

TOWARDS AN ECONOMICAL ADMINISTRATION IN INDIA

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"People must come to accept private enterprise not as a necessary evil, but as an affirmative good."

—Eugene Black

President, World Bank

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Public Administration and administration in Government fill a large place in the lives of the people of India. It has filled a large place ever since the British came to feel that they had higher and greater responsibilities than merely collecting the revenues and maintaining law and order. For various reasons, the State has been obliged to undertake a number of activities which it would not be called upon to undertake in other countries. The backwardness of the people, economic, educational and social, forced the Government, in spite of its political philosophy to undertake activities which went against its grain. Those who are old enough will recollect how difficult it was for Lord Morely, the Secretary of State for India, to agree to an Industries Department being established in Madras. It was against his political philosophy that the State Government should have anything to do with industry. He opposed the proposal tooth and nail and it was only because the Madras Government and the Government of India persisted that he allowed an Industries Department to be established in Madras.

Filling such a large place in the public life of the country, the Government of India has been an expensive Government. It has to do so many things that it has reconciled itself to the expenditure of large sums of money on itself, on its departments, and on its departmental activities. We seem to have lost sight of

the fact that the money with which we have to work is the money of the people and that the people is one of the poorest people on the surface of the earth; and, therefore, it is very necessary that Government should make the best use of the money of the people. The taxable capacity of the people of India is very low. The money available to the Government is limited. And, therefore, it must try to do the best it can, with the money that it would be able to get from the people. But our Government, in recent years especially, has acted in the spirit of "the new poor" trying to ape the manners of the new rich. The new rich can afford to be extravagant because they have the money to play with: But the "new poor" have no money and it would be very wrong of them to ape the manners of the rich and to affect luxury and extravagance. One proof in illustration of the gaiety with which modern Governments in India spend the money of the people is the new Secretariat buildings that have arisen in almost every state capital in India. The architecture of this decade has been distinguished not by the building of fine museums or picture galleries but by the erection of huge secretariat buildings. They have not been satisfied with the secretariat buildings left to them by the British Government.

Every statesman worth his salt believes that expenditure is the most important part of financial administration of a Government. Let us examine whether the organisation of the Government of India is economical. First of all, in the Central Government, there are too many departments. Edmund Burke was of the opinion that an economical administration requires an economical constitution. Unfortunately, we cannot say that

we have an economical constitution. To start with, its printing has been very expensive. It is the longest constitution in the world or that history has ever known. It runs into about 300 pages. The entire constitution of the U.S.A. was put into about 10 pages. And there is especially one Section of our constitution, the Directive Principles of State Policy, which almost encourages the Government to be as extravagant as possible. But fortunately there is one feature of the Constitution which is conducive to economy. That feature is the Federal structure. The subjects of Government have been divided so that the State Governments have jurisdiction over certain subjects of administration which are primarily and principally their concern. Education, Health, Agriculture and Industry have been made State subjects. The chief subjects of administration of the Central Government are Defence, Foreign Affairs, Trade and Commerce, and National Highways.

One would have thought that with this division of subjects between the States and the Centre, the Government of India would not have departments of its own for State subjects. But we find at the Centre an Education Ministry, a Health Ministry and an Agriculture Ministry. These Ministries cost a good deal of money. For instance, the Education Ministry — field services excluded — costs about Rs. 68.92 lakhs. The Education Ministry, with a subject not primarily and principally the concern of the Centre, has a number of people who find time hanging on them heavily. Therefore, first of all, it appoints committees on every possible educational problem. Then it issues circulars, recommendations and suggestions of all kinds, because the

Secretaries, Deputy Secretaries, Joint Secretaries, Under Secretaries and Superintendents must have some work to do. They therefore manufacture work. One interesting and curious part of that work is what they call the development of cultural and international activities. They spend as much as Rs. 26 lakhs on that. Sahitya Akadami, Sangeeta Akadami and all sorts of cultural institutes are encouraged by the Central Government. Grants and subsidies are given to these. Encouragement of culture and international relations is a luxury which only rich Governments can afford. But a Government so poor as ours need not indulge in these unnecessary pastimes. After all the culture of India did not require the Government of India to develop it. Rabindranath Tagore, Premchand in the north and Bharati in the South were not encouraged by State Governments. For all the money spent on promotion of culture and international relations, the results do not come up to expectations.

The Central Ministry of Health alone spends Rs. 13.54 lakhs. Health is a State subject. The result, however, is that the Health Department is not able to do anything to promote health or sanitation in the country. There is a famous report, the Bhore report on public health, containing all kinds of recommendations. All those recommendations stay pretty in the book. They have not been translated into action and the Report is almost a dead letter.

