

PUBLIC ADMINISTRATION

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Reviewer

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SYLLABI-BOOK MAPPING TABLE

Public Administration

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Unit-II (Theories of Administration & Personal Administration) <ul style="list-style-type: none">(i) Organization-Meaning, Characteristics and typology.(ii) Public Corporation and Departmental System.(iii) Process and Techniques of Decision Making, Communication, Motivation and Leadership.(iv) Development Administration-New directions in People's Self Development and Empowerment.	Unit 2: Theories of Administration and Personnel Administration (Pages: 47-429)
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INTRODUCTION

Public administration has a direct influence on the overall quality of life of the community. It is concerned with that part of the government which is action-oriented. Public administrators are looked upon as people who design important public policies aimed at the betterment of the cities through planning, development and management. Simply put, public administrators help to improve the future of the community in general. A study of public administration would require focus on many issues including citizen participation, local autonomy, public administration strategies, innovative governance, public service, resolution of conflicts, demographic imbalances/transitions and healthcare.

Public administration has become all the more important due to the increasing complexity of modern life. The intervention by the state is required in the day-to-day activities of the citizens. Today virtually all aspects of a citizen's life come into contact with some government agency or the other. The need for high degree of specialization in industrial products has made it necessary for the people to live in bigger cities. The means of production have become rather complex requiring greater organizational efforts. The number of socio-economic activities has increased manifold making it impossible to manage them privately or even by village or city communities. This is why the intervention of the government has become essential to provide the required infrastructural facilities for organizing production and for facilitating community living.

This book, *Public Administration*, provides all the relevant information related to administrative systems in India. It is divided into four units, and presented in the SIM format. Each unit begins with an Introduction to the topic followed by an outline of the Unit Objectives. The topic is then explained in detail, in an organized manner to facilitate understanding. The content is presented in simple language interspersed with 'Check Your Progress' questions to test the reader's understanding. At the end of each unit, a Summary, a list of Key Terms, Answers to 'Check Your Progress' as well as Questions and Exercises are provided for recapitulation.

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UNIT 1 PUBLIC ADMINISTRATION: EVOLUTION, CONCEPTS AND CHALLENGES

*Public Administration:
Evolution, Concepts and
Challenges*

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Structure

- 1.0 Introduction
- 1.1 Unit Objectives
- 1.2 Public Administration: Approaches
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1.0 INTRODUCTION

The most important function of the government is to govern, i.e., to maintain peace and public order, and to ensure the safety and security of the life and property of the citizens. It has to ensure that the contracts are honoured by the citizens and their disputes settled. The most significant role of the government is to be fulfilled through the instrument of public administration. In the beginning of the civilization, this was probably the only function performed by the public administration. As the civilization has advanced, many important functions have been taken by the government, but, the importance of this basic function should not be minimized. Worthwhile progress or development is possible only when the citizens can live in peace. The continuing performance of this function is like the presence of oxygen in the air that you breathe.

In this unit, you will learn about the various approaches to public administration, new public management and challenges posed by liberalization, privatization and globalization, for public administration.

1.1 UNIT OBJECTIVES

After going through this unit, you will be able to:

- Identify the various approaches to public administration
- Discuss new public management and administration

- Explain the public choice approach
- Describe the challenges of liberalization, privatization and globalization to public administration

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1.2 PUBLIC ADMINISTRATION: APPROACHES

1.2.1 Evolution, Nature and Scope of Public Administration

Public administration is a part of the wider term 'administration'. Public administration is concerned with the organization of government policies and programmes as well as the behaviour of officials (usually non-elected) formally responsible for their conduct.

The meaning of public administration can be studied from the following points of view of its significance:

- as an instrument of governance
- as an instrument of development and change
- in modern domestic welfare state

Public administration has to play a very significant role as an instrument of development and change. The administration of a country reflects the genius of its people and embodies their qualities, desires and aspirations. Whenever people decide to proceed on the road to development, their main instrument is the public administration. They need trained manpower to run schools, colleges and technical institutions. They need technical manpower to build roads, bridges, buildings and to run machines in the industries. They need scientific manpower to undertake research and development.

It is a well-developed public administration that makes all this possible. It is true that part of the effort comes in the private sector, but it alone cannot complete the task. A lot of basic infrastructure has to be developed for which the private initiative is usually not forthcoming. For example, nationwide rail transport, telecommunication network, fundamental research are all to be organized by the government.

In several development areas, initial thrust has to be provided by the government. All this is not possible without a well-developed public administration. This fact was also highlighted by the American administrators and private aid giving agencies who took up the task of assisting the developing countries. It was their experience that the recipient countries could not make much use of their assistance because they did not have well-equipped administrative machinery to absorb it. The equipment provided by them could not be used for want of skilled manpower. Financial assistance could not be channelized into productive schemes. The first task of developing countries is, therefore, to develop adequate administrative machinery, which can take up the diverse tasks required for all-round development.

In a modern democratic welfare state, the government has to provide many services for the welfare of its citizens. It includes the provision of schooling, medical facilities and social security measures. With the breakdown of joint families, the problem of looking after the old and infants, orphans and widows comes up. With the slowing of economic activity, the problem of unemployed youth crops up. The development process brings up many new problems like those of urban slums and juvenile delinquents. The welfare state has to identify these problems and devise solutions for them. The formulation of these schemes and their implementation is another significant function of public administration. The public administration is, thus, not only a protector of citizens from external dangers or internal disorders, but has become the greatest provider of various services. The welfare of people depends very much on the way the public administration functions. No wonder today's state has been called an 'administrative state'.

With the increasing complexity of modern life, the importance of public administration has been increasing. This is because of the need for intervention by the state in the day-to-day activities of the citizens. There is hardly any aspect of a citizen's life which does not come into contact with some government agency or the other. In ancient times, the needs of the citizens were limited. They could, therefore, live in more or less self-sufficient village communities producing in the village itself whatever they needed for their simple existence. The scientific and industrial revolutions have changed the situation. The industrial products require a degree of specialization which makes it necessary for the communities to live in bigger cities. The means of production have become rather complex and require a much greater degree of the organizational effort.

A number of activities can no longer be organized by the citizens privately or even by village or city communities. The Centre, and the state and the local governments have, therefore, come forward to provide the necessary infrastructural facilities for organizing production and for facilitating community living. For example, roads and railways have to be built to facilitate the transport of raw material to the site of production as well as to facilitate the distribution of the manufactured goods. These facilities are also required to meet the needs of the citizens in moving over long distances required by modern day living. Similarly, communication facilities like the telephones, microwave transmissions, satellite communication, etc., have to be provided to meet the needs of the communities. All these require massive investments in human and material resources far beyond the capacity of small village or even city communities. These investments have to be made by the Central Government and administered with the help of the local governments and the local communities. Apart from the financial investments, a lot of organizational effort is required to meet these needs of the citizens.

Public administration consists of the actions undertaken by the government to look after its people or to manage its affairs. Before discussing the various interpretations developed regarding the concept of public administration, it seems

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pertinent to understand the meaning of the terms 'public' and 'administration' separately.

The word '**public**' stands for the people of a definite territory or state. As the will of the people of a state is represented by the government, the word 'public' also connotes a specialized meaning, i.e., governmental. Therefore, when acts of administration are performed by the government, it is called 'public administration'. Those acts which are performed by the individuals in their own capacity are termed as private administration.

In simple words, '**administration**' means the 'management of affairs' or looking after people. It is a process of management which is practised by all kinds of organizations from the household to the most complex system of the government. Whenever two or more people cooperate, they accomplish common goals, an administrative activity is assumed to have been involved. In the words, of H. Simon, 'Administration can be defined as the activities of groups cooperating to accomplish common goals'. James L. McCanny defined administration in these words, 'Administration is the organization and use of men and materials to accomplish a purpose. It is the specialized vocation of managers who have skills of organizing and directing men and materials just as definitely as the engineer has the skill of building structure or a doctor has the skill of understanding human ailments'. According to J.M. Pfiffner 'Administration is the organization and direction of human and material resources to achieve desired ends'. J.S. Hodgson describes administration as 'a kind of activity found in both public and business affairs'. It means getting things done, a process which is concerned much more with relations between persons than with manipulation of objects. Therefore, in short, administration means proper organization of men and material in pursuit of desired ends.

Evolution of public administration as a discipline

Administration as an activity or as a process is believed to be as old as the human civilization. You find traces of the activity in all types of human organizations that had been in existence during the ancient times. As soon as primitive man began to act jointly with his fellows, he had to plan, organize, assign roles and coordinate, which literally makes administration.

Public administration as an academic discipline is hardly a century old. What public administration today as a discipline is, was not a century ago. During all these years, it has been through many ups and downs. Its study developed as an offshoot of Political Science or Public Law.

It is believed that the term 'public administration' crept into the European languages during the 17th century to distinguish the monarch's administration from his management of the private household.

Public administration is regarded as one among the newest disciplines of the social sciences. Like other disciplines, it has passed through several phases of evolution. The study of its evolution can be made by dividing its evolutionary history into several phases of development.

Period I (1887–1926): The era of politics—administration dichotomy

Public administration as a discipline is said to have originated in the United States. The first stage of its evolution is considered to have begun with the appearance in 1887 of Woodrow Wilson's essay titled '*The Study of Administration*'. He is regarded as the father of the discipline.

In the early part of the 20th century, many American universities began to take active interest in the reform movement in government. Scholars were, therefore, attracted to the field of public administration. In 1914, the American Political Science Association published a report which discussed the objectives of the teaching of Political Science. One of the objectives was to 'Prepare specialists for government positions'. Thus, public administration was recognized as an important sub-area of Political Science. The subject, i.e., public administration began to gain increasing recognition in the American universities and its study started steadily spreading.

The remarkable feature of the first period of the evolutionary stages of the discipline was a passionate belief in 'politics-administration dichotomy' and the practical invalidity of the dichotomy did not bother the thinkers.

Period II (1927–1937): Principles of administration

The second period of evolution of the discipline is marked by the tendency to reinforce the idea of 'politics-administration' dichotomy and to evolve a value-free science of management. The central theme of this period was that there are certain principles of administration and the task to discover them and to promote their application was left to the scholars.

There appeared a number of other works during this period stressing this approach, the more notable among them being '*Principles of Organization*' by Mooney and Reiley; '*Creative Experience*' by Mary Parker Follett, '*Industrial and General Management*' by Henri Fayol. This period is believed to be at its climax in 1937 when Luther H. Gulick and Lyndal Urwick's papers on the 'Science of Administration' appeared. The use of the word 'Science' was significant for Gulick and Urwick considered that administration is a science. Urwick said: 'It is the general thesis of this paper that there are principles which can be arrived at inductively from the study of human organization which should govern arrangements for human association of any kind. These principles can be studied as a technical question, irrespective of the purpose of the enterprise, the personnel comprising it, or any constitutions, political or social theory underlying its creation.'

The main thrust of public administration studies in the first two stages has been summarized by Sayre as follows:

- The 'politics-administration' dichotomy was assumed both as a self-evident truth and as a desirable goal; administration was perceived as—a self-contained world of its own; with its own separate values, rules and methods.
- Organization theory was started in 'scientific management term', i.e., it was seen largely as a problem in the organization technology—the necessities of

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hierarchy; the uses of staff agencies; a limited span of control; sub-division of work by such scientific principles as purpose, process, place or clientele.

- The executive budget was characterized as an instrument of rationality, coordination, planning and control.
- Personnel management was stressed as an additional element of rationality (jobs were to be described scientifically, employees were to be selected, paid and advancement by 'scientific' methods).
- A 'neutral' or 'impartial' career service was required to ensure competence, expertise and nationality.
- A body of administrative law was needed to prescribe standards of due process in the administrative conduct.

The years under the second stage, i.e., from 1927–1937 were the golden years of 'principles' in the history of public administration. This was also a period when the discipline of public administration commanded a high degree of respectability and its products were in great demand both in government and business.

Period III (1938–1947): Principles stood challenged

The third stage can be termed as one of reaction and challenge against the so-called 'principles of administration', which were dubbed as 'naturalistic fallacies' and 'proverbs'. In a way, the advocates of the principles of administration began to be challenged and the period from 1938–1947 was, indeed, one of continuous and mounting challenge and questioning.

The appearance in 1938 of Chester I. Barnard's '*The Functions of the Executive*' was the beginning as the book did not in the least uphold the view point of the writers of the second period which included Willoughby, Gulick, Urwick, etc. Herbert A. Simon's article entitled, 'The Proverbs of Administration' in 1946, put a big question mark on the acceptability as well as applicability of the 'principles of administration' which he branded as 'mere proverbs' and nothing more than proverbs. His argument was further strengthened in his *Administrative Behaviour* published in 1947. This work of his got him the Nobel Prize in the year 1978.

Simon's book is a critique of the older public administration. While rejecting anything as 'principles' he said, what are paraded as 'principles' are in truth no better than proverbs. He declared 'how can principles help in determining proper actions when two principles provide contradictory arguments for action?' The principle of span of control assumes that the administrative efficiency is enhanced by limiting the number of subordinates who report directly to one administrator. The principle of limited levels of hierarchy assumes that the administrative efficiency is enhanced by keeping to the minimum number of the organization levels. The former calls for a narrowly-based pyramid and the latter for a broadly-based pyramid. He also rejected the politics administration dichotomy and laid substantive focus on 'decision-making' and termed decision-making as the heart of administration. Simon's approach provided an alternative definition of public administration, and widened the

scope of the subject by relating it to psychology, sociology, economics and political science.

Dahl identified three important problems in the evolution of a science of public administration. These problems are as follows:

- (i) The first problem arises from the frequent impossibility of excluding normative considerations from the problems of public administration. Scientific means to achieve efficiency must be founded on some classification of ends.
- (ii) The second problem arises from the inescapable fact that a science of public administration must be a study of certain aspects of human behaviour. Dahl criticized the 'machine concept of organization' and argued that the study of administration must embrace the whole psychological man.
- (iii) The third problem relates to the conception of the principles of administration. There was a tendency, as he pointed out, to enunciate the universal principles based on a few examples drawn from limited national and historical settings.

According to Dahl, 'The study of public administration inevitably must become a much more broadly based discipline, resting not on a narrowly defined knowledge of techniques and processes, but rather extending to the varying historical, sociological, economic and other conditioning factors'.

This stage was marked with such criticism that the discipline of public administration found itself in a very shaky position and its morale was low. This period was followed by another critical period, i.e., the period of crisis.

Period IV (1948–1970): Crisis of identity

This period has been marked as the crisis period of public administration. The brave new world promised by the thinkers of the 'principles' era stood shattered. The future of the discipline appeared uncertain as it was facing a grave crisis, i.e., the crisis of identity.

Many public administrators responded to the crisis of identity by returning to the fold of the mother science, namely, political science. But they discovered that they were not welcome to the home of their youth. Many political scientists began to argue that the true objective of teaching in the field was 'intellectualized understanding' of the executive, thus reserving the objective laid down in 1914, namely, preparing 'specialists for governmental position'. There was a talk of continued dominance of political science over public administration. This period witnessed the spectacle of political science not only letting public administration separate itself from it but also not fostering and encouraging its growth and development within its own field.

Public administration, naturally, was in search of an alternative which was available in the form of administrative science. Here, too, public administration had to lose its distinctiveness, identity and merge with a larger field.

Period V: 1971 onwards

The discipline has registered great progress and has entered the new phase—1971 onwards—with an enriched vision, the uncertainty and turmoil of the preceding

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period notwithstanding. It has attracted to its fold scholars from various disciplines, thus becoming truly inter-disciplinary. It is focusing its attention more and more on the dynamics of administration. Public administration has also identified itself with political science.

The foregoing discussion deliberately tries to trace the history of public administration solely in the context of the United States. However, it is inescapable and cannot be termed as uncalled for because the country, i.e., the country of its origin, strongly bears the marks of its parentage.

In India, the traces of its history are only half-a-century old. Today, a large number of universities in India provide for the teaching of public administration. Many of them having independent departments of public administration. Besides, this subject is also taught in the joint departments of political science and public administration, and separately in the departments of political science.

Both the academicians and practitioners of the discipline are required to make sincere efforts in the right direction before the discipline regains its status and respectability among the other notable disciples of social sciences.

Perception of Public Administration

The concept of public administration has been given various interpretations by different thinkers. As the term itself signifies, 'public administration' simply means the activities undertaken by the government to fulfil its desired ends. The difference, however, is only regarding the 'activities' which are to be considered as the administrative activities. Some thinkers take a broader view and include all governmental activities having as their purpose the fulfillment of public policy, while others take a narrow view and consider only those activities which are concerned with the executive branch of the government.

There are some writers who lay emphasis on the function of the implementation of public policy. Similarly, according to J.S. Hodgson: 'Public administration comprises all the activities of persons or groups in governments or their agencies, whether these organizations are international, regional or local in their scope, to fulfil the purpose of those governments or agencies'.

Thinkers like J.M. Pfiffner lay more emphasis on the coordinating role of the administration. In his opinion, 'administration consists of getting the work of government done by coordinating the efforts of people so that they can work together to accomplish their set tasks'. Then there are others who emphasize upon the administrative function of implementing the law of the country. In the words of H. Walker, 'the work which the government does to give effect to a law is called administration'. However, the definition given by F.A. Nigro is more comprehensive and includes, besides the above mentioned functions, the relationship between public administration and political process, as well as its association with the community as a whole. Nigro defined public administration as: 'Public administration is cooperative group effort in a public setting, covers all three branches—executive, legislative and judicial—and their interrelationships. It has an important role in the formulation of

public policy and is thus a part of the political process. It is more important than, and also different in significant ways from private administration; as a field of study and practice has been much influenced in recent years by the human relations approach. It is closely associated with numerous private groups and individuals in providing services to the community’.

The above definitions take a broader view of the term. There are thinkers who take a narrower view and as students of public administration you should be more concerned with the ideology. In this category comes D. Waldo who defines public administration as ‘the art and science of management as applied to the affairs of state’. According to M. Dimock, ‘public administration is the fulfillment or enforcement of public policy as declared by the competent authorities. It deals with the problems and powers, the organization and techniques of management involved in carrying out laws and policies formulated by the policy-making agencies or government’. He further adds, ‘Public administration is law in action. It is the executive side of government’.

All these definitions make it clear that public administration is really the government in action. In common usage, it is concerned with the executive, the operative and the most obvious part of the government. In other words, it is mainly concerned with executing the implementing part of the governmental activity, with the question as how law should be administered with equity, speed and without friction. An ignorant Indian villager may not know anything of the constitution of the country but a *daroga* or a *patwari* is a living reality to him. Therefore, public administration comprises the systematic execution of the will of the people which has been discovered, formulated and expressed in the form of laws by the legislature. For instance, the assessment and rating of taxes, the hanging of a criminal, the delivery of mails, the recruitment of the army, etc., are all acts of public administration. To summarize, it may be said that public administration is the non-political machinery of the government carrying on its work for the welfare of the people according to the laws set up by the state. It is the permanent executive as distinguished from the political one. At this stage, you must be clear that public administration has to do with people and not with things. There is a school of thought which holds that in the future the tendency will be a form of administration of persons towards administration of things. But this appears to be only a narrow view. Things may be arranged, but ultimately it is the participation of the human elements that matters. Things, no doubt, are of great importance to the administrator who arranges them but they cannot be administered by him. Administration has to do with human beings for which it is meant. It is essentially a matter of social relationships. It must not also be forgotten that the administrator is neither a philosopher nor a politician, but the non-political side of the executive.

Nature and Scope of Public Administration

There are different opinions about the scope of public administration, whether it is the managerial part of the governmental work or the entire complex of activities of

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only executive branch of government or of all branches, i.e., legislative, executive and judicial. There are, thus, two divergent views regarding the scope of the study of public administration.

(i) Integral view: Public administration is a sum total of all the activities undertaken in pursuit of and in fulfillment of public policy. These activities include not only managerial and technical but also manual and clerical. Thus, the activities of all persons working in an organization from top to bottom constitute administration. In other words, public administration is conceived in a comprehensive sense to include all the activities of the government whether they are performed in the executive, legislative or judicial branches of the government. Public administration consists of all those operations having for their purpose the fulfillment or enforcement of public policy.

(ii) Managerial view: The work of only those persons who are engaged in the performance of managerial functions in an organization constitutes the administration. It is these persons who shoulder the responsibility of keeping the enterprise on even keels and to run it most efficiently. Their functions are as follows:

- Planning means working out broad outline of the things that need to be done and the method to be adopted to accomplish the proposed set for the enterprises.
- Organizing means building up the structure of authority through which the entire work to be done is properly arranged and defined in order to achieve the desired goals.
- Staffing means appointing suitable persons to the various posts under the organization.
- Directing means making decisions and issuing orders and instructions and embodying them for the guidance of the staff.
- Coordinating means interrelating various parts of the work and, thus, eliminating the overlapping and conflict in different activities of an organization.
- Reporting means keeping both the supervisors and subordinates informed of what is going on and arranging for the collection of such information through inspection, research and records.
- Budgeting means fiscal planning accounting and control, i.e., all the activities relating to financial management.

The scope of public administration can be divided under Principles of Public Administration and Sphere of Public Administration. According to jurisdictional viewpoint, the sphere of public administration includes the Central Government, state governments, its regional and local authorities and also the public corporations. Thus, public administration, in sum, includes the totality of government activity, encompassing exercise of endless variety and the techniques of organization and management whereby order and social purpose are given to the effort of vast numbers.

A more comprehensive account of the scope of public administration has been given by Walker. He has divided it into two parts:

- (i) **Administrative theory:** It includes the study of structure, organization, functions and methods of all types of public authority engaged in carrying out the administration at all levels, i.e., national, regional, local, etc. Further, it is a study of all problems connected with the external control of Parliament and the Cabinet over administration, internal control of administrative machinery, judicial control over administration, administrative tribunals, planning, programming and execution of public actions, recruitment of personnel and problems connected therewith research, information, public relations, etc. The emphasis is to find out certain principles of administrative actions which can be usefully applied in practical administration.
- (ii) **Applied administration:** It is difficult to give a comprehensive statement as to what 'applied administration' should exactly include because of the new and fast-growing field of public administration. Walker has made an attempt to classify the main forms of applied administration on the basis of 10 principal functions, which are as follows:
- **Political:** It includes a study of executive–legislature relationship, politico-administrative activities of the Cabinet, minister–official relationships, etc.
 - **Legislative:** It includes delegated legislation, preparatory work done by the officials in drafting of bill for the enactments, etc.
 - **Financial:** It includes the whole of financial administration from preparation to the enactment of budget, etc.
 - **Defensive:** It includes a study of military administration.
 - **Educational:** It covers all the aspects of the educational administration.
 - **Social:** All the administration in the social field such as housing, food, social security and employment, etc.
 - **Economic:** It covers all the administrative activities in the economic fields, i.e., industries, agriculture, foreign trade, commerce, public enterprises, etc.
 - **Foreign:** It covers foreign administration, which includes international cooperation, international agencies for international peace, prosperity, diplomacy, etc.
 - **Imperial:** It includes problems and techniques of imperial domination over other nations, etc.
 - **Local:** It covers the administration of local bodies.

Although there is much of overlapping in the classification of Walker, it is a good attempt at an exhaustive definition of the applied administration. In a more summarized form, you can say that the applied administration includes the study of administration in the various countries of the world, of various departments of services in the progressive states, of organization at various levels, i.e., governmental, local, national and international of the historical development of the administrative methods and techniques and of the problems connected with the international organizations.

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People and government expectations

It may be observed that public administration is only a means to the attainment of the objects of the state itself. The scope of public administration varies with people's expectations of what they should get from government. A century ago they expected chiefly to be left alone. Now they expect a wide range of services and protection. Throughout the world, the demands made by people from governments have continually increased and in time to come they would further increase. The expansion of government functions inevitably means more of the administrative agencies, more officials and employees. The administrative system consequently grows and becomes diverse. Hence, it is quite natural that although public administration learns the administrative branch of the executive organ only, but still its range is quite wide as it varies with people's idea of a good life.

Significance of Public Administration

There has been a tremendous increase in the importance of public administration with the expansion of state activities. The state is no longer considered as the preserver of status quo, instead of the concept of the service state has been almost universally accepted. The centuries' old notion of police state which was to be responsible only for the maintenance of law and order and the policy of laissez faire, i.e., least interference in day-to-day activities, has completely lost its relevance. The modern state has undertaken the new role of accelerator of economic and social change as well as prime mover and stimulator of national development. With this change in the ends of modern state, the purpose of public administration have also been completely reoriented. Its functions have enormously increased in number, variety and complexity and its methodology has grown from the trial and error stage into an orderly discipline with an organized, ever-increasing body of knowledge and experience. Today, you see a great bulk of administrative departments coming into being.

Since a child remains under public administration from 'cradle to grave', his birth as well as death is to be registered with the local authorities. There are a number of welfare agencies, which provide all necessary benefits to the child. Besides, all of us use the services of public administration in almost every walk of life.

Public administration is an integral part of the social, cultural and economic life of a nation and is a permanent force in its life. It is possible for a state to exist without a legislature or an independent judiciary but no state can exist without a well-organized administration. Edmond Burke said 'Constitute government how you please, infinitely the greater part of it will depend on the exercise of powers which are left at large to the ministers of state. Without proper management, your commonwealth is no better than a scheme on paper and not a living, active, effective constitution'. The powerful and important role played by public administration in the life of a nation led Ransay Muir to remark that in England the minister is a tool in the hands of the permanent executive. In the words of D. Waldo, it is 'a part of the cultural complex; and is not only acted upon, it acts'. It is a great creative force.

Lack of sound administration may bring even the mightiest empire to pieces as was the case with the ancient Roman Empire.

With the great advancement of science and the invention of new techniques at all levels of human activity, the problem of maintaining effective coordination between the administration and the rest of the community has assumed great importance. The administrator is the essential servant of the new age, which is becoming so complex that neither the bluster of the power politician nor the abundant goodwill of the multitude will avoid breakdown, if, despite the adoption of right policies, wrong administrative steps are taken. Therefore, the pursuit of greater knowledge of public administration becomes the most essential future of civilized government and even civilization itself, rests upon the ability to develop a science and a philosophy and a practice of the administration competent to discharge the public functions of civilized society.

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1.2.2 Public and Private Administration

The term public administration appears to suggest that there must be non-public or private administration also. Some thinkers believe that all the administration is one and there is no difference between public or private administration. There is difference of opinion regarding the relationship between public and private administration. There are some thinkers who consider that there is no difference between the two and that the administrative activities and techniques are similar in all the organizations, whether they be private or public. Urwick, Mary Parker Follet and Henri Fayol subscribe to this view. According to H. Fayol, 'You are no longer confronted with several administrative sciences but with one which can be applied equally well to public and private affairs'.

Similarities between Public and Private Administration

Various thinkers suggest various points of similarities between the two. First, many skills, techniques and procedures adopted in private and public administration are the same, e.g., accounting, office procedure and management, etc. This view holds true because of the fact that there is an occasional interchange of personnel between the two. It would not have been possible, had there been difference in the working of the private and public administrative organizations.

The public and private administration show a number of similarities in practice. We usually say that all those activities which are performed by the governmental agencies or public agencies form part of public administration, while those performed by the private agencies are called private administration. There are, however, many activities which are performed both by private and public agencies. For example, business activities were mainly performed by private organizations. But, the government has taken upon itself many economic and business activities, which, hitherto, were the preserves of private administration.

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This has given rise to a new form of organization, namely, a public corporation, which is much different from the usual departmental form of the organization prevalent in the government. This form of organization has become necessary to provide the public administration sufficient flexibility necessary for running business enterprises in developing countries like India. The public sector has come to occupy an important position in the economic organization of the country. The role of public corporations has, therefore, gone up tremendously, giving rise to the phenomenon of adopting the business practices of private organizations in the government. It has also been increasingly realized that there are many skills, techniques and procedures, which are common to both public and private administration. For example, accounting, statistics, office management, office procedures, purchases, disposals and stocking and many other activities are common to both public and private administration.

There are four basic elements of similarity between the public and private administration, which are as follows:

- (i) **Cooperative element:** Public administration is a cooperative group effort in a public or private setting. In every human organization, be it private or public, the key to successful operations is the effective utilization of human and physical resources. Though the purposes or goals of these organizations may vary, the common factor is the element of cooperation which is present in both.
- (ii) **Large size of organizations:** In all the organizations, where the number of employees is substantially high, the bureaucratic element is present. As it become difficult for one person to look after all the employees, the intermediate levels of supervisions are required. In other words, various levels of hierarchy evolve and the organization grows in complexity. Thus, bureaucracy is another major element of similarity between the two.
- (iii) **Scientific analysis:** Scientific analysis involves breaking down each task into its component parts, studying the movement of the workers, the use made of materials and equipment, experimenting with different work methods and procedures and finally adopting those which proved to be most efficient. This scientific technique is increasingly used in both public and private administration.
- (iv) **Human relations approach:** The human relations approach is the main focus of similarity between the two.

Though there are certain points of similarity between public and private administration, no private organization can ever be exactly same as a public one.

The following are some points of differences between the two types of administration:

- **Political direction:** The primary distinction between public and private administration lies in the fact that unlike public administration, private administration is not subjected to political direction, save in times of the gravest emergency. The ends it pursues are of its own device. Its objectives generally do not depend upon political decisions. But the administrator under public

administration has to carry on the orders he gets from the political executive with little option of his own.

- **Profit motive:** Public administration is conducted with the motive of service while the motive of private administration is profit-making. If the establishment of a textile mill brings more profit to the capitalist than the establishment of a sugar mill, the former will be preferred by him, however, urgent the need of the latter may be. If private administration is useful to the public, its service is a by-product of profit-making. In public administration, some functions are performed by the state, which are entirely money-consuming functions, for instance, running of a government school or hospital.
- **Service and cost:** In the matter of public administration only such amount of money is raised by taxation which is necessary for the rendering of the service. In other words, there is an intimate relationship between the service rendered and the cost of service charged from the public. A government budget is generally a deficit budget, i.e., expenditure exceeding the income. In private administration, income often exceeds expenditure, because there is usually an attempt made to extract as much money as possible through the sale of products or services.
- **Nature of functions:** Public administration is more comprehensive than private administration. It deals with the various types of needs of people, for example, in most countries, it maintains railways to facilitate movement of goods and passengers, provides posts and telegraphs to facilitate communication, maintain hospitals and dispensaries to protect public health. In a socialistic state the scope of state activity is still greater since its aim is to achieve greatest happiness of the greatest number. Private administration does not usually cover the economic needs of life. Public administration carries out functions, which are vital for the very existence of the people, for instance, defence of the country and maintenance of law and order. Private administration is concerned with less vital functions, e.g., manufacture of cloth, supply of sugar, etc. Besides, public administration own monopoly in some of the services, for example, in India, it alone runs railways, manages posts and telegraphs and maintains an army. No private individual can undertake any of these functions. In private administration, more than one organization undertakes the same activity, e.g., supply of cloth, plying taxis for hire, etc.
- **Public responsibility:** Public administration has responsibility to the public. In the words of P.H. Appleby, 'Government administration differs from all other administrative work by virtue of its public nature, the way in which it is subject to public scrutiny and outcry'. On the other hand, private administration is only responsible about the people indirectly, and generally it secures its own ends and not the welfare of its people.
- **Uniform treatment:** Public administration should be consistent in procedure and uniform in dealings with the public. An official cannot show favour to some people and disfavour to others. A private administration, on the other hand, need not worry about the uniformity in treatment. A shopkeeper selling

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cloth may give cloth on credit, but a clerk in a post office will not sell stamps on credit.

