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EFFECTIVENESS OF FINANCIAL ADMINISTRATION IN MANIPUR IN THE RECENT YEARS

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ABSTRACT
This study primarily utilized secondary data as tools for analysis, including sources published by the Government of Manipur, such as the Annual Finance Statement, Economic Survey of Manipur, Report of the Comptroller and Auditor General of India, and the Handbook of Statistics on Indian States by the Reserve Bank of India and the Government of India. The findings emphasize that a sound and robust financial framework is crucial for effective governance. Therefore, the financial machinery of the state must be regulated systematically to ensure both current efficiency and future developmental prospects. Furthermore, governmental departments need to coordinate effectively and ensure financial assistance to prevent the underutilization of resources. This requires a focus on economic development through enhanced activities and strategic planning. The analysis reveals that Manipur's tax elasticity is higher compared to the national average. As a result, the Central Government should prioritize tax devolution specifically for Manipur. Additionally, reforms in the state's financial policy and fiscal discipline are essential to improve its overall economic framework.

Keywords: Economy, Government, Finance, Planning, Reformation

1. INTRODUCTION
The financial administration, in the word of M.S. Kendrick means “ the financial management of Government including the preparation of the budget, method of administering the various revenue resources, the custody of funds, procedures in expending money, keeping of the financial record and the like”(M.S.Kendrich,1951). Finance is inseparable with any form of Government and it is the life blood of all monetized socio-economic formations. Finance is the fuel for the engine of Public Administration. Mr. Lloyd George is reported to have once remarked that Government is finance. According to Kautilya , “All undertakings depend upon finance. Hence, foremost attention shall be paid to the treasury”. A sound financial system and its proper administration is of great importance and just pre-requisite for efficient discharge of Government responsibilities and Government functions and for maximum optimization of social welfare. “In planned seconomy, financial administration is a tool for the achievement of results but if the finance machinery is slow-moving and if the attitude of the personnel is not attuned to the task of economic development, the results expected of financial management cannot be assured” (P.R.Dubhashi, 1976). B.N. Gupta also asserted that “In a democratic form of

Government, soundness and efficiency of financial administration become all the more important, otherwise governmental actions and policies remain ineffective,…".

Thus, a sound financial administration is a prerequisite for any successful form of Government. Financial administration involves means for accurately determining the revenue and expenditure needs of the State, enactment of revenue and appropriation laws for meeting these needs and the establishment of audit and accounting system that will examine and furnish a detailed report on the manner in which these laws are administered. It is an important function of the legislator to see if the public money is spent properly and to control any misuse or wrong diversion of funds by the executives. So, it will be worthwhile to examine the effectiveness of legislative control over public expenditure and public revenue in the State.

Financial Machinery

Like other state, there is also a Finance Department in Manipur which administers the finances of the State. A finance department is responsible for managing an organization's financial processes and decisions. A finance department can help an organization run more smoothly and become more competitive. It controls income and expenditure while also ensuring effective Government running. The State Finance Minister is in charge of the Department and he is assisted in discharging his duties by the staff of the Finance Commissioner. The Finance Minister holds the office as long as he commands the confidence of the house.

Budget

The budget is a major instrument for launching new economic policies and procedures. It should create an impact on the economy and help to build, confidence in all sections that the right policies are firmly formulated and implemented. According to Marshal Dimock, "A budget is a financial plan summarizing the financial experience of the past standing current plan and projecting it over a specified period of time in future". The Finance Department of Manipur has been entrusted with the responsibility of preparing an Annual Financial Statement of estimated revenue and expenditure, which is laid before the Legislature by the Finance Minister on behalf of the Government.

The budget of the State is prepared with the help of administrative departments, the Finance Department and Accountant General of the State. The procedure is similar to the one adopted by the Government of India. The work for the preparation of budget estimate for the next financial year starts in the month of September of every year. The Estimating Officers submit proposals involving new expenditure through their Head of Departments to Administrative Departments in the Secretariat by September. Other estimates of standing and continuing charges are submitted by the Estimating Officers to the Head of Department by October. The Head of Department submit the estimates to the Administrative Departments, Finance Department and Accountant General. Discussion on budget proposals takes place between the Secretary, Department of Finance and the Secretaries of the Administrative Departments as also between the Finance Ministers and other Ministers and then submit it to the Cabinet. After the budget has been considered and passed by the Cabinet, it is presented to the Legislative Assembly toward the end of February or beginning of March every year on such day as the Governor appoint.

