

## PREFACE

I have worked with J&K government for a long period of about 37 years out of which, I was connected with various matters relating to state's budget formulation, its implementation and evaluation for about 20 years. After my retirement (March, 1997), I was advised by my friends to record experience gained by me in this field of management. I have accordingly worked on this subject and have been able to write this book, objectively designed to identify and explain fundamentals of the state budgeting in India, with special reference to the J&K state, which enjoys a special status in the country's federal polity.

Budgeting is a very old practice followed to create a strong management tool for various purposes both in public and private sectors even for households. Requirements of governance are never static. These change from time to time as a result of environmental changes from within and outside an organization. That being so, budgeting techniques and models also change. To meet these fundamentals, budget formulation should have a wide base, generally aimed at enhancing value of data base to enable appreciation of goals set and how these are reached, facilitating evaluation of assets and liabilities created as a result of financial investments made, laying down conceptual foundations, facilitating choice between varied options keeping in view much needed equilibrium of development at local, national and international levels and to link inputs and outputs to establish relationship between the two. In this whole gamut of requirements, budget formulation has to follow a smooth and reliable path so that identified destinations are reached without any insurmountable difficulty. The budgetary processes have to be flexible with a futuristic outlook.

Such an approach becomes all the more necessary for the budgeting of the government functioning performed through its field formations operating at various levels, their inter connectivity and fixing these into a general frame to present an integrated outlook of the various programmes and activities brought within the ambit of such a functional requirement. At the same time, in every state budget formulation sufficient space has to be created for a perfectly blended evaluation mechanism for various viability and other tests. This becomes all the more necessary in the world of self-governance where control on the public purse is with the masses, exercised by them through their elected representatives. Need for such type of transparency calls for elaborate and well conceived budgetary structural frames, pre-conceived and systematically laid down modalities for

developing forecasts and determining the passage of the proposals thus developed to reach their logical conclusions without any hassles. Budget is, therefore, a very important management tool to set the boat of public finance sailing in right direction in turbulent waters. It also provides nearly an accurate data bank for any kind of analysis of economic development, historically and even when the programmes and activities relating thereto are under implementation.

Financial status of every state in India is not the same and their expenditure obligations are also different. In view of this, an elaborate scheme of fiscal federalism has been envisaged in the constitution of the country involving periodical assessment of the financial needs among other things, to rectify, over a period of time, imbalances that exist between different states so far as their economic standing is concerned. In making of such assessment on scientific basis, the data available in the budget becomes an important input. All those involved in such exercises have necessarily to be well versed with the mechanism of using the budget as a management instrument.

Lot of literature related to the budget is already available. The fact, however, remains that for handling the subject of elements of the state budgeting, material/data has to be drawn from various sources which has also to be arranged in a systematic manner so that conceptual clarity is acquired by the reader for intended purpose(s). Accordingly, this book has been developed in parts, explaining in detail and with historical perspective as far as possible, all the components of a budget, namely, its general outlook, legal frame and importance, fiscal federalism, structural frame, formulation of budget forecasts, passage of the budget in the legislature and impact of its financial committees on various aspects of budgetary process. A chapter about the finances of the J&K State has also been provided incorporating various details known about the economics of the place so that these are readily available and used as and when required.

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