- **Public relation:** The public and private administration also differs on the principle of public relations. In the business world, it is employed to win customers, by window displaying, free samples, design and colour of labels.
- **Efficiency:** It is felt that private administration is superior in efficiency to public administration. The glamour for ‘a businessman’s government’ or ‘Commercialization of the whole machinery of government’ or privatization of the octroi, electricity production and distribution, etc., shows that the people regard private administration more efficient which enjoys certain advantages, e.g., differential wage payment as incentive to increase production and to attract staff of superior ability from rival firms, etc., over public administration which is marked by red tapism, extravagance, corruption and inefficiency. In a private administration, the incentive of more profits impels the individual to devote himself whole-heartedly in his business. But it does not mean that private administration, is always efficient, or public administration is always inefficient. If the incentive of cash profits is lacking in public administration then the incentive and desire to make one’s own administration successful and win public approval is present there, and with this incentive the administrators devote themselves whole-heartedly to achieve the efficiency of the office.
- **Organization:** Though the principle of ‘organization’ is relevant to both public and private administration, yet it has greater social consequences in the sphere of the former than in the realm of the latter because a defect in the organization in public administration will do more harm to the public than a lacuna in private administration. Huxley writes, ‘The state lives in a glass house, we see what it tries to do, and all its failures, partial or total, are made the most of. But private enterprise is sheltered under opaque bricks and mortar’.
- **Monopolistic:** In the field of public administration, there is generally a monopoly of government, and it does not allow private parties to compete with it. For example, in most countries no person or body of persons can establish post and telegraph, railway, or coin currency for these are the exclusive fields of the government. This is not so in private administration, wherein there are several organization competing with each other to supply the same commodity or to meet the same need. Of course, in certain cases, even private concerns may have a monopoly.
- **Officials remain incognito:** In the public administration even the most senior officials remain incognito and their identity is not disclosed. This is so because whatever they do, they do in the name of the government and not in their own name. On the contrary, a private administration entrepreneur does things on his own behalf and is well known in the business circles. In many cases, even business concerns are named after the names of their proprietors.

- **Psychological difference:** There is also a psychological difference between private and public administration. In USA, during World War II, the coal mines were placed under governmental control and although no appreciable changes in the administration of the coal mines were made, there came about a change in the psychology of the workers for now they well knew the dangerous consequences of strikes, etc.

According to Simon, the distinction between public and private administration relates mainly to three points, which are as follows:

- (i) Public administration is bureaucratic, whereas private administration is business like.
- (ii) Public administration is political, whereas private administration is non-political.
- (iii) Public administration is characterized by red tape, whereas private administration is free from it.

CHECK YOUR PROGRESS

1. Why is today's state referred to as the 'administrative state'?
2. What was the unique feature of the second phase of evolution of public administration as a discipline?
3. What is the integral view of public administration?

1.3 NEW PUBLIC MANAGEMENT

During the beginning of the 1980s and early 1990s, public policy as a part of the public administration was expected to produce ethical as well empirico-analytical knowledge. Concept of welfare states and government's commitment with the policies compel administrators to follow the ethical values for sketching the framework and implementation of the public policy. The policy-makers revisited the old theories or joined the other subjects with the public administration. The policy sciences appear to be moving from a simple theory or rational choice to their in society from policy science to police inquiry.

Two items have been selected by the policy scientists since 1990s. First, the policy science was to become normative; and second, police sciences were to be related to public management. The issue was not whether policy sciences should include values, but how this was to be accomplished. Four general approaches to ethics and values in the policy sciences appeared to have gained importance during the 1980s and the early 1990s.

Social philosophy and political theory

This is a most important approach for the study of ethics and values in making and analysing the public policy or the policy process. Communitarianism, liberalism,

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utilitarianism are described as the moral theory of the administration. Communitarians stressed on doing well in addition to utilitarian norms of doing well with emphasis on liberty and equality in the formation of public polices. It raises the questions that public accountability of higher bureaucracy would provide the moral safeguards against ethical transgressions such as in the defence security system.

Ethical issues and social morality approach

Under this approach, the individuals and groups both inside and outside the public service are forced to make concrete ethical and value judgment on a regular basis. Third World countries of Asia are now changing their view points and trying to root out the social crimes like eve teasing, killing of girl child, trying to enact law based on ethics and law such as anti-dowry law and encourage people for family planning.

Professional and administrative ethics

This approach focusses on the public duties as well as public rights and issues. The standards of professional conduct by government employees and the conflict between public duty, personal morality and private interest developed into the possibility of and administrative ethics.

Meta ethics and ethical analysis

Meta ethics and ethical analysis are the approaches to study the ethics. This study will consist of values which concentrate analysis on ethical contents of public policy. Meta ethics or the ethical study of ethics, replaced the discredited belief in value free social science inquiry.

So, the ethical values have a key contribution as a major part of the policy-making and policy implementation. In the ongoing 21st century, more work is to be done on the basis of ethical analysis and ethical methods. In the policy-making and policy implementation process, ethics and ethical studies are basic components to please the people and to gratify the political parties.

‘Public Policy’ as an academic pursuit emerged in the beginning of 1950s and since then it has been acquiring new dimensions and is struggling hard to acknowledge the status of a discipline in the comity of social sciences.

Concepts of Public and Policy

The idea of public

It is first important to understand the concept of ‘public’ for a discussion of public policy. We often use such terms as ‘public interest’, ‘public sector’, ‘public opinion’, ‘public health’, and so on. The starting point is that ‘Public Policy’ has to do with those spheres which are so labeled as ‘public’ as opposed to spheres involving the idea of ‘private’. The concept of public policy presupposes that there is an area or domain of life which is not private or purely individual, but held in common. Public dimension is generally referred to ‘public ownership’ or control for ‘public purpose.’ The public comprises that domain of human activity which is regarded as requiring

governmental intervention or common action. However there has always been a conflict between what is public and what is private.

The concept of policy

Like the idea of 'public', the concept of 'policy' is not a precise term. Policy denotes, among other elements, guidance for action. It may take the form of one or more of the following:

- A declaration of goals
- A declaration of course of action
- A declaration of general purpose
- An authoritative decision

Hogwood and Gunn¹ specified the following ten uses of the term 'policy':

- (i) As a label for field of activity
- (ii) As an expression of desired state of affairs
- (iii) As specific proposals
- (iv) As decisions of government
- (v) As formal authorization
- (vi) As a programme
- (vii) As an output
- (viii) As an outcome
- (ix) As a theory or model
- (x) As a process

Unfortunately, the policy itself is something which takes different forms. There is thrust to designate policy as the 'outputs' of the political system², and in a lesser degree to define public policy as 'more or less interdependent policies dealing with many different activities'.³ Studies of public policy areas, on the contrary, have tended to focus on the evaluation of policy decisions in terms of specified values—a rational rather than a political analysis. The magnitude of this problem can be recognized from the other definitions, which have been advanced by scholars in this field.

Y. Dror, one of the leading students of policy science, defines policies as 'general directives on the main lines of action to be followed'⁴ similarly, Peter Self defines policies as 'changing directives as to how tasks should be interpreted and performed.'⁵

To Sir Geoffrey Vickers, policies are 'decisions giving direction, coherence and continuity to the courses of action of which the decision-making body is responsible.'⁶

Carl Friedrich regards policy as '.....a proposed course of action of a person, group, or government within a given environment providing obstacles and

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opportunities which the policy was proposed to utilize and overcome in an effort to reach a goal or realize an objective or a purpose.’⁷

James Anderson suggests that policy be regarded as ‘a purposive course of action followed by an actor or set of actors in dealing with a problem or matter of concern’.⁸

Nature of public policy

A policy may be general or specific, broad or narrow, simple or complex, public or private, written or unwritten, explicit or implicit, discretionary or detailed, and qualitative or quantitative. Here, the emphasis is on ‘public policy’ which is what government chooses as guidance for action. From the viewpoint of public policy, activities of government can be put into three categories.

Understanding Public Management

Positive government received a serious setback in the 1970s caused primarily by economic crisis as well as the disintegration of the USSR. The dissatisfaction remained unmonitored in India and became exposed only in the 1990s. The collapse of USSR exposed the unsoundness of the command and control system of a country’s economic management. The economic crisis reduced the flow of funds in to the public sector.

The growing fiscal deficit most developing nations have faced since the 1980s forced them to borrow to raise revenue for government, which in return created the problem of indebtedness for them. Public management, though increasingly used since the 1980s, is not yet fully developed concept as Metcalfe and Richards argue⁹. They stated that the public management is too narrow to understand. It is necessary to include the terms and necessity of information, decentralization, line management spends to save and inter organization management. Public management movement in public administration focusses on the role of top administrative leaders, such as political appointees and the strategy.

During the 1970s, the policy sciences addressed topics of evaluation, operation, execution and termination. A policy remains just a policy statement unless it is implemented. Public management, like policy, shares a general condescension for traditional objective, discipline bound and social science inquiry and prefers the multi-disciplinary, problem-oriented and clearly normative nature of its policy oriented kin. The public managers are concerned with the specific functions necessary to organization and implementation of the public policy; that is, planning, organization, directing and controlling followed by Luther Gulick’s formula of POSDCORB.

Public policy and public management are the partners, convergent in outcome yet with different focus. Lynn combines the theories of managerial and organizational behaviour of senior public executives who pursue public policy. Managing public policy, according to Lynn, as the result of the executive effort directed at affecting governmental outcomes by influencing the processes that design and carry out governmental activity.¹⁰

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We can, thus, say that public management has an important role in the effecting policy operations. The concept of public management is the combination of two words ‘public’ and ‘management’. Its contents emphasized on the concepts taken from both political science and business management. While constitutional principles rule of law equity and fairness, etc., they are the contents of political science and efficiency and financial transactions and benefits are its business ingredients.

Public management used at both micro and macro level towards the betterment of the policy-making. The public manager deals with the public policy, in managing the policy process and also contributes in implementation of public policy. It is ongoing process and criteria in making, implementation and assessment of the public policy.

The concept of new public management is the recent origin of the new globalization period. As mentioned, it is a mixture of two words—public and management—and its contents highlight the concepts taken from both political science and business management. While constitutional principles, rule of law, equality, justice, sovereignty, etc. are the basic contents of the political science efficiency, cost profit, cost breakdown, planning and implementation constitute its business ingredients. Thus, public management stands for the acceptance of experienced and examined management methods for collective problem solving.

‘In short new public management takes “what” and “why” from public administration and “how” from business management.’ Traditional public administration is generally associated with bureaucracy while the latter is decried and denounced by new public management. Richard Common¹¹ defines new public management (NPM) is used to describe a vast range of contemporary administrative changes. NPM has become a very popular concept, its secret lies in its appeal as an attractive solution to the problems of big and inefficient government.

The term new public management was invented by Christopher Hood in 1991 and used in his paper on ‘A Public Management for All Seasons’ which was published in *Public Administration* (Volume LXIX, No. 1). Christopher Hood defines new public management as:

- Emphasis on professional management in the public sector (a new reference for public administration).
- Emulation of private sector management style.
- Shift to the competitive approach, the motivation being to cut costs and raise standards of service and product.
- Emphasis on standard setting, performance measurement and goal setting.
- Increased concern for output control linked to resource allocation.
- Rules and regulation and economy in resource use.
- unification of massive units into provider producer functions and the introduction of contracting.¹²

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Another notable contribution in the development of NPM was made by Gerald Caiden. Others who have contributed to NPM are P. Hoggett, C. Pollitt, R. Rhodes, R.M. Kelly, P. Aucoin, L. Terry, etc.

No organizations or institutions whether political, social, economical or even religious can carry on the work without proper administration or management. Principles of management are now commonly used not only for managing business organizations, but also educational, social, financial and even governmental organizations. Now, the government agencies are freely using progressive modernized and updated management thoughts and principles into their area to carry forward their various policies and activities. No more administrative set up is in their updating with the demand of time and, at the same time; management with its ever changing face is providing the base to reach the goal.

Management is the moral process in all forms of organizations, though it may differ in its complexity with the size of organizations. In other words of Clauds S. George, management is the central core of out national as well as personal activities and the way we manage ourselves and our institutions reflect with alarming clarity what we and our society will become.

Momentum to public management has principally come two sources. The first came from the USA where the dominant view is that management techniques developed and examined in the private sector may profitably be applied in public administration. The source is now protection or New Right, which believes in authority of the market as the guiding principle for society as whole. By the same count, it calls for the retreat of the state, and argues for deregulation, privatization and agreement management.

The 5 Ds (Decentralization, Devolution, Deconcentration, Delegation and Debureaucratization)

In a federal set-up, the tendency of centralization should not always be overpowering. This was kept in mind while formulating our Constitution. The 8th Schedule clearly mentioned the areas of power and functions of the states and union governments. The regulatory framework in which Indian administration was working with prime focus on the instructions of the Centre does no longer hold true. The process of decentralization calls for making the levels of administration responsive to the local need. With the passage of 73rd and 74th Constitution (Amendment) Acts, 1992, the local government has become a reality. The functions and subjects on which the local bodies shall work are specified in the Eleventh and Twelfth Schedule of the Constitution. This devolution of powers and functions is getting hampered due to absence of finances and adequate and well trained functionaries. There has been an increasing tendency of concentrating the administrative machinery either in the state capitals or districts; there is an urgent need to disperse the offices with optimal facilities of funds, finances and functionaries. E-governance can act as both a tool to centralize as well as decentralize, but surely assists in a two-way communication with of course cost and other challenges attached with it. The policies once formulated

are given to administrators to implement. The ground realities act as the test for policy execution, thus bureaucrats use the principle of delegation. This could be misused by discretionary application, so clear and specific benchmarks are must.

The exact mix from the two is, however, not easy to determine. In fact, there are two polar view points. According to one, there are strong similarities between public management and private management. This school of thought favours free transferring of standards of good management of public administration. The other viewpoint finds some basic differences between public and private management. It, thus, highlights the exclusive political environment within which public administration is obliged to function. In addition, to these views, there is also a third vies middle path. This school of thought believes that the truth lies some where in between the two extremes In development of their ideas, the proponents of this take into account both colonial and normative arguments.

In today's liberalized world, administration has been replaced by management. Public administration is also identical with management with overlapping circles. Indian Institute of Public Administration (IIPA) is not only a professional body but also a source head of all that stands for the best in public management. Earlier, IIPA was a direct training centre for the Indian Administrative Services (IAS) and other services. Now, they are providing training programmes, lectures on the public management, public administration and other fields of the social science with its rich library and training techniques which are needed in the public management and the administration.

The old picture of administration has been compressed by so many practitioners in various fields that it has lost its shape so much so that it has got transformed to management in all its consequences, behaviour and stratifications. Now, they are trying to adopt the administrative formula of POSDCORB which is primary concerned with the efficiency. That means planning, organizing, delegation, staffing, and coordination, reporting and budgeting. Gulick also identifies five different aspects of time, namely, time as an input time, as output time, as the flow of events, time as a gap between two or more significant events or processes and finally, timing as a management policy. Gulick clarified that time has realistic and significant connotation for public management. It reflects that the principle of management should eternally tie to the culture in which they arise. He also defined that the culture must evolve appropriately well before major challenges in human organizations as it is not a machine but and organism. He stressed that time must become a central strategic and moral concern in public management. Therefore government must plan and work with this flow in time and for time.

The world is now settled down with the definition of management in its changing scenario with Ms (men, money, materials and machines) irrespective of the fact whether it as a developed nation or a developing one. In the changing scenario of management, we have begum to realize with the globalization of Indian economy, all our institutions need management discipline. All professional managers, irrespective

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of their environment ranging from financial management, personnel management, inventory management, etc., have to bring about better result in their wider spectrum to total management.

Human values in public management cannot be ignored. Many scholars have asserted that all management is the man management in the final analysis. In the design of an organization, management is the most powerful element. It adopts and adapts the organization to its environment. It shapes the environment to make it more suitable to the organization. It requires coordination at all levels and coordination leadership is a must. It is leadership which ensures synchronization of that activity of people, both at the planning and execution stages.

So we can say that the public management movement focusses on the role of top managerial leaders, such as political appointees and the plan they set. The concentration of the public management movement on top management has resulted in overlooking the contributions of other levels in administration. Decision-making saturates bureaucracy from top to bottom. Public management worked blindly as the administrative chain of command except the top.

The concept of NPM defines the way of handling management of an organization by following various methods and techniques of the management. It also follows the rule based on the man, money material and machines. Political thinker Luther Gulick also emphasizes that time was the crucial point in the concept of new public management. Without it there is no change, no growth, no cause and effect and no responsibility for management. Gulick describes that all public policy transformation is rooted in the timing and democracy timing is the trademark of the Statecraft. A dominant trend in public administration has emerged in 1980s as one of the growing disillusionment with the state as an instrument of social betterment. All over the world, the state discovers itself under siege so to say, and it is under incessant attack, while the governing capacity of the government is seriously questioned. While people now a days have less faith in the government the need for what Jan Koolman and Martijkin Vliet call collective problem solving has not diminished. The remedy has been discovered in business administration. UA Gunn calls new public management as the third way between the Public administration and private administration. J.L. Perry and K.E. Kraemer¹³ observe: Public Management is the merger of the normative orientation of traditional public administration and the instrumental orientation of general management.

Criticism of New Public Management

New public management (NPM) is criticized for separating political decision-making approach from the implementation aspects of public administration. Political executives are to lose control over the implementation of their policy as a result of managerial reforms.

NPM involves in several shifts and changes. However, public management implies replacement of the traditional methods and ethos of the public administration by private sector practices, which are claimed to be of superior effectiveness.

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NPM disagree for a public sector less protected from the private sector and for greater management's diplomacy in handling of public administration. NPM is the executive model which is rather unfamiliar with the public administration. The supervisory thrust pushing public administration into what may be called Neo Taylorian direction. The trend towards the New Public Management observed in Public administration is not without criticism. The influx of private sector must not ignore the values inherent in public administration. New Public Management put forward the state to adopt an alternative in the form of the market. It boldly recommends privatization and all that it implies and all growing techniques of management and application.

Under the New Public Management, the concept of public administration is getting progressively disappearing and there is search of alternatives to boost up the concept of public ness. NPM or business management has no marginalize these essential features of the Public Administration. Public ness also depends on the size of the service recipients a greater number of serve recipient implies higher degree of public ness. So New Public Management is a dominant trend and now becoming more and more specialized and rapidly evolving as true profession with definable principles.

1.3.1 Public Choice Theory in New Public Management

The public choice theory is closely related to the theory of social-choice. This is a mathematical approach that aggregates the individual interests, and their votes. Both of the fields use the tools of game theory and economics. Since the behaviour of voter influences the behaviour of public officials, public-choice theory sometimes uses results from the theory of social-choice. General treatments and outcomes of public choice can be classified under the area of public-economics.

The government procures and produces public goods for public and societal welfare and compensates for them through taxation on individuals and businesses. The question remains on how the government comes to a conclusion on what public goods to be procured and produced and also their quantity. Another aspect of the theory is the amount of tax that should be imposed on the public. Most of the people believe and advocate that a government must provide all wants on the lowest possible costs, since that would substantially reduce the burden on individuals. However, whether voting achieves the goal completely or not, it depends on how the voting has been carried out.

Public choice theory is also known as the study of political economics. It is the study of how economic modifications and consequences can affect the voters, bureaucrats and legislators. The democratic procedure is the one in which, purportedly, the public preferences are expressed through their elected representatives under a democracy.

The theory of public choice points up some affairs where a majority of vote would actually lower the benefit-to-tax ratio or where the projects and policies may

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be selected that could have a higher cost against benefits for the economic system as a whole. Voting by people for their own interest results in incompetent or insufficient outcomes, so even if a project could yield great benefits to a certain group but a small expenditure to rest of the people, they will be probably voting against this anyway. Often, the benefits of most of the projects that are procured and driven by government cannot be accurately ascertained beforehand nor would the individual taxpayers know of the accurate cost that affects them. By this way the theory of public choice is really a conceptual scenario, but it could show that how by allowing the public to prefer or choose might not yield the best outcomes for the economic system as a whole.

Public goods vary from private goods in the aspect that the exact amount of benefit and cost to each one remains unidentified, while in case of private goods the benefits and costs to an individual is exactly foreseeable to that individual.

Political department

It is often stated that public choice theory has a gradient of anti-state. But there exists ideological diversity among public choice scholars and theorists. Mancur Olson, was a noteworthy advocate to a strong state and opposed political interest group lobbying. James Buchanan gave his opinion that the public choice theory should be interpreted as 'politics-without-romance'. That is a critical approach to an invasive prior belief of idealized political set against the market failures.

Criticism

Nobel Laureate Amartya Sen, acknowledged and advocated the contribution of Tullock's analysis of unanimity and Buchanan as a fair standard for the purpose of collective choice. Similarly, on the other hand he has argued for the logical inconsistent behaviour of the Pareto-principle version of unanimity with even minimal or least liberty in a framework of social-choice. Broadly, he has qualified its use when other relevant information besides the personal utility is allotted a weight in public judgments.

Tullock and James Buchanan, themselves outlined methodological qualifications of the approach developed in their work *The Calculus of Consent* (1962).

Conclusion

Even if the model with some of its rational self-interest assumptions proves to be worthy and useful in explanation of an important constituent of politics, it does not at all imply that all individuals should act in accordance with the behavioural statements passed or that each one should act in the prescribed way at all times. The theory of collective choice could explain only some of the indecisive fraction of concerned collective action. However, so long as some part of all the individual behaviour is, in fact, driven by utility maximization, and so long as the recognition of individuals with

the group, does not at all expand to that point of making all individual utility functions almost identical, an economic-individualist approach based model of political activity should be of some positive value.

New public management is a commercial approach to public administration as well as the turning point on the basis of public choice theory (PCT) and managerialism. NPM also believed in the dominance of the market and in private sector management. PCT has resonance with the 'Neo Right Movement' or 'Neo Liberalism'. Market model, the dominant model of the governance in the NPM Schema, introduces competitive elements in the public administration with marketisation, privatization and downsizing being its key features. The two defining pillars of NPM are thus Public choice Theory and Neo Taylorism. New Public Management is anti bureaucratic and it must be viewed in a larger perspective which is more than anything else. It marks an aggressively managerial approach in public administration and thus can be seen as a direct criticism of the traditional model of public administration.

Public choice theory has exercised a powerful pressure upon policy-making since the 1970s. It seeks to communicate an altogether new direction to the public administration. It gives itself to a market value and thus closes down the control of the government in respect of the supply of public services, as an alternative introduces the principle of challenge. As the public bureaus are exposed to competition, there is a continuous search for improvement in service standards. People get the option of choosing between competitive service suppliers and now power is decentralized. New Public Management is thus dressed up in the language of management, and imported methods and techniques for the profitable sector. It is characterized by three powerful features business like management, service and client orientation and market type mechanism such as competition.¹⁴ However, Osborne's and Gaebler's book, *Reinventing Government: How the entrepreneurial spirit is transforming in the public sector*, can be a road map in designing a government on the wide principles of NPM. The following are to be considered:

- Catalytic government which is based on direction-finding rather than rowing or self creating
- Community owned government which believes in empowering rather than serving
- Result oriented government which believes only in the outputs not in the inputs, that is result is more important than the work or worker
- Mission oriented government which change rule of determined organizations
- consumer driven government believes in meeting the needs of the customer and not the bureaucracy
- Enterprising government which believes in earning rather than spending

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- Preventative government which believes in prevention better than cure
- Decentralized government which believes in the substantive participation and team management
- Market oriented Government which believes in the massive change through the market
- Competitive government which believes in competition and initiates in the organization
- New Public Management is result oriented and goal oriented. It believes in the flexible planning in organization on personal terms and conditions of employment and so on. It depends upon 3 factors that are wealth, competence and efficiency.

CHECK YOUR PROGRESS

4. What was the social morality approach to public management?
5. Which are the 5 Ds of new public management?
6. What does the public choice theory study?

1.4 CHALLENGES OF LIBERALIZATION, PRIVATIZATION AND GLOBALIZATION TO PUBLIC ADMINISTRATION

Is liberalization or globalization actually a free trade or there are some elements of protectionism acting as a stumbling block on the way of some countries? Does internationalization of capital add up to monopoly capital, which may throttle competition or does it allow infant industries in the developing countries to compete fairly? Does the new international division of labour prompt comparative disadvantage or will it convert the developing economies into suppliers of raw materials, cheap labour and markets for finished products? Is the revolution in information technology (IT) advantageous to all countries or to only to developed countries? In trying to explain the true nature of globalization, you must ask fundamental questions in terms of these four concepts.

In developing countries like ours, economic liberalization refers more to liberalization or further 'opening up' of their respective economies to foreign capital and investments. Globalization is certainly the catchword of the new millennium.

The nature and impact of globalization has been the subject of deep debate and concern in economic circles since the mid-1990s. According to the supporters of liberalization, it offers the opportunity for the various sectors of a country to compete on the international level, contributing to GDP growth and generating foreign exchange. Proponents of globalization say that globalization or liberalization has

resulted into promotion to information exchange, a greater understanding of other cultures, rise in living standards, increase in purchasing power (most especially in the west) and the triumph of democracy over communism. The opponents of globalization and liberalization, on the other hand, believe that trade liberalization also carries substantial risks that necessitate careful public policies. According to some, foreign providers crowd out domestic providers and instead of leading to investment and the transfer of skills, it allows foreign providers and shareholders to capture the profits for themselves, taking the money out of the country.

Whatever the merits or demerits of globalization or liberalization, what can be said with certainty is that it is not a panacea. It does not work instantly all by itself. It requires appropriate public policy to facilitate its benign effects. No amount of globalization can entirely undo the bad or imprudent public policy. At the most basic level, there must be adequate governance in the form of maintenance of law and order and security of life and property.

One of the well-known outcomes of liberalization was the emergence of EPZs. An EPZ, also referred to as foreign-trade zone or Special Economic Zones (SEZs), is an area within which goods may be landed, handled, manufactured or reconfigured, and re-exported without the intervention of the customs authorities. Only after the goods are moved to consumers within the country in which the zone is located, they become subject to the prevailing customs duties. Since the 1960s, several developing countries have implemented export-oriented growth strategies, i.e., custom-free manufacturing to promote industrialization. The EPZ is perhaps the most common form in which this strategy has been implemented. EPZs have become attractive to developing countries because they offer a number of advantages, such as a compromise between liberal and protective regimes, a gateway to the international community, lower operational costs and a drive for industrialization. For example, in January 2012, Bangladesh offered an exclusive export processing zone for Indian companies to garner investment from its giant neighbour. It also offered tax holidays for three-to-ten years.

Even as there was no standardized model of development that could be adopted in the entire region of East Asia, all successful East Asian economies had one thing in common—stability-oriented macroeconomic policies. These policies had the following aims: keep low inflation; avoid overvalued exchange rates; maintain high rates of physical and human capital accumulation; and pursue an export-oriented production, which would also lead to using sophisticated technology. Besides these policies, what also helped were the advantageous conditions that were prevalent in the early period of development. What was unique in each country were the specific industrial policies that each government adopted and the kind of government intervention, particularly in financial and capital markets that was aimed at mobilizing and allocating savings.

A comprehensive study conducted by the World Bank in 1994 titled *The East Asian Miracle: Economic Growth and Public Policy* determined that ‘exports push’, a blend of fundamentally sound development policies, and discriminatory

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interventions were the factors that led to the success in East Asia. It was suggested that those developing nations which wanted to pursue the path to success as seen in East Asia had to do two things: one, they had to limit policy interventions and two, focus on fundamentals. The World Bank research also said that even though there were many policies and interventions that had been put in place in East Asia, the ones that developing nations should pursue were those associated with export push. Following are the fundamentals that East Asian economies stressed on:

- Instituted a strong monetary and fiscal policy so that there was low inflation and competitive exchange rate
- Concentrated public investment on primary and secondary levels of education
- Promoted effective and secure financial systems to promote savings and investment
- Reduced protection so that domestic prices were close to international prices
- Encouraged growth in agriculture by helping farmers to pursue green revolution, offering technologies, and investment in rural infrastructure and restricting taxation on agricultural goods

For nations to participate and benefit from globalization and liberalization, they should be able to maintain a stable macroeconomic system and put several safety nets in place to protect vulnerable sections of the society. Other developing countries in Asia can benefit from the experience of the East and South-East Asian countries in this respect.

Underdeveloped nations are not hesitating to pick up certain elements of globalization and liberalization and harmonize them with their own brand of cultural, social, political, economic and institutional conditions. Even as these nations can take advantage of the development process that East Asian countries followed, it may be added that the task of globalization and liberalization is not purely technical. The country must be willing to carry out reforms and the government must give it its full backing because the road is long and arduous before success can come. Also, even as governments adopt comprehensive and consistent reforms, these cannot see the light of the day without the generosity of donors who must be willing to pitch in with their resources and support so that these reforms can be accomplished.

Importantly, governments should not change course once the process of reforms is underway. If it seems that a little bit of change or going in reverse gear is inevitable, then this should be factored in right at the beginning. Governments should go slow so that they can introduce reforms slowly and can stay the course even if the economic situation changes for the worse before it gets better.

1.4.1 Macroeconomic Policies

There are five major factors that contributed to the high growth in East Asia in the pre-crisis period. These were adopting pro-savings policies, keeping a sustainable fiscal position, investing in human capital and physical infrastructure, following greater

outward orientation and rapid corrective responses to macroeconomic disequilibrium. Evidently, these factors tend to nurture each other and in fact, their importance has augmented in the post-crisis period. Let us discuss each of these factors individually.

1. **Pro-savings policies:** Accelerated growth requires high investments and domestic savings, combined with systematic structural reforms that are necessary to maintain macroeconomic stability and significantly increase productivity. The main dynamic that led to macroeconomic stability in East Asia was the early focus on improved revenue efforts and, restrictions on government consumption. In fact many East Asian economies ran budget surpluses for long periods.