The present budgetary classification details the expenditure incurred on various items, year to year changes in item wise expenditure, as well as changes in total expenditure. But it neither throws light to the extent on which physical targets have been achieved nor it does indicate the different items of expenditure that will help to achieve the objectives of Executive Government or State Legislature. Thus, existing method of budgetary classification do not reveal the physical targets and physical achievements during a financial year. This can be provided by a performance classification or performance budgeting and programme budgeting which lay greater emphasis on the achievements of the Government. Government expenditure, classified on a performance basis, provides the Legislature an effective means to check that the executive is really achieving what they indicated at the time when they put forward their requests for funds.

Though the State is not position to adopt the techniques of performance budgeting immediately due to some technical difficulties or lack of trained hands in the planning and Budgetary Wings of the State, the State must ensure to adopt these techniques in near future.

Control Over Expenditure – Procedure

The control over public expenditure in the State may be discussed broadly under the following three hands:

1. Administrative Control;
2. Audit Control, and

3. Legislative Control.

Administrative Control

The administrative control implies that control made by the controlling officers or Head of Departments over the expenditure incurred by their disbursing offices. It is generally emphasized that the sum provided in an estimate of expenditure must be such as can be spent in the year should be either smaller or larger, in order to ensure that estimate are as close and accurate as possible. Administrative approvals are to be taken from the component authorities, if the expenditure or sanction is in excess of the financial powers delegated to a disbursing officer. The administrative Officers are expected to surrender the savings immediately they are foreseen without waiting till the end of the year and no money should be spent hastily or in an ill-conceived manner. The Government regards it as a rush of expenditure particularly in the closing month of the financial years.

Audit Control

In a democracy, where the sovereignty of the people is exercised through parliament, elected usually on adult franchise, the importance of adult has increased due to the fact that the democratic legislature find it difficult to control the financial activities of the executive because of the considerably increased in their work assignments. It is for the proper exercises of these important aspects of control that parliament has been armed with a constitutional audit authority, in the Office of the Comptroller and Audit General to check, scrutinize and review public account. The Accountant General of Manipur, as a responsible for the preparation of accounts and conducting their audit.

Legislative Control

Article 266 of the Indian Constitution provides that all revenues received, all loans by the Union or the State shall be paid into the Consolidated Fund of the Union of the State, as the case may be, and that no money can be withdrawn out of the Fund, except in accordance with law and for the purposed and in the manner provided for in the constitution. The legislature exercises control over public expenditure at two stages: (1) when the budget proposals are presented before the House for sanction and (2) after the money have been appropriated and spent. During the budget session, the legislature gets an opportunity to discuss the fiscal policies of the Government before approving the financial estimates. Authorizing the expenditure proposals and tax measures is only the first phase of legislative control.

Public Accounts Committee

The Legislative control over Public Expenditure at the second stage is generally made through the Public Account Committee. At the commencement of each session a committee on Public Accounts is constituted by the Legislative assembly of Manipur. The Public Accounts Committee consists of not more than nine members who are elected by the House from amongst its members. Some of the Secretariat (Legislative Assembly) personnel are also assisting them. The functions of the Public Accounts Committee are to see that (1) the money granted by the State Legislature was spent by the Executive Government within the scope of the demand and in accordance with the wishes of the Legislative; (2) more provision has been made than necessary and (3) expenditure has been incurred intelligently and economically. The committee conducts their inquiries on the report of the Comptroller and Auditor general of India and Appropriation Accounts and detecting fraud, irregularities, malpractice and misappropriations and about the disciplinary action taken against particular officers found responsible for loss or wastage of public funds.

Estimates Committee

Another committee of Manipur Legislative Assembly that exercises control over public expenditure of the Executive Government is the Estimates Committee. The Estimate Committee discusses the estimates of selected departments; (1) to report what economies, improvements in the departmental organization and administrative reform consistent with the policy underlying the estimates , may be affected, (2) to examine if the money is well laid-out within the limits of the policy implied in the estimates, (3) to suggest alternate policies in order to bring about efficiency and economy in administration and (4) to suggest the form in which the estimate can be presented in the Assembly.

Committee on Public Undertakings

There is also another Committee known as Committee on Public Undertakings, to examine and consider the functioning of some State Governments undertakings and some Government Departments such as: (1) The Manipur State Road

Transport Corporation, (2) The Manipur Spinning Mill Corporation, (3) The Manipur Khandsari Sugar Factory, (4) The Manipur Small Scale Industries Corporation, (5) The Manipur Handloom and Handicraft Corporation, (6) The Manipur Tasar Corporation, (7) The Manipur State Trading Department, (8) The Manipur_Electronic Corporation and (9) The Manipur Electricity Corporation. The committee also examines the causes of inefficiencies, malpractices and ill-management in these undertakings and make suggestions to the Government to remove these inefficiencies. Thus the committee also exercises a control over public expenditure in one aspect.

