
   - Training for financial intermediaries

- Trading of mutual funds directly from the Asset Management Company (AMC) through a broker
- Optional underwriting in the reduction of the cost of issue
- IPO is allowed through exchange.

3. **Regulatory:** The SEBI enforces its by-laws on the financial intermediaries and corporates to bring in transparency which include the following:
   - Guidelines and code of conduct
   - Registration of all intermediaries, share transfer agents, trustees and any other individuals linked with stock exchange
   - Registration and regulation of the functioning of mutual funds
   - Regulation of takeover of companies
   - Conducting inquiries and audit of exchange.

To sum up, the SEBI has brought in control through its guidelines and regulations in the stock market and strict action is taken against defaulters. It has introduced an online portal, Sebi Complaints Redressal System (SCORES) for complaint redressal system.[12]

## Conclusion

Regulatory Authorities in India, called Regulatory Commissions, play an important role in regulating the vital sectors. There are about 25 Regulatory Commissions employed in this function to prevent fraud and malpractices on one hand and bring the defaulters and culprits to order on the other hand. This chapter has given examples of three such commissions, namely, TRAI, IRDA and SEBI.[13]

## Notes and References

1. A subsidy granted to a business or activity out of the profits of another business or activity.
2. Approach to Regulation: Issues and Options, http://planningcommission.nic.in, retrieved on 09 April 2019.
3. The chapter on 'Regulatory Authorities' has been covered as Chapter 21 in Mahajan, Anupama Puri (2019), *Public Administration for Civil Services,* Pearson India Education Services P Ltd., New Delhi.
4. Kumar, Niraj and Singh, Mahendra, Prasad Singh (December 2018), 'Telecom Regulatory Authority in India' in *Indian Journal of Public Administration*, Volume 64, Issue 4, Sage Publications, New Delhi.
5. History, https://main.trai.gov.in, retrieved on 09 April 2019.
6. A Twenty Year Odyssey: 1997-2017, https://main.trai.gov.in, retrieved on 09 April 2019.
7. Convergence means the delivering of the same communication services of voice, video and data over multiple communication platforms.
8. Recommendations On Net Neutrality, https://main.trai.gov.in, retrieved on 09 April 2019.
9. Effect of increase in Foreign Direct Investment in Insurance sector, https://blog.ipleaders.in
10. https://www.irdai.gov.in, retrieved on 09 April 2019.
11. Log on to Powers and Functions, https://www.sebi.gov.in, for more information on powers and functions of SEBI.
12. For more information on SEBI guidelines, log on to: Legal, https://www.sebi.gov.in
13. List of Regulators in India, https://en.wikipedia.org, retrieved on 30-04-2019

# 49 National Human Rights Commission

## LEARNING OBJECTIVES

*After reading this chapter, you will learn about:*

- What are the roles and functions of National Commission Human Rights ( NHRC)
- NHRC as a 'Toothless Tiger'

## INTRODUCTION

The National Human Rights Commission (NHRC) of India was established on 12 October 1993 under the Protection of Human Rights Act (PHRA), 1993 and was amended by the PHRA Act, 2006. It has been established under the Paris Principles, adopted at the first international workshop on national institutions for the promotion and protection of human rights held in Paris in October 1991 and endorsed by the General Assembly of the United Nations by its Regulations 48/134 of 20 December, 1993. The commission is an embodiment of India's concern for the promotion of human rights. It relates to the Constitution of India through Section 2(1)(d) of the PHRA which defines human rights as the rights relating to life, liberty, equality and dignity of the individual of the individual guaranteed by the constitution or embodied in the International Covenants and enforceable by courts in India.[1]

### Q1 *Discuss the role, organizational structure and functions of the National Human Rights Commission in India in safeguarding the human rights in India.*

**Ans.** The NHRC, India has retained its 'A' status of accreditation with the Global Alliance of National Human Rights Institutions, GANHRI, for the fourth consecutive term for five years. The accreditation is given to those NHRIs, which, after a rigorous process of review every five years, are found fully compliant with the UN mandated Paris Principles. The NHRC, India got 'A' status of accreditation of GANHRI recommended giving 'A' status again to NHRC, in India in November 2017.

### The Paris Principles

The Paris Principles set out six criteria that NHRIs are required to meet. They are:

1. Mandate and competence
2. Autonomy from government
3. Independence guaranteed by a Statute or constitution

4. Pluralism
5. Adequate resources
6. Adequate powers of investigation.

India was found to be perfect on all these accounts by the GANHRI.

## Core Groups

The NHRC has the following nine core groups under it through which it carries out its activities:

1. Core Group on NGOs and Human Rights Defenders
2. Core Advisory Group on Bonded Labour
3. Core Group on LGBTI issues
4. Core Group on Business, Environment and Human Rights
5. Core Group on Disability and Elderly Persons
6. Core Group on Health and Mental Health
7. Core Group on Right to Food
8. Core Group on Women
9. Core Group on Children

**Composition:** The NHRC comprises Chairperson with the following positions under him/her:

1. One member, who is, or has been a Judge of the Supreme Court of India.
2. One member, who is, or has been the Chief Justice of a high court in India.
3. Two members from amongst persons having knowledge of, or practical experience in matters relating to human rights.
4. Deemed members, chairpersons of the following National Commissions:
   - National Commission for Minorities
   - National Commission for Scheduled Casted
   - National Commission for Scheduled Tribes
   - National Commission for Women.

**Divisions and their Functions:** The NHRC has five divisions that cover the entire ambit of its activities of safeguarding human rights[2] which are given in Figure 49.1 and described thereafter.

***Figure 49.1: Divisions and their Functions of NHRC***

1. **Law Division:** It handles the registration and disposal of around one lakh cases each year of the complaints of human rights violation. The complaint can be made by the victim or someone on the victim's behalf or even on a receipt of intimation from the concerned authorities. The case can be regarding custodial death, custodial rape, death in police action or on *suo moto* cognizance by the commission or on a court's direction or order. The cases of vital significance are taken up by the full commission while matters of custodial death or rape are taken by division benches.

   It holds camps in different State capitals to expedite disposal of pending complaints and sensitizing the State functionaries of the State Human Right Commissions. It also has a round-the-clock helpline to help the victims. A Registrar (Law) heads the division who is helped by Presenting Officers, a Joint Registrar, a number of Deputy Registrars, Section Officers and other secretarial staff.
2. **Investigation Division:** Director General of Police heads the Investigation Division who is helped by one DIG and three Senior Superintendents of Police (SP). Each SP has a group of investigative officers (Deputy Superintendents of Police and Inspectors) under him/her. Given below are the functions of the Investigation Division in Figure 49.2 and briefly described thereafter.

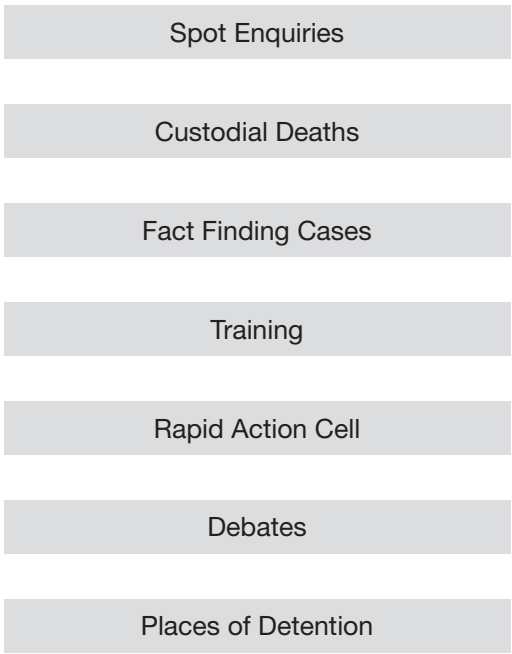



***Figure 49.2: Functions of Investigation Division***

- **Spot Enquiries:** It conducts spot enquiries and recommends suitable action in cases revealing human rights violation. The commission orders a spot enquiry in a range of cases like, illegal detention, extra judicial killing, etc. They reinforce the confidence of general public in the institution of NHRC. The division also gives its observations as and when sought.
- **Custodial Deaths:** The State authorities must report any custodial death to the NHRC within 24 hours. The Division of Investigation conducts its enquiry to find out if any human rights had been violated that led to the death. It also takes the expertise of forensic experts on the NHRC panel.
- **Fact Finding Cases:** The NHRC can ask the Investigation Division (ID) to get different authorities to submit reports in 'Fact Finding' cases. It critically analyses these reports to conclude if

any violation of human rights had been made or not. If the reports are unclear or misleading, the commission can ask for a spot enquiry.