The trend towards savings and investment is waning in some East Asian nations in the post crisis period. This needs to be arrested and reversed. This can be done by following some positive policies that encourage savings and reforms in insurance, and provident and pension funds.

Almost all poor countries must reduce the budgetary drain of public enterprises on a war footing and put their physical and human resources to more efficient use. This calls for significant changes in the size and structure of government revenues and expenditures. Revenue can be raised through several ways: broadening the tax base by simplifying tax regimes, abolishing exemptions, reducing the discretionary authority of tax administrators and improving collection capacity. The principal way how revenue can be raised is by reducing budget support for public enterprises and by plugging the leakage from the banking system. This in fact is said to consume the maximum amount of domestic savings in many developing countries.

2. **Sustainable fiscal positions:** Even as it is not feasible to determine an absolute standard for appropriate size of fiscal deficits, the sum of taxation and domestic borrowing by governments of East Asian economies has been humongous as a proportion of output. However, sustainability of a fiscal position was a key determinant of macroeconomic stability in East Asia. A survey of budget deficits of both central government and public sectors in East Asian economies shows that except for brief periods when budget deficits became excessively large, they were generally managed at sustainable levels. It is recommended that all developing countries focus on maintaining sustainable levels of fiscal deficits and public debt. When there is significant amount of government borrowing it tends to crowd out private investment for productive sectors, and put pressure on interest rates and thereby on inflation and exchange rates.
3. **Greater outward orientation:** The NIEs and the booming economies of South-East Asia witnessed an extraordinary augmentation of exports. Export intensity also led to income growth. The share of imports in total domestic demand was also in sync with the growth rate. Openness of trade and emphasis on competitiveness of the manufacturing sector were important factors that contributed to growth. Economic policies were on the side of the traded goods sector and market forces could determine the real exchange rate. This facilitated an efficient allocation of resources.

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Initially these economies were endowed with abundant labour resources. Soon however they boosted their exports of low value-added and labour-intensive manufactured goods. Later as the cost of labour increased they switched the structure of manufacturing production and exports towards more sophisticated and higher valued-added products. A level playing field existed that encouraged both the traded and non-traded goods sectors to grow dynamically. Interestingly, both sectors grew side by side and worked in tandem with each other in investment, production and trade.

Economic growth in Asia is closely linked with export growth and with high savings and investment rates. Openness to trade, high investment, and high savings rates coexist in the fast-growing economies of Asia. Clearly, all these three factors are needed for achieving higher growth. Economic success of NIEs and of the fast-growing economies of South-East Asia has been based in a large measure to trade. A liberal trading environment is far more beneficial than the narrow efficiency gains stressed on by the theory of comparative advantage. Other benefits of a liberal trading environment include more competitive goods and factor markets, increased investment including foreign investment, and the associated transfer of knowledge and technology.

The establishment of the World Trade Organization (WTO) has gone a long way in ensuring good prospects for an improved world-trading environment. However, certain concerns still linger. Some believe that the gradual implementation of reforms did not fully cover investments and barriers to trade in both services and agriculture sectors still remain, which must be brought down. Some nations fear that imposition of social stipulations and environmental protection laws are the new obstacles that will replace the old ones. Some industrialized countries have evidently constrained themselves to maximum tariffs on goods such as textiles and agricultural commodities in which the Asian developing countries have the comparative advantages. This practice, often called 'Dirty tariffication' will reduce the potential gains that could be accrued from the WTO agreement. At a recent ministerial meeting held in Doha, it was decided that there would be a new round of trade negotiations under the auspices of WTO.

- 4. Investment in human capital development:** There has been a dramatic growth and transformation in educational and training systems in nearly all the fast growing East Asian economies in the past three decades. This has seen a simultaneous improvement in the home front. However, higher shares of national income devoted to education are not the full story when explaining the larger accumulation of human capital in the high-performing Asian economies. In both 1960 and 1989, public expenditure on education as a percentage of GNP was not much higher in East Asia than elsewhere. In 1960, the share was 2.2 per cent for all developing countries, 2.4 per cent for sub-Saharan Africa, and 2.5 per cent for East Asia.

During the three decades that followed, other governments as also those in East Asia increased the share of national output they invested in formal education. In fact, sub-Saharan Africa's share of 4.1 per cent was higher

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than East Asia's 3.7 per cent, and the rest of the developing world's 3.6 per cent. High-income growth, early demographic transitions and more equal income distribution all facilitated this growth. However, the decisive factor in East Asia's success was putting public expenditure in the area that lay between basic and higher education. East Asia consistently allocated a higher share of public expenditure on education to basic education. Backed by a large pool of skilled and educated workforce, East Asian countries could expeditiously restructure their financial and corporate sectors and also jump out of the severe financial and economic crisis of 1997–1998.

5. **Selective state interventions:** Part of the success of East Asia lies in the selective strategic interventions that it undertook to speed up industrialization. On the other hand, many poor nations, such as those in South Asia, saw long periods of extensive state intervention. These nations validated these interventions as they satisfied certain objectives such as nationalization of public utilities or enterprises of strategic importance, correction of rural-urban imbalance, food security, generation of employment, and rapid industrialization. Even as public policy was meant to serve several goals simultaneously, care was not taken to match instruments to objectives. It is also not sure if the rules of the game were always transparent and applied impartially. Most economies often pursued contradictory policies and programmes, each serving selected segments of their populations. State interventions are recommended only when they are absolutely necessary for the public interest and overall economic welfare. The objectives need to be more clear-cut and there has to be good knowledge of the effects of particular instruments on specific and economy-wide outcomes.

1.4.2 Industrial and Investment Policies

1. **Host country policies for foreign direct investment:** There has been an extensive increase in FDI flows to Asian developing countries in recent years. There are many contributing factors to this phenomenon:
 - Host countries started to believe in FDI as an engine of growth and a causal factor to the transfer of technology, improvement of skills and overall efficiency and competitiveness.
 - This was a period of economic reforms in almost all Asian countries. There were many proactive policies in place. Broad-spectrum economic policies led to a stable macroeconomic framework and liberalization of the industrial, trade, financial and public sectors. There were specific FDI related measures too such as transparent and non-discriminatory legal and regulatory systems.
 - Multinational companies began to work more closely with host countries on a partnership basis. There was an augmentation of in global competition that was encouraged by the close relationship between FDI and trade, increased intra-firm trade and trade within regional groupings.
 - The most important traditional factors that influenced FDI were domestic market potential and low cost of labour.

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- Wide-ranging measures were taken by both the home governments and host governments to encourage FDI. The most commonly used instruments for this purpose were bilateral investment protection agreements that stressed on rules for fair and equitable treatment, repatriation of equity and dividends and international arbitration in the case of disputes.
- Asian nations have had different experiences vis a vis FDI and therefore host countries need different policy approaches. Countries that have only recently invited FDI need to ensure that the open door policy is maintained and remains stable. These countries should see if further liberalizing of FDI regime is possible, whether FDI can be integrated with related policies on industry, with trade and technology, and whether they can improve efficiency of their administrative set-up for investment approvals.

It is beneficial if countries looked towards their neighbours for FDI so as to capitalize on the growing intraregional investment. Small and medium-sized enterprises have different needs because of their limited financial and managerial resources and insufficient information. Thus they may want incentives for joint ventures. The Asian market has great potential for small and medium sized TNCs.

2. **Host country policies for portfolio investment:** There has been an expansion in the flow of portfolio investment into emerging markets. This is because of liberalization of these markets and global factors such as low interest rates. In their bid to maximize returns and minimize risk, international investors have found that emerging markets offer attractive risk-adjusted returns and opportunities for diversifying portfolios. Factors that have attracted portfolio investments by host countries can be categorized into the following three groups: (a) the degree of political and macroeconomic stability available; (b) the commitment to the process of economic and financial liberalization and reforms; and (c) the state of development of the stock markets and the institutional and regulatory framework. Important influences on the inflow of foreign portfolio investment are the size of the local stock market, the number of listed companies, liquidity, the number of participants, investor protection (such as insider trading regulations), and enforcement of regulations and volatility.

Several Asian developing countries want to ensure that there is no let-up in the inflow of portfolio investment. To guarantee this they have taken a number of steps. These include putting transparent economic policies in place and committing to a longer-term package of regulatory and market reforms; ensuring that their taxation policies do not discriminate against foreign investors; providing appropriate investor protection; improving the settlement system; encouraging periodic disclosure of financial information; and improving the accounting and auditing practices.

Most South Asian and East Asian countries are in the process of liberalizing foreign exchange regimes, domestic financial sectors and capital markets. As a result of this the stock markets in the emerging markets are growing

speedily. This is seen by the increasing number and volume of stocks that are traded and higher market capitalization.

Several developing Asian nations are in need of massive infrastructure investments. However, the governments face fiscal constraints. To solve this problem, they are seeking private financing of infrastructure projects, with special emphasis on build-operate-transfer (BOT) financing schemes. These BOT schemes are generally seen to be used in the transport, telecommunications, energy, water treatment and waste-management sectors. Some issues that need attention are restructuring of some utility sectors, and improving regulatory environment and solving problems associated with demand risks and foreign exchange risks.

- 3. Sectoral policies and regulation:** Naturally, safety of the personnel and conforming to the environmental regulations are the prerequisites for the efficient functioning of industry. However, these form a relatively small component of sectoral regulation. India's complicated regulations, as in most countries, are a result of the country's endeavour to offset market failures. Even though it is necessary that the individual regulatory requirements of the financial sector, transport and telecommunications sector, and professional services and media are met, it has been seen that most of these regulations are not only too detailed but are also outdated. Regulations should be reduced, they should be simplified and there must genuine transparency. With this, bureaucratic intervention will be diminished and this will ensure that the country can obtain benefits from foreign investment quickly.

Problems regarding investment come up in certain industries such as mineral, which include petroleum and gas. This is because in such industries resource rents must be split between local landowners, the States and central governments. Private firms also want a share of such rents so that they can offset the risks that are involved in mineral exploration and mine development.

The efficient and equitable apportioning of mineral rents is therefore an important part of the economic policy framework. Indonesia and Malaysia are among world leaders in dealing with foreign investment in petroleum, gas and other minerals. Papua New Guinea came up with mineral resource taxes to tax mineral rents. With the help of such policies, it became possible to do away with or considerably reduce negotiations project by project. Forestry, fisheries and hydroelectricity departments also generate rents that require special consideration. All these industries have environmental aspects that should be taken into account on a nationwide basis rather than on single projects.

Sectors such as agriculture and real estate have their own set of problems when it comes to foreign investment. These are related to the complexities of landownership and rules and taxes vis a vis tenancy, sale, purchase, transfer, lease or mortgage. With this background, many countries such as India do not allow foreign investment in agriculture and real estate. However, when it comes to plantations, foreign investment in nucleus estates and processing

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facilities are beneficial to farmers as it provides them with a market and also helps them to improve their productivity. Investment in minerals, including petroleum, has retained its share of total foreign investment. Indonesia is credited with creating covenants that ensure equitable share in mineral 'rents' to the host country while satisfying investors.

Forestry has attracted investors, mainly within the region. However, it is challenged by many policy difficulties as the socio-economic costs of forestry become evident and must be funded. The maximum investment is seen in manufacturing, (in protected markets and for export), and in service industries such as tourism, financial sectors and, on a lesser scale, in professional services. Investment in infrastructure is still nascent and just starting.

4. Miscellaneous Factors Affecting Foreign Investment

Fiscal incentives and investment environment: In the 1960s, the international chambers of commerce put up a strong case that developing countries must give tax holidays. It should be done so as to attract foreign investment along with other incentives such as subsidized credit and privileged access to protect domestic markets.

The IMF supported these suggestions but recommended that inducements should be given to all investors. Many developing countries began to compete for foreign investment with various incentives, but it was found that these incentives were not attracting foreign investment. Only those 'fly-by-night' firms that move from country to country and exploit tax holidays are attracted by these incentives. However, these 'fly-by-night' firms leave the country when fiscal incentives expire or are withdrawn.

It was thus recommended that instead of incentives, it would be far more attractive for the long term investment inflows to have an efficient and equitable tax system with internationally competitive taxes and duties. It is an intricate set of economic, political and social factors that determine the inflows of FDI and it is important that investors look beyond the array of investment incentives (in particular fiscal incentives) that are offered. Performance requirements and various restrictions and regulations imposed by governments tend to deter foreign direct investment and may even offset the positive effects of investment incentives. The following should be considered when assessing the policy impact of foreign direct investment:

- o The net incentive effect
- o All policies that directly or indirectly affect business risk
- o Profitability and the ability to repatriate capital and investment income

Foreign investors are encouraged by the following:

- o Market opportunities—an uncomplicated legal and institutional set up
- o Speedy and efficient administrative dealings
- o Efficient infrastructure services
- o Liberal economic policies
- o Stable economic situation

Although some trans-national firms prefer wholly or majority-owned branches or subsidiaries in their foreign operations, some form of joint venture with a host country partner is recommended because of the experience and insights that local partners bring. The latter are particularly useful in managing labour and dealing with regulatory issues.

Joint venture investments are thus quite common in some form or the other. Foreign investors also do not hesitate to enter joint ventures with public enterprises, preferring corporative ones. Countries such as India which need vast investments would benefit significantly if foreign investment was allowed in as it would bring with it capital, technology and management package, which is needed for infrastructure development.

Even existing plants would benefit as they can be made more productive and new facilities can be set up, often on the BOT/BOO principles.

Low wage rates and low production costs: To the advanced countries, Asia is an extremely attractive region for setting up industrial production bases. This is largely true because of its extremely low production costs. China, India and countries of ASEAN have vast, low-income farming populations, which translates into a potentially huge supply of labour for the manufacturing sector. Manufacturers can be assured of an adequate labour force. Moreover, since the youth makes up a larger proportion of the population of Asia, this section will play a major role in ensuring a smooth supply of labour in the future. Besides the low costs of labour, even the costs of real estate rents, transportation, communications and electricity charges are all substantially lower in Asia than in the advanced countries.

Higher rates of return: Thus direct investment is coming to Asia because of the phenomenon of globalization which is allowing companies from the advanced countries to reap the benefits of the low costs in the developing countries. Another factor that encourages Japanese companies to shift their production bases to Asia is the generally high profitability of their overseas affiliates in the region. Compared with production bases in North America and Europe, production bases in Asia are far more profitable.

Huge domestic market: These advanced countries have also found that even though their primary purpose of building production bases in Asian countries was export, there was suddenly a rapidly growing domestic market which wanted these goods. Thus they now had to also produce goods for these consumer markets within the region. In a recent survey conducted by the Export-Import Bank of Japan in 1995, Japanese manufacturers were asked to list their reasons for investing overseas. They said that countries such as China, NIEs and ASEAN, gave value to investments designed to maintain and expand local markets. In fact, overseas Japanese affiliates substantially increased their sales within the Asian region.

Expanding regional consumer markets would lead to further economic growth. As is evident, Asian consumers continue to grow. When you compare it to the developed countries, the relative share of labour in GDP is still low in Asia. Even in more advanced economies in Asia such as the Republic of Korea and Hong Kong,

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China's labour relative share is almost 10 percentage points lower than in Japan, the United States and Germany. This suggests that there is ample scope for an expansion in consumption as labour's relative share rises.

Labour mobility: Especially in big organized sectors, labour reform remains an area of concern. Many poor countries do not have comprehensive information on labour markets. However, government regulation generally reduces labour mobility. Large firms have to deal with rigid labour laws, which do not allow them too much restructuring of their operations. They tend to force smaller capacity expansions and reduce employment creation by encouraging capital-intensive modes of production. It is the rigid labour laws that some countries have adopted that have slowed down the pace of economic reforms, privatization and state enterprise reforms. In India, where the organized industrial sector accounts for 80 per cent of industrial value added, constraints on rationalizing the labour force are a heavy drag on industrial growth. In China, the competitiveness of the state-owned sector has suffered because there is a requirement to ensure high employment and provide workers with housing, medical care, schools, transport and other social services that are not usually provided by other firms. Their labour costs are more than twice those of collectively owned enterprises. Countries need to separate these services and make them the responsibility of municipalities or commercial entities so that firms can operate on a commercial basis and labour can seek opportunities wherever profitable.

CHECK YOUR PROGRESS

7. What are the aims of stability-oriented macroeconomic policies?
8. Which are the factors that contributed to high growth in East Asia in the pre-crisis period?
9. Why has FDI flow increased in developing Asian countries? State any two reasons.

1.5 SUMMARY

- Public administration has to play a very significant role as an instrument of development and change. The administration of a country reflects the genius of its people and embodies their qualities, desires and aspirations.
- The word 'public' stands for the people of a definite territory or state. As the will of the people is represented by the government, the word public also connotes a special meaning, i.e., governmental.
- Public administration, as an academic discipline, is hardly a century old. What public administration today as a discipline is, it was not so a century ago. During all these years, it has been through many ups and downs. Its study developed as an offshoot of political science or public law.
- The concept of public administration has been given various interpretations by different thinkers. Some thinkers take a broader view and include all

governmental activities, having as their purpose the fulfilment of public policy, while others take a narrow view and consider only those activities which are concerned with the executive branch of government.

- The scope of public administration can be divided under principles of public administration and sphere of public administration. According to jurisdictional viewpoint, the sphere of public administration includes the central government, state governments, regional and local authorities and also public corporations.
- Public management, like policy, shares a general condescension for traditional objective, discipline bound and social science inquiry and prefers the multi-disciplinary, problem-oriented and clearly normative nature of its policy oriented kin. The public managers are concerned with the specific functions necessary to organization and implementation of public policy; that is, planning, organization, directing and controlling followed by Luther Gulick's formula of POSDCORB.
- The public choice theory is closely related to the theory of social-choice. This is a mathematical approach that aggregates the individual interests, and their votes. Both of the fields use the tools of game theory and economics. Since the behaviour of voter influences the behaviour of public officials, public-choice theory sometimes uses results from the theory of social-choice. General treatments and outcomes of public choice can be classified under the area of public-economics.
- Public choice theory is also known as the study of political economics. It is the study of how economic modifications and consequences can affect the voters, bureaucrats and legislators. The democratic procedure is the one in which, purportedly, the public preferences are expressed through their elected representatives under a democracy.
- The nature and impact of globalization has been the subject of deep debate and concern in economic circles since the mid-1990s. According to the supporters of liberalization, it offers the opportunity for the various sectors of a country to compete on the international level, contributing to GDP growth and generating foreign exchange. Proponents of globalization say that globalization or liberalization has resulted into promotion to information exchange, a greater understanding of other cultures, rise in living standards, increase in purchasing power (most especially in the west) and the triumph of democracy over communism.
- For nations to participate and benefit from globalization and liberalization, they should be able to maintain a stable macroeconomic system and put several safety nets in place to protect vulnerable sections of the society. Other developing countries in Asia can benefit from the experience of the East and South-East Asian countries in this respect.
- The establishment of the World Trade Organization (WTO) has gone a long way in ensuring good prospects for an improved world-trading environment. However, certain concerns still linger. Some believe that the gradual

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implementation of reforms did not fully cover investments and barriers to trade in both services and agriculture sectors still remain, which must be brought down.

- Sectors such as agriculture and real estate have their own set of problems when it comes to foreign investment. These are related to the complexities of landownership and rules and taxes vis a vis tenancy, sale, purchase, transfer, lease or mortgage. With this background, many countries such as India do not allow foreign investment in agriculture and real estate.

1.6 KEY TERMS

- **Public:** The people of a definite territory or a state are referred to as public.
- **Administration:** It is the organization and use of men and materials to accomplish a specific purpose.
- **New public management:** It refers to the acceptance of experienced and examined management methods for collective problem-solving.
- **Public choice theory:** It is also known as the study of political economics. It is the study of how economic modifications and consequences can affect the voters, bureaucrats and legislators.
- **Globalization:** It is a process of interaction and integration among the people, companies, and governments of different nations, a process driven by international trade and investment and aided by information technology.
- **Liberalization:** It refers to a relaxation of government restrictions, usually in such areas of social, political and economic policy. In some contexts, this process or concept is often, but not always, referred to as deregulation.
- **Privatization:** It is the transfer of ownership of property or businesses from a government to a privately owned entity.

1.7 ANSWERS TO ‘CHECK YOUR PROGRESS’

1. The public administration of a country is not only the protector of citizens from external dangers or internal disorders, but has become the greatest provider of various services. The overall welfare of the people depends very much on the way public administration functions. This is why today’s state referred to as the ‘administrate state’.
2. The second period of evolution of the public administration discipline is marked by the tendency to reinforce the idea of ‘politics-administration’ dichotomy and to evolve a value-free science of management. The central theme of this period was that there are certain principles of administration and the task to discover and promote them was left to the scholars.
3. As per the integral view, public administration is a sum total of all the activities undertaken in pursuit of and in fulfilment of public policy. These activities

include not only managerial and technical but also manual and clerical. Thus, the activities of all persons working in an organization from top to bottom constitute administration.

4. Under this approach, the individuals and groups, both inside and outside the public service are forced to make concrete ethical and value judgement on a regular basis.
5. The 5 Ds of new public management are: Decentralization, Devolution, Deconcentration, Delegation and Debureaucratization.
6. Public choice theory is also known as the study of political economics. It is the study of how economic modifications and consequences can affect the voters, bureaucrats and legislators. The democratic procedure is the one in which, purportedly, the public preferences are expressed through their elected representatives under a democracy.
7. These policies had the following aims: keep low inflation; avoid overvalued exchange rates; maintain high rates of physical and human capital accumulation; and pursue an export-oriented production, which would also lead to using sophisticated technology.
8. There are five major factors that contributed to the high growth in East Asia in the pre-crisis period. These were adopting pro-savings policies, keeping a sustainable fiscal position, investing in human capital and physical infrastructure, following greater outward orientation and rapid corrective responses to macroeconomic disequilibrium.
9. Two of the contributing factors to this phenomenon were:
 - Host countries started to believe in FDI as an engine of growth and a causal factor to the transfer of technology, improvement of skills and overall efficiency and competitiveness.
 - Multinational companies began to work more closely with host countries on a partnership basis. There was an augmentation of in global competition that was encouraged by the close relationship between FDI and trade, increased intra-firm trade and trade within regional groupings.

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1.8 QUESTIONS AND EXERCISES

Short-Answer Questions

1. Define public administration.
2. What has been the general perception regarding public administration in India, after Independence?
3. Identify the similarities between public and private administration.
4. Briefly discuss the concept of 'policy' as it applies to public policy.
5. Write a short note on the premise of the public choice approach.

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Long-Answer Questions

1. Discuss the role played by public administration in bringing about change and development in the country.
2. Trace the evolution of public administration as a discipline.
3. Describe the nature and scope of public administration.
4. Explain the difference between public and private administration.
5. How are the 5 Ds significant in the implementation of new public management? Explain.
6. Highlight the challenges posed by globalization, privatization and liberalization to public administration.

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UNIT 2 THEORIES OF ADMINISTRATION AND PERSONNEL ADMINISTRATION

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Structure

- 2.0 Introduction
- 2.1 Unit Objectives
- 2.2 Organization: Meaning, Characteristics and Typology
 - 2.2.1 Formal and Informal Organizations
 - 2.2.2 Approaches and Principles of Organization
 - 2.2.3 Structure of Organization: Line and Staff
 - 2.2.4 Public Corporation and Departmental System
- 2.3 Process and Techniques of Decision Making, Communication, Motivation and Leadership
 - 2.3.1 Communication
 - 2.3.2 Motivation
 - 2.3.3 Leadership
- 2.4 Development Administration
- 2.5 Summary
- 2.6 Key Terms
- 2.7 Answers to 'Check Your Progress'
- 2.8 Questions and Exercises
- 2.9 Further Reading

2.0 INTRODUCTION

The administrative structure of every organization is in the form of a pyramid with the chief executive being on top. In this unit, you will study about the approaches and principles of organization. An organization requires multiple layers of management and each approach to management comes with its own merits and demerits.

Every organization needs proper leadership and the right flow of communication for progress. The right decision-making process boosts the morale of the employees and motivates them to work more. All of these aspects will be discussed in detail in this unit.

2.1 UNIT OBJECTIVES

After going through this unit, you will be able to:

- Discuss the meaning, characteristics and typology of organization in terms of administration
- Explain the processes and techniques of decision-making, communication, motivation and leadership
- Highlight the significance and role of development administration in people's self-development and empowerment

2.2 ORGANIZATION: MEANING, CHARACTERISTICS AND TYPOLOGY

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2.2.1 Formal and Informal Organizations

A **formal organization** typically consists of a classical mechanistic hierarchical structure. In such a type of structure, the position, responsibility, authority, accountability and the lines of command are clearly defined and established. It is a system of well-defined jobs with a prescribed pattern of communication, coordination and delegation of authority. The **informal organization**, similar to informal groups, on the other hand, comes into existence due to social interactions and interpersonal relationships and exists outside the formal authority system without any set rigid rules. Though unrecognized, it exists in the shadow of formal structure as a network of personal and social relations, which must be understood and respected by the management.

The **informal work groups**, constituting the informal organization as a whole, comprise a loosely structured organization of interpersonal relationships, which affect decisions within the formal organization, but are either omitted from the formal scheme or are not consistent with it. These interpersonal relationships create a bond of friendship among the members of such an informal organization, and these bonds are very strong so that there is a sense of belonging and togetherness. This togetherness can have a powerful influence on productivity and job satisfaction. The members help and motivate each other. For example, during a busy period, one employee may turn to another for help instead of going through the supervisor. Similarly, an employee in the sales department may ask another employee in the production department, who also belongs to the informal organization, for information about product availability and receive this information faster than through the formal reporting system.

The informal organization is a powerful instrument in all organizations, and sometimes it can mean the difference between success and failure of the organization. When the group members want to do a job, it is always done better than when they have to do it because of instructions from supervisors. A cooperative group makes the supervision easier, thus, lengthening the effective span of management. Informal groups also make sure that the basic principles of the formal organization are not violated. For example, if a manager misuses his authority and promotes an unqualified person, the informal group may use its influence in making sure that this does not happen. The informal group also serves as an additional channel of communication to the management about conditions at work, which may not be available through official channels.

2.2.2 Approaches and Principles of Organization

Every organization has certain objectives and goals to achieve, and is structured on the basis of certain principles with a view to achieving these objectives. These principles are, therefore, known as principles of organization, which are generally followed by every organization for the achievement of its ends. According to Avery Raube, certain principles of a good organization are as follows:

- There must be clear lines of authority running from the top to the bottom of the organization. This is known as the ‘hierarchy’ or the ‘scalar principle’.
- No one in the organization should report to more than one line supervisor. Everyone in the organization should know to whom he reports, and who reports to him. This is the principle of ‘Unity of Command’.
- The authority and responsibility of each supervisor should be clearly defined in writing. This enables the supervisor to know what is expected out of him and the limits of his authority.
- Responsibility should always be coupled with corresponding authority.
- Accountability of higher authority for the acts of its subordinates is absolute. It means that an executive cannot disassociate himself from the acts of his subordinates. He is as responsible as they, for what they do and neglect to do.
- Authority should be delegated as far down the line as possible. The current trend toward decentralization explains this principle. This enables members of top corporate management to devote more time to overall thinking and planning.
- The number of levels of authority should be kept at a minimum. The greater the number of levels, the longer is the chain of command, and it takes greater time for instructions to travel down and for information to travel up and down within the organization.
- The work of every person in the organization should be confined as far as possible to the performance of a single leading function. This is the principle of specialization and is concerned with delegation of authority horizontally.
- Whenever possible, line functions should be separated from staff functions, and adequate emphasis should be placed on the important staff activities.
- There is a limit to the number of positions that can be coordinated by a single executive. This is the principle of span of control.
- The organization should be flexible, so that it can be adjusted to changing conditions.

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Principles of Hierarchy

The literal meaning of hierarchy is the rule or control of the higher over the lower. In every large-scale organization, there are few who command and there are others who are commanded. This results in the creation of superior–subordinate relationships through a number of levels of responsibility reaching from the top down to the bottom of an organization. A pyramidal type of structure is thus built up which Mooney and Reiley call the ‘Scalar Process’.

In an organization, scalar means the grading of duties according to degrees of authority and corresponding responsibility. According to Mooney, this scale or the scalar chain is a universal phenomena; wherever we find an organization, even of two people related as superior and subordinate, we have the scalar principle.

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The basic features of a hierarchical structure are as follows:

- A person will have only one immediate superior from whom he will receive orders.
- A person will not receive orders from a person of lower status.
- No intermediate level shall be skipped over in the dealings of the top with those at the lower level or vice-versa.
- A person who is given responsibility for a task will have authority commensurate with his responsibility.

From the above features, it follows that in the scalar system, authority, command and control descend from the top down to the bottom step by step. For example, the secretary of department will deal with the joint secretary who, in turn, shall deal with the deputy secretary, who further shall deal with the under secretary. The under secretary shall further deal with the section officer who, in turn, shall deal with assistants, clerks, etc. Similarly, the line of the upward communication shall be exactly the same when section officer deals with his higher officers.

Merits of Scalar System

The scalar system is almost indispensable for very large-scale organization. Some of its merits are as follows:

- It binds together the various units and divisions of an organization into an integrated whole.
- It enables us to fix up responsibility at each level and at each post in an organization.
- It serves as a channel of communication, both upwards and downwards. It makes clear to every official with whom he is to deal with.
- It simplifies the procedure of file movements.
- It helps to decentralize decision-making and prevents congestion of business at the top.

In the words of L.D. White: 'it is the channel of command, of communication, downwards and upwards, along with flow information, advice, specific instructions, warning and commendations. It is the channel for the delegation of authority. It establishes a sequence of related centres for decision-making, and thus prevents congestion in the dispatch of business by closing out much of it in lower levels.' In the bureaucratic model of Max Weber also, the organization of offices follows the principle of hierarchy, i.e., 'each lower office is under the control and supervision of a higher one' and 'the whole administrative staff under the supreme authority', and are organized in a clearly defined hierarchy of offices.

Demerits of Scalar System

Following are the demerits of scalar system:

- Its biggest demerit is that it makes the administrative decision-making a dilatory process. A file must pass through proper channels. The Government of India

started ‘file-jumping experiment’ to skip over the intermediate levels in the hierarchy and to make files reach directly to the decision-making authority.

- It does not contribute to the reposition of mutual trust, either in the inter-organization relations, or in the inter-personal relations in the administration. This might even promote a caste system in the bureaucratic set-up.

