

STATE GOVERNMENT'S TREASURY MANAGEMENT

SYSTEM

PREFACE

The treasury is the oldest institution of the financial management of the government functioning. Earlier, the cash transactions would be handled by the treasury through a chief cashier appointed for the purpose by the government the cashiers in all the treasuries would be under the control of a chief cashier losses, if any, sustained anywhere would be to his account. With the coming up of the banking industry, the position has changed now. Instead of chief cashier, handling of the cash business of the government it is entrusted by it to a bank notified for the purpose. Unlike in other states of India, where the state bank of India operates as a banker, the cash business of the J&K government is handled by the J&K bank, Ltd. in its capacity as an agent of the reserve bank of India under a legally valid agreement(s).

In the changed scenario, therefore, the responsibility of the treasury is to authorize receipt of cash and making of payments for and on behalf of the government by its official bankers. For this purpose, bills (a document giving details of the payments intended to be made) and other instruments like cheques, hundies are presented at the treasury by such of the officers of the government who are kept in account with it under government orders issued from time to time. The departmental officers realize revenue due to the government on various accounts (tax and non-tax) and tender it at the treasury for credit to the government account. Amounts are also paid from the treasury to persons other than those working in the state government like pensioners, payments relating to the clearance of debt obligations towards other institutions including market borrowings etc. etc.

As a result of the authorization made in the manner briefly outlined above, a very important function of treasury emerges, viz maintenance of the initial account of the related transactions and its rendition to the accountant general and other accounting agencies for the compilation and consolidation of government accounts. These initial accounts are also used to keep a tab on the spending by the departmental officers described as drawing and disbursing officers (DDOs) and such tabs are exercised with reference to the budgetary allocations made to these officers by their controlling officers.

The day to day treasury business is regulated under the treasury code and other relevant financial rules and regulations. By and large, these have, however, been evolved long back and do not to a great extent, meet the present day requirements more so, when viewed in the context of the required computerization of treasury and other reforms in the accounting systems. For instance the present treasury code of the J&K government adopted in the year 1937

has been last revised in late sixties. Since then there have been significant changes in the basic accounting structures, namely, shifting from departmental to the functional accounting patterns, undertaking cash management by the designated bank and other aspects of the treasury management. Obviously, this is true about other states of the country also. Traditional systems of maintaining the initials governments accounts at the treasury and their subsequent rendering to the account compiling authority(s) is not only time consuming but its final compilation is also generally abnormally delayed. The present treasury code followed by the government may have to be revised accordingly making it computer friendly and as an effective tool for its sound and efficient financial management.

The system is also over burdened with certain short comings which not only render these accounts a historical status but also cause numerous other difficulties which have the potential of making these risky and unreal. Because of the facts that most of the modifications called for to be made in the initials accounts due to various visible and invisible mistakes intentional or otherwise are not made immediately when the need arises, accounting under various heads are under or overstated with consequences which some time take dangerous turn. It has also been found that with the passage of time it has become difficult, rather impossible to watch implementation of the budget of a year as it is implemented. Facts come to fore when much water has flown down the river. In this manner disturbances crept in leading to emergence of ugly situation to be faced by the government which in certain cases can also have a greater possibility of making future of our progeny difficult. It should not be difficult to overcome such apprehensions by taking desired remedial measures. Treasury is the repository of all the data relating to the financial transaction of the government and their management it should be possible to categorize and interpret this basic data. Once we do that the situation can improve a lot. Managerial accounting returns could be carved out from the data available in the treasury. A little efforts even if we have to use machines like computers, things can be revolutionized. Functional system of accounts classifications has been well established now. That is not sufficient unless it is able to give us area related accounts so that disparities wherever these exist in between different localities become visible for well thought and inescapable remedial measures. Under these circumstances, an attempt has been made in this book to develop the system, formats etc. giving at the same time managerial orientations to the maintenance of accounts from the data that becomes available from a treasury.

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