- **Training:** The officers deliver lectures in training institutes and other forums with the objective of spreading awareness of human rights and the safeguards available in case needed.
- **Rapid Action Cell:** The ID constituted a Rapid Action Cell (RAC) in 2007 for cases that require urgent action like, a child marriage happening or a false encounter might happen, etc. The RAC managed to prevent 515 such cases by taking urgent and rapid action.
- **Debates:** The ID holds debate competitions among the Personnel of Central Armed Police Forces and also in the Personnel of State Police Forces to increase awareness in human rights and their violation.
- **Places of Detention:** The ID conducts visits to places of detention as and when directed by the commission to investigate the complaints regarding poor living conditions.

3. **Policy Research, Projects and Programmes Division (PRP&PD):** The PRP&PD carries out research on human rights and organizes conferences, seminars and workshops on important human rights issues. Important issues are taken up in projects or programmes besides conducting policies, laws, treaties and other international instruments in force for the protection and promotion of human rights. The PRP&PD is handled by:
   - Joint Secretary (Training and Research)
   - Joint Secretary (Programme and Administration)
   - A Joint Director (Research)
   - Other research staff.
4. **Training Division:** It is responsible for spreading human rights literacy among various sections of the society. It trains and sensitizes various government officials and functionaries of the State and its agencies, non-government officials, representatives of civil society organizations and students on different human rights issues. Its activities and functions are:
   - Collaboration with the Administrative Training Institution, Police Training Institutions or universities and colleges.
   - Conducts internship programmes in colleges and universities.
   - Coordinates with Camp Commission Sittings or Open Hearings in various States/UTs
   - Organizes commission's annual functions.
   - Organizes visits of delegates and officials at the national or international level by following protocol.

   The Training Division is handled by:
   - A Joint Secretary (Training and research) as the head
   - Senior Research Officer (Training)
   - An Assistant and other secretarial staff
   - Under Secretary and supporting staff in the Coordination Section.
5. **Administration Division:** Its main function is to look after the establishment, administrative and related requirements. The Media and Communication Unit disseminates information on human rights through electronic and print media. The Publication Unit handles all publications of the commission and all RTI applications. It is headed by the Joint Secretary (Programme and Administration), who is assisted by a Director, Under Secretaries, Section Officers, Assistants and other secretarial staff.

The NHRC is swamped with cases but still feels the crunch of resources to follow them through. It has got its accreditation of 'A' category also which is a perfect score. In 90 per cent of the cases, the compensation is being granted according to NHRC statistics.

## Q2 *The National Human Rights Commission (NHRC) is a toothless tiger. Comment.*

**Ans.** The Supreme Court, on 14 July 2017, expressed regret over the reduction of the NHRC to a 'toothless tiger'. It stated, 'Considering that such a high-powered body has brought out its difficulties through affidavits and written submissions filed in this court, we have no doubt that it has been unfortunately reduced to a toothless tiger. We are of the clear opinion that any request made by the NHRC in this regard must be expeditiously and favourably respected and considered by the Union of India otherwise it would become impossible for the NHRC to function effectively and would also invite avoidable criticism regarding respect for human rights in our country,' the Bench, comprising Justice M. B. Lokur and Justice U. U. Lalit observed.[3]

The Supreme Court pointed out the issues in NHRC to be called a toothless tiger, which are:

- **Deficiencies:** The GANHRI did not grant accreditation to NHRC in 2016 because of poor performance owing to reasons like political interference and was granted 'A' status of accreditation only when the commission committed to the changes suggested by it. The PHR (Amendment) Bill, 2018 was outcome of this commitment. However, it is full of deficiencies and the selection committee constituted for the appointment of its Chairman is dominated by the ruling party.
- **Personnel:** The commission lacks the required personnel which has led to long delays in providing justice. Moreover, it has not been able to deliver justice in the 1,528 alleged fake encounter killings in Manipur in 2011.
- **Procedure:** The Supreme Court pointed out that the NHRC did not follow investigation with the victims' families in the concerned case verdict. The commission had given its conclusion without any application of mind and filed an administrative report based on magisterial enquiry report.

Besides the judgement of the Supreme Court, the commission faces challenges in taking action against members of the armed police. Since the guidelines given to the States are non-binding, their work is hampered. However, now it has a fast track system and provides relief at a faster pace. It needs an independent court of human rights so that there is better enforcement of human rights and must have the right to scrutinize the decisions made by the courts.

## Notes and References


1. About the Organization, http://nhrc.nic.in, retrieved on 10 April 2019.
2. Specialized Divisions and Staff, http://nhrc.nic.in, retrieved on 10 April 2019.
3. NHRC has been Reduced to a Toothless Tiger: Supreme Court [Read Judgment], https://www.livelaw.in, retrieved on 10 April 2019.

# 50 Problems of Administration in Coalition Regimes

## LEARNING OBJECTIVES

*After reading this chapter, you will learn about:*

- Problems faced during Administration in Coalition Regimes

## INTRODUCTION

When India got independence in 1947, the Indian Congress Party (INC) was powerful at the Centre as well as at the State level. The INC did not get any time to reform the administration and had to manage with the British colonial administrative system because the government had to deal with the unrest and riots in Punjab and border States after partition. It immediately slipped into the problem of rehabilitation of refugees and J. L. Nehru did not get time to revamp or reform the administration. The coalition regime in India has become a norm since 1977 at the Central level when Congress could not come into power after emergency. Before that, only State level experiments were made in 1967. In 1977, the non-Congress opposition parties came together to form the government at the Central level for the first time. It became a difficult task to keep all the parties together ridden with the problems of factionalism, manipulation and personal ambition of leaders. There have been multiple occasions after that when coalition governments came together in power and now it has become a norm. This chapter deals with the problems of administration in coalition regimes.

### Q1 *Examine the problems of administration in a coalition regime.*

**Ans.** Bureaucracy in a democracy has to face political ramifications because they are closely connected with the political executive in policy formulation as well as policy execution. They have their own political views and opinions also because they are living in the same society where political events are occurring continuously. Their close proximity with the political executive also makes them align with them and have political alignments in hope of favours of promotions and transfers. Lastly, the political executive also asks the bureaucrats to help in formulating policies which align with their political alignments.

Coalition parties do not remain politically stable because the different parties are always looking for their own agenda and this infighting leads to instability of the government. In an atmosphere of interparty conflicts, the administrators find the situation very complicated regarding the scattered

political ideologies and ambitions. In such a situation, the bureaucracy faces a lot of problems, which are given below:

1. **Weak Governments and Powerful Bureaucracy:** The coalition governments become instable and weak because of their infighting and form a weak Cabinet. The bureaucracy becomes powerful in such a scenario because the parliamentary control over bureaucracy also becomes weak. It is important that there is strong control over bureaucracy by the Parliament so that the aspirations of people are respected but this can be achieved only in a strong party system. The bureaucracy in a coalition regime can either become autocratic and take decisions as it wants, by playing the political executive or it can become totally complacent and refrain from taking any dynamic and enterprising initiatives.
2. **Percolation of Weakness:** The weakness in Parliament due to an amalgamation of regional parties in the mix of the ruling party percolates down to administration and then the lower levels of public functionaries. It can even lead to judicial activism in the face of weak administration and democracy.
3. **Central Authority:** The developmental tasks can be taken and initiated without any regional inequity only if the central authority is strong. A weak coalition party will be unable to formulate or implement any developmental programme without any bias because various parties would want more for their own constituencies. The administration faces problems of implementation when there is a diversity in orders and programmes from the political masters.
4. **Lack of Focus:** This point is a corollary from the above point itself. When there is political instability in the Central government, the ministers, the political executive, will have very less time for their ministries and the bureaucracy will have to face a lack of focus from the ministers. The bureaucracy will be left on its own to deal with running of the government.

The coalition regimes can wok successfully only if the leader of the political parties as the Prime Minister is a strong personality who can keep the different ideologies in alignment in a 'Common Minimum Programme'. The civil service can retain its strength provided the political executive is united and focussed on the development of the country equitably.