Warren Bennis argues that in the future, organizations will be ‘task forces’, organized around problems to solve them. In such organizations, ‘people will be differentiated not vertically according to rank and role, but flexible and functionally according to skill and professional training.’

To conclude, it may be observed that in practice an organization does not work on the formal principle of hierarchy. In the words of Nigro: ‘An organization is more than its structure and its official relationships as spelled out in its organization charts and manuals’. An organization is also a social system in which its members develop patterns of behaviour, which actually may deviate from official directives. This is called the informal organization and an appreciation of its role is indispensable to the understanding of the functioning of any agency’.

Span of Control

By **span of control**, we mean the number of subordinates which an officer can effectively supervise. The problem of span of control is a natural outflow of the principle of scalar system. Scalar organization involves a number of tiers or steps once above the other each step being headed by a single person. Now the question arises as to how many persons should work under his control and supervision at that particular level. This problem of fixing the number of subordinates is a problem of ‘span of control’ and is related to the psychological problem of ‘span of attention’.

It is well known that no one can attend to more than a certain number of things or a certain number of persons. You can say that our ‘span of attention’ is limited, partly because of the limits of knowledge and partly due to the limits of time and energy. There are divergent opinions of the writers on the administration about the exact limit of the span of control. Sir Ian Hamilton fixed the limit at 3 to 6; Urwick at 5 to 6 at higher levels and 8 to 12 at lower levels. Graicunus felt that while the number of individual subordinates’ increases by arithmetical progression, the resultant increase in network of relationships is by geometrical progression, and this increase complicates the problem of span of control. According to Sexton, the decisions regarding an effective ratio of subordinates to supervisor depends on the following factors:

- Bottlenecking
- Psychological impact of close supervision
- Communication patterns
- Automation and the extent of inter-dependence

However, the following factors are determinants of the degree of span of control:

- **Nature of work:** Where the nature of work is of a routine, repetitive, measurable and homogenous character, the span of control is more when the

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work is of heterogeneous character. For example, it is easier to supervise a large number of typists because of the measurable nature of work is of intellectual type.

- **Leadership:** The span of control increases or decreases depending upon the qualities of the supervisor. But if he is weak and floppish, he may not be in a position to supervise even a few persons effectively. It may also be pointed out that if subordinates are untrained and incompetent, they are liable to make mistakes, and hence need closer supervision.
- **Age of agency:** Supervision is easier and the span of control increases if the organization has been long in existence. In the old established organizations, precedents take firm roots and the work goes on smoothly. But in newer organization, new problems constantly arrive which very often demand reference to the superiors.
- **Location of the organizational units:** Supervision becomes easier when the subordinates work under the same roof where the supervisor sits. If they work in different rooms or at a distance from the supervisor, supervision becomes difficult. Thus, it is clear that the span of control is determined by various factors.

Unity of Command

Unity of command means that each individual employee shall have only one man as his 'boss' and shall receive orders only from him. If he gets orders from more than one officer, it may become difficult for him to discharge his duties. He will be put in a very awkward position if he receives conflicting orders from his superiors. The superiors too can be put to hardship because he can easily play off one superior against the other. All this may result in confusion and chaos in the administration. Responsibility can be fixed up only if we know where the authority rests, and this is not possible if the authority stands divided.

On theoretical grounds, the principle of unity of command seems unassailable but, in practice, you find significant exceptions to this principle. It is usually seen in an individual employee, particularly in the professional or technical side. For example, administratively, a doctor employed in a local body is under the administrative control of the chairman of the local body but professionally, he is under the state director of public health. Similar is the case in regard to all the organizations employing technical personnel. In India, all the top posts are held by the non-technical administrators belonging to the administrative services. However, technical nature of the departments under them, the duality of command or control is clearly visible.

F.W. Taylor substituted the concept of 'unity of command' by functional direction and supervision. He believed that each individual worker would benefit and his efficiency shall increase if he specializes the concept of 'unity of command' and gets expert supervision in each function that he performs. According to his scheme of things, he recommended eight foremen or supervisors for each individual worker called the following:

- (i) Gang boss
- (ii) Speed boss
- (iii) Inspector
- (iv) Repair boss
- (v) Order of work and route clerk
- (vi) Instruction card clerk
- (vii) Time and cost clerk
- (viii) Shop disciplinarian

The first four supervisors help in their own particular line or function, and the other four supervisors would operate from the administrative block issuing orders and instructions in writing. Taylor advocated this set-up for the industry, but it has made its way in the public administration also. This is on the account of the fact that the governments of today are taking more and more economic and technical functions. The technical supervision by different technical experts is growing side by side with the general administrative supervision. It should not, however, be constructed that the principle of unity of command is not operative in public administration. The principle of unity of command is not violated if an employee receives orders from two supervisors in respect of different matters or aspects of matters under his charge. It is broken only if he gets orders from two different sources regarding one and the same matter. Even in the technical departments, the last word lies with the administrative chief who has the power and the authority to overrule the technical experts.

Authority and Responsibility

Authority is defined by Fayol as ‘the rights to give orders and the power to exact obedience’. In the view of Allen, authority is ‘the sum of the powers and rights entrusted to make possible the performance of the work delegated.’ But authority cannot be understood simply in terms of powers and rights. The concept of acceptance and obedience related to authority is as important as power and right. Authority unless accepted and obeyed by others becomes meaningless. The primary element of authority is that it should be accepted to those on which it is exercised. The obedience of authority, is thus, a must for the smooth functioning of an organization. But the problem arises in a situation where commands conflict with the conscience of an individual. The conservative philosophers argue that even when the act prescribed by an authority is an evil one, it is better to carry out the act than to wrench at the structure of authority. On the other hand, the humanists believe that the moral judgments of the individual must override the authority when the two are in conflict.

In practice, there are many factors that influence an individual’s response to authority and thus, the response may vary from one situation to another. Much depends upon the style and vigour of the person who exercises the authority in which he can generate the willingness of the other to obey and accept his commands for the fulfillment of the organizational objectives.

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Sources of authority

Following are the various sources of authority:

- The primary source of the authority is the constitution or the law of the country, which confers on some people supreme authority to take decisions and exercise command and powers over their subordinates. Therefore, all the persons who are subject to authority are bound by law to obey the commands of their superiors, and non-obedience of authority may even be penalized.
- Another source of authority is the status of the person. In an organizational structure based on hierarchy, the man at the top gets authority due to his higher status or position in the whole set-up. His position compels others to obey his commands and orders.
- Thirdly, the most important source of authority is the informal authority, which is conferred on a person by the human beings working in the organization.

Kinds of authority

The following types of authority exist within an organization:

- **Line authority:** It is the basic and fundamental authority in an organization, the ultimate authority to command, act or decide in matters affecting others.
- **Staff authority:** It is the authority exercised by the advisory and consultative agencies, called the staff agencies. This authority is limited in scope as it does not exercise the right to command. It is subordinate to the line authority and its purpose is to facilitate the activities being directed and controlled by the line organizations.
- **Functional authority:** It refers to the authority exercised by specialists in an organization. They exercise limited rights to command in matters pertaining to that function or the specialized area under them.
- **Committees and authority:** The committees appointed for certain special purposes such as the investigating plan, or carrying out research are delegated some limited form of authority. They have no power of decision and generally do not require command authority.

The type of authority to be selected by the organization executive depends upon the different situations and problems of particular organizations. Generally, a combination of different types is the best choice for the management.

The concept of the authority and responsibility are closely related to each other. For the efficient working of an organization authority must be commensurate with responsibility. Equal authority and responsibility is a time honoured principle. It means that if managers are charged with the responsibility of accomplishing a given task, they must be given the commensurate authority to carry it out. According to Urwick, 'to hold a group or individual accountable for activities of any kind without assigning to him the necessary authority to discharge the responsibility is manifestly both unsatisfactory and inequitable'.

Delegation

Delegation is defined by Mooney as conferring of specified authority by a higher to a lower authority. It means that delegation is the devolution of authority by a superior person to his agent or subordinate subject to his supervision and control.

In the words of Millett, 'Delegation of the authority means more than simply assigning duties to others in more or less detail. The essence of delegation is to confer discretion upon others to use their judgment in meeting specific problems within the framework of their duties. Management leadership must then accept the responsibility for how this discretion is exercised.'

Need for delegation

Delegation is needed for the following reasons:

- It helps the chief executive to devote his time and energy to more important decisions of the organization.
- An effective leadership is made possible only through the process of delegation.
- One of the duties of a manager is built up his subordinates, to train them in the art of sharing responsibility and making decisions, which is possible only through delegation. Delegation of authority has, therefore, much educating value.
- The subordinates develop greater loyalty and a greater identification with the organization if they are made partners to the exercise of authority. This builds up their morale and gives them the incentive to work hard.
- Delegation provides the necessary flexibility to the otherwise rigid procedures.
- It helps to adjust procedures according to the needs of situations.
- Proper delegation of authority minimizes delay, makes service more effective, economical and efficient.

In the words of White, 'Circumstances of magnitude and volume, however, require some delegation of authority, and the settlement of much business at the point where it arises'.

Type of delegation

Delegation in terms of degree of authority delegated may be as follows:

- Delegation is full when complete powers are conferred on the agent as, for example, when a diplomatic representative is sent abroad with 'full powers' to negotiate. It is 'partial' when it is required to get advice and guidance on crucial points from the delegating authority in his country.
- Delegation is conditional when the action of subordinate is subject to confirmation and revision by the supervisor; it is unconditional when subordinate is free to act without reservations.
- Delegation is formal when embodied in written rules by laws or orders; it is informal when based on customs, conventions and understanding.

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Hindrances to delegation

The hindrances to delegation are of two types:

- (i) **Organizational hindrances:** They lack established methods and procedures—delegation is made easier if procedures and rules are well established. They even do not have enough means of coordination and communication and have unstable and non-respective nature of work, stable and repetitive work affords a greater degree of delegation.
- (ii) **Personal factors:** They cause failure to delegate. Pfiffner gives the following human causes of failure to delegate:
- Persons who rise to position of hierarchical leadership have more than normal egotism.
 - They are afraid that the others will not make proper decisions or carry them out in the desired manner.
 - They fear that disloyal or subversive power centres will develop among strong subordinates.
 - Strong, vigorous and highly motivated persons become impatient with the slower pace and indecisiveness of subordinates.
 - In public administration, political considerations often make delegation difficult.
 - The cultural heritage of man has been one of the authoritarian, patriarchal leadership, thus, the practice of delegation is partly dependent of cultural change.
 - The act of delegation requires an emotional maturity which apparently is rare, even among successful persons.
 - The symbols of leadership (those personal qualities and traits which attract the attention of others) are inconsistent with the philosophy of delegation. Those striving to succeed must make themselves prominent.
 - Persons who desire to delegate do not know how.

Notwithstanding all the above organizational and personal difficulties hindering delegation, the need of delegation cannot be denied. Organizational hindrances can be removed by establishing proper procedures and methods of work. Each operating service should have an organization manual and an office procedure manual in which proper procedures and the responsibility and authority attached to each of the positions in the hierarchy is fully described. Delegation, then, shall be more exact and specific. Proper means of coordination and communication should also be established to facilitate delegation.

As far as the personal factors are concerned, not only training of the subordinates but also of the top executive should be emphasized. The subordinates should be trained in the art of property using discretion within limits of the rules and the top executive in habit of delegation. It argues well for our administration that delegation has become an honoured subject of discussion in India. The control of the Ministry of Finance over the expenditure has been considerably reduced by the delegation of financial powers to various ministries and departments.

General principles of delegation

Delegation should be guided by the following principles:

- Delegation should be written and specific.
- Authority and responsibility for each position in the management group should be spelled out and delegation should be made to a position rather than to an individual.
- Only that much of the authority should be delegated as it is within the competence of subordinates to exercise safely.
- Delegation should be properly planned and systematic.
- Policies, regulations and procedures should be well defined as to give up misunderstanding to the employees using discretionary powers.

The degree to which delegation is possible depends upon the nature of the case, the circumstances and the responsibilities involved. Usually, the following powers are not delegated:

- The supervision of the work of the first line of immediate subordinates.
- General financial supervision and the power to sanction expenditure above a specific amount.
- Power to sanction new policies and plans and departures from the established policy or precedents.
- Rule-making power where it is vested in the delegating officer.
- Making of the specified higher appointments.
- Hearing of the appeals from the decision of at least the immediate subordinates.

Coordination

It is rightly said that a battle may be lost, how much strong the forces may be, if there is no coordination among various wings, divisions and units of the army. As in battle, so in the administration. No organization, no matter how much competent its staff may be, can achieve the desired objective without coordination. It is the first principle of management to ensure that the organization works well, that no part of it repeats what the other part does, that no employee works at cross-purposes, and that there is no conflict among various units *inter-se*. This is technically called 'coordination.'

Definition of coordination

Coordination has both negative and positive connotations. Negatively, coordination means the removal of conflicts and the overlapping in administration, positively, it means to secure cooperation and teamwork among the numerous employees of an organization.

Newman defines coordination as, 'the orderly synchronization of the efforts to provide the proper amount, timing and directing of the execution resulting in harmonious and unified actions to a stated objective'. According to Terry, 'coordination

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is the adjustment of the parts of each other and of the movement and operation of parts in time so that each can make its maximum contribution to the product of the whole. In the words of L.D. White, 'coordination is a process causing disjunctive elements to a concentration on a complex of forces and influence, which cause the mutually independent elements to act together'. Seckler Hudson views coordination as 'the all important duty of interrelating the parts of the work'. According to Mooney, 'coordination is the first principle of organization and includes within itself all other principles which are subordinate to it and through which it operates.'

In sum, coordination means making all parts of an organization work harmoniously, without conflicts and without cross-purposes, to achieve the defined goal. It may, however, be noted that coordination is a means and not an end in itself. In the words of Newman, 'it is not a separate activity but a condition that should permeate all phases of administration'.

Need for coordination

Coordination is needed not only to secure the work and cooperation but also to prevent conflicts that may arise in the working of an organization due to the following:

- Ignorance of the employees or units of each other's activities.
- A tendency among men in charge of particular activities to regard their own deal as all important, unmindful of the needs of others, and make encroachment on the latter's sphere of activities.
- A growing tendency towards empire-building or greed for power among different units of an organization.

Types of coordination

Coordination can be of following types:

- **Internal or functional:** It is concerned with the coordination of the activities of the individuals working in an organization.
- **External or structural:** It is concerned with coordinating the activities of structural, which is concerned with coordinating the activities of different organizational units.

Both types of coordination are affected horizontally and perpendicularly. Horizontally, coordination establishes inter-relation between one section and another, between one branch and another, between one division and another and between one department and another. Perpendicularly, coordination is established between one employee and his officer, between officer and his next superior and so on, and between one section and a branch, between a branch and a division and so on.

Methods of coordination

Coordination at the organization levels can be achieved through several devices. Some of them are as follows:

- The establishment of a special unit for coordination work commonly known as 'coordination' or 'establishment' section or unit.

- Through standardization of procedures and methods.
- Through departmental meetings and conference.
- Through organization and methods staff.

Besides the above bodies, certain other institutions and boards like the University Grants Commission, the Inter-University Boards, Association of Indian Universities, the Indian Historical Records Commission, etc., are also doing coordination work.

How to achieve effective coordination

M.C. Farland suggests four ways of achieving effective coordination. These are as follows:

- (i) **Clarifying authority and responsibility:** This will reduce overlapping and duplication of work.
- (ii) **Checking and observation:** Records and reports help the executive to detect the spots where interrelations of the units are lacking.
- (iii) **Facilitating effective communication:** Effective communication processes committees and group decision-making techniques help in clarifying authority and observing the existing coordination.
- (iv) **Coordination through leadership:** Top administration must assert its leadership role and without this nothing of coordinative value will occur.

The degree of effectiveness of coordination can be judged by the following criteria:

- (i) It is not forced by the autocratic direction, but is fostered by leaders who understand the value of participative management. It is timely and extends in a balanced fashion to all parts of the organization, and operates horizontally as well as vertically.
- (ii) It must be continuous process.
- (iii) It must be direct between the persons immediately concerned.
- (iv) It must start at the outset of the activity.

Hindrances to effective coordination

The vast and expanding activities of the government and the lack of delegation on the part of high-up in administration make effective coordination difficult. According to Gulick, some of the difficulties arise from the following:

- The uncertainty of the future as to the behaviour of individuals and of people.
- The lack of knowledge, experience, wisdom and character among leaders and their confused and conflicting ideas and objectives.
- The lack of the administrative skill and techniques.
- The vast number of variables involved and the incomplete human knowledge, particularly with regard to man and life.
- The lack of orderly methods of developing, considering, perfecting and adopting new ideas and programmes.

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To these are added five more by Seckle-Hudson, which are as follows:

- (i) Size and complexity.
- (ii) Personalities and political factors.
- (iii) Lack of leaders with wisdom and knowledge pertaining to public administration.
- (iv) Accelerated expansion of public administration.
- (v) Accelerated expansion of public administration to international dimensions.

According to McFarland, problems of coordination in a business organization stem from two main sources. First is the number and complexity of functions and the activities delegated to different participating individuals. The second problem is the increasing use of specialization of effort in building an organization's structure. Problems of coordination of different character also arise out of the perverseness of human beings in the organizational settings. In fact, it is the human aspect of coordination which poses the most serious difficulties, for, when the elements to be coordinated are human, many variables in performance emerge. Whatever hindrances may occur, suitable measures for their removal have to be sought in the overall interest of the effective working of an organization.

Integration vs Disintegration

The governmental operations may be organized in accordance with two principles, which are as follows:

- (i) Independent or uncorrelated
- (ii) Integrated or departmental

The uncorrelated system is characterized by the treatment of each service or agency as an independent unit not related to the other services, and the line of authority running direct from it to the chief executive or the legislature. In the departmental system, on the other hand, related activities operating in the same general field are grouped together into departments maintaining, thus, close relations with each other, and consequently, the line of authority runs from the service to the department, and from the department to the chief executive.

It is now agreed that the departmental system 'is, from almost every point of view, far superior'. The departmental system leads to simplification of governmental operations. It is common knowledge that the functions of a modern government are vast, varied and complicated. One cannot have a conception of the scope of governmental work and the agencies performing it in the absence of an integration of related activities, falling within the same general field.

Moreover, this integration will facilitate an intelligent legislation as well. Secondly, the proper grouping of services operating in the same general field facilitates the formulation and implementation of a proper work programme. The chief executive can evolve a proper work programme only when he has to deal with a few chief subordinates, each of whom is made in charge of services falling in the general field.

Similarly, the legislature too, can give intelligent consideration only if related operations the latter has not to devote it to separate budget of the agencies. Thirdly, it helps the chief executive in exercising better control over administration, his attention now being confined to a few departments. Fourthly, under the departmental system, 'conflicts of jurisdiction, overlapping of functions, and duplications of organization, plant and activities' may be avoided. Fifthly, the departmental system leads to a better utilization of technical plant, such as, libraries and laboratories. Under the uncorrelated system, each agency has to maintain its own complete organization and installations. If several services, whose operations fall in the same field, are grouped in a department, they all can avail of the services of the single agency, which can now be better equipped. Sixthly, the grouping of related services departmentally brings about the economy and efficiency in the performance of what are called the 'institutional or housekeeping activities'. The general character of the latter is same for all services. Hence, performance by central agencies, of the housekeeping activities results in the economy and efficiency, and promotes standardization and uniformity of the administrative processes.

You are, thus, left in no doubt as regards the superiority of the departmental system to the uncorrelated one. However, 'many of the advantages inherent in the integrated system can be neutralized if not wholly lost by a failure to meet the requirements of this system'. The most important requirement of the system is that all those services, which perform the same general function and operation in the same general field, should be grouped together under a separate department. This implies that the department should be non-functional, i.e., all those services whose operations fall within the same field should be ground under a separate department and no other services should be included in the department. W.F. Willoughby gives the following disadvantages that are an outcome of non-observance:

- It interjects discordant and disturbing elements, which complicate the proper coordination of the services, having to do with department's essential function, and the standardization of their administrative practices and procedures.
- It makes a demand upon the attention and time of the head of the department, which should be devoted exclusively to his primary duties; and it places upon him a responsibility which he is sure to meet only in a perfunctory manner.
- It subjects the administrative agency to the control of a head that does nothing towards its effective operation, though he causes delay in the work.
- It need, therefore, be stressed that departments should be non-functional.

L.D. White rightly points out that 'the goal of non-functional departments is now generally accepted, however, difficult to achieve, and the objective is conducive to departmental unity'. The difficulty arises from the marginal cases in which more than one department may put forward valid claims.

Centralization vs Decentralization

These concepts are used to denote the administrative or management authority within an organization. Centralization is concentration of authority in one place while

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the other is greater dispersion of authority. Centralization inclines towards power and domination; the other inclines towards competition and self-determination. Centralization is also overload apex of the pyramid.

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Centralization and its implications

Following are the implications of centralization:

- Reservation of decision-making power like planning, coordinating, control at top level.
- Reservation of the operating authority with middle level.
- Operations at lower level.

Factors conducive to centralization

Following are the factors conducive to centralization:

- **Personality factors**
 - o Lack of confidence over subordinate
 - o Lack of skill of subordinate
 - o Insecure personality of the chief executive
- **Political factors**
 - o Colonial legacy
 - o Nation's development
 - o Urban bias
 - o Defence activities
- **Economic factors**
 - o Big budget
 - o Foreign aid
 - o Control over social security spending

However, it will be useful only in smaller organizations.

Decentralization

It has five aspects, which are as follows:

- (i) Broader powers to parts and only essential to head (Administrative)
- (ii) Large areas of discretion to part and important question to apex (Administrative).
- (iii) Much power to elective bodies (Political).
- (iv) Freedom to field units (Geographical).
- (v) Functional autonomy to specialists (Functional).

The differences between centralization and decentralization is shown in Table 2.1.

Table 2.1 Differences between Centralization and Decentralization

Centralization	Decentralization
Greater decision at top	Greater decision at middle
Responsibility at top	Responsibility at middle
Headquarters issue orders	Headquarters supply leadership
Lower personnel have no initiative	More initiative by lower personnel

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Types of decentralization

Following are the various types of decentralization:

- **Political decentralization:** It includes federal, provinces and municipal offices.
- **Territorial decentralization:** It includes districts and talukas, etc.
- **Functional decentralization:** Here, certain powers in the specialized units are given like UGC, Central Social Welfare Board, etc.

Factors determining decentralization

Following factors determine decentralization:

- Larger and fast growing enterprises.
- Geographically spread over greater degree of uncertainty, complexity in their external environment.
- Well-structured organization.
- Greater stability of manpower.
- Greater absence of emergency situations.
- Greater faith over the subordinates ability.

Factors governing centralization or decentralization

The factors that govern centralization or decentralization are as follows:

- **Factor of responsibility:** Acts as deterrent to decentralization.
- **Administrative factors:** Long age, stable policy and incompetence of field personnel favour centralization.
- **Functional factors:** Limited and non-technical centralized and vice versa.

The difference between centralization and decentralization is only of degree and not of kind for no organization can be completely centralized as it would overload the chief and completely decentralized as it would lead to anarchy. It relates to the point where the balance between the two should be struck.

The other problem that confronts an organization is whether it should be centralized or decentralized. According to Charlesworth, 'one of the important problems of the organization is to reconcile the administrator's natural desire for

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complete control, uniformity and certainty with the people's demand that governmental administration', accommodates itself to local public sentiments. To centralize or to decentralize seems to be dilemma facing the government today. Centralization and decentralization are the interrelated aspects of the organization.

Centralization refers to concentration of authority at or near the top. Decentralization carries quite opposite meaning. It denotes dispersal of authority among a number of individuals or units of an organization. In the words of L.D. White, 'the process of transfer of administrative authority from a lower to a higher level of government is called 'centralization'; the converse, 'decentralization'. The essential element in decentralization is the delegation of decision-making functions.

Centralization and decentralization are relative terms. One can hardly think of a system which is either fully centralized or fully decentralized. It may be either more centralized or more decentralized. Thus, centralization or decentralization may be termed as the tendency of either concentration or dispersal of authority.

Prof. White writes that the administrative authority, like political authority, may be concentrated or dispersed. Constitution and legislative bodies may distribute power on the basis of two major rules. Much of the administrative authority may be vested by law or by constitution in the local governing bodies of a governmental system. In this case, the administrative system is decentralized. Conversely, relatively, greater administrative power may be vested in the hands of the officials of the Central Government, with a consequent diminution of the authority and discretion of officials in lower governmental levels; the system is then called 'Centralized.'

The difference between the two concepts can be well understood from the following explanation by Fesler:

'Whether a given field service leans towards centralization or towards decentralization may be discerned from the observation of the importance of matters on which field officials have decision-making authority, compared to matters wholly retained for headquarters' decisions, the extent of central consultation with field officials on matters that arise and are formally decided at headquarters, and the weight such field opinion carries, the frequency with which field officials must refer matters to headquarters for decision even though they arise at and are partially 'processed in the field, the number and specificity of central regulations and orders governing decision-making in the field; the provision for citizen's appeals to headquarters for overruling of field decisions; the degree to which all the agency's field activities within each geographic area are directed by a single field official; and the caliber of field officials. Neither the mere existence of a field service, nor its carrying of a heavy workload, or its employment of nine-tenths of the agency's personnel constitutes the evidence of decentralization.'

Centralization and decentralization have relative significance. Neither of the two is without merits or demerits.

Merits and demerits of centralization and decentralization

The merits and demerits of centralization and decentralization have been summed up by Willoughby in the following words:

‘The advantages of the centralized system are that it provides for a maximum of control; ensures that all the work is performed in the same general policies and principles; and makes more difficult administrative abuses in such matters as the employment and handling of personnel, the purchase and use of supplies etc. The disadvantages may be summed up in the delay in securing action; the increased expense that usually results under this system; the fact that the central office has to act without the knowledge of local conditions possessed by the local units; and lack of flexibility in administration. The advantages and disadvantages of the system of decentralization are for the most part reverse of those stated for centralization.’

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Merits and demerits of centralization

Following are the merits of centralization:

- It ensures effective control over all the units of the organization.
- It ensures uniformity as all the work is done in the same manner, and in accordance with the same general policies and principles.
- It prevents abuse of the administration authority.
- It makes coordination easier.
- It gives priority to national interests over local interests.

Following are the demerits of decentralization:

- It lacks flexibility of approach.
- It leads to delay in decision-making.
- It prohibits people’s participation in decision-making.
- Field units as well as field officials do not get the opportunity to take initiatives—it diminishes.
- It puts too much burden on headquarters.
- Decisions are unlikely to be in tune with local conditions and requirements.

A famous social scientist, de Tocqueville, has rightly pointed out: ‘indeed I cannot conceive that a nation can live and prosper without a powerful centralization of government. But I am of the opinion that a centralized administration is fit only to enervate the nation in which it exists by incessantly diminishing their local spirit....’

Merits and demerits of decentralization

As already mentioned, it is difficult to conceive of an organization, the administrative system of which is fully centralized. Decentralization is inevitable. Its degree may vary from one organization to another. Decentralization is in consonance with the principle of democracy at grass roots.

Following are the merits of decentralization:

- It lessens the burden of overburdened headquarters and strengthens field agencies and grass-roots units.
- It reduces delays, curbs red tapism and encourages quicker action.

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- Decentralization leads to morale boosting of employees and increases efficiency.
- Subordinate officials develop a sense of confidence as they take their own decisions and shoulder their own responsibility.
- Decentralization facilitates the experiments by various units.
- Field units can take local conditions and requirements into consideration while arriving at decisions.

According to Charlesworth, 'Decentralization has a more important justification than mere administrative efficiency. It bears directly upon the development of sense of personal adequacy in the individual citizens. It has spiritual connections.'

Following are the demerits of decentralization:

- Decentralization is also not free from dangers. Too much of or excessive decentralization may lead to anarchy. It makes coordination and the integration of the administrative operations difficult.
- It is neither possible nor desirable to have complete decentralization in personnel, budgeting, tax collections, accounting, planning, programming, etc.
- Rapid means of transport and communication do not favour decentralization.
- Decentralization may result in lack of proper control over field units or agencies.
- Uniformity in the administration is unlikely to be ensured.
- Local interests may take precedence over national interests.

Decentralization, therefore, can be brought about only within certain limits. There has to be certain safeguards provided for in the administrative system. Centralization and decentralization, however, are not principles that can be universally applied at any time and at any place, they have a situational relevance. Decentralization cannot be affected only for the sake of decentralization and vice versa. A single system cannot be adopted in all circumstances. According to Fesler, centralization or decentralization of authority within an organization depends upon some kinds of factors. These are as follows:

- **Factor of responsibility:** According to the factor of responsibility, every departmental head is responsible for all the administrative activities of his department and so long as the central authority is held responsible for any action, it is hesitant and even reluctant to cede any authority to its subordinates or field officials. The central authority, in such a situation prefers to direct and control all their activities. The end result is the tendency of centralization or says more centralization and less decentralization.
- **Administrative factors:** Administrative factor also determine the extent of centralization or decentralization of authority. Among the administrative factors, mentioned by Fesler, are the age of the agency, stability of its policies and methods, competence of its field personnel, pressure for speed, and the economy and the administrative sophistication.

Old agencies are more prone to decentralization. Stability competency of field officials is a point in favour of decentralization. If the policies and methods

are not changed every other day, there is no risk involved in decentralizing reasonable authority. The need for the economy and the pressure for speedy work may necessitate decentralization. Administrative sophistication is also an important factor influencing decentralization.

- **Functional factors:** Decentralization also depends upon what type of functions the department performs or the variety of functions an agency performs. The technical nature of functions and the need for nationwide uniformity demand centralization. It is common experience that while certain types of functions like defences, planning, communications requiring nationwide uniformity tend in the direction of uniformity. On the other hand, if the functions need diversity such as agriculture, forest, etc., then decentralization is preferred. Moreover, operating decisions can easily be decentralized at the appropriate lowest level. Long back, J.S. Mill recommended the vesting in the local agencies 'not only the execution, but to a great degree the control of details'.
- **External factors:** Among the external factors the demand for popular participation in programmes may be included. Grass-roots democracy implies a strong and big dose of decentralization. Decentralization of the authority means a greater sense of responsibility and higher morale among field officials. It democratizes administration and brings it near to citizens. But before decentralization is affected, the problem needs to be carefully studied. Certain safeguards must be opted for before decentralization. Before divesting himself of authority, functions and responsibility, the central authority must be sure of the following things:
 - o Local officers must report to more than one central agency.
 - o Jurisdictional lines must be meticulously drawn.
 - o Procedures in several field establishments must come up to a common standard, although they need not be uniform.
 - o The local agency must have a sufficiently flexible physical and psychological structure to permit it to adjust to the emergent local conditions.
 - o The field unit must not make decisions affecting the overall policy, although it should be encouraged to make its own decisions to a point approaching that situation.
 - o A system of ready appeals must be present.
 - o Suggestions from the field to the Centre must be freely channelled.
 - o Adequate reporting and inspection methods must provide the central authority with full and current knowledge of peripheral operations.