Agriculture spends as much as Rs. 73.59 lakhs. Agriculture is also a State subject. The Ministry of Law costs the country about Rs. 19.39 lakhs. Here again, the Department of Law was established by the British Administration — as is well known, Lord

Macaulay was the first Law Member — because they had to promulgate a number of laws necessary for the new administrative system they were setting up. A new Penal Code, a new Code of Criminal Procedure and other laws had to be prepared by the Ministry of Law; and so the Department of Law was established by the British Crown. But after independence there is no need for such a Ministry of Law because any Ministry which wants a law in order to further its purpose could indulge in such legal activities. If the Labour Ministry wants a Labour Law, then it can call upon its legal draftsman and legal secretaries to draft such laws. Here again, the Law Ministry being not urgently necessary, tries to find work for itself. And, therefore, we have a Law Commission which is required to find out what laws require amendment, what laws have not been already introduced in the country, and therefore lets loose a number of legislative suggestions. There is again the Rehabilitation and Refugee Ministry. For the last 10 years, there has been a Ministry of Rehabilitation since we have the problem of Refugees. The problem of refugees has not yet been solved and we have today a Ministry costing the country Rs. 40 lakhs a year. Is this going to be a permanent Ministry? Is the Refugee Problem going to be a permanent problem with us? Then there must be something wrong in the administration of the refugee problem. And last of all, there is the Community Development Ministry. That again is a purely State subject. All of a sudden the Government of India thought that Community Development is so important that it must have a Ministry in the Government of India. So, the man who was chiefly concerned

with the administration of the community development was made a Minister. This Ministry costs the country Rs. 21 lakhs but all the work of community development has to be done in the States. I shall deal with the subject later and shall show how the community development is organised in the states.

There are also certain departments which cost the country a little too much. There is the Home Ministry which costs Rs. 2.73 crores. The External Affairs Ministry costs Rs. 8 crores. Stationery and Printing cost the country Rs. 7.19 crores. Some people think that writing is a curse and that the stationery and printing department of our country tries to prove this charge. There is a Planning Commission which costs the country Rs. 70 lakhs. While going through an Estimate Committee's Report on the Planning Commission, I was shocked to learn that — I thought that the people who were on the Planning Commission were rendering honorary service to the country for small honoraria and allowances — its members are drawing at the rate of Rs. 2,500 a month and there are three Advisers who are more costly than the Members of the Planning Commission themselves. The Advisers get Rs. 3,500 a month each. There are about 50 categories of officials in the department of the Planning Commission, 193 permanent personnel and 300 temporary personnel. The Report of the Planning Commission is a formidable book but whether it requires such a large permanent staff to write it is difficult to understand. Of course, many public administrators have recommended that there should be a Thinking Shop in every Government — a Department which is in charge of the duty of thinking while the other depart-

ments are busy doing. But that this costly cerebation of the Planning Commission is to go on continuously from year to year is an awful thing to contemplate.

Another way of looking at the expenditure of the Government of India on administration is to study the official report called the Economic and Finances of the Central Government Budget. Wages and salaries amount to about Rs. 190 crores out of a total revenue of Rs. 725 crores. That is to say, almost one-fourth of the revenue of the country is absorbed in wages and salaries paid to officials of the Central Government. There are large grants paid to certain Institutes. There is the classic instance of Rs. 87 lakhs annual grant paid to the Indian Institute of Statistics headed by a gentleman who was a Professor of Physics, who later became an expert on Statistics and who has been and is now an authority on economics and recognised as an Economic Adviser of the Central Government and is a member of the Planning Commission, and his expenditure is not liable to Government audit.

Now let us come to the State Governments. I shall confine myself to the Madras Government because I am familiar with it. The land revenue of the Madras Government amounts to about Rs. 4.97 crores, and to collect that sum, the Government of Madras spends Rs. 96 lakhs — almost one-fifth of the total collections. Of course, the Government of Madras would say that the land revenue department does not merely collect land revenue, but it administers the land revenue department; it also renders a lot of services. For instance, it would say that the Collector is not merely a collector of land revenue, but he is the “Maa-Bap” of the District. He looks after the social, economic and even

the moral welfare of the people. But then the Collector has been progressively deprived of his old functions. The Police Superintendent has come to take away his police duties. Recently, because of the division of powers between the Judiciary and Executive, there is a District Magistrate who looks after the magisterial power and duties of the Collector. He used to look after agriculture. That is now left to the Agricultural Department. Thus, one by one his original functions have been taken away from him so that he is now really a Collector of land revenues.

For the collection of State excise which is about Rs. 24 lakhs, the Government of Madras spends Rs. 6 lakhs. There is something more wonderful. The Registration Department which collects a revenue of Rs. 61 lakhs spends Rs. 40 lakhs for its collection. Motor Vehicle Department which bring in a revenue of Rs. 3 crores require Rs. 76 lakhs for collection. And other duties and taxes amounting to Rs. 11 crores require Rs. 1 crore to collect them. Then there is the sad case of Community Development — Rs. 37 lakhs are spent to render Community Development service to the people of the value of Rs. 50 lakhs. The National Extension Service spends Rs. 44 lakhs to render to the people social service of the value of Rs. 66 lakhs. One is almost tempted to remark that the community which is to be developed is not the village community but the community of officials which runs the Community Development Project!