# 51 Citizen-Administration Interface

## LEARNING OBJECTIVES

*After reading this chapter, you will learn about:*

- Characteristics of Citizen-Administration Interface
- Why Citizen Administration Interface is needed?
- Measures taken for Citizen-Administration Interface

## INTRODUCTION

Citizen-administration interface means the involvement of citizens in public affairs. The public affairs that are relevant to citizens cover a wide range of activities like public services, social and physical infrastructure. Administration exists for the citizens as a means to an end in which the end is the delivery of service. It has no purpose to exist to serve its own existence except to serve the citizens by ensuring that the service delivery is being carried out efficiently, effectively and in a timebound manner. In India, this concept is not a new one because we have its evidence in Kautilya's *Arthashastra* which emphasized on the happiness and welfare of a King's subjects in which the King's happiness resides. This concept began fading with centuries during the invasions by foreigners whose main purpose was to rule for revenue collection and fill their coiffeurs. The concept was revived by Mahatma Gandhi in *Su-raj* (स्वराज) which can be translated to good governance in the present times. This chapter shall cover the features, need and measures taken *in lieu* of citizen-administration interface.

### Q1 *Discuss the features and need of citizen administration interface.*

**Ans.** The citizens are at the core of good governance with regard to the Worldwide Governance Indictors, which are given below in Figure 51.1.

***Figure 51.1: Constituents of Good Governance***

**Source:** Twelfth Report, Citizen Centric Administration, https://darpg.gov.in, retrieved on 11 April 2019.

From the Figure 51.1 above, it can be seen very clearly that all the constituents of good governance have the citizen at its core. The citizen has to be satisfied in his/her life with all the facilities and opportunities that are expected from the government. The State can withdraw and stay away from a market-oriented economy as much as it wants but it cannot shirk away from social welfare of the people and the programmes for them. Good governance rests on four pillars, which are shown in Figure 51.2.

***Figure 51.2: Pillars of Good Governance***

The features of citizen-administration interface, hence, include all the constituents of good governance so that the citizen's rights are protected. The Constitution of India includes the fundamental rights and Directive Principles of State Policy (DPSP) which embodies the concept of a welfare state guiding the administration to keep the citizen in mind in the delivery of all public services. The legal framework in the country supports the citizen-administration interface.

One needs to clarify here the minor difference between citizen-centric administration and citizen-administration interface. The former comprises the concept while the latter is its application, that is, the way to achieve the concept of citizen-centric administration is citizen-administration interface.

Interface literally means a point at which two systems, subjects or organizations meet. This convergence in citizen-administration interface is between the citizens and the administration. The problems that the citizens of India faces are many but two major issues come up again and again —unemployment and farmer distress. Regional disparity in development and growth have left the citizenry poor and frustrated. There is a general perception that no one cares or listens to them. Here, we shall discuss the need of citizen-administration interface, which is given below:

1. **Gap between Citizens and Administration:** The rural population in India as per the Census 2011 is 68.84 per cent while he urban population is 31.16 per cent.[1] A general notion among the rural population according various research studies conducted is that the existence of government agencies meant for administration does not make a difference in their lives because they do not do anything. Bribery at lower levels of government functionaries is very common because that is the perception to get things done.
2. **Attitude of Administrators:** The Indian citizen, whether rural or urban, faces a distant and arrogant attitude from the administrators because when he/she goes to a government office, there is no one who responds to the complaint or even simple answers like whom to meet for the particular issue of the individual. The citizen has to wait for a long time and if there are forms to be filled, he/she finds no help. A citizen usually comes back frustrated or even if he/she is able to file a complaint, considering that he/she is a literate or someone helped him/her, there is no guarantee of when the complaint will be resolved, despite of Public Service Guarantee Acts.
3. **Differential Rule Adherence:** The common man sees the civil servants going on foreign tours and living a flashy lifestyle while the rules are slapped at common man for austerity. This leaves the common man with a feeling of cynicism that no one cares for him while rules are only for them. This results in a trust deficit in administration. Bribery and influence are used by citizens in frustration and belief that that is the only way their grievance can be redressed. Bribing the lower public functionaries or finding a contact who can get things done is the culture that has developed among people.
4. **Response for Complaints:** The citizens expect a response as to what happened to their complaint but in most cases, they are not even given a receipt that their complaint has been lodged. The complainant needs a direct answer if the grievance can be redressed or not and if not, then why and if yes, till when. If such a system can be achieved by the administrators, the whole situation will change positively. The general population has very small genuine problems that have a major importance for them. Resolving their issues will give them a satisfaction that the common man is important for the administration.
5. **Obsolete Rules:** Most of the rules and forms have been an inheritance from the British administration. The administrators need to simplify the processes and forms must be simple to fill. Usually, the complainant is fraught by the time the person understands which papers are required to submit.
6. **Secretiveness:** The administrators act in a secretive way which means that they are on the lowest levels of governance as one of the constituents of good governance is openness and transparency for which the RTI Act also come to help the citizens. Usually, files are marked as 'secret' or

'confidential' just to avoid any controversy or a court case. The need of the hour is to explain to the citizen why those things that he is demanding cannot be done with rationality. It is very likely that the complainant shall understand the reasoning instead of just shutting him out.

The above-given reasons are enough to emphasize the importance of a citizen administration interface so that there is a mutually beneficial relationship between the two. After all, the administrators are there to serve the citizens and if the citizens are not happy, then they are not performing their jobs properly. However, the lack of awareness of fundamental rights and duties amongst the citizens prevents them from holding erring government servants to account. Mostly, this lack of awareness also results in the citizens not adhering to their duties and infringing on the freedom and rights of others. Hence, governance need to be made 'citizen-centric' by promoting platforms for citizen administration interface.

## Q2 *Discuss how the citizen-administration interface can be initiated in all areas in India. Explain measures in the building and implementing the framework have been taken so far by the Government of India?*

**Ans.** 'Minimum Government, Maximum Governance' is the new mantra for good governance and for developing a good citizen-administration interface or also called citizen engagement. It is an interactive two-way process that encourages participation, exchange of ideas and flow of conversation and cannot be restricted to grievance redressal. Ideally, it requires governments to:

- Permit participation in agenda setting
- Ensure that policy or project proposals that are generated as a result of this engagement are taken into account while making a final decision[2]
- Establishing a responsive government.

It also implies that the citizen-government relationship seeks accountability from the service providers through increased dialogue, consultation and by monitoring and assessing performance internally and externally. However, it is not so easy in a country like India with diversity in abundance. The major issues are:

- High rural population, making outreach and determination of service access point difficult.
- Low literacy rates, necessitating assisted access model of service delivery.
- Low rural teledensity, lowering the outreach of services in rural areas.
- Multilingual population, necessitating delivery of services in local languages.

The problems in the implementation e-governments is poor understanding of user needs or as the case in India is, the poor accessibility of internet in all the areas. However, efforts in India have been doubled to provide for digital connectivity while all offices dealing with the delivery of services or grievances have been computerized with online portals.

### Citizen Engagement Framework

Citizen-administration interface involves careful planning and implementation through a sound framework in which all stakeholders are able to voice their inputs along with a feedback mechanism. It must be made clear here that citizen-administration interface includes Citizen Engagement. The Ministry of Electronics and Information Technology (MeitY) has put together the Framework for Citizen Engagement to enhance the citizen-administration interface, given below in Figure 51.3 with a brief description thereafter.

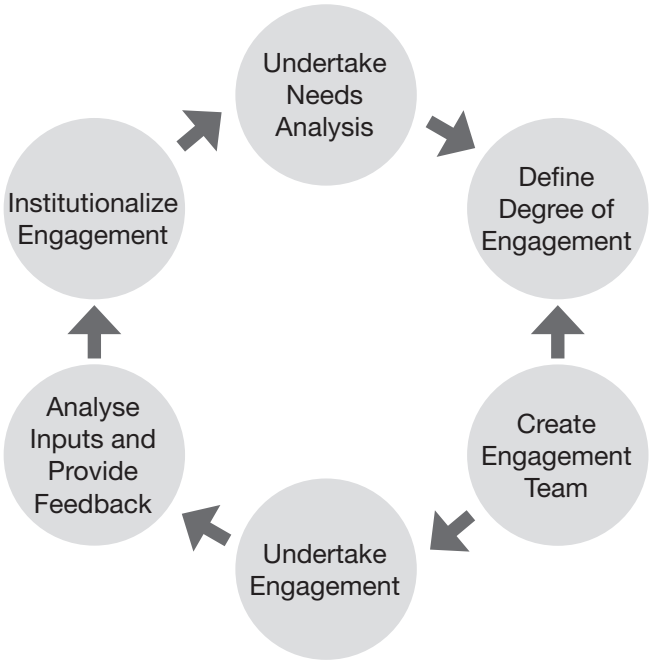



***Figure 51.3: Citizen Engagement Framework***

**Source:** https://meity.gov.in/writereaddata/files/Framework%20for%20Citizen%20Engagement%20in%20NeGP.pdf as accessed on 11 April 2019.