If the central authority feels satisfied with the safeguards provided, it is free to decide on the extent of decentralization.

Decentralization: Current Trend

Inherent in development administration is the idea of decentralization rediscovered by development theory in mid-1970s. This means creating the institutional opportunities for power distribution without which it would be difficult to break the domination of the entrenched interests. Decentralization is expected to work for the building up of

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an administrative space at the cutting edge level where the felt needs of the poor could be ventilated. Bringing administration at the doorsteps of the people and establishing direct relationship between the client and the administration have been the major thrusts of decentralization in the Third World.

In the context of the Third World, decentralization has special significance. It is argued by scholars such as Bryan Smith that decentralization softens resistance to the inevitable and potentially destabilizing social changes that development bring about. It is done by local leadership which wins support for change through mass mobilization.

The decentralization question cannot be understood without reference to the class background of those to whom power is decentralized. Decentralization does not always generate a process of development which benefits the poor. The class background of the leaders who wield power in the decentralized governance system, assumes special significance in the context because the target group of development in the Third World is the poor people.

Decentralization is today the most popular form of state reforms, as a World Bank report indicates. All but 12 of the 75 developing countries with more than five million inhabitants have implemented some form of decentralization, with varying degrees of financial and political power. Parallel to these developments enabling legal frameworks and institutional channels for people's participation at the local levels have been developed in countries like Philippines, India, Honduras, Bolivia, Namibia, Uganda, Tanzania, Brazil and Nigeria.

Decentralization is not limited to larger countries. The Middle East and North Africa, Jordan, Lebanon, Morocco and Tunisia — all have elected local governments. In Europe and Central Asia, the constitutions of Albania, Bosnia, Bulgaria, Croatia, Georgia, Hungary, Kazakisthan, Russia, Tajikistan, and Ukraine address the rights and responsibilities of sub-national governments, although this does not automatically guarantee autonomy. The Baltics and Krygyz Republic have also taken significant steps to strengthen local government. In Latin America, every country has elected mayors.

It is, however, true that decentralization has not always resulted in the Centre relinquishing much control. Ghana, Malawi and Zambia have each created local councils, but the Centre continues to direct almost all spending and management decisions. Pakistan holds local elections, but so infrequently that the country rarely had an elected local government functioning effectively.

Decentralization offers lot of promises for the Third World countries. First, it is a more effective way of meeting local needs. It provides a mechanism responsive to the variety of circumstances encountered from place to place. For example, it has been shown that in Tanazania, Zambia and Papusa New Guinea, decentralization particularly in rural development programmes, has set the objective of making decisions more relevant to the local needs and conditions by having them taken by local people.

There is a view that decentralization is basically needed to enable poor people to take part in politics, which is necessary for successful implementation of anti-poverty programmes. To quote Blair: 'The signal promise of decentralizing government authority is enhancing democratic participation of encouraging more people to get involved in the politics that affect them, and making government more accountable by introducing citizen's supervision and control through elections. If democracy lies in rule by the people, the promise of democratic decentralization is to make that rule more immediate, direct and productive.'

Decentralization is good for people. The people will have a better understanding of what the government does. Through this, they are more likely to adopt new ideas and practices, use of services offered, to contribute their own efforts and resources to the programme to give vitality to new institution and make constructive adjustment in their lives that may be necessitated by the changes taking place.

Decentralization has a salutary effect on bureaucracy in the Third World. It helps bridge the gap between people and the administration generated and sustained by the colonial rule because the former get more access to administrative agencies. Thus, it creates conditions for the administrative responsiveness.

Many countries like India have embarked on constitutional amendments to strengthen the process of decentralization. The 73rd and 74th Constitutional Amendments in India sought to create a new tier in country's governance design by giving constitutional sanction to *panchayats* and the urban local bodies. The amendments provide a long list of functions to be developed on the local self-governments, both urban and rural. They create the institutions like the finance commissions to strengthen the local bodies and seek to institutionalize people's participation through *gram sabha* and ward committees. Reference may also be made to the constitutional amendments in Brazil and Nigeria, local government code in Philippines, municipal law in Honduras, Popular Participation Law in Bolivia, Local Authority Act in Namibia, Local Government Act in Uganda and Local Authorities Law in Tanzania—all meant for strengthening local governance.

The World Bank has for some time been the major champion of decentralization. Many consider that it is an attempt to ensure repayment of loans by the Third World countries because decentralization may help raise more resources. It may be recalled that the British colonial rulers in India started decentralization after 1857. It was time when the colonial exchequer had suffered a great damage as huge amount of money was spent to deal with the Sepoy Mutiny. One of the colonial concern for decentralization in those days was to ensure condition for resource mobilization at the grass-roots level. The colonial rule was basically centrist; decentralization was pursued only to resolve the crisis faced by colonial rule.

The experiences tend to show that decentralization in the Third World is still to make a significant headway. In India, for example, the Constitutional Amendments to strengthen decentralization are yet to yield desired results. The state continues to rely more on the bureaucracy than on the people. Presumably, this is why in the constituency development scheme meant for the members of Parliament, the

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constitutionalized local bodies have been bypassed. The demand for restructuring Centre-state relations for the creation of a local list is still to merit serious attention of the Indian state.

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The 73rd and 74th Amendments of the Constitution of India have institutionalized people's participation through *gram sabhas* and ward committees. But the experience is not encouraging. Meetings are not regularly held. Quorum is seldom taken into account. Proceedings are not always recorded. The organizers of the meeting become impatient in the meetings and often react aggressively when people criticize their action. Reservation of the posts of chairpersons, though a very laudable attempt has, at the initial stage, complicated the working of panchayats in backward states torn by caste and class rivalries. Upper caste tries to domesticate panchayats, often successfully and divert development funds to its doorstep. The poor illiterate chairpersons born in a scheduled caste or tribe have often to play the role of passive onlookers.

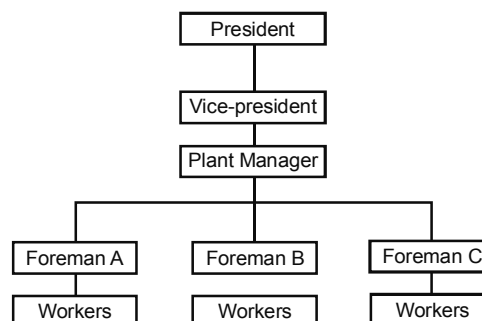
2.2.3 Structure of Organization: Line and Staff

The type of organizational structure would depend upon the type of organization itself and its philosophy of operations. Basically, the structure can be mechanistic or organic in nature or a combination thereof. However, most organizational structures are still designed along mechanistic or classical lines.

Some of the organizational structures are explained below.

Line Organization

This is the simplest form of organization and the most common one among small companies. The authority is embedded in the hierarchical structure, and it flows in a direct line from the top of the managerial hierarchy down to different levels of managers and subordinates and further down to the operative levels of workers. It clearly identifies authority, responsibility and accountability at each level. These relationships in the hierarchy connect the position and tasks of each level with those above and below it. There is clear unity of command so that the person at each level is reasonably independent of any other person at the same level, and is responsible only to the person above him. The line, personnel are directly involved in achieving the objectives of the company. A typical line structure is illustrated as follows:



Because of the small size of the company, the line structure is simple and the authority and responsibility are clear-cut, easily assignable and traceable. It is easy to develop a sense of belonging to the organization, communication is fast and easy and feedback from the employees can be acted upon faster. The discipline among employees can be maintained easily and effective control can be easily exercised. If the president and other superiors are benevolent in nature, then the employees tend to consider the organization as a family and tend to be closer to each other that is highly beneficial to the organization.

On the other hand, it is a rigid form of organization, and there is a tendency for line authority to become dictatorial that may be resented by the employees. Also, there is no provision for specialists and specialization that is essential for growth and optimization, and hence for growing companies, pure line type of structure becomes ineffective.

The line organization can be a pure line type or departmental line type. In the pure line type set-up, all similar activities are performed at any one level. Each group of activities is self contained and independent of other units. It is able to perform the assigned duties without the assistance of others. In a departmental line type of organization, also known as functional structure, the respective workers and supervisors are grouped on a functional basis such as finance, production and marketing and so on.

Staff Organization

In this type of organization, the functional specialists are added to the line, thus giving the line the advantages of specialists. This type of organization is most common in business economy and specially among large enterprises. Staff is basically advisory in nature, and usually does not possess and command authority over line managers. The staff consists of two types:

General staff: This group has a general background that is usually similar to executives and serves as assistants to top management. They are not specialists and generally have no authority or responsibility of their own. They may be known as special assistants, assistant managers or in a college setting as deputy chairpersons.

Specialized staff: Unlike the general staff, who generally assist only one line executive, the specialized staff provides expert staff advice and service to all employees on a company-wide basis. This group has a specialized background in some functional area and it could serve in any of the following capacities:

- (a) *Advisory capacity:* The primary purpose of this group is to render specialized advice and assistance to management when needed. Some typical areas covered by advisory staff are legal, public relations and economic development.
- (b) *Service capacity:* This group provides a service that is useful to the organization as a whole and not just to any specific division or function. An example would be the personnel department serving the enterprise by procuring the needed personnel for all departments. Other areas of service include research and development, purchasing, statistical analysis, insurance problems and so on.

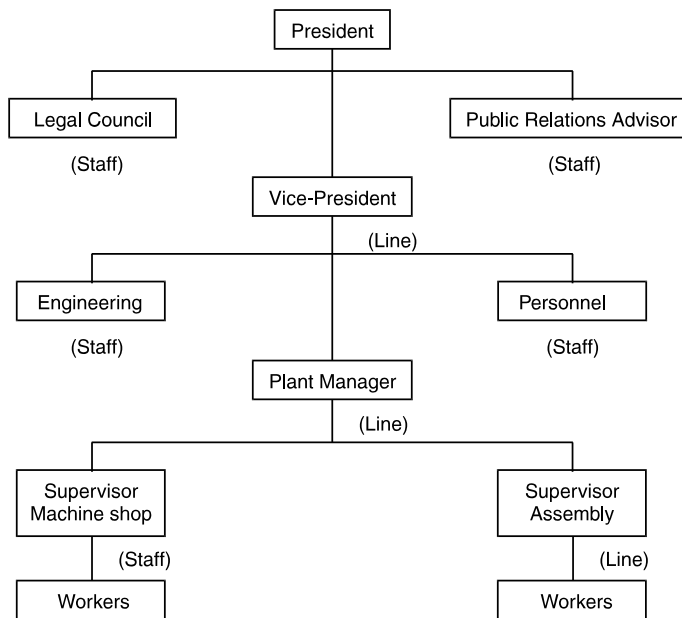
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(c) *Control capacity*: This group includes quality control staff who may have the authority to control the quality and enforce standards.

The line and staff type of organization uses the expertise of specialists without diluting the unity of command. With the advice of these specialists, the line managers also become more scientific and tend to develop a sense of objective analysis of business problems. According to Saltonstaff, a staff member may serve as a coach, diagnostician, policy planner, coordinator, trainer, strategist, and so on.

A simple line and staff diagram is shown as follows:



The line and staff type of organization is widely used, and is advantageous to the extent that the specialized advice improves the quality of decisions resulting in operational economics. Also, since line managers are generally occupied with their day-to-day current operations, they do not have the time or the background for future planning and policy formulation. Staff specialists are conceptually oriented towards looking ahead and have the time to do strategic planning and analyse the possible effects of expected future events.

Its main disadvantages are the confusion and conflict that arises between line and staff, the high cost that is associated with hiring specialists and the tendency of staff personnel to build their own image and worth, that is sometimes at the cost of undermining the authority and responsibility of line executives.

2.2.4 Public Corporation and Departmental System

Over the last 40 to 50 years, there has been the rise of a novel form of organized public enterprises referred to as public corporation. This form of public enterprise came to the fore in the latter half of the 20th century. According to W.A. Robson,

“the most important invention of the 20th century in the sphere of government institutions.” In the words of Herbert Morrison, it is “a combination of public ownership, public accountability and business management for public ends. In fact, it is clothed with the power of government but possesses the flexibility and initiative of a private enterprise.”

The evolution and rise of the public administration system was due to the various problems faced in the company system as well as the departmental system. As opposed to the company system and the departmental system, the corporation system provides a balanced combination of government control and commercial freedom. It is an ideal setup for the management of an undertaking of a commercial or industrial character. It enables one to get away from the caution and circumspection typical of departments of government.

We can define a public corporation as being a legal entity created by the government, which is actually external to the government organization and is independent financially for carrying out specific activities as outlined by the law made for its creation.

Some of the important public corporations set up in India by the Union Government are:

1. Reserve Bank of India (1935)
2. Damodar Valley Corporation (1948)
3. Industrial Finance Corporation of India (1948)
4. Indian Airlines Corporation (1953)
5. Air India International (1953)
6. State Bank of India (1955)
7. Life Insurance Corporation of India (1956)
8. Central Warehousing Corporation (1957)
9. Oil and Natural Gas Commission (1959)
10. Food Corporation of India (1964)

Some of the important public corporations in India that have been set up by the various state governments are:

1. State Financial Corporations
2. State Road Transport Corporations
3. State Land Mortgage Banks
4. State Electricity Boards

Based on a study conducted by the United Nations, the principal characteristics of a public corporation would be:

1. They are wholly government owned
2. They are generally created by, or pursuant to a special law defining its powers, duties, and immunities and prescribing the form of management and its relationship to established departments and ministries.

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3. As a body corporate, they are a separate entity for legal purposes and can sue and be sued, enter into contracts and acquire property in their own name. The corporations both create contracts and do business in their own name. They generally get more freedom than ordinary government departments in making contracts and acquiring and disposing of property.
4. Except for appropriation to provide capital or to cover losses, a public corporation is usually independently financed. It obtains its funds either by borrowing from the treasury or the public and from revenue derived from the sale of goods and services. It is authorized to use and re-use its revenues.
5. They are generally exempt from most regulatory and prohibitory statutes applicable to expenditure of public funds.
6. They are ordinarily not subject to the budget, accounting and audit laws and procedures applicable to non-corporate agencies.
7. In most cases, the employees of a public corporation are not civil servants, and are recruited as well as remunerated under terms and conditions which are determined by the corporation itself.

To elaborate the above points, a public corporation is wholly owned by state, implying that all of its capital is made available by the government. A public corporation is formed through a special law of legislature which either the state government or the Central government could enact. The special statute for a public corporation provides the privileges, duties, powers and objectives, of the public corporation as also prescribes what form of management will exist and what relationship it will have with the departments of the government in its capacity as a corporate body.

A public corporation for all legal purposes is a separate entity that can be sued and can sue, enter into contracts and acquire property in its corporate name. Generally, a public corporation is financed independently, other than for appropriations for covering losses or providing of capital. Funds are obtained by it from borrowing which may be from the treasury or from the public and from revenues which are got from the sale of its goods and services. A public corporation has the authority to use and reuse its revenues.

The public corporations are generally exempt from regulatory and prohibitory statutes applicable to the expenditure of public funds and are not subject to budget, accounting and audit procedures which are applicable to non-corporate agencies. The employees of corporate bodies are not civil servants. They are recruited and remunerated under terms and conditions which are determined by the corporation itself.

Of prime importance is the fact that a public corporation works with functional autonomy without being under direct control of the department head as far as normal operations of the public corporation are concerned. Other than in case of the formal policy directions which a minister issues to it, the public corporation it is the statute which created the public corporation that guides it. There is a board of directors

that manages such a corporation. This board of directors is government appointed. From this board, one of the directors is made the board's chairman.

In an organization of the public corporation type, there is scope for autonomy so far as its daily administrative activities are concerned. It is also free of partisan considerations and political influence. A public corporation is a good balance between a private enterprise and commercial efficiency. It has public accountability of a government department also is free of any of the government's undesirable controls, regulations and rules.

In the corporation format, there exists a high level of personal mobility and financial flexibility. It works as an important means of providing social control over economic life. Yet, its critics claim it to have inherent rigidity and condemn it as not being suitable for meeting the needs of changing times as to effect a change in its procedure or structure requires a statutory amendment. Therefore, in this light there is need to reconcile administrative autonomy with public accountability.

There does not exist any clearly laid out distinction as far as "matters of day-to-day administration" and "matters of policy" are concerned. A great amount of political power is placed by the corporations with 'a small unrepresentative and a self-perpetuating group' that manages and controls it. When we move from theory to practice, it becomes evident that public corporations do not facilitate autonomy and flexibility but it in its administration or finance.

In India, it is generally thought that the ministries see the corporation to be just like their own branches or wings and so they just go ahead and issue directives and orders to the public corporations in a similar way. The report of the Estimates Committees (Second Lok Sabha) showed that there were not well-defined principles which were being followed to determine what form of organisation there would be for public undertakings.

Furthermore, it was suggested by the committee that that ordinarily the wholly owned government undertakings need to be set up in the manner of statutory corporations. It was found that the departmental management is appropriate when it comes to special reasons such as like of economic control, strategic or security needs and defence. So, in this light, the formation of the public company needed to be an exception for organisations of specific nature.

The Krishna Menon Committee Report on State Undertakings in India found that there was a weaker side to the corporation form which showed itself in the departmental methods of raw materials' purchase and products' sale. The staff that was permanent was made to follow the same rules and regulations as did the civil servants. For example, just because cash receipts need to be put into government account, there have risen the procedures of arranging funds, and sanctions for expenditure which lead to delays and overdue payments, etc.

Both the audit and accounting systems have been seen as dilatory and cumbersome. Even then, public corporation as an organisational device for the

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administration of public undertakings is well acclaimed all across the world. Majority of the nationalized industries in Great Britain, such as the Overseas Food Corporation, British Overseas Airways Corporation and British Broadcasting Corporation, are now functioning as public corporations. Public enterprises in countries such as the United States, Italy, Canada and France, too have moved to public corporations.

Even India has several public corporations as listed earlier on. The state governments in India have also formed corporations, of which the more important ones are state roadways transport corporation and the electricity board.

Public Sector Undertakings of ARC were looked into by a Study Team and here is part of what they observed:

“The departmental form is one that is generally regarded suitable only for under-takings that provide services affecting the totality of the community. The undertakings that require a high degree of freedom, boldness and enterprise in management must be free from the circum-spection and cumbersome, time-consuming and vexatious procedures of departmental administration.

Both the company form and the Public Corporation form can provide for this flexi-bility and autonomy. It is not, therefore, possible to prescribe one of these forms as applicable for all types of undertakings and under all circumstances. We therefore, recommend that the government should adopt the form of Public Corporation as the general rule for the industrial and commercial undertakings in the public sector in India.”

The Administrative Reforms Commission in its report of 1968 put forth the following recommendations:

1. Undertakings which are predominantly trading concerns or areas of business, may have the company form of organisation.
2. Development agencies should, be run as statutory corporations or as departmental under-takings.
3. Statutory corporations should be adopted in the industrial and manufacturing fields.
4. A government company form of organisation may be adopted for projects to encourage private participation.

For these recommendations, the decision of the government was as follows:

“For certain enterprises providing public utilities which are primarily intended to develop the basic infrastructure facilities, the statutory corporation form of management may be preferable. For other enterprises including those operating in the monopolistic field but where the commercial aspect is predominant, the present form of a company may allow more flexibility. The government, therefore, does not consider that this form of statutory corporation should in general be adopted for public enter-prises”.

Thus, it was decided by the government that for state undertakings, there would be a continuance of providing support to the company form of organisation.

Internal Autonomy Issue

A huge debate arose in context of the autonomy of public corporation with reference to their internal working and external relation with the Parliament and the ministers.

Following matters fell under the ambit of assertion of internal autonomy:

- (a) Policy matters
- (b) Day-to-day routine operations
- (c) Personnel policies and service conditions
- (d) Commercial audit

On the part of the public corporations, there was a resistance towards ministerial control and there was a halting acceptance of the limited powers of the concerned minister. Authority rests with the government for formulating rules and regulations for facilitating the functioning of the public corporations. The government has the authority to lay down procedures, prescribe forms and also what activities are to be conducted.

The government stands empowered to appoint the chairman and members of the board of management and the managing director. In addition, it retains the power of approval of appointment to posts carrying salaries above a certain limit. The government can institute enquiries into the working of a corporation.

Again, under specific circumstances, the government has the authority to oust from office any member of the management board. It even holds the power to supersede a board in case the particular board of management does not achieve the purposes it was established for and also if it fails to follow the government issued directives.

The most important power is the power to issue directives which a minister can exercise. The clause's one for the many sub-clauses lays down that, in case of the arising of a dispute between the corporation and the Central government, the final decision will be that of the Central government and it will be binding on all.

The minister's financial powers are restricted to 'advice, sanction and prior approval'. Authorization has been provided to ministers for appointing a financial adviser on a corporation's governing board. This adviser has the power to exercise veto over affecting expenditure and the financial policy of the government. Government's sanction is essential for the sanctioning of capital expenditure beyond a specified amount, and in case of matters pertaining to distribution of profits, securities, investments, borrowings, and so forth.

There is need for government approval for the manner in which accounts are to be maintained and how they are to be audited. Generally, government appointed auditors are the ones to audit accounts. It is in the hands of the government to

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control the fixing of the price of the goods which the public corporation produces as well as the rate and quantum of the services that the enterprise provides.

There has not been a smooth relationship between public undertakings and the ministers. Generally, written clear directives are issued by the ministers since such directives are their responsibility and they have to be answerable to the Parliament for the same. Ministers have been found to resort to influence and securing of compliance of their wishes via such informal means as 'appointment of officials and non-officials as chairman and members of governing boards; deputising serving government officers to executive posts in public undertakings'.

Departmental Undertaking

The oldest type of public enterprise is the departmental undertaking. Such an undertaking is not just managed and organized by the government, it is even financed by the Government. The control of the departmental undertaking rests in the hands of a specific department of the government. At the head of each and every one of this type of department is a minister. It is this controlling minister who takes all policy matter decisions and all of the other important decisions. For the undertaking, the general policy is laid down by the Parliament.

Features of Departmental Undertakings

The key features of a departmental undertakings are given below.

Formation

It is created by the government and is attached to a ministry of the government. It is without any legal status and can neither sue nor be sued without permission from the government. The purpose of such an undertaking is to provide essential services and goods at prices that are fair.

Capital

The capital for a departmental undertaking is made available from the budget of the government. Shares cannot be issued by departmental undertaking to public. Such an undertaking does not possess any borrowing powers and all the income that accrues to the undertaking goes into the government account.

Management and control

A departmental undertaking is managed by civil servants from the government and its management is done in a bureaucratic manner. Rules and regulations are strictly followed in such an undertaking. The government controls it based on the existing legal provisions.

Flexibility

There is no flexibility for departmental undertaking so far as their internal operations are concerned. The enterprise is bound to follow the procedures and directions prescribed by the government.

Staffing

Civil servants are on the staff of departmental undertaking and are recruited by Public Service Commission. Terms and conditions that apply to these employees are based on government rules.

Public accountability

All departmental undertakings are accountable to the public, via the Parliament. The accounts of the undertaking are audited by the auditor general and the performance of the undertaking is then reported. The performance of the undertaking is a point of discussion in the Parliament.

Merits of Departmental Undertakings

Attaining objectives

Departmental undertakings are under total and direct control of the government. Therefore, it is easy for them to attain their social, political and economic objectives.

Direct control

It is possible to regulate the enterprise's management as desired by the ministry as the ministry has direct control over the enterprise's administrative staff.

Suitable for public utilities and defense industries

This is the oldest form of managing public enterprises and is very suitable for the defence industry and for public utilities.

Secrecy

It is easy to maintain secrecy in a departmental undertaking due to the fact that these government departments are under the direct control of the concerned ministry. Secrecy is a top priority when we look at it from the perspective of national security.

Revenue

What revenue these enterprises earn is a source of income for the government since it goes to the government treasury directly.

Fair practices

Since departmental undertakings are controlled by the parliament directly, unfair practices and fraud are minimized.

Strict audit control

The risk that public money will be misused is quelled to a great extent by the due to the fact that there is strict audit control as well as strict accounting.

Useful in stable government

It is a good idea to have departmental undertaking in India since this decreases the possibility of fund misuse.

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Limitations of departmental undertakings

Since departmental undertakings do not have administrative and financial autonomy and are in the grip of excessive government control they suffers from some serious limitations. Let us look at these limitations.

Delayed decision-making

With there being so much centralization in departmental undertakings, decision making gets delayed. Also, red-tapeism plays its own part in delaying decisions. Another factor for delay is adhering excessively to rules and regulations.

Inflexibility of operation

Since the is rigidity of operations in departmental management, the task of bring about major innovation, reformation and modifications which are required of and on becomes a problem.

Personal motives

Independent decision making is not allowed to departments as they need the approval of the ministries. Generally the ministries have greater concern for their personal motive rather than the organisation's commercial motives.

Lack of autonomy

In departmental undertaking, the main control rests with the government officials, who perform all tasks based on procedures that have already been laid down and this leads to important decisions getting delayed.

Inefficiency and irresponsive towards the needs of the consumers arises in departmental undertakings due to there being no competition or motive for making profits. Such an attitude proves detrimental to the undertaking.

Political interference

Due to so much ministerial control, departmental undertakings face a huge amount of political interference.

Poor management

Lack of motivation and of initiative set in to departmental undertakings. Merit is not the criteria for promotion; rather it is seniority. This makes employees complacent.

No Incentive to maximize its profits

As there is no power with the departments to make use of their resources to maximize profit, their policies are to a greater extent determined by political considerations rather than solid commercial and economic considerations. Departmental undertakings have the ability to raise the government's economic power to its heights and at the same time decrease to the minimum the flexibility and initiative which is needed for a business venture.

Insensitivity to consumer's needs

In such a system, rarely do officials think of the needs of the consumer.

CHECK YOUR PROGRESS

1. State any two principles of a good organization.
2. What are the demerits of the scalar system of hierarchy?
3. What is the principle of unity of command?
4. Which are the four kinds of authority that can exist in an organization?
5. What is conditional delegation?
6. State any two merits of decentralization.
7. What is the role of specialized staff?

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2.3 PROCESS AND TECHNIQUES OF DECISION MAKING, COMMUNICATION, MOTIVATION AND LEADERSHIP

Decision making can be defined as the selection based on some criteria of one behaviour alternative from two or more possible alternatives. Decision making involves two or more alternatives because if there is only one alternative there is no decision to be made. Indeed, decision making is the process of choosing a course of action from among the alternatives to achieve a designed goal. It consists of activities that an executive performs to come to a conclusion. In the functions of the executive Barnard gave a comprehensive analytical treatment of decision making and noted 'The processes of decision ... are largely techniques for narrowing choice.' In the words of Wehrich and Koontz, 'Decision making is the selection of a course of action from among alternatives; it is the core of planning.' According to Haynes and Massie, 'Decision making is a process of selection from a set of alternative courses of action which is thought to fulfil the objective of the decision problem more satisfactorily than others.'

Decision making is a process of selection and the aim is to select the best alternatives. This process consists of four interrelated phases: explorative (searching for decision occasions), speculative (identifying the factors affecting the decision problem), evaluative (analysing and weighing the alternative courses of action) and selective (choice of the best course of action).

On the basis of the above description, the following features of decision making can be identified:

1. Decision making is a goal-oriented process. Decisions are made to achieve some goals or objectives. There may just be a decision not to decide.
2. Decision making implies a set of alternatives. A decision problem arises only when there are two or more alternatives. If there is only one alternative there is no decision to be made.

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3. Decision making is a dynamic process. It involves a time dimension and a time lag. The techniques used for choice vary with the type of problem involved and the time available for its solution. It is situational.
4. Decision making is always related to the environment. An executive may take one decision in a particular set of circumstances and another in a different set of circumstances.
5. Decision making is a continuous or an ongoing process. Administrators have to take a series of decisions and an executive job is perpetually a decision making exercise.
6. Decision making is an intellectual or rational process. Decisions are the products of deliberations, reasoning and evaluation. However, decision making cannot be completely quantified. Many decisions are based on intuition and instincts.

Bases of decision making

There seems to be no unanimity regarding the factors that help in decision making. Perhaps there are no such fixed bases. A decision often depends on the criteria or basis believed to be important in the particular situation. The means of arriving at a decision may be rational, deliberate, emotional, impulsive or habitual. Intuition, facts, experience and authority are among the most common bases used in arriving at a decision. Seckler – Hudson enumerates twelve factors that must be considered in decision making – legal limitations, budget, mores, facts, history, internal morale, future as anticipated, superior, pressure groups, staff, nature of programme and subordinates. One thing that must be insisted upon in decision making is that decision should be based not on objective but an objective considerations. A frequent complaint against the administration that one comes across in our country, unfortunately is that decisions are taken on grounds other than merit, that is to say, considerations of caste, religion, politics, etc., tend to gain the upper hand. In other words, decisions are biased.

How to make a decision

Nobody can perhaps give a foolproof answer to this question. No technique can probably suit all occasions. However, one thing that can help in this process is practice in decision making. It has been truly said that one cannot learn swimming by studying the literature on it or by observing others swim: the only way to learn to swim is by getting into the water and doing it. This analogy holds true in the case of decisions too. Administrators should, therefore, be encouraged to take decision. Terry lays down the following sequence of steps which, when followed, will assist greatly in the making of decision:

1. Determine what the problem is
2. Acquire general background information and different view points about the problem
3. State what appears to be the best course of action
4. Investigate the proposition and tentative decisions
5. Evaluate the tentative decisions

6. Make the decision end put it into effect
7. Institute follow-up, if necessary, modify decision in the light of results obtained

Decision making process

A decision is generally not taken in isolation as it is affected by previous behaviour as well as by consequences anticipated in the future. It is therefore necessary to understand decision making as a process as the question of final selection of choice from alternatives should not result in false emphasizes ignoring the lengthy complex process, which precedes that final choice. The decision making process can be divided into the following distinct steps, namely:

- 1. Defining the problem:** The decision making process begins with the recognition of a problem that requires a decision. Sufficient time should be spent on defining the problem as it is not always easy to define the problem and to see the fundamental thing that is causing the trouble and that needs correction. Clear definition of the problem is very important as the right answer can be found only for a right question.