There are other facts about expenditure in India which I culled from the last Report of the Finance Commission. The expenditure on collection of taxes varies from 16% in Coorg to 7.9% in Assam making

up an average of 10%. Nowhere in any civilised and advanced country so much as 10% is spent on the collection of taxes. Expenditure on general administration in proportion to total expenditure varies from 4% in Mysore to 16% in Orissa.

So, the conclusion from these facts with regard to expenditure of the Government of India is that everywhere expenditure has grown, is growing and ought to be diminished. Students of English history would remember a famous resolution that used to be introduced year after year in the 18th century in Parliament saying that the influence of the Crown has increased, is increasing and ought to be diminished. So, a similar resolution needs to be moved year after year in the Central legislature, viz., "the expenditure on Government has grown, is growing and ought to be diminished." Now this kind of rake's progress cannot go on for long because in Hogarth's picture of the Rake's Progress the Rake indulges in a number of things in which he ought not to have indulged in and ends in misery and wretchedness. But our officials and Ministers have no such end in view. They spend the country's money as they please and the result is that the ministers might not be re-elected — that is all. Political incompetence fortunately or unfortunately is not a penal offence and those who have indulged in these extravagances do not feel the consequences of these extravagances. We seem to say like the British working men early in the 19th century who when told that wages could not be raised because political economy is against it replied that "if political economy is against us, we are against political economy." The Government of India seems to say also that "if economy is against us, we are

also against economy." Whereas the sage advise of Gladstone is : "I consider all excess in public expenditure not only a pecuniary waste, but also a political and moral evil."

Now what should we do towards the reform of this system? First of all, all unnecessary departments should be abolished. Since education, health, agriculture and industry are the primary and principal concern of the State Governments, the main work in these departments should be left to the State Governments. It is only by means of subsidies and grants that the federal Government in the U.S.A. helps the State Governments in regard to the development of education, health, agriculture or industry. Now for the administration of grants and subsidies, we do not want a large Ministry of Education, a large Ministry of Health and a large Ministry of Agriculture at the Centre. One single Ministry which might be called the Ministry of National Welfare may be charged with the duties of administering the grants and subsidies to the education, health, agriculture and industry departments of the States.

The second reform is — this is a reform in political ideas and attitudes — that we should make the Finance and financial administration the most important part of the administration of the country. The Finance Department must be made to realise that it is the watchdog of the tax-payer's money. When a name of a candidate for the office of Chancellor of the Exchequer was suggested to Gladstone, he put the question : "Is-he good at collecting candle ends?" implying that the head of the Finance Department must be one who is careful about small savings. It must

act like the Treasury in England. It must resist the perpetual and frequent resort to supplementary demands. When I was President of the Legislative Council in Madras, and Ministry after Ministry came up with proposals for "supplementary demands," I ventured to suggest that it seemed that their original estimates were wrong. No, they said, the Government of the country must be carried on and if supplementary demands are not granted, the Government will break down. As the President of the Council, I could do nothing. There must be a regular control and inspection by the Finance Department of all the other departments. In England, there are Inspectors of the Finance Department going periodically from one department to another to see whether there is any avoidable waste, whether there was money that could be saved, and whether there was any money that was being spent unnecessarily. Recently, they have introduced a reform in the Government of India whereby an Officer of the Finance Department is detailed to work in one or other of the Ministries. That is not good because as soon as the man becomes an official of a Ministry, **esprit de corps** comes into operation and he becomes a part of that Ministry. Instead of being an Inspector of the Ministry, he tries to become an apologist of the Ministry. That must be avoided. There must be independent inspection and control by the Finance Department. Also the money sense of every official must be developed. Our officials must think in terms of rupees, annas, pies and not only in terms of projects.

The number of personnel in our departments must also be drastically reduced. We have too many persons in our department. Every Ministry wants one Secretary,

at least two Deputy Secretaries, four Under Secretaries and as many Superintendents and as large a number of clerks as can be got because it adds to the prestige of the Minister. There is a better way of doing things in the U.S.S.R. Of course, for Ministerial incompetence, they hang people there. Besides the Finance Department, they have the Ministry of State Control. Ministry of State Control has no other business than checking and controlling the work of several departments. They are specialists and like the Inspectors of the Finance Department in U.K. go out periodically, make sudden and surprise visits to department after department, to factory after factory, to workshop after workshop in order to find out whether the Government is getting its money's worth out of those departments, factories and workshops.