The critical elements necessary for smooth and meaningful engagement between the citizens and government are:

1. **Undertaking Needs Analysis:** Identification of the need/objective is an important first step otherwise it will be a futile distracted effort. A detailed Departmental Project Report must be prepared to ensure its effective implementation, conforming to quality standards and improvement after the completion of the project. In an ongoing project also, there are opportunities to engage with citizens, especially, in e-governance projects.
2. **Defining Degree of Engagement:** The degree of public participation can be decided by the project managers and the MeitY recommends the first three levels given below in Figure 51.4.

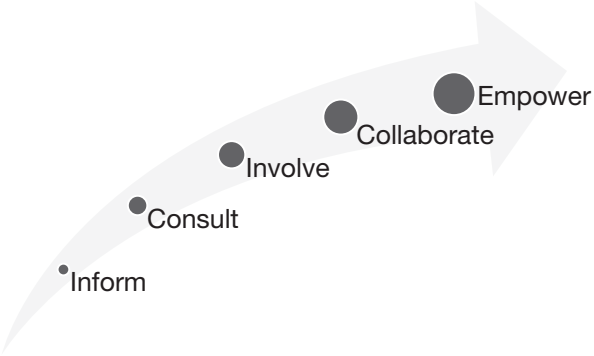



***Figure 51.4: Public Participation Spectrum***

**Source:** IAP@. (C) 2007 International Association for Public Participation[3]

Towards the end of the engagement process, the final two steps of collaboration and empowerment can be covered. The engagement must consider the goals, project stage, stakeholders, legal and administrative requirements.

3. **Creating Citizen Engagement Team:** A team must be prepared for engagement combining internal (decision makers/service providers) and external (beneficiaries, civil society organizations or elected representatives) stakeholders. The team must include:
   - Developing background information
   - Publicizing the effort
   - Designing benchmarks and criteria for evaluation
   - Identifying and recruiting participants
   - Selecting tools for citizen participation
   - Reporting the outcomes of the process
   - Making recommendations based on the outcomes.
4. **Undertaking Engagement:** Since undertaking engagement is a cyclical process, the tools and techniques must be identified according to the stage of the project, for example, baseline surveys, online consultations, etc.
5. **Techniques of Engagement:** Although there are various techniques that can be employed in citizen administration interface, they can be broadly classified into online and offline engagements. Guidelines of the use of social media are also being made.
6. **Institutionalization of Engagement:** The institutions responsible for the engagement and interface must be identified and trained accordingly.

## Techniques of Citizen Administration Interface

The solutions that the Government of India has given are e-governance, single window system, process simplification, information sharing, consultative meetings and shared decision-making. They are briefly discussed below:

1. **E-governance:** The Government of India has websites of almost every government agency and it has directed the departments and agencies to put all relevant information in public domain. This helps the citizens to be well-informed as well as contact them if required.
2. **Single Window System:** This system helps in speeding up the processes as it is a single window clearance system. For a common man, paying bills, whether it is electricity bill, water bill, submission of police verification forms, property tax bills, etc., it is extremely simple to go to the window for his task. Such e-*sampark* centres have been opened in a large number so that they are accessible to all.
3. **Consultative Meetings:** The government agencies must have consultative meetings with the people so that there is a mutual understanding of expectations between both the parties.
4. **Process Simplification:** Process simplification is very important to improve the interface between the citizens and the government because the citizens are mostly frustrated with the number of forms and stages that have to done before getting permissions or licenses. Steps are being taken to simplify processes to increase the ease-of-doing business.
5. **Information-sharing:** As mentioned before, the government departments and agencies have their websites and information put out but if a citizen needs some specific information, he can access that information by filing an application through the Right to Information Act, 2005.

In a country like India, the front end interfaces between the citizen and the administration must have a sensitive human element. Digital initiatives are helping in speeding up this process but most of all, improvement is required in the sensitization of public functionaries.

## Conclusion

A humane culture in public offices in direct public dealing must be promoted. Rudeness and a non-responsive attitude of government functionaries discourages the common man to go to the government offices. Mostly, they feel that no one listens to them and remain bereft of benefits. As discussed above, the interface between the citizens and the administration must be improved by sensitizing public functionaries and easing out the procedures. Moreover, citizen engagement is the larger picture that needs to be achieved.

## Notes and References

1. Rural Urban, http://censusindia.gov.in, retrieved on 11 April 2019.
2. Framework for Citizen Engagement in e-Governance, https://meity.gov.in, retrieved on 11 April 2019.
3. Public Participation Spectrum, https://www.iap2.org.au, retrieved on 30-04-2019

# 52 Disaster Management

## LEARNING OBJECTIVES

*After reading this chapter, you will learn about:*

- Constitutional Provisions and Initiatives taken in India regarding Disaster Management
- Preparedness of Disaster Management (DM) on ground level in India
- Initiatives taken for Disaster Management
- Counter-measure plans during Disaster Management

## INTRODUCTION

The United Nations defines a disaster as a serious disruption of the functioning of a community or a society caused by hazardous events. Disasters involve widespread human, material, economic or environmental impacts and losses, which exceed the ability of the affected community or society to cope using its own resources.[1]

The Red Cross and Red Crescent Societies define disaster management as the organization and management of resources and responsibilities for dealing with all humanitarian aspects of emergencies, in particular preparedness, response and recovery in order to lessen the impact of disasters.[2]

The Disaster Management Act, 2005 in India defines disaster management as a continuous and integrated process of planning, organizing, coordinating and implementing measures which are necessary or expedient for:

- Prevention of danger or threat of any disaster
- Mitigation or reduction of risk of any disaster or its severity or consequences
- Capacity building
- Preparedness to deal with any disaster
- Prompt response to any threatening disaster situation or disaster
- Assessing the severity or magnitude of effects of any disaster
- Evacuation, rescue and relief
- Rehabilitation and reconstruction.[3]

### Q1 *Discuss the constitutional provisions and initiatives taken in India regarding disaster management.*

**Ans.** Environment has two related issues, the first being, the relationship of man with nature and the second issue is regarding the dichotomy which emerges between development and livelihood on the one side and needs of conservation on the other. Before understanding the National Disaster Management Act, 2005, it is important to study the constitutional provisions, which are:

**Article 21:** No person shall be deprived of his life or personal liberty except according to procedure established by law. This implies that the government must make all possible efforts to be resilient in the face of disasters to reduce the destructive impact on infrastructure, livelihoods and lives.

**Article 38:** The State must secure a social order for the promotion of the welfare of people in which justice, social, economic and political shall inform all the institutions of national life.

**Articles 48A and 51 A:** It requires the State and the citizens to protect and improve the natural environment.

The above-mentioned provisions cover aspects both of development and livelihood as well as protection and development of environment and natural resources. The impact of man on nature began with the Industrial Revolution in the 18th century which led to the exploitation of destruction of land and forest to promote agriculture, industrial use, mining, construction of houses and infrastructure projects, fuel wood, energy and for sport. Marine life is facing exploitation and depletion of fossil fuels, minerals, etc., and destruction of rare plant and animal life. The situation has been worsening and we are seeing the effects of global warming with the fear of destruction of our planet earth. The icebergs and glaciers are melting causing floods and disasters.

The initiatives taken by the Government of India for disaster management are given below:

## (I) High-Powered Committee, 1999

The first initiative towards formulating a systematic, comprehensive and holistic approach to all disasters, was the setting up of a High-Powered Committee (HPC) under the Chairmanship of J. C. Pant. It made comprehensible model plans for disaster management at the national, state and district level.[5]

## (II) The National Committee on Disaster Management, 2002

It was formed after the earthquake in Gujarat under the Chairmanship of the Prime Minister with representatives of national and state level political parties for catalyzing and enabling the preparation of disasters management plans and suggesting effective mitigation mechanisms.

## (III) National Disaster Management Authority (NDMA), 2005

**Composition:** The Central government shall establish the NDMA with the following composition:

- The Prime Minister as the Chairperson
- Nine other members nominated by the Chairperson
- Vice Chairman to be nominated by the Chairperson.