The executive should take care of many factors in defining the problem. Like a doctor who has to take into account all the symptoms before deciding the medicine to be given to the patient, an executive must also carefully diagnose the problem. However, symptomatic diagnosis may not always lead to the real problem in Public Administration because an executive is not dealing with physical sciences under which response to a particular symptom will be same. In Public Administration, situational factors are very important. In one case the causes of communal riot is loose law and order administration and in another case it may be forthcoming elections. Thus, there is no guarantee that symptoms will always lead to the same problem. So, the executive should try to have an overall view of the situation to find the real problem.

- 2. Analysing the problem and gathering information:** The analysis of a problem involves classifying the problem. Classification is necessary in order to know who should take the decision and who should be consulted in making it. Without proper classification, the effectiveness of the decision may be jeopardized. The problem should be classified keeping in view the following guidelines:

- (i) The nature of the decision problem, i.e., whether it is strategic or it is routine
- (ii) The impact of the decision
- (iii) The periodicity of the decision
- (iv) The futurity of the decision
- (v) The limiting or strategic factor relevant to the decision.

In order to classify the problem, a lot of information is required. Until this information is forthcoming, any classification would be misleading. The executive has to determine what type of information he requires and how he should get it. Trying to analyse without facts is like guessing direction at a crossing without reading the highway signs. Collection of facts and figures

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also requires certain skills. One must be able to judge what type of information he requires and how he can get this. It is also important to note that when one gathers the facts to analyse a problem, he wants facts that relate to alternative courses of action. So, one must know what the several alternatives are and then collect information that will help him to compare the alternatives. A decision is as good as the information on which it is based.

- 3. Developing alternative solutions:** Developing alternative solutions to the problem is a very important step in decision-making process. There is rarely a problem for which alternative solutions cannot be found. The finding of alternative solutions helps to make best decision, after a careful evaluation of the most desirable course of action in the situation. Of course, even after ascertaining the alternative solutions, an executive can make a mistake in making the decision or in his final choice. Consideration of the alternative solutions do serve the purpose of putting the executive on guard against making decisions known to be wrong after the problem has been sufficiently analysed.

While considering alternative solutions, a good principle to observe is to ask, 'What would be the consequences if no action at all is taken?' To take no action at all may prove to be the most desirable and real solution to many a problem.

- 4. Selecting the best solution:** In order to choose the best alternative, one will have to evaluate the available alternatives. There are various ways to evaluate alternatives. The most common method is through intuition, i.e., choosing a solution that seems to be a good idea at that time. There is an inherent danger in this process because an executive's intuition, i.e., choosing a solution that seems to be good idea at that time. There is an inherent danger in this process because an executive's intuition may be wrong on certain occasions. A second way to choose the best alternative is to weigh the consequences of one against those of the other.

2.3.1 Communication

Communication has come to be recognized as the first principle of administration. Effective communication is vital to the successful achievement of agency objectives. Persons working for an organization will show greater devotion to it, take more interest in their tasks and develop a large measure of identification with it if they understand the objectives of organization, its policies and circumstances. An effective way to evoke a person's enthusiastic and active cooperation is for the head of the agency to take him into confidence. Millett is right in regarding communication as 'the blood stream of administrative organization'. Piffner considers it 'the heart of management'.

This is an age of communication. The average man, today, is much closer to his government and his neighbours; he identifies himself more with the life around him. Even in the international field, you are moving toward 'one world'. Researches in group dynamics and human psychology have proved that the successful working of an organization depends upon winning the cooperation of the persons working

in it. Democracy demands that public must be increasingly associated with the administration. Business and government alike, therefore, have felt the need for establishing better communication channels in their organizations. Management has recognized the part that communication plays in promoting participation, cooperation and team work on the part of the employees. There is ample evidence of the recognition. Almost all civilized governments today have set up information, publicity and public relations departments. The literature on management is full of articles on communication. Conferences, work-shops and other training programmes are being organized to develop communication skills, particularly in the United States.

Communication is often used in the sense of imparting knowledge or transmitting information. The term, as used here, however, has a wider connotation, and includes the interchange of thoughts, partaking of ideas and a sense of participation and sharing. The essence of communication, thus, is not information but understanding. Millett has aptly defined it as 'shared understanding of a shared purposes.' Tead express the same idea as 'The underlying aim of communication is a meeting of minds of common issues.'

Communication in an organization that may be internal, external and interpersonal. The first deals with the relationship between the organization and its employees. The second is concerned with the relations of the agency with the public and is called 'public relations'. The third is related to the relationship among the agency's employees inter se. Communication has also been classified as 'up', 'down' and 'across'. 'Up' communication is achieved by such method as systematic, written and verbal reports of performance and progress, statistical and accounting reports concerning work, written verbal requests for guidance, suggestions and discussions. Means are, thus provided for the higher level to obtain evidence about work problems. 'Down' communication is achieved through devices, such as, directives, manuals, specific, written or verbal orders or instructions, staff conferences, budget sanctions and establishment authorization. The higher level uses these devices not only for command and control, but to inform the lower echelons concerning its attitude and ideas and to give advice, guidance and direction. 'Across' communication is achieved through exchange of written or verbal information and reports, formal and informal and personal contacts, staff meetings and coordinating committees. The aim is to bring together different but related parts of the organization.

The word 'communication' has been derived from the Latin word 'communist', which means 'common'. Thus 'communication', strictly, stands for sharing of ideas in common.

The term 'communication' has many and varied meanings. Popularly speaking, it refers to the various means or media of transmitting information from one individual to another or from one place to another, e.g., telephone, telegraph or television. According to some, it is primarily concerned with the transmission of information in an governmental organization, e.g., grapevine, the complaint box, the grievance procedure or the formal chain of command. But the concept of communication with which you are primarily concerned is that it is the act of inducing others to interpret

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an idea in the manner intended by the speaker or writer. If one person speaks or writes something which is not understandable to others, it is no communication.

‘Communication is the transfer of information from a sender to a receiver, with the information being understood by the receiver.’ A communication expert (Fisher) emphasizes the behavioural implications of communication by pointing out that ‘the only means by which one person can influence another is by the behaviour he performs - that is, the communicative exchange between people provides the role method by which influence or effects can be achieved.’ According to Ordway Tead, ‘Communication is a composite of information given and received, of a learning experience in which certain attitudes, knowledge and skills change, carrying with them alternations of behaviour, of a listening effort by all involved, of a sympathetic fresh examination of issues by communicator himself and of a sensitive interaction of points of view leading to a higher level of shared understanding and common intention. Louis A. Allen observes, ‘Communication is the sum of all the things one person does when he wants to create understanding in the mind of another. It is a bridge of meaning. It involves a systematic and continuous process of telling, listening and understanding.’

Shobhana Khandwala writes, ‘...Communication is generally understood as spoken or written words. But in reality, it is more than that. It is the sum total of directly or indirectly, unconsciously or consciously transmitted words, attitudes, feelings, actions, gestures and tones. Even silence is an effective form of communication. A twist in the face is often more expressive disapproval than hundreds of words put together...’

Dr. Mc Farland views communication as ‘A process of meaningful interaction among human beings. More specifically, it is the process by which meanings are perceived and understandings are reached among human beings.’ Prof. Das Gupta is of the view that ‘To communicate is to inform, to tell, to show or to spread information... from the managerial point of view, communication is the means by which a management gets its job done....’

In simple words, you can say that communication is a process of transmitting information, thoughts, opinions, messages, facts, ideas or emotions and understanding from one person, place or thing to another person, place or thing. When people communicate with each other, they are exchanging messages upon which an action can be taken. Therefore, communication may be taken to mean the transferring of a mental concept from the brain of one individual to the brain of another.

In short, the entire concept of ‘communication’ in administration includes the following:

1. Transmission of information, orders and instruction from the top administrator to the middle level administrator and down to the ordinary employees
2. Transmission of reports, ideas, suggestions, complaints, grievances from the lower cadre employees to the top administration

3. Cross communication between management group and the worker groups
4. Communication to the employees or the administration through extra-administration agencies such as union or other interest groups

Herbert A. Simon observes, 'Communication may formally be defined as any process whereby decisional premises are transmitted from one member of an organization to other.'

Aspects or types

Communication in administrative organization has three main aspects, namely, internal, external and interpersonal. Internal communication deals with the formal and informal relationship of an organization with its employees. It is also called as the 'up', 'Down' and 'Across' communication.

'Up' communication means the employee's relationship with the management. It is attained by systematic, written and verbal reports of performance and progress, statistical and according reports concerning work, written and verbal requests for guidance, suggestions and discussions. Thus, provision is made for the high ups to procure evidence about work problems.

'Down' communication means the management's relationship with the employees. It is achieved through devices like directives, written or verbal order, staff conferences, budget sanctions, manuals and an establishment authorization. The higher level makes use of these devices both for command and control and to inform the lower echelons regarding its attitudes and ideas and to render advice, guidance and direction.

'Across' communication means relationship between co-equal authorities within the same agency or between different agencies. It is attained through the exchange of written or verbal information and reports, formal and informal contacts, co-ordination committees and staff meetings. Through such a type of communication different but related parts of organization are geared together.

External communication refers to the relation of an administrative agency with the public. In its standard terminology, it is called 'Public Relation'.

Inter-personal communication refers to the relationship of employees. It includes within its scope the employee unions and associations and the other informal types of relationships among the employees.

Media

Media of communication may be grouped into three main types, viz., audial, visual and audio-visuals.

Audial media is adopted through conferences, interviews, broadcasts, public meeting, etc.

Visual media comprises written communication in the form of circulars,

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manuals, reports, bulletins and handbooks' and pictorial forms, viz., photographs, pictures, cartoons, flags, slides etc.

Audio-visual medium is made use of through sound motion pictures, television and personal demonstration.

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Conference method of communication is attaining marked popularity. It avoids delays minimizes correspondence and reduces red tape. Millet eulogizes this system as it:

- (i) Enables to gain awareness of problem
- (ii) Helps in problem solving
- (iii) Promotes a sense of unity among the official working in the organization
- (iv) Encourages an exchange of information among administrative personal; and
- (v) Helps in gaining acceptance and execution of decisions.

Formal and informal communication

In any organization, the formal system of communication is deliberately established. Who should report to whom in what frequency, how should written communication move in the hierarchy, which is the first level where action should be initiated and then passed on to successive higher levels – all these are formally laid down to guide communication along desired lines. But as Simon pointed out, even if. There is an elaborate system of formal communications, this system will always be supplemented by a complementary system of informal communication. Information, advice and even orders flow, many a time, along the informal channels and not along the deliberately established formal channels of communications. The informal network of communications is based on social relations within the organization. Two persons at different levels in the organization may be communicating with each other in a way not formally charted out in the organization. The social relations like friendship or enmity may create such informal conditions of communication. The phenomenon of informal communication has been acknowledged as the 'grapevine' that creates an actual system of relationships in the organization, which is vastly different from what is formally prescribed. In so far as the 'grapevine' supplements the usefulness in organizational life. Often the tendency, however, is to discourage openness and spread rumour, hence the informal channels may not always play a constructive role. Yet, as Simon observes, 'the grapevine is valuable as a barometer of 'public opinion' in the organization. If the administrator listens to it, it apprises him of the topics that are subjects of interest to the organization members, and their attitudes toward these topics.' It needs to be cautioned that too much reliance on the informal channels may lead to the undermining of the system of formal communications in the organization.

The importance of communication in the administration

It is no exaggeration to say that the communication function is the means by which an organized activity like government administration is unified. It may be looked upon as the means of which social inputs are fed into social systems. It is also the means by which behaviour is modified, change is effected, information is made productive and goals are achieved.

Over the years, the importance of communication in an organized effort has been recognized by many authors. Chester I. Barnard, for example viewed communication as the means by which people are linked together in an organization to achieve a common purpose. This is still the fundamental function of communication. Indeed, group activity is impossible without communication, because co-ordination and change cannot be effected.

An ex-President of the American Management Association once observed that ‘the main management problem today is communication.’ Barnard has called it the foundation of all group activity. ‘In practice, an effective communication is a basic pre-requisite for the attainment of the organizational goals, but it has remained one of the biggest problems facing modern administration.’ The importance of communication in the administration can be judged from the following points:

- Communication is needed to establish and disseminate the goals of an enterprise.
- The smooth and unrestricted running of an enterprise depends on an effective system of communication.
- Communication helps the administration in arriving at vital decisions.
- Communication also helps a lot in planning and coordination.
- Communication is a tool of supervision
- It is a basic tool for motivation and an increase in the morale of the employees largely depend upon the effectiveness of communication.
- Communication is also a means of bringing about maximum production at the lowest cost by maintaining good human relations in the organization.

According to Herbert A. Simon ‘Not only is communication absolutely essential to organization, but the availability of particular techniques of communication will in large part determine the way in which decision making functions can and should be distributed throughout the organization.’

Peter Drucker has rightly said, ‘Good communication is the foundation for sound administration.’ Communication is as necessary to an organization as the bloodstream is to a person. The effectiveness of an organization depends very largely on the effectiveness of its communication – upon the quality and the availability of information with the system. From these observations, it is obvious that communications the ‘life blood’ and ‘foundation stone’ of the successful working of an organization. Infact, ‘it is impossible to have human relations without communication, and vice-versa.’

Theoretical contributions

- **Fayol’s contributions:** Early discussions of management gave very little emphasis to communication. Although communication was implicit in the managerial function of command and the structural principle of hierarchy, the early theorists never fully developed or integrated it into management theory. But the pioneering management theorist Henri Fayol was about the only one who gave a detailed analysis of, and supplied a meaningful solution to, the

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problem of communication. His gangplank concept has direct implication for horizontal communication systems in modern formal organization.

Barnard also interwove communication into his concept of authority. He emphasized that meaning and understanding must occur before the authority can be communicated from manager to subordinate. He listed seven specific communication factors that are especially important in establishing and maintaining the objective authority in an organization.

- **Simon's contribution:** Herbert Simon looks at communication as a process whereby decisional premises are transmitted from one member of an organization to another. According to Simon, 'without communication there can be no organization, for there is no possibility then of the group influencing the behaviour of the individual'.

Further, like Barnard, Simon also places the emphasis on the informal channels of communication for the transmission of information. To Simon, 'the informal communication system (Grapevine) is built around social relationships of the members of the organization'.

- **Weiner's contribution:** The contemporary approach to communication has been greatly influenced by cybernetics, a term coined by Norbert Wiener in 1947. Wiener lays emphasis on the natural tendency toward disorder and disintegration in society. Entropy is a measure of the tendency of a system to disintegrate. Since, entropy has a natural tendency to increase, it has to be fought back by methodical information processing, which is the hallmark of organization. Information is an antidote to entropy. In a developed system, information is used to collect and transform resources so that the system approaches a state of 'negative entropy'. The natural tendency of the system to disintegrate is thus arrested. He also introduces the idea of monitoring a system via a feedback mechanism that signals deviations from the objectives of the system.

Process

The concern with communication has produced several attempts to develop models of the process. The most widely used model has evolved from the work of Shannon and Weaver. The basic ingredients of the model include a source, an encoder, a message, channels, a decoder, an encoder, a message, channels, a decoder, a receiver, feedback and noise. This is shown as follows:

The source is usually a member with ideas, information and a purpose for communicating.

The function of encoding is to provide a form in which ideas and purpose can be expressed as a message for transmittal. The message is the actual physical product that is conveyed.

Channels stand for the carriers of messages from the source to the receiver, including written, telephone and numerous other modes. The message must be

decoded in terms of relevance to the receiver. Each receiver decodes or interprets the message in the light of his own previous and frame of reference.

A feedback loop provides a channels for receiver responses. This enables the source to determine whether the message has been received and has produced the planned response. Within the communication process, breakdown, interference or deviation can occur. Shannon and Weaver were the first to identify his concept as noise.

The communication process

Communication in organization is a two-way process. It comprehends both the transmittal to a decisional centre (i.e., an individual vested with the responsibility for making particular decisions) of orders, information and advice; and the transmittal of the decisions reached from this centre to other parts of the organization. Moreover, it is process that takes place upward, downward and laterally throughout the organization.

The communication process involves the sender, the transmission of a message through a selected channel and the receiver. Let us examine closely the specific steps in the process:

- 1. The sender of the message:** Communication begins with the sender, who has a thought or an idea which is then encoded in a way that can be understood by both the sender and the receiver.
- 2. Use of channel to transmit the message:** The information is transmitted over a channel that links the sender with the receiver. The message may be oral or written and it may be transmitted through a memorandum, a computer, telephone, a telegram or television. Since many choices are available, each with advantages and disadvantages, the proper selection of the channel is vital for an effective communication.
- 3. The receiver of the message -** The receiver has to be ready for the message so that it can be decoded into thought. A person thinking about an exciting Cricket match may pay insufficient attention to what is being said about a fine report, for example thus increasing the probability of a communication breakdown. The next step in the process is decoding, in which the receiver converts the message into thoughts. An accurate communication can occur only when both the sender and the receiver attach the same or at least similar meanings to the symbols that compose the message. Thus, it is obvious that a message encoded into English requires a receiver who understands English. So, communication is not complete unless it is understood. Understanding is in the mind of both the sender and the receiver. People with closed minds will normally not completely understood messages, especially if the information is contrary to their value system.
- 4. Noise hindering communication:** Unfortunately communication is affected by 'noise', which is anything whether in the sender, the transmission or the receiver, that hinders communication. For example A noise or a confined

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environment may hinder the development of a clear thought, encoding may be faulty because of the use of ambiguous symbols. Inaccurate reception may be caused by inattention and the Understanding can be destructed by prejudices, etc.

- 5. Feedback in communication:** To check the effectiveness of communication, a person must have feedback. One can never be sure whether or not a message has been effectively encoded, transmitted, decoded and understood until it is confirmed by feedback.

Channels or networks

The channels of communication are of two types— Formal and informal. A formal communication channel is established by the management and formally pictured in the charts of the organization. It is a line of communication for the transmission of the official messages and the information within or outside an organization. In the literature of formal communication networks, five different types of networks are defined. Three of the five networks effect the centralized process in which information must flow through a central or a pivotal person. In contrast in a decentralized network, each member has an equal opportunity to participate in the communication process.

The centralized networks are known as the ‘chain’, the ‘wheel’ and the ‘Y’ types.

The ‘chain’ is a typical network formation in a classical type of organization where the information flows only up or down in a hierarchical chain of command. No horizontal communication is provided.

A ‘wheel’ network also known as a ‘star’ network represents a supervisor in the center with four subordinates. The subordinates do not communicate with each other. All communications are channeled through the supervisors.

The ‘Y’ shape network is a four level hierarchy, where two subordinates through the hierarchical chain report to the manager X who has two levels above him to whom he reports.

In a ‘circle’, network members of the group interact with the adjoining members and no more. The group may have a formal leader or the supervisor, the interaction is primarily lateral among members. This type of interaction is typically found in the autonomous work groups.

Finally in the ‘all channel’ or the ‘completely connected’ network, each of the members can communicate freely with the other four. Typically, there is no leader and the communication can be initiated by anyone, even though one member either formally or informally can become the dominant member, but without any dominating privileges.

The informal communication network, also known as the ‘grapevine’, exists in every organization and it cuts through the formal lines of communication. Information, advice and even orders flow, many a time, along the informal channels. Thus, as Simon pointed out, even if there is an elaborate system of formal

communications, this system will always be supplemented by a complementary system of informal communications. The informal network of communications is based on social relations within the organization.

Keith Davis has studied the phenomenon of grapevine in the organizations and has identified four type of grapevine channels, viz., Single Strand, Gossip, Probability and Cluster. These are as follows:

- In a single strand grapevine, one person passes on the information to another person who in turn passes on to another person and so.
- In a gossip grapevine, one person gets some information and tells it to everyone he meets to talks to
- In the probability chain, an individual passes the information to some other random who in turn pass it on to some others
- In cluster chain, a person gives information to a select few who convey it to some other selected few.

Davis has said that cluster chain is the most important variety of grapevine prevalent in the organizations. Only a few individuals, known as liaison individuals, pass on information of few other individual whom they trust.

In so far as the 'grapevine' supplements the formal sources of information in the organization, it has its usefulness in the organizational life. Often the tendency, however, is to discourage openness and spread rumour; hence the informal channels may not always play a constructive role. Yet, as, Simon observes. 'The grapevine is valuable as a barometer of 'public opinion' in the organization. If the administrator listens to it, it appries him of the topics that are subjects of interest to the organization members, and their attitudes towards these topics.'

Barriers and difficulties

- (i) **Language difficulties:** Language is only an imperfect vehicle of our ideas and impressions. If that is so in the case of ordinary language, it is more so in the case of the administrative language. Rudolf Flesch in his article entitled 'More About Gobbledygook' published in 1945 says that 'all official communications develop a curiously legalistic ring, humorously called 'Gobbledygook' language, which it becomes impossible for a lay man to understand. In a desire to be over exact, over obstruct, and over-impersonal, official language can become quite curt and even disagreeable.'

According to Terry, 'International words do not refer to something that can be pointed out. They neither always connote an identical meaning to different persons nor the same meaning to the same person at all times.'

- (ii) **Ideological barriers:** Pfiffner said, 'Differences in background, education and expectation results in different social and political views. These are probably the greatest handicaps to effective communication and probably the most difficult to overcome.' Lack of common experience and common background further adds to the problem.

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- (iii) **Filtering:** Filtering refers to intentionally withholding or deliberate manipulation of information by the sender, either because the sender believes that the receiver does not need all the information or that the receiver is better off not knowing all aspects of a given situation. It could also be that the receiver is simply told what he wants to hear. The extent of filtering may also depend upon the number of levels in the organizational structure. The more vertical levels there are, the more likely the filtering.
- (iv) **Lack of will:** Some administrators do not accept administration as a cooperative endeavour or a group effort. They are not prepared to share their ideas with their subordinates. In simple words they do not relish communication below. It develops sycophancy amongst the subordinates who report only that information to the superior which is palatable to him.
- (v) **Lack of recognized means:** Lack of definite and recognized means of communication constitute a great barrier. Formal channels are not adequate. Hence the informal channels are to be set up. Appleby rightly opines that 'a good deal of circumvention of formal procedures is essential to make the transaction of business possible.' Pfiffner also holds the same view. 'The ability to short circuit formal channels is thus, a necessary and valuable art.'
- (vi) **Size and distance:** The bigger an organization and the larger the number of its employees, the greater is the difficulty of communication. Too many hierarchical levels also pose a problem. In the words of Pfiffner, 'Information must percolate through levels, each of which may include empire builders who consciously modify or subvert higher authority. In addition, individuals interpret facts differently and tend unconsciously to colour them in transmission.'

Malfunctions

- (i) **Dogmatism:** A person draws conclusions and establishes positions about certain issues in the environment. Unfortunately, once these opinions, attitudes and belief are formed, they may prevent the individual from receiving accurate communication. This is because you tend to refuse or accept the additional information that conflicts with our present position.
- (ii) **Stereotyping:** Another fact that causes communication malfunctions is stereotyping, in which the expectations determine communication content. In this instance, judgements are made by category, and thus, an inadequate distinction can be made between the objects or the events about which you communicate.
- (iii) **Halo effect:** The halo effect is the result of two-valued thinking. In this situation, you see things only as dichotomies – good and bad, right and wrong, white and black, and so forth. Thus, if you are listening to someone you admire and trust, you will be predisposed to agree with what is being said. Conversely, you will automatically tend to ignore or disagree with those persons you do not like. The danger here is that most situations are not dichotomous and, therefore, such thinking may oversimplify most real situations.

Essentials

The contents of effective communication are based on the following essentials:

- Communication should be clearly and precisely stated.
- Communication should be consistent with the expectations of the recipients.
- Communication should be adequate.
- Communication should be timely, neither too late nor too early.
- Communications should be uniform for all those who are expected to behave in the same way.
- Uniformity should not bring about rigidity in the form or character of communication.
- Good communication is the one that stimulates acceptance.
- Feed back should be encouraged.

According to Terry, eight factors are essential to make communication effective. They are as follows:

1. Inform yourself fully
2. Establish a mutual trust in each other
3. Find a common ground of experience
4. Use mutually known words
5. Have regard for context
6. Secure and hold the receiver's attention
7. Employ examples and visual aids
8. Practice delaying reactions

Management information system

The need for reliable data and information for decision making is now widely acknowledged. Many large organizations, therefore, go for fairly sophisticated information system has grown into a technical profession. In designing such systems, attempts to develop as much data as possible are quite common. This is likely to lead to collection and storage of heaps of useless data which may not be relevant to management. The information system need not be looked at as a mere technique. Its utility lies in managerial problem solving. So, data and information necessary for decision making have to be organized in support of the appropriate decision centres in the organization.

Guidelines for improving communication

Effective communication is the responsibility of all persons in the organization, who work towards a common aim. Whether communication is effective or not; it can be evaluated by the intended results. The following guidelines can help overcome the barriers to communication:

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1. Senders of messages must clarify in their minds what they want to communicate.
2. Effective communication requires that encoding and decoding be done with symbols that are familiar to the sender and the receiver of the message.
3. There is a saying that the tone makes the music. Similarly, in communication the tone of voice, the choice of language and the congruency between what is said and how it is said influence the reactions of the receiver of the message.
4. The impact of communication should be known through feedbacks. This is accomplished by asking questions, requesting a reply to a latter and encouraging receivers to give their reactions to the message.
5. Effective communication is the responsibility not only of the sender but also of the receiver of the information. Hence, he must be a good listener. The rushed, never-listening administrator will seldom get an objective view of the functioning of the organization.

Communication is commonly cited as being at the root of practically all the problems of the administration. The people at the top are often isolated from what is actually going on in the organization. Upwards communication channels need to be improved so that top administrators receive all the available information for making decisions.

2.3.2 Motivation

Motivation occurs due to the interaction of an individual and his situation. Individuals have different motivational drives. The level of motivation vary between individuals at different times. Motivation can be defined as *“The process that account for an individual’s intensity, direction and persistence of effort toward attaining a goal.”*

Motivation is not a single concept, instead, it pertains to various drives, desires, needs, wishes and other forces. Managers or administrators motivate by providing an environment that induces organization members to contribute. Various motivation theories are inadequate to resolve the motivational problem independently there is no quick and sure formula to motivate people. These theories only add to the understanding of those who are charged with the responsibility of motivating people. The lesson is quite clear. In the modern world where the aspiration and people are being aroused through the spread and mass education, the old camp and stick approach to motivate people is not longer relevant, in any society. Management has to carefully understand the individual needs and with the same care has to select an incentive to offer. The internal needs and drives lead to tensions, which in turn result into actions. The need for food results into hunger and hence a person is motivated to eat.

A manager needs to make and maintain such an environment in which all the individuals can work together in groups for the accomplishment of common goals. A manager’s job cannot be done without knowing what motivates people. The formation of the motivating factors into the organizational roles, the staffing of these roles and

the whole process of leading people should be built on knowledge of motivation. It is important to remember that level of motivation vary both between individuals and within individuals at different times. Today in the increasingly competitive environment having a highly motivated workforce is the most difficult task. Motivation starts by learning how to influence an individual. This helps to achieve both, the individual as well as the organizational objectives.

Motivation is a powerful tool in the hands of leaders. It can persuade convince and propel.

What is motivation?

It is a general tendency to believe that motivation is a personal trait. Some people have it and the others do not. In practice, some are labeled to be lazy because they do not display an outward sign of motivation. However, individuals differ in their basic motivational drives. It also depends upon their areas of interest. The concept of motivation is situational and its level varies between different individuals and at different times. If you understand what motivates people, you have at your command the most powerful tool for dealing with them.

Defining motivation

Motivation inspires people to work harder, individually or in groups to produce best results. It is the will to act. It is the willingness to exert high levels of effort towards organizational goals, conditioned by the efforts and ability to satisfy some individual need.

Motivation is getting somebody to do something because they want to do it. It was once assumed that motivation had to be injected from outside, but it is now understood that everyone is motivated by several differing forces.

Motivation is a general term applied to the entire class of drives, desires, needs, wishes and similar forces. To say that managers motivate their subordinates is to say that they do those things which they hope will satisfy these drives and desires and induce the subordinates to act in a desired manner.

To motivate others is the most important of management tasks. It comprises the abilities to communicate, to set an example, to challenge, to encourage, to obtain feedback, to involve, to delegate, to develop and train, to inform, to brief and to provide a just reward.

Process of motivation

Figure 2.1 shows the process of motivation in the initiation, a person starts feeling lacknesses. There is an arousal of need so urgent, that the bearer has to venture in search to satisfy it. This leads to creation of tension, which urges the person to forget everything else and cater to the aroused need first. This tension also creates drives and attitudes regarding the type of satisfaction that is desired. This leads a person to venture into the search of information. This ultimately leads to evaluation of the alternatives where the best alternative is chosen. After choosing the alternative, an action is taken. Due to the performance, activity satisfaction is achieved, which than relieves the tension in the individual.

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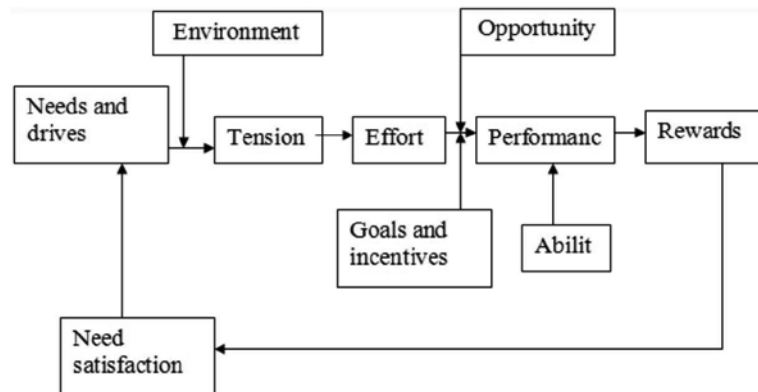


Figure 2.1 Motivation Process

Types of motivation

There are various types of motivation some of them are as follows:

- (1) **Achievement motivation:** It is the drive to pursue and attain goals. An individual with achievement motivation wishes to achieve objectives and advance up the ladder of success. Here, accomplishment is important for its own sake and not for the rewards that accompany it. It is similar to 'Kaizen' approach of Japanese Management.
- (2) **Affiliation motivation:** It is a drive to relate to people on a social basis. Persons with affiliation motivation perform work better when they are complimented for their favourable attitudes and co-operation.
- (3) **Competence motivation:** It is the drive to be good at something, allowing an individual to perform high quality work. Competence motivated people seek job mastery, take pride in developing and using their problem-solving skills and strive to be creative when confronted with obstacles. They learn from their experience.
 - **Power motivation:** It is the drive to influence people and change situations. Power motivated people wish to create an impact on their organization and are willing to take risks to do so.
 - **Attitude motivation:** Attitude motivation is how people think and feel. It is their self confidence, their belief in themselves, their attitude to life. It is how they feel about the future and how they react to the past.
 - **Incentive motivation:** It is where a person or a team reaps a reward from an activity. It is 'You do this and you get that', attitude. It is the types of awards and prizes that drive people to work a little harder.
 - **Fear motivation:** Fear motivation forces a person to act against will. It is instantaneous and gets the job done quickly. It is helpful in the short run.