Then, there must be radical reduction in clerical work in our Government Departments. Because clerks are so cheap to get, Governments in India employ them on a large scale. A hundred years ago, it was Mr. Charles Trevelyan, one of the greatest men who came to rule this country, who said that there was a lot of "waste work" in the offices of the Government of India. People are trying to create work for themselves because they are in large numbers. They appoint a large number of clerks because they get them cheap and would not cost much: then they must invent work for them. The result is that a lot of waste work is being done there. They want a clerk for receiving a letter, a clerk for opening that letter, a clerk for registering that letter, a clerk for filing it and so it goes on endlessly. Bagehot the famous economist used to offer this advice to Government officials: "Don't ask your clerks to verify

the ready reckoner." Now, what is the use of a ready reckoner, if clerks every time want to verify whether the ready reckoner is right or not. It is like the clerk in the famous Indian story in the Indian Accountant-General's office where a pensioner presented a bill for pension payable for the month of August, having missed the month of July, and was paid the pension for the month of August but was asked to produce a certificate that he was alive in July to get the pension for July.

We must also restore and maintain the authority of the Auditor and Comptroller-General. In order to make the work of the Audit department of the Auditor and Comptroller-General efficient, Audit must be separated from Accounts. Due to historical reasons, as the British could not afford to have separate Audit and Accounts departments, Audit and Accounts were mixed up together. This is against all canons of administration. Auditing should be by an independent body. How can one who keep accounts and also audit those accounts? Business offices would not do that. They always call for an outside auditor — an independent auditor. But here in India, we have an Auditor and Accountant-General who keeps the accounts of the several State Governments and in another capacity audits those accounts. Naturally, the State Governments feel no responsibility in regard to the keeping of accounts since the keeping of accounts is the business of Auditor-General's Department. If we want to get an efficient account-keeping, we must throw the whole burden, duty and responsibility of keeping the accounts squarely on the shoulders of State Governments. The financial audit should also be an efficiency audit. We

must know not only whether the money that is being voted by the Legislature is spent properly, but that also it is spent efficiently. In Japan, there is an Auditor-General supported by a team of eight experts in various departments. He does not only a financial audit but an efficiency audit so that the country knows whether it gets its money's worth.

There is another important consideration. There must be priorities in planning. We want to do so many things. Unfortunately our Politicians want everything in their life-time. They wanted freedom and independence in their life-time and the result was the partition of India. Economic history shows that there are certain things which must be done first. What is the use of developing railways and highways before we have a system of village roads? The road mileage in India is very low — 80,000 miles of roads, good, bad and indifferent. For a country which has an area of over a million square miles — economists believe that for every square mile of area there must be a mile of road in order to serve the economic needs of the country — we have only 80,000 miles of road. Now this gap in road mileage is not filled by building great national highways, but by building village roads which will carry the village products to the nearest railway station or to the nearest market. That is essential for the economic development of the country. So also rural housing which will promote the strength of the agricultural population. Agricultural improvement schemes must have priority over steel works.

It is imperative to have a thorough probe into the system of administration, especially with regard to economy and efficiency. The U.S. has set an example

although it is a rich country compared to India and can afford to be extravagant in regard to Governmental expenditure. But it also realised that it is spending too much money upon the administration and so instituted the Hoover Commission in 1947. This was presided over by the great President of the U.S.A. who organised the feeding of Europe after two World Wars. Mr. Herbert Hoover was assisted not only by a strong Committee but by a number of task-forces as they were called, viz., teams of experts going into each department and its field services and probing into the working of that department to know whether it is being conducted economically and efficiently. It took two years for the Hoover Commission to examine the administration of the federal Government. As a result of implementing this Commission's recommendations, a saving of nearly 3 billion dollars was effected. In paper work alone a saving of 288 million dollars was effected. Imagination would delight in visualising the amount of money that can be saved in India by cutting down the paper work in our offices.

A Grand Inquest of the administration is required with a view to employing efficient methods. What India wants is not so much more Government in Business, but more Business in Government. It is not necessary that the Government should enter business; it is being done fairly well. But what is necessary is that the Government should adopt business methods in its system of administration. Unless that is done, we shall go on in the present way of extravagance without securing either economy or efficiency. It is necessary in the interests of the poorest people in the world to have an efficient and economical administration. It is

not the rich people who are affected by the extravagance of the Government. All the money that the Government can command must be spent on rendering service, on redressing the grievances of the people with regard to poverty, with regard to undernourishment, with regard to housing or any deficiencies in their day-to-day life. Unless that is done, the Government of India will be merely a Government of the people, by the people, but it will not be a Government for the people. A wise statesman has aptly remarked: "I want saving not because I want to save money but because I want to save people."

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Views expressed in this booklet do not necessarily represent the views of the Forum of Free Enterprise.

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**Free Enterprise was born with man and
shall survive as long as man survives.**

—A. D. Shroff

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