The meetings shall be held when the Chairman thinks it is necessary. Other employees shall be hired as considered important by the Central government.

**Functions:** The NDMA shall have the responsibility for laying down policies, plans and guidelines for disaster management for ensuring timely and effective response to disaster. The functions of the NDMA would be:

- Lay down policies on disaster management
- Approve the National Plan
- Approve plans prepared by the ministries or departments of the Government of India in accordance with the National Plan

- Lay down guidelines to be followed by the State authorities in drawing up the State Plans
- Integration of polices, plans and measures for prevention of disaster or the mitigation of its effects in their development plans and priorities
- Recommend provision of funds for the purpose of mitigation and help other countries in need of help
- Lay down policies and guidelines for the functioning of the National Institute of Disaster Management.

**National Vision:** According to the NDMA Act, the national vision is to build a safer and disaster resilient India by developing a holistic, proactive, multi-disaster and technology driven strategy for DM. This will be achieved through a culture of prevention, mitigation and preparedness to reduce the impact of disasters on people. The entire process will centre stage the community and will be provided momentum and sustenance through the collective efforts of all government agencies supported by Non-Governmental Organizations.

## (IV) The State Plan

According to the NDMA Act, the States must make a State Plan for disaster management which must be reviewed annually. It must be prepared by the State Executive Committee according the guidelines laid down by the State Disaster Management Authority (SDMA). The plan must be formulated after a detailed vulnerability assessment and risk analysis of a State.

**Guiding Principles for the Preparation of State Plans:** The plan process aims at strengthening communities, elected local bodies and state administration's response and preparedness. The plans must be prepared with a participatory approach with the community in mind. The communities must understand their vulnerabilities and the plans must be made based on the following guidelines:

- Vulnerabilities of the specific State
- Measures for prevention and mitigation of disasters
- Integration of mitigation measures with national plans
- Capacity building and preparedness
- Specifying the role of the department in the State which will carry out these measures
- Review and updation of the plan annually.

## National Policy on Disaster Management (NDPM) (2009)

The NDPM was approved by the Union Cabinet on 22 October 2009, with the vision to build a safe and disaster resilient India by developing a holistic, proactive, multi-disaster oriented and technology driven strategy through a culture of prevention, mitigation, preparedness and response. The primary responsibility for disaster management rests with the State government concerned helped by the institutional mechanism put in place. The government must learn and adopt new strategies with every disaster. The National Disaster Response Force (NDRF) has performed relief operations in India and abroad. Its achievements have been tremendous in saving human lives, retrieval of dead bodies, training community volunteers, stakeholders and SDRF personnel.[6]

**Strengthening of SDMAs and DDMAs (2018):** In 2018, the NDMA initiated a scheme to strengthen the SDMAs and DDMAs to improve their effectiveness and making them functionally operational by providing all disaster management professionals for taking up measures for the prevention, mitigation,

preparedness and capacity building to deal with the threatening disaster situation or disasters. The scheme was approved for ₹ 42.5092 crores for implementation in all States/UTS for a 20-month period ending in 31 March 2018. Under this scheme, 36 states/UT's and 256 DDMA's were selected.

**International Agreements:** India has realized the need to shift from a post disaster reactive approach to a pre-disaster proactive approach and in 2015, adopted three international agreements, which are:

**(i)** Sendai Framework for Disaster Risk reduction
**(ii)** Sustainable Development Goals 2015–2030
**(iii)** Paris Agreement on Climate Change.

India is a member of a variety of international organizations like the United Nations, G-20, Association for Southeast Asian Nations (ASEAN) Regional Forum (ARF), IMF, WB, WTO, Indian Ocean Rim Association, observer to the Organization of American States, SAARC and many others.

The role of the government must focus more on preparedness, prevention and mitigation rather than a relief-centric approach which intends to wait for the disaster to occur and then react to it. Issues like medical preparedness, awareness generation, training needs analysis, plan for human resources, early warning and forecasting system standards for relief, rehabilitation, etc. Senior citizens, NGOs, self-help groups, community-based organizations and women must be involved in disaster risk reduction activities. Gram Sabhas must also be included and made aware of the issues. The Armed Forces are a significant component of India's disaster management structure and are mandated to assist the civil administration only when the circumstances only when the circumstances of the disaster are beyond the State's coping capacity and when requested by the Civil Administration. Additionally, the Central paramilitary Forces (CPMFs), the State Police Forces and Fire Services, Civil Defence and Home Guards and the State Disaster Response Force (SDRF) play a role in disaster response.[8]

## Q2 *Examine the preparedness of disaster management on ground level in India.*

**Ans.** India is one of the vulnerable country in the world that are disaster prone, whether they are man-made or natural. About 58.6 per cent of land mass is prone to earthquakes of various intensities, over 40 million hectares is prone to floods, about 5700 km out of 7516 km long coastline prone to cyclones and 68 per cent land susceptible to drought.[9] The disaster management also includes psychosocial support and mental health services for the victims of the disaster victims. However, when a disaster strikes in any part of India, the lack of preparedness comes to the forefront. Most of all, construction of dwellings, industries, infrastructure facilities is being done in areas of disaster vulnerability without any consideration of safety norms.

The floods in Uttarkashi in Uttarakhand in 2013, damaged most of the houses at the riverbanks of river Ganges but when the relief funds were released, people built houses on the same location. There is no preparedness to prevent damage to their houses if the waterflow increases again. Same is the case in Kerala when there was an unprecedented rainfall in Kerala and the gates of all major dams had to be opened which caused the worst flooding in the last century. There needs to be non-structural measures for flood forecasting to provide early warning in flood prone areas to be prepared and resilient for flood management. The disaster relief authorities need to make announcements loud and clear if the warnings have to be given to the people.

Coordination of all agencies, the NDRF, SDRF, warning systems, Fire Departments and other such departments, is very important so that in the event of a disaster, there is a proper mechanism in place. Mock drills must be done from time to time to evaluate how successful the planning is.

## The National Disaster Management Plan

In 2016, the Prime Minister of India presented the National Disaster Management Plan, prepared by the NDMA, to make India disaster resilient. The plan incorporates the approach enunciated in the Sendai Framework for Disaster Risk Reduction (DRR) 2015–2030, which is an agreement under the auspices of the United nations to which India is a signatory. By 2030, the Sendai Framework aims to achieve substantial reduction of disaster risk and losses in lives, livelihoods and health and in the economic, physical, social, cultural and environmental assets of persons, businesses, communities and countries. The NDMP has been aligned broadly with the goals and priorities set out in the Sendai Framework for DRR. The plan includes measures that will be implemented over the short, medium and long-term.[10]

**Vision:** Make India disaster resilient, achieve substantial DRR and significantly decrease the losses of life, livelihoods and assets—economic, physical, social, cultural and environmental, by maximizing the ability to cope with disasters at all levels of administration as well as among communities.

**Reducing Risks:** The role of central agencies is to support the disaster affected State or the UT in response to requests for assistance. For each hazard, the approach used in this national plan incorporates the four priorities the four priorities in the Sendai Framework with five thematic areas for action.

Sendai Priorities: They are:

1. Understanding disaster risk
2. Strengthening disaster risk governance to manage disaster risk
3. Investing in disaster risk reduction for resilience
4. Enhancing disaster preparedness for effective response and to 'Build Back Better' in recovery, rehabilitation and reconstruction.

Thematic Areas for Action:

**(i)** Understanding risk
**(ii)** Inter-Agency coordination
**(iii)** Investing in DRR—Structural measures
**(iv)** Investing in DRR—Non-structural measures
**(v)** Capacity development

**Response:** Response measures are taken immediately either after receiving early warning, anticipating an impending disaster or post-disaster where there was no warning. The disaster management must be updated from time to time according to changes in technology. The NDMA will be the coordinating agency with the relevant nodal ministry to provide a quick and efficient response. The State government will activate the Incident Response Teams (IRTs) at state, district or the block level as required. The IRTs will coordinate with the State Emergency Operations Centre and the SDMA to provide technical support. This is explained in Figure 52.1 below.