There are many indicators of effectiveness of financial administration in a state on a country. One of the good indicator of effectiveness of financial administration is difference between budget estimate and actual. Closer the difference between the two i.e. budget estimate and actual value indicates effectiveness and good preparation of budget presentation . Larger the degree of difference between the indicate slackness and rough preparation of budget without having a concrete fiscal policy and objective of achieving a sustainable economic growth in a state.

Table No. 1
Variations between Budget Estimate and Actual (Manipur)

Year	**Actual Rs. in Cr.**	**Budget Estimate Rs.in Cr.**	**Difference Variations Rs.in Cr**	**Variations in %**
2010-11	5430	4025	1405	**34.90%**
2011-12	5653	5882	-229	**-3.89%**
2012-13	6820	6668	152	**2.27%**
2013-14	7283	8057	-774	**-9.10%**
2014-15	7998	7447	551	**7.39%**
2015-16	8280	9630	-1350	**-14.01%**
2016-17	9129	9368	-239	**-2.55%**
2017-18	10358	10394	-36	**-0.34%**
2018-19	10562	12649	-2087	**-16.49%**
2019-20	10684	13157	-2473	**-16.49%**
2020-21	12982	18083	-5101	**-28.20%**
2021-22	14091	21520	-7429	**-34.52%**

Source: Annual Finance Statements, GOM, 2010-11 to 2023-24.

It is revealed from table no. 1 that there is no regularity in the difference between budget estimate and actual values. The excess of actual over budget estimate was as high as 34.90% in the fiscal year 2010 and saving (i.e. the excess of budget estimate over actual value) was as high as (-) 34.52% in the financial year 2021- 22 .

As per State Finances Audit Report of the Comptroller of the Audit General of India for the year Ended 31 March 2020, it is highlighted that “Against the total budget provision of Rs. 20,961.51 crores, State Department incurred expenditure of Rs. 17,165.50 crores during 2019-20, resulting in net overall savings of Rs. 3,796.01 crores . The overall savings was the net result of savings of Rs. 5,925.94 crores offset by an excess of Rs. 2,129.93 crores”. Further it has also been pointed out that “ During 2019-20 there was excess expenditure over provisions in two cases under one appropriation amounting to Rs. 2129.93 crores of these, in one case viz. Appropriation NO.2- Interest payment and Debt services (capital charged), there was persistent excess expenditure during the last five years period from 2015-2020 which reflects improper budgeting ". Savings of budgetary provisions are reflective of inability of the department to spend the allotted funds. Persistent savings and non-surrender of funds need a closer monitoring to identified the department to review their budget allocations and ensured providing budgetary provision base on priorities of developmental programmes/skills. There are many glaring examples of ill-management and haphazard preparation of Annual Budgets in Manipur. The budgets estimate value of both expenditures and revenues are worked out without computing the actual needs to achieve the targets/objectives of the proposed works or revenue to be undertaken during the budget period as well as in the subsequent years if it is to be continued. This is vividly shown in the Report of the Comptroller and Audit General of India for the year ended 31March 2020 and 2022

Budget and Expenditure

The summarised position of Budget Provision and Actual Expenditure during 2015-21 of the Grant is given in the Table No.2

Table No. 2

Summarised position of Budget Provision and Actual Expenditure

(Rs. in crore)

Grant No. 17	**2015-16**	**2016-17**	**2017-18**	**2018-19**	**2019-20**	**2020-21**
Total Budget Provision	**177.24**	**226.01**	**223.22**	**314.99**	**331.86**	**407.60**
Expenditure	104.27	114.58	134.98	134.48	170.78	234.29
Savings	72.97	111.43	88.24	180.51	161.08	173.31
Savings (in Per cent)	**41.17**	**49.30**	**39.53**	**57.31**	**48.54**	**42.52**
i) Revenue Provision	**129.17**	**144.21**	**170.42**	**242.38**	**244.67**	**295.61**
Expenditure	104.27	104.24	114.64	131.97	154.57	195.42
Savings	24.90	39.97	55.78	110.41	90.10	100.19
Savings (in per cent)	**19.28**	**27.72**	**32.73**	**45.55**	**36.83**	**33.89**
ii) Capital Provision	**48.07**	**81.8**	**52.8**	**72.61**	**87.19**	**111.99**
Expenditure	0.00	10.34	20.34	2.51	16.21	38.87
Savings	48.07	71.46	32.46	70.10	70.98	73.12
Savings (in per cent)	**100**	**87.36**	**61.48**	**96.54**	**81.41**	**65.29**

Source: Report of The Comptroller and Auditor General of India For the year ended 31 March 2020, GOM, Report No. 3 of 2021 & For the ended 31 March 2022, GOM,Report No. 3 of 2023.