Motivation involves the following:

- You have to be motivated to motivate
- Motivation requires a goal
- Motivation once established, does not last if not repeated
- Motivation requires recognition
- Participation has motivating effect
- Seeing ourselves progressing motivates us
- Challenge only motivates if you can win
- Everybody has a motivational fuse, i.e., everybody can be motivated
- Group belonging motivates

Motivating different people in different ways

Motivation is not only in a single direction, i.e., downwards. In the present scenario, where the workforce is more informed, more aware, more educated and more goal oriented. The role of motivation has left the boundaries of the hierarchy of management. Apart from superior motivating a subordinate, encouragement and support to colleague as well as helpful suggestions on the right time, even to the superior, brings about a rapport at various work levels. Besides, where workforce is self motivated, just the acknowledgement of the same makes people feel important and wanted.

Seven rules of motivation

The seven rules of motivation are as follows:

- 1. Set a major goal, but follow a path:** The path has mini goals that go in many directions. When you learn to succeed at mini goals, you will be motivated to challenge grand goals.
- 2. Finish what you start:** A half finished project is of no use to anyone. Quitting is a habit. Develop the habit of finishing self-motivated projects.
- 3. Socialize with others of similar interest:** Mutual support is motivating. You will develop the attitudes of our five best friends. If they are losers, you will be a loser. If they are winners, you will be a winner. To be a cowboy you must associate with cowboys.
- 4. Learn how to learn:** Dependency on the others for knowledge supports the habit of procrastination. Man has the ability to learn without instructors. In fact, when you learn the art of self-education you will find, if not create, opportunity to find success beyond our wildest dreams.
- 5. Harmonize natural talent with interest that motivates:** Natural talent creates motivation. Motivation creates persistence and persistence gets the job done.
- 6. Increase knowledge of subjects that inspires:** The more you know about a subject, the more you want to learn about it. A self-propelled upward spiral develops.

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7. **Take risk:** Failure and bouncing back are the elements of motivation. Failure is a learning tool. No one has ever succeeded at anything worthwhile without a string of failures.

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Evolution of motivation theories

Mainstream theories about motivation in an organization have varied greatly over the past century. Early conceptions, sometimes termed 'traditional' management theory, assumed that work was an intrinsically undesirable pursuit and that workers naturally sought to do as little as possible. This translated into a sort of carrot-and-stick managerial policy whereby companies tried to maximize motivation by providing adequate compensation as an incentive but also by guarding against any sign of wayward behaviour through the authoritarian control regimes.

Early theories of motivation

Early theories of motivation started in 1930s. However, in the 1950's and 1960's researchers such as Abraham Maslow, Eric Trist, Fred Herzberg (Vroom & Deci, 1978) and many others began to propose a more 'active' model of motivation. Maslow's work in particular redefined motivational theory.

These include the following:

- Hierarchy of needs theory
- Theories X and Y
- The two-factor theory

The early theories of motivation represent a foundation from which contemporary theories have grown. Practicing managers still regularly use these theories and their terminology in explaining the employee motivation.

Current notions of employee motivation started to take root in the 1960s. Elaborating on the importance of human factors, contemporary theories envision workers as large and often untapped reserves of skills, ideas and other potential benefits to an organization. The motivation process, according to this view, involves tailoring the work environment and incentive structure to harness as much of this potential as possible. This approach emphasizes granting employees greater flexibility, power, responsibility and autonomy so that, to some extent, they may shape their own work environments as they see fit, while remaining accountable for both favourable and unfavourable outcomes of their actions. The main theories of this period are as follows:

- The equity theory
- The goal-setting theory
- The value-expectancy theory

Then came the contemporary theories of motivation in the post 80s.

Content theories of motivation: McGregor, ERG, Herzberg, and McClelland

*Theories of Administration
and Personnel
Administration*

Content theories explain the specific factors that motivate people. They explain what drives human behaviour.

1. McGregor's theory X and theory Y

Douglas McGregor gave two different motivational theories. Managers believe one or the other and treat their employees based on it. Theory X states that employees dislike and they try to avoid work, and should be coerced into doing it. Generally all workers lack ambition, and value job security more than anything else.

McGregor personally thought that the more optimistic theory, Y, was more valid. This theory suggest that employees can view work as natural, are creative, can be self-motivated and they appreciate responsibility. This type of thinking is now quite popular with self-empowered work teams becoming the norm.

Theory X and theory Y

Douglas McGregor described Theory X and Theory Y in his book, *The Human Side of Enterprise*. Theory X and Theory Y both describe different ways in which leaders view employees. Managers of theory X believe that employees are motivated basically by money, are lazy, uncooperative and have poor work habits. Theory Y managers believe that subordinates work hard, are cooperative and have positive attitudes.

Theory X is the traditional view of direction and control by managers.

1. The average human being has an inherent dislike of work and will avoid if he or she can.
2. Due to human characteristic of dislike of work, most people must be controlled, directed, and threatened with punishment to get them to put forth adequate effort toward the achievement of organizational objectives.
3. An average human being prefers to be directed, wishes to avoid responsibility, has relatively little ambition, wants security above all.

Theory X leads naturally to an emphasis on the tactics of control – to procedures and techniques for telling people what to do, for determining whether they are doing it, and for administering rewards and punishment. Theory X explains the consequences of a particular managerial strategy. As its assumptions are so unnecessarily limiting, it prevents managers from seeing the possibilities inherent in other managerial strategies. As long as the assumptions of Theory X influence managerial strategy, organizations will fail to discover, let alone utilize, the potentialities of the average human being.

Theory Y is the view that individual and organizational goals can be integrated.

1. The expenditures of physical and mental effort in work are as natural as play or rest.
2. The external control and the threat of punishment are just not only means for bringing out the effort towards the organizational objectives.

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3. Commitment towards the objectives is a function of the rewards that are associated with their achievement.
4. An average human being learns, under proper conditions, not only to accept but also to seek responsibility.
5. The capacity to exercise a relatively high degree of imagination, ingenuity and creativity in the solution of the organizational problems is widely, not narrowly, distributed in the population.
6. Under the condition of modern industrial life, the intellectual potentialities of the average human being are only partially utilized.

Theory Y's purpose is to encourage integration, to create a situation in which an employee can achieve his or her own goals best by directing his or her efforts toward the objectives of the organization. It is a deliberate attempt to link improvement in managerial competence with the satisfaction of higher-level ego and self-actualization needs. Theory Y leads to a preoccupation with the nature of relationships, with the creation of an environment which will encourage commitment towards the organizational objectives and which will provide opportunities for the maximum exercise of initiative, ingenuity and self-direction in achieving them.

Maslow's ERG Theory

ERG Theory is similar to the famous Maslow's hierarchy of needs, existence or physiological needs. These include the needs for food, drink, shelter and safety. Next come related needs, the need to feel connected with the other individuals or a group. These needs are fulfilled by establishing and maintaining relationships. At the top of the hierarchy are growth needs, the needs for personal achievement and self-actualization. If a person is continually frustrated in trying to satisfy growth needs, related needs will re-emerge. This phenomenon is known as the frustration-regression process.

Herzberg's motivation-hygiene theory

Herzberg felt that job satisfaction and dissatisfaction occur on dual scales. Some things, called 'hygiene factors,' can make a person unhappy about his job. These things, include pay, job security, and physical work environment. They never bring job satisfaction. On the other hand, motivating factors, can increase job satisfaction. Giving employees a sense of recognition, responsibility, or achievement can bring satisfaction to them.

McClelland's theory of needs

McClelland used the Thematic Aptitude Test (TAT) for measuring people in three dimensions: the need for power, achievement and affiliation. Individuals who have a high need for power take actions that affect other peoples' behaviour and arouse strong emotions in them. The desire for power can occur in socially acceptable ways (demonstrating a socialized power orientation) or in selfish ways (a personalized power orientation.) Those who have strong need for achievement enjoy competition against some standard and unique accomplishment. Those who are high achievers like tasks that are neither simple or extremely difficult, but that challenge them to do

their best. People with a strong need for affiliation desire to be liked and accepted. They tend to establish, maintain and restore closer personal relationships with other people.

Goal-setting theory of motivation

This theory says the following:

- Goals tell an employee what needs to be done and how much effort needs to be expended.
- In order to increase performance:
 - o Set specific goals.
 - o Difficult goals, when accepted, result in higher performance than does easy goals.
 - o Provide feedback.
- An individual is committed to the goal when he believes he can achieve the goal, and wants to achieve it.

Process theories of motivation

Process theories of motivation define in terms of a rational cognitive process. The main theories you find in this category are as follows:

- Adams' Equity Theory: Balanced give and take
- Vroom's Expectancy Theory: We expect what we predict
- Kahler's drivers: I must be perfect, strong, etc.

Equity theory

People are happiest in relationships where the give and take are about equal. If one person is getting too little from the relationship, then not only are they going to be unhappy with this—the person getting the lion's share will also be feeling rather guilty about this imbalance. This is reinforced by strong social norms about fairness. In short-term relationships, you tend to trade in things, such as loaning small sums or buying beers. In longer-term relationships, the trade is more emotional.

Overall, though, it is still better to be getting more than less—although you could feel better about the relationship, the benefits you get from it can buy you compensatory happiness elsewhere. For example : Men who have been pulled away from their family by their work sometimes try to even the scales with expensive holidays. This does not work well as they are trying to trade (short-term value) money for (long-term value) emotion.

Expectancy theory

As you constantly are predicting likely futures, you create expectations about future events. If things seem reasonably likely and attractive, you know how to get there and you believe you can 'make the difference' then this will motivate you to act to make this future come true.

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According to Value Expectancy theory, motivation is thus a combination of the following:

- **Valence:** The value of the perceived outcome (What's in it for me?)
- **Instrumentality:** The belief that if I complete certain actions then I will achieve the outcome. (Clear path?)
- **Expectancy:** The belief that I am able to complete the actions. (My capability?)

You can have an unpleasant outcome, in which case the motivation is now one of avoidance. Expectancy theory is also called Valence-Instrumentality-Expectancy Theory or VIE Theory. Motivate people to do something by showing them something desirable, indicating how straightforward it is to get it, and then supporting their self-belief that they can get there.

According to this theory the strength of a tendency to act in a certain way depends on the strength of an expectation that an act will be followed by a given outcome and on the attractiveness of that outcome to the individual.

The theory focuses on three relationships:

- Effort-performance
- Performance-reward
- Rewards-personal goals

The expectancy theory says the following:

- Giving maximum effort not always means being recognized.
- Good performance appraisal not always leads to the organizational rewards.
- Rewards are not always found attractive by employees
- Managers limited in the rewards they can distribute.
- Managers incorrectly assume that all the employees want the same.

Kahler's drivers

Kahler (1975) identified five common drivers that motivate us, and which can be at the root of dysfunctional behaviours. These are commonly framed as the transactional analysis drivers, although they can be used stand-alone.

This theory defines motivation in the following terms:

- Be perfect
- Be strong
- Hurry up
- Please others
- Try hard

Any of these can be rooted in early admonishment from teachers and parents who are seeking to help the child become socially functional, but perhaps do not offer sufficient guidance and praise for adequate behaviour, thus leaving the child over-doing things.

In reasonable quantities, these drivers are effective in creating functioning and successful adults. When people do not know when to stop, then dysfunctional behaviour can set in, causing stress and consequent further coping.

Recognize these drivers in yourself and others and treat them accordingly. Ask questions such as:

- Who says I must be perfect (etc.)?
- What is 'enough'? Who says what 'enough' is?
- What will happen if I do not obey these drivers? What bad things will happen? What good things will happen?

Contemporary theories of motivation

The contemporary theories of motivation draw their basic foundation from the expectancy model. Motivation researchers turned their attention to a broader array of cognitions and to motivational traits other than the achievement motive. In general, contemporary motivation theories are dominated by three separate but interrelated constructs: expectancy, value and achievement goals. As defined in the early twenty-first century, expectancy has to do with beliefs about ability (Can I do it?). Values are concerned with preferences and desires (Do I want it?) and goals capture purpose or the reasons for engaging in the achievement activities (Why am I doing this?).

Some of the major theories in this category are as follows:

- **Attribution Theory:** Attribution theory (Weiner, 1980, 1992) is probably the most influential contemporary theory with the implications for academic motivation. It incorporates behaviour modification in the sense that it emphasizes the idea that learners are strongly motivated by the pleasant outcome of being able to feel good about themselves. It incorporates cognitive theory and self-efficacy theory in the sense that it emphasizes that learners' current self-perceptions will strongly influence the ways in which they will interpret the success or failure of their current efforts and hence their future tendency to perform these same behaviours.

According to the attribution theory, the explanations that people tend to make to explain success or failure can be analysed in terms of three sets of characteristics:

- o First, the cause of the success or failure may be internal or external. That is, you may succeed or fail because of factors that you believe have their origin within us or because of factors that originate in our environment.
- o Second, the cause of the success or failure may be either stable or unstable. If you believe the cause is stable, then the outcome is likely to be the same if you perform the same behaviour on another occasion. If it is unstable, the outcome is likely to be different on another occasion.
- o Third, the cause of the success or failure may be either controllable or uncontrollable. A controllable factor is one which you believe yourself

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can alter if you wish to do so. An uncontrollable factor is one that you do not believe you can easily alter.

Note that this factor is distinct from the previous two categories. An internal factor can be controllable (you can control your effort by trying harder) or uncontrollable (most people cannot easily change their basic intellectual ability or change from being an introvert to being an extrovert). Likewise, an external factor can be controllable (a person failing a difficult course could succeed by taking an easier course) or uncontrollable (if calculus is difficult because it is abstract, it will still be abstract no matter what we do).

An important assumption of attribution theory is that people will interpret their environment in such a way as to maintain a positive self-image. That is, they will attribute their successes or failures to factors that will enable them to feel as good as possible about themselves. In general, this means that when learners succeed at an academic task, they are likely to want to attribute this success to their own efforts or abilities; but when they fail, they will want to attribute their failure to factors over which they have no control, such as bad teaching or bad luck.

The basic principle of the attribution theory as it applies to motivation is that a person's own perceptions or attributions for success or failure determine the amount of effort the person will expend on that activity in the future.

- **Self-efficacy theory (Beliefs about ability):** Popularized by Albert Bandura, self-efficacy refers to an individual's beliefs about their capabilities to perform well. When confronted with a challenging task, a person would be enlisting an efficacy belief if they asked themselves: 'Do I have the requisite skills to master this task?' Unlike causal beliefs in the attribution theory, which are explanations for past events, efficacy percepts are future oriented. They resemble expectations for personal mastery of subsequent achievement tasks. Also unlike attribution theory, which focuses on the perceived stability of causes as a determinant of expectancy, efficacy theorists have articulated a much more extensive set of antecedents, including prior accomplishments, modeling, persuasion and emotional arousal. For example, physiological symptoms signaling anxiety, such as rapid heart beat or sweaty palms, might function as cues to the individual that he or she lacks the requisite skills to successfully complete a task.

According to Bandura, perceived efficacy determines how much effort a person is willing to put into an activity as well as how long they will persevere in the face of obstacles. Many studies have documented the adaptive consequences of high self-efficacy. For example, it is known that high self-efficacy and improved performance result when students:

- o Adopt short-term over long-term goals, in as much as progress is easier to judge in the former case;
- o Are taught to use specific learning strategies, such as outlining and summarizing, both of which increase attention to the task

- o Receive performance-contingent rewards as opposed to reinforcement for just engaging in a task, because only in the former case does reward signal task mastery.

All these instructional manipulations are assumed to increase the belief that 'I can do it,' which then increases both efforts and achievements. Efficacy beliefs have been related to the acquisition of new skills and to the performance of previously learned skills at a level of specificity not found in any other contemporary theory of motivation.

- **Learned helplessness theory:** Self-efficacy captures lay understanding of 'I can.' Helplessness beliefs symbolize shared understanding about the meaning of 'I cannot.' According to this theory, a state of helplessness exists when failures are perceived as insurmountable, or more technically, when non-contingent reinforcement results in the belief that events are uncontrollable. That belief often is accompanied by passivity, loss of motivation, depressed affect and performance deterioration. Martin Seligman, a main proponent of the theory, has argued that helplessness becomes a learned phenomenon when the individuals inappropriately generalize from an experience with non-contingency in one situation to subsequent situations where control is possible. A prototypical example is the successful student who unexpectedly fails despite high effort and then becomes virtually incapable of completing work that was easily mastered prior to failure.

Helplessness theory has a decidedly attributional focus in that Seligman and others maintain that when individuals encounter failure, they ask, 'Why?' How people characteristically answer this question is known as explanatory style. Some people typically explain bad events by pointing to factors that are internal, stable and global. (e.g., 'I am always a failure no matter what I do'). These individuals are believed to have a pessimistic explanatory style. Other people interpret bad events by evoking momentary and specific causes (e.g., 'I just happened to be in the wrong place at the wrong time'). Such individuals are characterized as having an optimistic explanatory style. A pessimistic explanatory style in the achievement domain has been related to poor school grades, reluctance to seek help, diminished aspirations and ineffective use of learning strategies.

The research of Carol Dweck has focused particularly on the individual differences and the motivational patterns of children who may be vulnerable to helplessness beliefs. In response to challenging tasks where failure is possible, some children have a mastery-oriented motivational system. They believe that ability is incremental (e.g., 'smartness is something you can increase as much as you want'), they focus on the task rather than their abilities, they enjoy challenge and they can generate solution-oriented strategies that lead to performance enhancement. At the other end of the continuum are children who display a helpless motivational pattern: they believe that ability is fixed (e.g., 'how smart you are pretty much stays the same'); they focus on personal inadequacies; express negative affect, including boredom

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and anxiety and they show marked deterioration in actual performance. In other words, they display the classic symptoms associated with learned helplessness.

In summary, the dominant theme in contemporary motivation research revolves around beliefs about ability as represented by the attribution theory, self-efficacy theory and learned helplessness theory. Attribution theory has its origins in social psychology and is therefore especially concerned with the situational determinants of motivation and with both self-perception and the perception of others. Self-efficacy theory has emerged from a social learning perspective and therefore has close ties with behavioural change. Learned helplessness theory reflects the influence of clinical and personality psychology with its focus on coping with failure and individual differences in a presumed motivational trait.

2.3.3 Leadership

The area of leadership, whether it is political, social or administrative, has always attracted a wide range of theorists and thinkers, eager to reflect, analyse and explain the phenomenon. Leadership can be something very difficult to describe or explain. It is abstract. There are various theories of leadership and if you limit leadership to one definition, you also limit the value of true leadership. There is no scientific test or measurement that can determine if a person is a leader or not.

There are also numerous theories about leadership, or about carrying out the role of leader, e.g., servant leader, democratic leader, principle-centered leader, group-man theory, great-man theory, traits theory, visionary leader, total leader, situational leader, etc. Leadership theories are considered a soft science because one cannot create any experimental date to prove leadership. Some theories are based upon the idea that a leader is born that way. Leadership is in their genes whereas there are other theories that say that leaders are made.

This debate has continued to develop through the years. Thus, you can divide the different leadership theories into two categories. These are as follows:

- Traditional leadership theories
- Modern leadership theories

Traditional theories

Traditional leadership theories are narrowly concerned with top-down leadership in large organizations. Traditional leadership theory narrowly focuses on direct, conscious influence attempts. Traditional leadership theory is disempowering. It confines leadership with the top.

In the recent literature of leadership (that is over the last 80 years or so) there have been four main 'generations' of theory:

- Trait theories
- Behavioural theories

- Contingency theories
- Transformational theories

It is important to recognize that none of the four ‘generations’ is mutually exclusive or totally time-bound. Although it is true that the progression of thinking tends to follow a sequential path, it is quite possible for elements of one generation to crop up much later in the writings of someone who would not normally think of himself or herself as being of that school. Consequently, it is fair to say that each generation has added something to the overall debate on leadership and that the debate continues.

This four-fold division of ‘modern’ leadership theories can go under different titles (e.g. you might discuss charismatic rather than transformational leadership), and there are other possible candidates e.g. skill-based approaches and self-management or shared leadership. However, these four formations can be seen as sharing some common qualities – and you can approach them as variations of the ‘classical’ model of leadership.

Early leadership theories or traditional theories focused on what qualities distinguished between leaders and followers, while subsequent theories looked at other variables such as situational factors and skill level.

Traditional theories in details

While many different leadership theories have emerged, most can be classified as one of the eight major types:

- 1. Great man theories:** One of the earliest leadership theories are that leaders in general and great leaders in particular are born not made. Born leaders inherit several favourable traits or qualities, which single them out from non-leaders or the mass of humanity. Famed figures like Nelson, Napoleon, Churchill, Mao Tse Tung, Gandhiji and several others are cited as natural leaders, who were born with built-in qualities of leadership. They were the ones who made history. They were great leaders of their time by some divine design.

It is contended that such men would have become leaders in any case because they were inherently endowed with leadership traits and skills. They were not trained in leadership nor did they acquire any leadership skills in their lives; such skills were natural to them. They had an indistinctive urge to assume leadership and had an inborn will to achieve greatness and success.

It is clear that the ‘Great Man theory’ has no scientific basis and empirical validity. It is more a speculative piece of motion. It is totally misleading to contend that good administrators are born and not made. Born administrators are mere imaginary characters.

Great Man theories presume that the ability for leadership is inherent – that great leaders are born not made. These theories often represent great leaders as heroic, mythic and intended to rise to leadership when needed.

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The term 'Great Man' was used because, at the time, leadership was notion of chiefly a male quality, especially in terms of military leadership.

- 2. Trait theories:** Alike in some ways to 'Great Man' theories, trait theory presumes that people take over certain qualities and traits, which make them better suited to leadership. Trait theories often identify meticulous personality or behavioural characteristics shared by leaders. But if particular traits are key features of leadership, how do you explain people who possess those qualities but are not leaders?

In the 1920s and 1930s, leadership research focused on trying to identify the traits that differentiated leaders from non-leaders. These early leadership theories were content theories, focusing on 'what' an effective leader is, not on 'how' to effectively lead. The trait approach to understanding leadership assumes that certain physical, social and personal characteristics are inherent in leaders. Sets of traits and characteristics were identified to assist in selecting the right people to become leaders. Physical traits include being young to middle-aged, energetic, tall and handsome. Social background traits include being educated at the 'right' schools and being socially prominent or upwardly mobile. Social characteristics include being charismatic, charming, tactful, popular, cooperative and diplomatic. Personality traits include being self-confident, adaptable, assertive and emotionally stable. Task-related characteristics include being driven to excel, accepting of responsibility, having initiative and being results-oriented.

Trait theories aimed to recognize traits to aid in selecting leaders as traits are related to leadership effectiveness in a lot of situations. The trait approach to understanding leadership sustains the use of tests and interviews in the assortment of managers. The interviewer is typically trying to match the traits and characteristics of the applicant to the position. For example, most of the interviewers attempt to evaluate how well can an applicant work with people.

Trait theory has not been able to identify a set of traits that will consistently distinguish leaders from followers. Trait theory posits key traits for successful leadership (drive, desire to lead, integrity, self-confidence, intelligence and job-relevant knowledge) yet does not make a judgment as to whether these traits are inherent to the individuals or whether they can be developed through training and education. No two leaders are alike. Furthermore, no leader possesses all of the traits. Comparing leaders in different situations suggests that the traits of leaders depend on the situation. Thus, traits were de-emphasized to take into account situational conditions (contingency perspective).

- 3. Behavioural theories:** The behavioural theorists identified determinants of leadership so that people could be trained to be leaders. They developed training programs to change manager's leadership behaviour and assumed that the best styles of leadership could be learned. Behavioural theories of leadership are based upon the belief that great leaders are made, not born.

Rooted in behaviourism, this leadership theory focuses on the actions of leaders, not on mental qualities or internal states. According to this theory, people can learn to become leaders through teaching and observation.

The behavioural theory concentrates on what leaders 'do', how they lead and behave? How they motivate their subordinates and what are different communications skills and techniques they use? They concentrate on leadership style and functions. The major studies are as follows:

- **Iowa University Leadership studies by Kurt Lewin, Ronald Lippitt and Ralph white.** They found three types of leadership style, i.e., Authoritarian, Democratic and Laissez faire. According to this study the best and most effective leadership style is democratic style.
- **Ohio state University leadership studies by E.A. Fleishman, E.F. Harris and H.E. Burt.** They found two variables of leadership, i.e., the initiating structure (directive type) and consideration (participative type). According to this study the most effective leadership style is a combination of both variables and that to a maximum degree.
- **Michigan University Leadership studies by Rensis Likert and his associates.** They found two types of leadership studies, i.e., production centered and employee centered. The finding of this study is that the employee centered leadership style is most effective in any organization.
- **Four systems of Management leadership by Rensis Likert.** The systems are system 1 (Exploitative – Authoritative), system 2 (Benevolent – Authoritative), system 3 (consultative) and system 4 (Participative Group). According to Likert system 4 is most effective way of leadership.
- **Management Grid by Robert Blake and June Mouton.** They found five styles of leadership, i.e., impoverished (low concern for production and people), country club (low concern for production and high concern for people), task (high concern for production and low concern for people), middle of the road (moderate concern for production of people) of team. According to the study team, leadership style is most effective in motivating employees and in increasing production of the organization.

The most important contribution of Likert lies in his conceptualization of different systems of management along a continuum. He identified four distinction points along the continuum for purpose of illustration of the characteristics of each of the management system.

System 1 management is described as the 'exploitive-authoritative'. Its managers are highly autocratic, have little trust in subordinates, motivate people through fear and punishment and only occasional rewards, engage in downward communication and limit decision making to the top.

System 2 management is called 'benevolent-authoritative'. Its managers have a patronizing confidence and trust in subordinates, motivate with rewards

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and some fear and punishment, permit some upward communication, solicit some ideas and opinions from subordinates and allow some delegation of decision making but with close policy control.

System 3 management is described as 'consultative'. Managers in this system are considerable but are not referred to as 'consultative'. They have considerable but not complete confidence and trust in minors, usually trying to make use of subordinates' ideas and beliefs and rewards for motivation with infrequent up, make broad policy and common decisions at the top, which allow precise decisions to be made at lower levels, and they act advice-giving in the other ways.

Likert saw system for management as the most participative of all and referred to it as a participative group. Systems for managers have complete trust and confidence in subordinates and constructively use them. They engage in much communication down and up with peers, encourage decision making throughout the organization and operate among themselves and with their subordinates as a group.

In general, Likert found that those managers who applied the System 4 approach to their operations had the greatest success as leaders.

Ohio State and University of Michigan: Studies conducted at the Ohio State University and the University of Michigan identified two leadership styles and two types of leader behaviours. The Ohio State study identified two leadership styles: considerate and initiating structure. The University of Michigan study classified leaders behaviours as being production-or employee-centered. The primary concern of leaders with considerate and employee-centered style is the employee's welfare. The primary concern of leaders with initiating-structure and a production-centered style is achieving goals. Research findings on which dimension are most important for satisfaction and productivity are inconclusive. However, an employee-oriented leader appears to be associated with high group productivity and job satisfaction.

University of Iowa: Another approach to leader behaviour focussed on identifying the best leadership styles. Work at the University of Iowa identified democratic (participation and delegation), autocratic (dictating and centralized) and laissez-faire styles (group freedom in decision making). Research findings were also inconclusive.

The managerial grid theory of leadership: The dimensions identified at the University of Michigan provided the basis for the development of the managerial grid model developed by Robert Blake and Jane Mouton. It identifies five various leadership styles that represent different combinations of concern for people and concern for production. Managers who scored high on both these dimensions simultaneously (labeled team management) performed best.

- 4. Contingency theories:** Contingency theories of leadership focus on particular variables related to the environment that might determine which particular

style of leadership is best suited for the situation. According to this theory, no leadership style is best in all situations. Success depends upon a number of variables, including the leadership style, qualities of the followers and the aspects of the situation.

The adaptation of leadership styles to different contingencies has been well characterized by Robert Tannenbaum and Warren H. Schmidt, developers of leadership continuum concept they see leadership as involving a variety of styles, ranging from one that is highly boss-centered to one that is highly subordinate centered. The styles vary with the degree of freedom a leader or manager grants to subordinates. Thus, instead of suggesting a choice between the two styles of leadership— authoritarian or democratic—this approach offers a range of styles, with no suggestion that one is always right and another is always wrong.

The Continuum Theory recognizes that which style of leadership is appropriate depends on the leader, the followers and the situation.

Leadership actions are related to the degree of authority used by managers, and to the amount of freedom available to the subordinates in reaching decisions. The managerial actions depicted on the left of the continuum characterize managers who maintain a high degree of control, while those on the right designate managers who delegate decision making authority. It will be observed that at the one extreme end, the manager makes decision, tells his subordinates and expects them to carry out that decision. At the other extreme, the manager fully shares his decision-making power with his subordinates, allowing each member of the group to carry an equal voice-one man, one vote. Between these two extremes fall a number of leadership styles, with the style selected dependent upon forces in the manager himself, his operating group and the situation.

There is a relationship between the degree of authority used and the amount of freedom available to subordinates in reaching decision. This continuum is seen as a zero-sum game; as one gain, the other losses and vice-versa. The authors of the theory imply that leaders should not choose a strict 'autocratic' or 'democratic' style, but should be flexible enough to cope with different situations.

Continuum of leadership behaviour

The major forces are as follows:

- The leader himself
- His subordinates
- The prevailing situations

Successful leaders must be able to identify clues in an environment and adapt their leader behaviour to meet the needs of their followers and of the particular situation. Even with good diagnostic skills, leaders may not be effective unless they can adapt their leadership style to meet the demands of their environment.

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Fiedler's contingency model

Leadership Theory and Research: Perspectives and Directions (1993) was a compliment to Fred Fiedler's study of leadership and organizational effectiveness. Fred E. Fiedler's contingency theory suggests that there is no best way for managers to lead. Situations will create different leadership style requirements for a manager. The answer to a managerial situation is dependent on the factors that impose on the situation.

Fiedler glanced at three situations that could describe the condition of a managerial task:

1. Leader member relations
2. The task structure
3. Position power

Managers were rated as to whether they were relationship-oriented or task-oriented. Task-oriented managers tend to do better in situations that have good leader-member relationships, structured tasks and either weak or strong position power. They do well when the job is unstructured but the position power is strong. Also, they did well at the other end of the range when the leader member relations were reasonable to poor and the job was unstructured. Relationship-oriented managers do better in all the other situations. Thus, a situation may call for a manager with a different style or a manager who could take on a dissimilar style for a different situation.