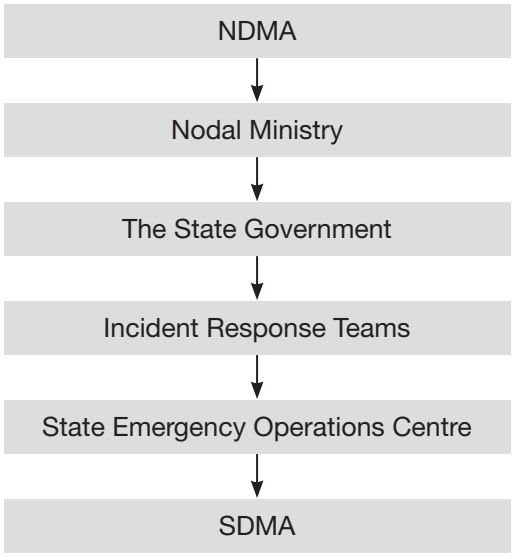



***Figure 52.1: Response***

**Recovery and Building Better:** The approach towards post-disaster restoration and rehabilitation has shifted to one of better reconstruction. The recovery, rehabilitation and reconstruction phase is meant for building better integration of DRR into development measures and making communities resilient to disasters.

**Capacity Development:** The planning needs of capacity development are described for all the four aspects of disaster management:

1. Prevention or mitigation to reduce risk from hazards
2. Preparedness for response
3. Effective response
4. Ability to recover and build back better.

**Financial Arrangements:** The financing of disaster relief has been an important aspect of federal fiscal relations. The primary responsibility lies with the State governments while the Union governments supplement their efforts through logistic and financial support. There are:

- National Disaster Response Fund
- State Disaster Response Fund
- District Disaster Response Fund

## The NDMP

The plan has ten chapters giving a detailed chapterwise framework for all government agencies for all phases of disaster management cycle, given below in Figure 52.2.

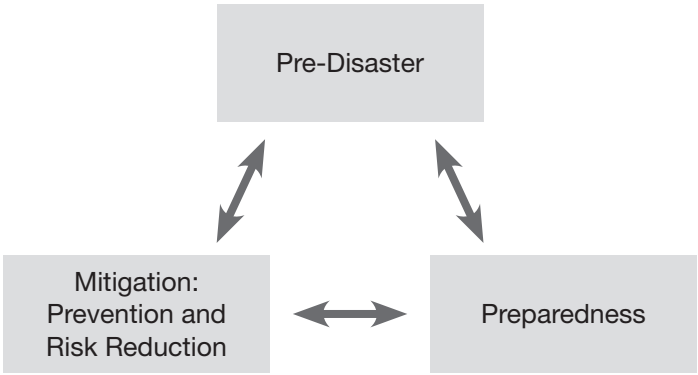



***Figure 52.2: The Disaster Management Cycle***
***Pre-Disaster***

The Figure 52.3 explains the post-disaster process:

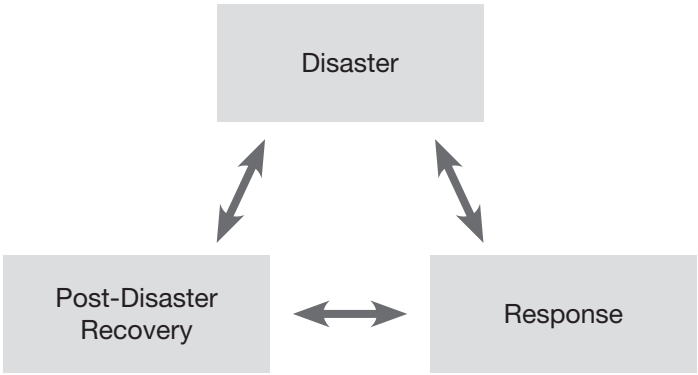



***Figure 52.3: Post-Disaster Process***

To sum up, India plays an active role in global initiatives on disaster management. The Government of India, as a matter of policy does not issue any appeal for foreign assistance in the wake of a disaster. However, if the national government of another country voluntarily offers assistance as a goodwill gesture in solidarity with the disaster victims, the Central government may accept the offer. The government will accept assistance from UN agencies only if it deems it necessary. The plan states a framework that will improve the DRR and build resilience.

## Notes and References

1. What is Disaster Management, https://www.wcpt.org, retrieved on 12 April 2019.
2. *Ibid.*
3. The Disaster Management Act, 2005, https://ndma.gov.in, retrieved on 12 April 2019.
4. What is Disaster Management, https://www.wcpt.org, retrieved on 12 April 2019.
5. Preparation of State Disaster Management Plans, https://nidm.gov.in, retrieved on 12 April 2019.
6. Ministry of Home Affairs, http://pib.nic.in, retrieved on 12 April 2019

7. Brief on the scheme 'Strengthening of SDMAs and DDMAs', https://ndma.gov.in, retrieved on 12 April 2019.
8. India: Disaster Management Reference Handbook: August 2018, https://reliefweb.int, retrieved on 12 April 2019.
9. Disaster Management In India, https://www.unisdr.org, retrieved on 12 April 2019.
10. National Disaster Management Plan (NDMP), Adapted from: https://ndma.gov.in, retrieved on 12 April 2019.

# Annexure

## ANNEXURE 1: ROLE OF FINANCE COMMISSION

**Other Issues to be studied by the XV FC**

1. **Revenue/Fiscal Deficit:** Present status, targets, if any, and methodology for fixing targets, measures taken, problems encountered in achieving targets, projection for the base year 2019–20, as well as for the award period 2020–25 of Fifteenth Finance Commission (XV FC). The challenges emerging in fiscal management at Union may be elucidated including possible sources of shocks and realistic approaches to mitigate impact of such shocks. Details of incentives and disincentives that can be implemented for sound fiscal management at Union levels may be commented.
2. **Tax-GDP Ratios:** Assumptions regarding GDP growth rate, Growth Rates/Buoyancies for item-wise tax, performance as against norms recommended by Fourteenth Finance Commission in the restructuring programme; assessment of tax revenue potential, measures taken to improve the ratio, problems faced, projections for the base year and for the award period of Fifteenth Finance Commission.
3. **Tax Expenditure:** The time series data of the tax expenditure (sector-wise) for every item of taxation (both direct as well as indirect) may be provided for the years 2010–11 onwards along with tax concessions/tax exemptions provided.
4. **Cess/Surcharge:** Particulars of cesses/surcharges levied by the Union government. Basis and prevailing rates of each cess. The details of actual collection of Cess/Surcharge, the amount spent for the purpose for which they are levied and the amount unspent since 2010–11 onwards. Whether yield from any of these cesses/surcharges are transferred to State governments (by way of grant or share and on what basis) or spent directly by the Union government on specific items.
5. **Non-Tax Revenues:** Assessment of performance and potential. Performance should be assessed relative to relevant bases:
   - **(i)** Interest receipts relative to outstanding loans
   - **(ii)** Dividends relative to equity, investment, etc.
   - **(iii)** Telecommunication license fees
   - **(iv)** Universal access levy, etc.
   - **(v)** Specific year-wise (F.Y. 2015 to 2025) details be given of dividends received from RBI——actual and projections up to F.Y. 2025.
6. **Reimbursement of Cost of Deployment of Central Forces:**
   - **(i)** Details of bills raised against State governments for deployment of Central Police/Paramilitary Forces and amount actually recovered from 2010–11 onwards (State-wise information).
   - **(ii)** Details of claims made by State governments for reimbursement of expenditure on security related matters and amounts settled and outstanding from 2010–11onwards.
7. **Non-Debt Capital Receipts:** Details of receipts realized out of sale of 'Land and Building' owned by the government may be provided from the year 2010–11 to 2017–18.
8. **Additional Resource Mobilization:** Scope for additional resource mobilization up to the base year and in each year till the end of the award period of the Fifteenth Finance Commission.