As can be seen from the above table, there were persistent savings during the period 2015-21 under the Grant ranging from 39.53 to 57.31 per cent of the budget provision during the same period. This was both under Revenue and Capital provisions. The savings under the Capital provisions ranged between 61.48 to 100 per cent. Persistently large savings is indicative of incorrect assessment of actual needs and calls for a critical review of budget preparation exercise of the Department.

Surrender of Savings

As per Rule 62(1) of GFR,2017 Grants/Appropriations, which are anticipated to remain unspent must be surrendered as early as possible before the close of the financial year. The position of savings and surrender under the grants was per detain shown in Table No.3

Table No.3
Details of Savings During 2015-21
(Rs. in crore)

Grant No. 17	**2015-16**	**2016-17**	**2017-18**	**2018-19**	**2019-20**	**2020-21**
Total Budget Provision	177.24	226.01	223.22	314.99	331.86	407.60
Expenditure	104.27	114.58	134.98	134.48	170.78	234.29
Savings	72.97	111.43	88.24	180.51	161.08	173.31
Total Surrender	0.00	14.00	0.00	0.00	2.55	43.40
Surrender as a percentage of savings	0.00	12.56	0.00	0.00	1.58	26.20

Source : State Finances Audit Report of The Comptroller and Auditor General of India For ended 31 March 2020, GOM, Report No. 3 of 2021 & For year ended 31 March 2022, GOM, Report No. 3 of 2023.

Out of total budget provision of Rs. 1453.92 crore for the Grant during 2015-21, there were savings of Rs. 784.46 crore (53.95per cent). However, only Rs. 59.95 crore constituting 7.64 per cent of total saving was surrendered.

Further, excess of expenditure over budgetary provision under different grants is a serious laps of budget rules and dilutes legislative approval over budget. Department which has incurred excess expenditure persistently should be identified to closely monitor their progressive expenditure and to seek supplementary grants/reappropriations in time.

Another indicator of effectiveness of financial administration in Manipur is increasing trends of revenue expenditure. Revenue account expenditure is generally treated as consumption expenditure which does not enhance developmental activities. Increasing trends of revenue expenditure need to be corrected by identifying potential wasteful expenditure and adopting economy measures across department. It is revealed from Table No. 4 that during the period of our analysis i.e. 2015-16 to 20121-22 the total revenue expenditure increased by 70.18 per cent from Rs.8280 Crore in 2015-16 to Rs,. 14,091 Crore in 2021-22. Further the expenditure on General Services which is generally treated as non-developmental expenditure constituted about 42.28 per cent on average of the total revenue account expenditure during the same period. Not only that the percentage share, though a little erratic, also increased from 41% in 2015-16 to 47% in 2021-22. On the other hand the percentage share on Social Services and Economic services constitute 27% and 30.71% respectively. Not only that the percentage share of Economic Services decreased from 32% in 2015-16 to 25% in 2021-22. Thus the emphasis on developmental activities has been decreasing during the period of our analysis.

Table No. 4
Pattern of State (Manipur) Revenue Account Expenditure.

Year	Total Revenue Account Expenditure in Rs. Cr.	General Services % Share	Social Services % Share	Economic Services % Share
2015-16	8280	41	27	32
2016-17	9130	43	24	33
2017-18	10358	39	28	33
2018-19	10562	41	27	32
2019-20	10684	45	28	27
2020-21	12983	40	27	33
2021-22	14091	47	28	25

Source : Annual Financial Statements, GOM, 2015-16 to 2023-24.

Further, the laxity in tax revenue mobilization can be seen clearly from Table No.5 in which the budget estimate far exceeded the actual realization. The percentage variation between budget estimates and actual collection ranges between -1.10% to -19.96%. In fact, the shortfall in tax collection drastically increased during the twenties. In other words, the tax collections of the State have been decreasing during the Covid pandemic and recent ethnic clashes in the State.