9. **Goods and Services Tax (GST):**
   - **(i)** A general brief on GST scheme be provided and its implementation from 1 July 2017.
   - **(ii)** Impact of GST including payment of compensation for possible loss of revenue for five years, and abolition of a number of cesses, earmarking thereof for compensation and other structural reforms programme, on the finances of the Centre and States (ToR). (Information may be provided State-wise).
   - **(iii)** Claims made by States on compensation for GST and amount settled/outstanding.
10. **State Level VAT:**
   - **(i)** Provide impact of inclusion of commodities still under VAT in GST on revenues of the States. Impact thereof on compensation to be paid to the States on Union Finances.
   - **(ii)** Claims made from States on compensation for CST and amount settled/outstanding from 2010–11 onwards.
11. **Concessions for Special Economic Zones:** The likely impact on revenue of Union government for giving the concessions in duties/taxes for Special Economic Zones (SEZ) for the period of 2010–11 to 2024–25 and scope of additional resource mobilization.
12. **Status report on Central Public Sector Enterprises (CPSEs):**
   - **(i)** Profitability norms and targets for Central Public Sector Enterprises (CPSEs), guidelines for dividend declaration, Normative dividend income of the Central government in the last five years based on guidelines, actual dividend income received, reasons for shortfall, measures adopted by the Central government to ensure dividend declaration by CPSEs, system for monitoring dividend receipts.
   - **(ii)** CPSE-wise financial results for the last five years along with balance sheet and profit and loss account with detailed explanatory note on the performance.
13. **Disinvestment of Central Public Sector Enterprises (CPSEs):** CPSEs identified for disinvestment/privatization, targets for disinvestment, achievements in the last five years, projections up to 2024–25. Problems encountered during disinvestment process and strategies for the future.
14. **Status of Departmental Undertakings:** Income, expenditure and profitability of departmental undertakings specially railways and P&T in the last five years.
15. **Subsidies:**
   - **(i)** Direct and indirect, merit and non-merit-purpose, rates, justification, results of evaluation done, if any, comments made in audit reports, expert studies, etc., services where cost recovery through user charges is low, reasons. Impact of subsidies on Union Finances, measures adopted to phase out subsidies. Major subsidies like food, petroleum and fertilizers are being met from multiple sources. Details of the amounts met out of budget, borrowings in form of oil/fertilizers bonds or otherwise and the agencies (i.e., Oil Companies/FCI) own resources. A detailed note on financing of the subsidy out of different sources and the trends from 2010–11 with projections till 2024–25 may be provided. In addition, details of the subsidy requirement or subsidy accrued against the amounts actually met and the arrears may be detailed for the time period mentioned above. The scope for and limits to tax expenditures and subsidies at Union and State levels may also be provided.
   - **(ii)** Impact of Direct Cash Transfers/Direct Benefit Transfers on subsidies be commented including the details of scheme introduced. Any bearing of the scheme on fiscal federal structure may also be commented.
16. **Liabilities towards Oil, Food, Fertilizer and SBI Bonds:** Liabilities of Union government on account of oil, food, fertilizers, SBI bonds and any other Central government liability for the year 2010–11 onwards may be provided.
17. **Staff Composition:**
   - **(i)** Details of the number of Central government employees category-wise falling in Groups A, B, C and D from the year 2010–11 may be provided. It may also be indicated, how many posts, category-wise have been abolished or kept in abeyance as an economy measure.
   - **(ii)** Details of contractual employees from the year 2010–11 may kindly be furnished. Whether the outsourcing of activities has led to reduction in salaries may be provided.
18. **Pay Commission:** The details of impact of Seventh Pay Commission on Union Finances be provided.

19. **Merger of Plan and Non-Plan Expenditure:** Government has done away with the plan and non-plan classification of expenditure in the Union Budget, 2017–18. The detailed implementation and its impact may kindly be provided.
20. **Merger of Railway Budget with the General Budget:** Government has merged the Railways Budget with the General Budget in the Union Budget 2017–18. The detailed implementation and its impact may kindly be provided.
21. **Centrally Sponsored Schemes:**
    - **(i)** The details of rationalization of Centrally Sponsored Schemes (CSS) in accordance with the National Development Agenda and its impact on State finances/expenditure will be released by the XV finance commission in the near future.
    - **(ii)** The details of other social sector schemes, for example, *Swatch Bharat* Mission, AMRUT, Smart City Housing for All by 2022 Mission, etc., may be provided.
    - **(iii)** Provide the details of any other scheme undertaken by the Union government for Centre and States.
22. **Other Schemes:**
    - **(i)** Student should also collect information on implementation of Ujwal Discom Assurance Yojana (UDAY) and its impact on State finances may.
    - **(ii)** Achievements in implementation of flagship schemes of Government of India, disaster resilient infrastructure, sustainable development goals, and quality of expenditure (ToR).
    - **(iii)** Progress made in increasing capital expenditure, eliminating losses of power sector, and improving the quality of such expenditure in generating future income streams (ToR).
    - **(iv)** Progress made in increasing tax/non-tax revenues, promoting savings by adoption of Direct Benefit Transfers and Public Finance Management System, promoting digital economy and removing layers between the government and the beneficiaries (ToR). The suggestions/recommendations on performance-based incentives may be provided.
    - **(v)** Progress made in promoting ease of doing business by effecting related policy and regulatory changes and promoting labour intensive growth (ToR). Impact thereof on improvement in government finances.
23. **Mitigation of Foreign Exchange risk in respect of Externally Aided Projects:** Present status of implementation of Foreign Exchange risk mitigation mechanism as recommended by the previous Finance Commissions in respect of externally aided projects implemented through State governments. Views of the Union government on the requests made by State governments for setting up mitigation mechanism.
24. **Maintenance of Capital Assets:** Norms for maintenance of capital assets of the Central government and its departmental undertakings, break-up of salary/wage and non-salary/non-wage components of maintenance expenditure, expenditure during the award period on existing assets and those expected to be commissioned by March 2020.
25. **Interest Burden:** Steps taken for debt swap/repayment of loans advanced by the Central government—savings expected thereof.
26. **Interest payment on Market Stabilization Scheme:** The trends for the debt servicing requirements under the Market Stabilization Scheme from 2010–11 onwards and the projections for the period 2018–19 to 2024–25 may be detailed.
27. **Loans to Foreign Governments:** Lines of credit extended to foreign governments/countries, with details of repayments, rescheduling and write-offs under HIPC or any other initiative (2011–12 to 2016–17).
28. **Committed Expenditure and Liabilities:**
    - **(i)** The demand on the resources of the Central government particularly on account of defence, internal security, infrastructure, railways, climate change, commitment towards administration commitments towards administration of UTs without legislature, defence, internal security, infrastructure, and other committed expenditure and liabilities (ToR).

**(ii)** Assessment, treatment and transparency in meeting contingent liabilities of Union including unfunded liabilities may be commented. Further fiscal assessment and accounting of liabilities arising out of Public Private Partnerships (PPPs) at Union level may be detailed.

29. **Impact of Fiscal Situation:** The impact on the fiscal situation of the Union government of substantially enhanced tax devolution to States following recommendations of the Fourteenth Finance Commission coupled with the continuing imperative of the national development programme including New India 2022 (ToR).
30. **Reserve and Other Funds:** Details of various funds being maintained within or outside public account, the balances, amounts credited and debited each year for each fund from 2010–11 onwards.
31. **Action on the Recommendations of Fourteenth Finance Commission:** Status of action taken on the recommendations of Fourteenth Finance Commission, both quantitative and qualitative. These may be indicated against each of the items listed out in Chapter 18—Summary of Recommendations. Reasons for non-compliance/non-acceptance of recommendations if any may also be given.
32. **Assumptions for Forecasts:** A note, indicating the considerations and assumptions on the basis of which forecasts for revenue and expenditure heads are made may be provided.
33. **Restructuring of Union Finances:** A note indicating plan for restructuring Union Finances aimed at restoring budgetary balance and achieving macroeconomic stability may be provided.
34. **Guarantees given by Government:** Status note on guarantees and other committed liabilities of the government. Details of budgetary provisions made by the government to honour guarantees, either on default of the borrower or otherwise may be provided for the years 2010–11 onwards.
35. **Viability Gap Funding:** A note on Concept of 'Viability Gap Funding' with special reference to the provisions made, if any, in 2018–19 budget and its impact on Union Finances.
36. **Budget Provision for Union Territories:** A note regarding the manner in which revenue and expenditure of each Union Territory (with and without legislature) is accounted for in the budget; whether any share from the Central tax revenue is given to Union Territories. Union Territory-wise details thereof may be furnished.
37. **Outcome Budget:**
    **(i)** A note on the experience with outcome budgets and its impact on quality of public expenditure.
    **(ii)** In order to have a better planning and resource allocation process, monitoring of application of resources in government schemes and development of a robust Public Finance Management, a need has been felt by the government to review the present classification of government transactions which is the basic tool for capturing the Budgeting and Accounting Data. The details and status of implementation of the C. S. Sundarmurti Committee constituted by the Ministry of Finance for adoption of new classification of government budget and accounts may kindly be provided to Fifteenth Finance Commission.
38. **External Borrowings by States:** A view on whether the Union government will allow the States to go for the external borrowings.
39. **Defined Contributory Pension Scheme:**
    **(i)** Trends in the number of employees covered under the Defined Contributory Pension Scheme, their contribution to the fund, the contribution of the government towards the fund and a detailed note on the administration of the scheme.
    **(ii)** How many States have so far adopted the New Pension Scheme (NPS)?
    **(iii)** Whether NPS has been implemented with regard to Public Sector Enterprises and Autonomous Bodies?
    **(iv)** A note on the status of setting up database of employees and pensioners may be provided.
    **(v)** Whether any other pension reforms have been initiated? If so, the date, and details of the reform initiative.
40. **Administrative Reforms:**
    **(i)** Innovations introduced by Union government in the last seven years (2010–11 onwards) and how have these impacted on improvements in service delivery, efficiency and cost reduction?
    **(ii)** Are there any schemes to give incentives for innovation? If so, what has been the impact?
    **(iii)** Has business process re-engineering been introduced in any of the Departments of the Union government? If so, what is the impact?