Table No. 5
Difference Between Actual Tax Revenue and Budget Estimate (Manipur).

Year	Budget Estimate in Rs. Cr.	Actual in Rs. Cr.	Variations in Rs. Cr.	Variations in %
2015-16	3909.23	3692.86	-216.23	-5.53
2016-17	4229.09	4343.80	114.71	2.71
2017-18	5000.31	4945.26	-55.05	-1.10
2018-19	5956.34	5744.64	-211.7	**-3.55**
2019-20	6395.75	5248.89	-1146.75	**-17.93**
2020-21	6955.07	5566.46	-1388.61	**-19.96**

Source : Annual Financial Statements, GOM, 2016-2017 to 2022-2023.

However, Table No.6 below shows that though there has been laxity and shortfalls in tax revenue mobilization, the tax elasticity of the State during the period 2015-16 to 2020-21 was 2.38 against the All India average 1.53.

Table N0. 6
Relative Comparison of Tax Elasticity Between All States (India) and Manipur During 2015-16 to 2020-21

Year	India		Manipur	
	Annual GSDP Growth in %	Annual Tax Growth in %	Annual GSDP Growth in %	Annual Tax Growth in %
2015-16	8.56	8.88	7.73	6.77
2016-17	9.26	7.59	9.03	6.34
2017-18	6.89	19.44	21.11	106.13
2018-19	6.29	7.46	6.20	-4.96
2019-20	4.71	0.75	8.85	4.69
2020-21	-3.39	-4.26	-0.12	7.72
Average	4.33	6.64	8.8	21.1
	All India Tax Elasticity = 1.53		Manipur Tax Elasticity = 2.38	

Source: Handbook of Statistics on Indian States, RBI 2022-23; Economic Survey Manipur, 2022-23.

2. CONCLUSION

There cannot be any denial of the fact that a consciously plotted and pursued budgetary policy is conspicuous by its absence as far as Manipur finances are concerned. The current outlays on education, health etc. are considered a s investment in human capital inrecent economic literature; and they are not accompanied by an expansion in goods and services in the short run, though they may increase the earning capacity of individuals apart from conferring social benefits. And the rest of the current expenditure may be for direct public consumption such as defence, law and order or supplementing private consumption through social service for augmenting private saving or consumption through subsidies and other forms of fiscal transfers. The state has not yet adopted any concrete fiscal policy. Even then the fiscal impact can be translated by examining in state's means of financing and pattern of public expenditure and its financial condition. It is a matter of the fact that the state's heavy expenditures on non-development administrative services and human capital formation heads and other infrastructural construction heads and lack of expenditure on directly productive heads such as agricultural and industrial sectors have created an imbalance between producing and absorbing sectors thereby creating drawback in the state's economy.

Lack of priorities on immediate need consumption goods producing sector are also made the State facing the problem of high price spiral, by creating an imbalance between demand and supply of goods and services. This is because of the fact that the plan and non-plan expenditure has been increasing tremendously during the last decade or so due to massive increase in the Central Government loans and grants. On the other hand, as most of the resources are diverted to non-productive or semi productive heads, the agricultural and industrial productions are being slackened. In fact, the expenditure policy adopted in the State does not corroborated with the fiscal policy designed for economic development in a developing economy. Now, a massive change in the pattern and allocation of public expenditure is already due and a new expenditure policy should be designed and adopted to ensure that a balance growth is maintained. Not only that there must be changes in the public expenditure policy, there is also an urgent need for a change in the tax structure of the State. The state tax system also suffers from its rigidity, inelastic character and ill administration. It cannot mop up a significant proportion of the increase in income in the hands of people due to huge expenditure in recent years.

The financial machinery in the state is quite inefficient and financial control over public expenditure as well public revenue is also quite ineffective. The administrative control over public expenditure is marked by extreme slackness. The increasing idle investment of govern-ment funds, faulty planning, inordinate delay in accepting tenders, embezzlement of public money, increasing wasteful and infructuous expenditures certainly tells that the control over public expenditure is quite ineffective. Lack of administrative control over misappropriation of public money, under-estimation and erroneous fixation etc. are also obvious examples of ineffective control. Thus the whole financial system in the State is quite ineffective, ill-administered and ill-managed. The above discussion reveals that the state need to formulate a concrete mid-term fiscal policy with a view of long term perspective of economic development. Strict financial discipline should be maintained in all financial related matters viz. , enhancing resource mobilization efforts, control of increasing unproductive and wasteful public expenditure and efficient management of public debt.

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CONFLICT OF INTEREST

None.

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