41. **FRBM Act, 2003:**
    - **(i)** The rolling targets as percentage of GDP for fiscal deficit were fixed at 3.0 per cent in 2018–19 and will remain at same level during 2019–20. The revenue deficit targets fixed at 1.6 per cent in 2018–19 and targeted to reduce at 1.4 per cent during 2019–2020. What are the measures/steps that have been taken out by the Union government to achieve these targets and future plan to further reduce the fiscal and revenue deficits?[1]
    - **(ii)** Whether Union government adhered to limit set out in FRBMA for guarantees and additional liabilities as a percentage of gross domestic product?
    - **(iii)** Information on the annual targets set out in FRBMA statements and their achievements year-wise after enactment of the Act.
    - **(iv)** Detailed note on the amendments to the FRBM Act, 2003 may be provided.
42. **Fiscal Responsibility and Budget Management (FRBM) Committee:** The FRBM Committee under the Chairmanship of Sh. N. K. Singh had submitted its report to Government of India. The committee had wide-ranging Terms of Reference (ToR) to comprehensively review the existing FRBM Act in the light of contemporary changes, past outcomes, global economic developments, best international practices and to recommend the future fiscal framework and roadmap for the country. Subsequently, the Terms of Reference were enlarged to seek the committee's views on certain recommendations of the Fourteenth Finance Commission and the Expenditure Management Commission. These primarily related to strengthening the institutional framework on fiscal matters as well as certain issues connected with new capital expenditures in the budget. The detailed follow-up action and time frame, if any, for implementation of the report may kindly be provided.
43. **Disaster Management Act, 2005:** The size of the funds so constituted under the Disaster Management Act, 2005 (53 of 2005), the policy framed for their management as well as the fund position may be suitably elaborated.
44. **The Status of Implementation of e-Samiksha and PRAGATI: e-Samiksha:** A real time online system for monitoring and follow-up action on the decisions taken by the government at the apex level in respect of implementation of important government's programmes/projects. PRAGATI is a multipurpose, multimodal platform for Pro-Active Governance and Timely Implementation. The status of implementation and resultant performance monitoring may be commented.
45. **Accounting Standards in India:** The status of accounting standards formulated and adopted by the Union government may be provided.
46. **Expenditure Management Commission:** The government had constituted an Expenditure Management Commission, to look into various aspects of expenditure reforms to be undertaken by the government. Expenditure Management Commission has submitted its report to the Government of India. The details regarding its implementation, and impact thereof, may be provided.
47. **Management of Cash Balances—A brief on management of cash balances:** Steps taken for prudent management of cash balances and results achieved thereof, may be listed. Suggestions on how states can better manage their cash balances may also be furnished.
48. **Public Debt Management Agency:** The details regarding setting of Public Debt Management Agency (PDMA) may be provided. The timeline for the PDMA to be fully functional may also be furnished.

## Notes and References

1. https://fincomindia.nic.in/

# ANNEXURE 2: CONSTITUTIONAL PROVISIONS – STRUCTURE, RECRUITMENT, TRAINING AND CAPACITY BUILDING

## Annexures 2.1: Article 310

**(i)** Except as expressly provided by this constitution, every person who is a member of a defence service or of a civil service of the Union or of an All-India service or holds any post connected with defence or any civil post under the Union holds office during the pleasure of the President, and every person who is a member of a civil service of a State or holds any civil post under a State holds office during the pleasure of the Governor of the State.

**(ii)** Notwithstanding that a person holding a civil post under the Union or a State holds office during the pleasure of the President or, as the case may be, of the Governor of the State, any contract under which a person, not being a member of a defence service or of an All-India service or of a civil service of the Union or a State, is appointed under this Constitution to hold such a post may, if the President or the Governor, as the case may be, deems it necessary in order to secure the services of a person having special qualifications, provide for the payment to him of compensation, if before the expiration of an agreed period that post is abolished or he is, for reasons not connected with any misconduct on his part, required to vacate that post.

## Annexures 2.2: Article 311

**(1)** No person who is a member of a civil service of the Union or an All-India service or a civil service of a State or holds a civil post under the Union or a State shall be dismissed or removed by an authority subordinate to that by which he was appointed.

**(2)** No such person as aforesaid shall be dismissed or removed or reduced in rank except after an inquiry in which he has been informed of the charges against him and given a reasonable opportunity of being heard in respect of those charges.

[Provided that where it is proposed after such inquiry, to impose upon him any such penalty, such penalty may be imposed on the basis of the evidence adduced during such inquiry and it shall not be necessary to give such person any opportunity of making representation on the penalty proposed: Provided further that this clause shall not apply—

**(a)** Where a person is dismissed or removed or reduced in rank on the ground of conduct which has led to his conviction on a criminal charge; or

**(b)** Where the authority empowered to dismiss or remove a person or to reduce him in rank is satisfied that for some reason, to be recorded by that authority in writing, it is not reasonably practicable to hold such inquiry; or

**(c)** Where the President or the Governor, as the case may be, is satisfied that in the interest of the security of the State it is not expedient to hold such inquiry.

**(3)** If, in respect of any such person as aforesaid, a question arises whether it is reasonably practicable to hold such inquiry as is referred to in Clause (2), the decision thereon of the authority empowered to dismiss or remove such person or to reduce him in rank shall be final].

## Annexures 2.3: Prevention of Corruption Act, 1988: Section 32

**(i)** Any person in the service or pay of the government or remunerated by the government by fees or commission for the performance of any public duty;

**(ii)** Any person in the service or pay of a local authority;

**(iii)** Any person in the service or pay of a corporation established by or under a Central, Provincial or State Act, or an authority or a body owned or controlled or aided by the government or a government company as defined in Section 617 of the Companies Act, 1956;

**(iv)** Any judge, including any person empowered by law to discharge, whether by himself or as a member of any body of persons, any adjudicatory functions;

**(v)** Any person authorized by a court of justice to perform any duty, in connection with the administration of justice, including a liquidator, receiver or commissioner appointed by such court;

**(vi)** Any arbitrator or other person to whom any cause or matter has been referred for decision or report by a court of justice or by a competent public authority;

**(vii)** Any person who holds an office by virtue of which he is empowered to prepare, publish, maintain or revise an electoral roll or to conduct an election or part of an election;

**(viii)** Any person who holds an officer by virtue of which he is authorized or required to perform any public duty;

**(ix)** Any person who is the president, secretary or other office-bearer of a registered cooperative society engaged in agriculture, industry, trade or banking, receiving or having received any financial aid from the Central government or State government or from any corporation established by or under a Central, Provincial or State Act, or any authority or body owned or controlled or aided by the government or a government company as defined in Section 617 of the Companies Act, 1956;

**(x)** Any person who is a chairman, member or employee of any Service Commission or Board, by whatever name called, or a member of any selection committee appointed by such Commission or Board for the conduct of any examination or making any selection on behalf of such Commission or Board;

**(xi)** Any person who is a Vice-Chancellor or member of any governing body, professor, reader, lecturer or any other teacher or employee, by whatever designation called, of any University and any person whose services have been availed of by a University or any other public authority in connection with holding or conducting examinations;

**(xii)** Any person who is an office-bearer or an employee of an educational, scientific, social, cultural or other institution, in whatever manner established, receiving or having received any financial assistance from the Central government or any State government or local or other public authority.

***Source:*** India: The Prevention of Corruption Act, 1988, https://www.oecd.org, retrieved on 02 March 2019.