These environmental variables are united in a heaviness sum that is termed 'favourable' at one end and 'unfavourable' at the other. Task-oriented style is preferable at clearly-defined extremes of 'favourable' and 'unfavourable' environments, but relationship orientation excels in the middle ground. Managers can attempt to redesign the environment variables in order to match their style.

Another aspect of the contingency model theory is the leader-member relations, task structure and position power dictate a leader's situational control. Leader-member relations are the amount of loyalty, dependability and support that a leader receives from its employees. It is a measure of how the manager perceives him or her and the group of employees is getting along together. In a favourable relationship the manager has a high task structure and is able to reward and or punish the employees without any problems. In an unfavorable relationship the task is usually unstructured and the leader possesses limited authority. The spelling out in detail (favourable) of what is required of subordinates affects task structure.

Positioning power measures the amount of power or authority a manager perceives the organization has given him or her for the purpose of directing, rewarding, and punishing subordinates. Positioning power of managers depends on taking away (favourable) or increasing (unfavourable) the decision-making power of the employees.

The task-motivated style leader experiences pride and satisfaction in the task accomplishment for the organization, while the relationship-motivated

style seeks to build the inter-personal relations and extend extra help for the team development in the organization. There is no good or bad leadership style. Each person has his or her own preferences for leadership. Task-motivated leaders are at their best when the group performs successfully such as achieving a new sales record or outperforming the major competitor. Relationship-oriented leaders are at their best when greater customer satisfaction is gained and a positive company image is established

- 5. Situational theories:** Situational theories propose that leaders choose the best course of action based upon situational variable. Different styles of leadership may be more appropriate for certain types of decision-making.

According to the exponents of this theory, 'Leadership is specific and always relative to the particular situation in which it occurs.' In other words, leadership is the product of a situation in a particular group. It is assumed that the traits and skills that characterize a good leader will vary from group to group and from situation to situation. A leader in one situation is not necessarily a leader in another situation, even in the same group. Various situations call for different leadership responses. The same leader may display different personality traits to deal with diverse problems.

Thus, situational theory of leadership stresses how leadership differs with situational variables or why a person in a particular situation is successful or unsuccessful.

A basic fact about the situational approach is that a successful leader must be adaptive and flexible. As the situation changes, so must the leader change his style of leadership.

The merit of this approach is that 'it focuses the attention not on the personality of the leader as such but on the personality of the organization as a whole. It is possible for almost any one to become a leader if circumstances allow him to perform the leadership functions determined by a particular situation. An effective leader, according to the situational theory, is one who understands the facts of a situation and deals with them effectively.

- 6. The situational leadership theory (Hersey–Blanchard):** This theory is based on the amount of direction (task behaviour) and amount of socio-emotional support (relationship behaviour) a leader must provide given the situation and the 'level of maturity' of the followers. Task behaviour is the extent to which a leader engages in spelling out the duties and responsibilities to an individual or group. This behaviour includes telling people what to do, how to do it, when to do it, where to do it and who has to do it. In task behaviour a leader engages in one-way communication. Relationship behaviour is the extent to which a leader engages in two-way or multi-way communications. This includes listening, facilitating, and supportive behaviours. In relationship behaviour the leader engages in two-way communication by providing socio-emotional support. Maturity is the willingness and the ability of a person to take responsibility for directing his or her own behaviour. People tend to have varying degrees of maturity, depending on the specific task,

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function or objective that a leader is attempting to accomplish through their efforts.

To determine the appropriate leadership style to use in a given situation, the leader must first determine the maturity level of the followers in relation to the specific task that the leader is attempting to accomplish through the effort of the followers. As the level of followers' maturity increases, the leader should begin to reduce his or her task behaviour and increase relationship behaviour until the followers reach a moderate level of maturity. As the followers begin to move into an above average level of maturity, the leader should decrease not only task behaviour but also relationship behaviour.

Once the maturity level is identified, the appropriate leadership style can be determined. The four leadership styles are telling, selling, participating and delegating. High task/low relationship behaviour (S1) is referred to as 'telling.' The leader provides clear instructions and specific direction. Telling style is best matched with a low follower readiness level. High task/high relationship behaviour (S2) is referred to as 'selling.' The leader encourages two-way communication and helps build confidence and motivation on the part of the employee, although the leader still has responsibility and controls decision making. Selling style is best matched with a moderate follower readiness level. High relationship/low task behaviour (S3) is referred to as 'participating.' With this style, the leader and followers share decision making and no longer need or expect the relationship to be directive. Participating style is best matched with a moderate follower readiness level. Low relationship/low task behaviour (S4) is labeled 'delegating.' This style is appropriate for leaders whose followers are ready to accomplish a particular task and are both competent and motivated to take full responsibility. Delegating style is best matched with a high follower readiness level.

- 7. Path-goal theory (Robert House):** The path-goal theory developed by Robert House is based on the expectancy theory of motivation. The manager's job is viewed as coaching or guiding workers to choose the best paths for reaching their goals. 'Best' is judged by the accompanying achievement of the organizational goals. It is based on the precepts of goal setting theory and argues that leaders will have to engage in different types of leadership behaviour depending on the nature and demands of the particular situation. It's the leader's job to assist followers in attaining goals and to provide direction and support needed to ensure that their goals are compatible with the organizations.

A leader's behaviour is acceptable to subordinates only when it is viewed as a source of satisfaction, and motivational when the need of satisfaction is contingent on performance, and the leader facilitates, coaches and rewards are good performance. Path goal theory recognizes is achievement-oriented, directive, participative and supportive leadership styles. In the achievement-oriented leadership, the leader sets challenging goals for followers and expects them to perform at their highest level and shows confidence in their ability to meet, this expectation. This style is correct when the follower have lack of

job challenge. In directive leadership, the leader lets his followers know what is expected of them and he tells them how to as perform their tasks. This style is correct when the followers have an ambiguous job. Participative leadership includes leaders consulting with followers and to king for their suggestions before coming to a decision. This style is appropriate when the follower are using wrong procedures or is making bad decisions. In supportive leadership, a leader is friendly and approachable. He or she shows concern for followers' psychological well being. This style is appropriate when the followers lack confidence.

Path-goal theory assumes that leaders are flexible and that they can change their style, as situations require. The theory proposes two contingency variables (environment and follower characteristics) that moderate the leader behaviour-outcome relationship. Environment is outside the control of followers-task structure, authority system and work group. Environmental factors determine the type of leader behaviour required if follower outcomes are to be maximized. Follower characteristics are the locus of control, experience and perceived ability. Personal characteristics of subordinates determine how the environment and leader are interpreted. Effective leaders clarify the path to help their followers achieve their goals and make the journey easier by reducing roadblocks and pitfalls. Research demonstrates that employee performance and satisfaction are positively influenced when the leader compensates for the shortcomings in either the employee or the work setting.

8. Participative theories: Participative leadership theories suggest that the ideal leadership style is one that takes the input of the others into account. These leaders encourage participation and contributions from group members and help group members feel more relevant and committed to the decision-making process. In participative theories, however, the leader retains the right to allow the input of others. Rensis Likert identified some styles of leadership, in particular, around decision-making and the degree to which people are involved in the decision. These styles are as follows:

- (i) **Exploitive authoritative:** In this style, the leader has a low concern for people and uses such methods as threats and other fear-based methods to achieve conformance. Communication is almost entirely downwards and the psychologically distant concerns of people are ignored.
- (ii) **Benevolent authoritative:** When the leader adds concern for people to an authoritative position, a 'benevolent dictatorship' is formed. The leader now uses rewards to encourage an appropriate performance and listens more to concerns lower down the organization, although what they hear is often rose-tinted, being limited to what their subordinates think that the boss wants to hear. Although there may be some delegation of decisions, almost all major decisions are still made centrally.

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(iii) Consultative: The upward flow of information here is still cautious and rose-tinted to some degree, although the leader is making genuine efforts to listen carefully to ideas. Nevertheless, major decisions are still largely centrally made.

(iv) Participative: At this level, the leader makes maximum use of participative methods, engaging people lower down the organization in decision-making. People across the organization are psychologically closer together and work well together at all levels.

Kurt Lewin and colleagues did leadership decision experiments in 1939 and identified three different styles of leadership, in particular around decision-making.

(a) Autocratic: In the autocratic style, the leader takes decisions without consulting with others. The decision is made without any form of consultation. In Lewin's experiments, he found that this caused the most level of discontent.

An autocratic style works when there is no need for input on the decision, where the decision would not change as a result of input and where the motivation of people to carry out subsequent actions would not be affected whether they were or were not involved in the decision-making.

(b) Democratic: In the democratic style, the leader involves the people in the decision-making, although the process for the final decision may vary from the leader having the final say to them facilitating consensus in the group.

Democratic decision-making is usually appreciated by the people, especially if they have been used to autocratic decisions with which they disagreed. It can be problematic when there are a wide range of opinions and there is no clear way of reaching an equitable final decision.

(c) Laissez-Faire: The laissez-faire style is to minimize the leader's involvement in decision-making, and hence allowing people to make their own decisions, although they may still be responsible for the outcome.

Laissez-faire works best when people are capable and motivated in making their own decisions, and where there is no requirement for a central coordination, for example in sharing resources across a range of different people and groups.

Discussion

In Lewin et al's experiments, he discovered that the most effective style was Democratic. Excessive autocratic styles led to revolution, whilst under a Laissez-faire approach, people were not coherent in their work and did not put in the energy that they did when being actively led.

These experiments were actually done with groups of children, but were early in the modern era and were consequently highly influential.

Leader–participation model (Vroom, Yetton, Jago)

The Vroom, Yetton, Jago leader–participation model relates leadership behaviour and participation to decision making. The model provides a set of sequential rules to determine the form and amount of participative decision making in different situations. It is a decision tree, requiring yes and no answers incorporating contingencies about task structure and alternative styles.

The following contingency questions must be answered to determine the appropriate leadership style in the leader-participation model.

- **Quality requirement:** How important is the technical quality of this decision?
 - **Commitment requirement:** How important is subordinate commitment to the decision?
 - **Leader’s information:** Do you have sufficient information to make a high-quality decision?
 - **Problem structure:** Is the problem well structured?
 - **Commitment probability:** If you were to make the decision yourself, are you reasonably certain that your subordinates would be committed to the decision?
 - **Goal congruence:** Do subordinates share the organizational goals to be attained in solving this problem?
 - **Subordinate conflict:** Is conflict among subordinates over preferred solutions likely?
 - **Subordinate information:** Do subordinates have sufficient information to make a high-quality decision?
9. **Management theories/transactional theories:** Management theories (also known as ‘Transactional theories’) focus on the role of supervision, organization, and group performance. These theories base leadership on a system of reward and punishment. Managerial theories are often used in business; when the employees are successful, they are rewarded; when they fail, they are reprimanded or punished.
10. **Transformational/ relationship theories:** Relationship theories (also known as ‘Transformational theories’) focus upon the connections formed between leaders and followers. These leaders motivate and inspire people by helping group members see the importance and higher good of the task. Transformational leaders are focused on the performance of group members, but also want each person to fulfill his or her potential. These leaders often have high ethical and moral standards.

Transformational leadership

Transformational leadership blends the behavioural theories with a little dab of trait theories. Transactional leaders, such as those identified in contingency theories, guide followers in the direction of established goals by clarifying role and task requirements. However, transformational leaders, who are charismatic and visionary, can inspire followers to transcend their own self-interest for

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the good of the organization. Transformational leaders appeal to followers' ideals and moral values and inspire them to think about problems in new or different ways. Leader behaviours used to influence followers include vision, framing and impression management. Vision is the ability of the leader to bind people together with an idea. Framing is the process whereby leaders define the purpose of their movement in highly meaningful terms. Impression management is a leader's attempt to control the impressions that the others form about the leader by practicing behaviours that make the leader more attractive and appealing to others. Research indicates that transformational, as compared to transactional, leadership is more strongly correlated with lower turnover rates, higher productivity and higher employee satisfaction.

A transformational leader instills feelings of confidence, admiration and commitment in the followers. He or she is charismatic, creating a special bond with followers, articulating a vision with which the followers identify and for which they are willing to work. Each follower is coached, advised and delegated some authority. The transformational leader stimulates followers intellectually, arousing them to develop new ways to think about problems. The leader uses contingent rewards to positively reinforce performances that are consistent with the leader's wishes. Management is by exception. The leader takes initiative only when there are problems and is not actively involved when things are going well. The transformational leader commits people to action and converts followers into leaders.

Transformational leaders are relevant to today's workplace because they are flexible and innovative. While it is important to have leaders with the appropriate orientation defining tasks and managing interrelationships, it is even more important to have leaders who can bring the organizations into futures they have not yet imagined. Transformational leadership is the essence of creating and sustaining competitive advantage.

CHECK YOUR PROGRESS

8. Which are the 12 factors that must be considered in decision-making?
9. What is the informal network of communication based on?
10. What is achievement motivation?
11. Who are transformational leaders?

2.4 DEVELOPMENT ADMINISTRATION

The concept of development administration is of contemporary origin due mainly to the work of American experts on comparative administration. Edward Weidner, one of the pioneers in this field, defined development administration as an action-oriented and goal-oriented system. Development administration has its origins in the desire of

the richer countries to aid the poorer countries, and more especially in the obvious needs of the newly emerging states to transform their colonial bureaucracies into more responsible instruments of societal change. The simple underlying concept was that the transfer of resources and technological know-how would hasten the modernization process by shifting focus from agriculture to industry, using government and public sponsored bodies as change agents. The transformation of resources would be conducted through international bodies, mutual aid programmes and bilateral agreements and the recipients would generate change of their own accord, such as, education, health, capital investment, communication, science and research. But foreign aid did not turn out to be a universal stimulus. For some newly emerging countries, it was a drop in the ocean compared with its requirements. Thus, development administration spread its interest from foreign aid programmes to the domestic public policy programmes of recipients.

At that time, it was largely a virgin territory. Many colonial administrators showed no interest, or may be the new political leaders had no experience in statecraft and very little competence. As no one had tried before to hasten development artificially, there were no guidelines. At first, everything had to be improved before any kind of base could be established and from which coherent public policies could be formulated and practical programmes implemented. In fact, the developmental network had to be super-imposed on a traditional law and order frame or placed alongside the existing structure.

The chief characteristics of development administration are as follows:

- Development administration is grounded in normative concepts that development can be planned, directed and controlled, that improvement in quality and quantity of societal products is desirable, and that obstacles to development can be overcome.
- Development administration is grounded in reality—as it concerns itself with the practical solution of human problems, the daily problems of public administration and the real world in which people live.
- Development administration is time consuming. Development administration performs a series of functions for which the physical, social, psychological and institutional resources are seldom available in sufficient quantity in the proper combinations. The obstacles to achievement are so often overpowering and time is a relentless enemy to those who hope to realize results in decades rather than in centuries.
- Development administration is universal. It rejects any distinction between countries that appear to be generating their own changes, where growth is spontaneous needing no artificial stimulus and where the capacity to cope with rapid change is self-adjusting and those countries that seem to lack the requisite components of self-development and where change has to be induced externally through governmental action. All countries are developing, some at a faster pace than others and in different developmental problems. The most serious problem of all, however, is the persistent gap between rich and poor

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countries, quickly developing and slowly developing regions and the possibility that the gap between them is widening up.

- Development administration is change-oriented. The distinctive mark of development administration is its central concern with rapid socio-economic change. This special orientation distinguishes development administration from general administration, which is basically concerned with the maintenance of status quo. It is the government influenced change towards progressive political, economic and social objectives. Development administration includes the organizations of new agencies such as planning organizations and development corporations, the re-orientation of established agencies such as departments of agriculture, the delegations of administrative powers to development agencies, and the creation of a cadre of administrators who can provide leadership in stimulating and supporting programmes of social and economic improvement. It has the purpose of making change attractive and possible. It consists of efficient management of public development programmes and the stimulation of private development programmes.

Most of the developmental plans in a society have to be citizen-oriented, as it is the citizen who ultimately derives the benefit of development. The officials working are supposed to be nearer to the citizens and have, therefore, a continuing responsibility to acquaint the higher officials about the problems at their levels, since they have to initiate policy actions about the overall assessment of the need of the people. In the development context, therefore, frequent consultations and participative decisions between higher and lower level of officials are inevitable. The administration does well in taking participative decisions where the lower level officials have the opportunity of bringing to the notice of higher officials the desires of the common man. The pay-off from participative decisions may at times bring about improved performance of activities meant to ensure the maximum good for the maximum number of persons, bringing administration to the doorstep of the citizens and bringing about a direct relationship between the client and the administration, which is a driving force behind decentralization in most developing countries. Hence, the traditional concept of people as passive beneficiaries has to be replaced by the newer concept of people as active participants.

- Bureaucratic adaptation of development administration: Development administration is essentially change-oriented. It has, therefore, to be flexible and adaptable to meet the quickly changing circumstances. In unstructured situations, decision making has to be much more situational, innovative and creative. Development situations require risk-taking and achievement orientation. Organizational rules and procedures cannot be allowed to get precedence over target achievement. It is more a function of individual administrative behaviour and style of operation. Status, which is at the core of bureaucratic hierarchy, is replaced by service motivation in development administration. The changing role of bureaucracy in development administration is characteristics in such phrases as development bureaucracy and non-Weberian model of bureaucracy. Max Weber is one of the pioneers of the concept of bureaucracy. In order to

understand his concept better, you must first understand his views on bureaucracy.

Weberian Model of Bureaucracy

Weber brings out the following characteristics of a bureaucratic organization:

- As an organization, bureaucracy implies a continuous performance of official functions according to rules.
- Complex tasks of an organization are broken down into manageable parts with each official specializing in a particular area. For example, governmental functions are divided into various departments, such as health, education, agriculture, defence, etc. Within each department, every official has a clearly defined sphere of competence and responsibility. They are given the necessary authority to enable them to fulfil their duties.
- This authority is differentially distributed so that a hierarchy of official positions is formed, some officials having controlling and supervisory duties with respect to others.
- ‘Bureaucratic administration’, says Weber, ‘means fundamentally the exercise of control on the basis of knowledge. This is the feature of it which makes it specially rational’. Certain specified qualifications are required of those who are to exercise authority. They are appointed according to their possession of formal qualifications, usually based on examinations.
- The bureaucrats do not own the means of production of administration. They are also not allowed to make use of their official position for private purposes. Official quarters or other perquisites which are occupied or enjoyed by the persons while in service cannot be appropriated by them after superannuation or termination of service.
- Acts of administrative kind are recorded in writing, thereby ensuring continuity and consistency of the administrative process.
- The officials are personally free agents. But they are required to act impersonally according to rules which define their specific spheres of competence. The activities of the bureaucrat are governed by the rules, not by personal considerations, such as his feelings towards colleagues or clients. His actions are, therefore, rational rather than affective.
- The bureaucrats are paid a salary, although this may be on a scale of pay, increments being given according to age and experience, and they are paid a pension after a fixed number of years of employment and at a given age.
- Normally, bureaucrats have no other employment, and at all times during their service career, the officials are subject to rules governing their conduct in so far as it is related to their official duties.

Development administration calls for both qualitative and quantitative changes in bureaucratic policies, programmes procedures and methods of work, organizational structure and staffing patterns, number and quality of development personnel of different types and patterns of relation with clients of administration. In order to fit

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bureaucracy into developmental tasks, changes are needed both on structural and behavioural fronts. Structurally, the de-emphasis of hierarchy is suggested to get rid of the conventional organizational pyramid which leads to centralization and creates tension and inter-personal conflicts and redesign organization to enable collegiate decision-making and promote collaborative problem-solving.

Most of the development activities take place at the field level away from the capital city or headquarters' administration. The decentralization of authority is necessary to enable the field units to take decisions on the spot as far as possible, without waiting indefinitely for central clearance. Decentralized decision-making is facilitated by creating separate fairly autonomous units of administration at the field level. Communication or the flow of information is the lifeblood of an organization. In pushing through measures for socio-economic development, the organization has to have a free flow of messages and information unhindered by the status levels within it. Speedy and effective decision-making needs the support of reliable information through the free flow of communication.

Development has to depend a lot on political management as the impulse for change comes more often from political leadership. To accept the supremacy of the political management and to work alongside it as a co-partner in development enterprise are the in-built requirements of development administration. Moreover, corresponding behavioural changes are needed to make bureaucracy change-oriented, result-oriented and people-oriented.

Contemporary Theorizing in Development Administration

The focus of development administration has changed over the years, keeping pace with new development theorizing, confined to the deployment of foreign aid. Development administration today focusses on planned change to meet a nation's broad political, economic, social and cultural objectives. Non-government, non-bureaucratic, religious cultural, voluntary and community organizations are now increasingly involved in development projects. Localized, decentralized, and participative approaches to development are encouraged. One contemporary trend in development administration theory is a shift from a blueprint approach to a learning process approach.

The blueprint approach involves designing a specific plan of action in advance for administrative development programme. With all its supposed advantages, this approach is inflexible, and somewhat closed within its inability to respond to the needs of a changing environment.

In contrast, a learning process approach is a relatively open-ended strategy to planned social change. This approach in a cybernetic process by which development administration can adapt itself to changing environment and incorporate mid-course corrections, based on existing local conditions. Problems are diagnosed and solutions implemented by people and administrators jointly via a process of mutual learning. The blueprint approach emphasizes advanced planning for the people. The learning process approach emphasizes planning with the people, and doing so during the process of administering a development programme. Another trend in contemporary development administration theorizing is a shift from a production-centred to a people-centred approach to development. The production-centred

development approach emphasizes the production of goods and services to maximize returns on investment. This approach stresses upon the following:

- Industry over agriculture
- Urban development over rural development
- Utilization of capital resources over human resources
- Exploitation of the environment for short-term gains over sustained harnessing of natural resources
- Establishment of large scale industries over small scale industries

Such a development approach neglects the basic needs of the rural poor in the Third World countries and promotes socio-economic inequality

In the people-centred approach to development, the needs of the people take precedence over those of the production system. This approach views an individual not as a subject, but as an actor who defines the goals, controls the resources, and directs the processes affecting his/her life. The central themes of people-centred development are as follows:

- Empowerment of people
- Development of an administrative process which responds to the needs of the people

The key elements in people-centred development are as follows:

- Human growth and well-being
- Equality
- Self-reliance
- Participation
- Sustainability: Sustainability is considered the keyword in a development programme.

A development programme can be sustained by:

- Creating a felt need among beneficiaries about the efficacy of the programme
- Developing institutions which continually adopt
- Providing (or self-generating) resources
- Building support among political elites and community groups

Today, development administration is characterized by context-based theories which incorporate the indigenous social, cultural, political, and economic realities of Third World countries.

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12. How did development administration originate?
13. What does the blueprint approach involve?

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2.5 SUMMARY

- A formal organization typically consists of a classical mechanistic hierarchical structure. In such a type of structure, the position, responsibility, authority, accountability and the lines of command are clearly defined and established.
- The informal organization, similar to informal groups, on the other hand, comes into existence due to social interactions and interpersonal relationships and exists outside the formal authority system without any set rigid rules.
- Every organization has certain objectives and goals to achieve, and is structured on the basis of certain principles with a view to achieving these objectives. These principles are, therefore, known as principles of organization, which are generally followed by every organization for the achievement of its ends.
- The literal meaning of hierarchy is the rule or control of the higher over the lower. In every large-scale organization, there are few who command and there are others who are commanded. This results in the creation of superior-subordinate relationships through a number of levels of responsibility reaching from the top down to the bottom of an organization.
- In practice, there are many factors that influence an individual's response to authority and thus, the response may vary from one situation to another. Much depends upon the style and vigour of the person who exercises the authority in which he can generate the willingness of the other to obey and accept his commands for the fulfilment of the organizational objectives.
- Centralization refers to concentration of authority at or near the top. Decentralization carries quite opposite meaning. It denotes dispersal of authority among a number of individuals or units of an organization.
- Decision making involves two or more alternatives because if there is only one alternative there is no decision to be made. Indeed, decision making is the process of choosing a course of action from among the alternatives to achieve a designed goal.
- A decision is generally not taken in isolation as it is affected by previous behaviour as well as by consequences anticipated in the future. It is therefore necessary to understand decision making as a process as the question of final selection of choice from alternatives should not result in false emphasizes ignoring the lengthy complex process, which precedes that final choice.
- The concept of development administration is of contemporary origin due mainly to the work of American experts on comparative administration. Edward Weidner, one of the pioneers in this field, defined development administration as an action-oriented and goal-oriented system.
- Development administration calls for both qualitative and quantitative changes in bureaucratic policies, programmes procedures and methods of work, organizational structure and staffing patterns, number and quality of development personnel of different types and patterns of relation with clients of administration.

2.6 KEY TERMS

- **Scalar hierarchy:** Scalar means the grading of duties according to degrees of authority and corresponding responsibility.
- **Span of control:** It refers to the number of subordinates which an officer can effectively supervise.
- **Unity of command:** This means that each individual employee shall have only one man as his 'boss' and shall receive orders only from him.
- **Authority:** It is defined as the right to give orders and the power to extract obedience.
- **Delegation:** It refers to the devolution of authority by a superior in hierarchy to his agent or subordinate subject to his supervision or control.
- **Decision-making:** It can be defined as the selection based on some criteria of one behavioural alternative from two or more possible alternatives.

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2.7 ANSWERS TO 'CHECK YOUR PROGRESS'

1. Two of the principles of a good organization are:
 - There must be clear lines of authority running from the top to the bottom of the organization. This is known as hierarchy, or scalar principle.
 - Responsibility should always coupled with corresponding authority.
2. The demerits are:
 - Its biggest demerit is that it makes the administrative decision-making a dilatory process. A file must pass through proper channels. The Government of India started 'file-jumping experiment' to skip over the intermediate levels in the hierarchy and to make files reach directly to the decision-making authority.
 - It does not contribute to the reposition of mutual trust, either in the inter-organization relations, or in the inter-personal relations in the administration. This might even promote a caste system in the bureaucratic setup.
3. Unity of command means that each individual employee shall have only one man as his 'boss' and shall receive orders only from him. If he gets orders from more than one officer, it may become difficult for him to discharge his duties.
4. The four possible types of authority are: line authority, staff authority, functional authority and committees and authority.
5. Delegation is conditional when the action of subordinate is subject to confirmation and revision by the supervisor; it is unconditional when subordinate is free to act without reservations.
6. Two of the demerits of decentralization are: it may lead to anarchy, and local interests may take precedence over national interests.

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7. Unlike the general staff, who generally assist only one line executive, the specialized staff provides expert staff advice and service to all employees on a company-wide basis. This group has a specialized background in some functional area and it could serve in advisory capacity, service capacity and control capacity.
8. Hudson enumerates 12 factors that must be considered in decision-making—legal limitations, budget, mores, facts, history, morale, future as anticipated, superiors, pressure groups, staff, nature of programme and subordinates.
9. The informal network of communications is based on social relations within the organization. Two persons at different levels in the organization may be communicating with each other in a way not formally charted out in the organization. The social relations like friendship or enmity may create such informal conditions of communication.
10. It is the drive to pursue and attain goals. An individual with achievement motivation wishes to achieve objectives and advance up the ladder of success. Here, accomplishment is important for its own sake and not for the rewards that come with it.
11. Transformational leaders, who are charismatic and visionary, can inspire followers to transcend their own self-interest for the good of the organization. Transformational leaders appeal to followers' ideals and moral values and inspire them to think about problems in new or different ways.
12. Development administration has its origins in the desire of richer countries to aid the poorer countries, and more especially in the obvious needs of the newly emerging states to transform their colonial bureaucracies into more responsible instruments of societal change. The simple, underlying concept was that the transfer of resources and technological know-how would hasten the modernization process by shifting focus from agriculture to industry, using government and public sponsored bodies as change agents.
13. The blueprint approach involves designing a specific plan of action in advance for administrative development programmes. With all its supposed advantages, this approach is inflexible, and somewhat closed within its inability to respond to the needs of a changing environment.

2.8 QUESTIONS AND EXERCISES

Short-Answer Questions

1. Differentiate between a formal and informal organization.
2. List the basic features of a hierarchical structure in an organization.
3. Define 'unity of command'.
4. Write a note on the need for delegation in an organization.
5. Explain briefly the premise of line organization, using an illustration.
6. How does communication form the backbone of an organization?
7. Write a short note on the learned helplessness theory.

Long-Answer Questions

1. Identify the various principles of a good organization, as done by Avery Raube.
2. Explain the concept of span of control, including its determinants.
3. How are authority and responsibility defined? What is the difference between the two? Identify the sources and kinds of authority.
4. Differentiate between centralization and decentralization of control. Also identify their various merits and demerits.
5. Describe the process of decision-making in detail.
6. What are the seven rules of motivation? Identify and explain the content theories of motivation.
7. Explain the significance of effective leadership in an organization.
8. Discuss the chief characteristics of development administration.

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2.9 FURTHER READING

Willoughby, W.F., *Principles of Public Administration*. Publications of Institute for Government Research, 1927.

Gullick, S. and Urwick, L., *Papers on the Science of Administration*. New York: Institute of Public administration, 1937.

UNIT 3 ACCOUNTABILITY AND CONTROL

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Structure

- 3.0 Introduction
- 3.1 Unit Objectives
- 3.2 Civil Society-Evolution, Characteristics, Importance and Challenges to Civil Society
 - 3.2.1 Characteristics and Challenges Faced by Society in India
- 3.3 Role of Media, Interest Groups and Voluntary Organizations in Public Administration
 - 3.3.1 Public Opinion
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- 3.8 Answers to 'Check Your Progress'
- 3.9 Questions and Exercises
- 3.10 Further Reading

3.0 INTRODUCTION

There are four dimensions of political stability: stable government, stable political system, internal law and external stability. All these dimensions are the characteristics of political stability. On the other hand, breakdown or a significant change in the constitutional system of the State leads to a new regime in the country. The change that occurs after regime change is all-invasive to the change in political system.

The absence of any system of governance made life chaotic in pre-historic times. Thus, individuals came together to form a system of governance called the State. Gradually, the concept of the State evolved. Many important changes occurred due to the evolution of state. Different systems of governance, such as city-states, nations-states, etc., became part of civil society.

This unit explores the concept of civil society, role of various agencies like media and interest groups in public administration and the increasing significance of public participation in administration of the country.

3.1 UNIT OBJECTIVES

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After going through this unit, you will be able to:

- Discuss the evolution, characteristics, importance and challenges to civil society
- Explain the role of media, interest groups and voluntary organizations in public administration
- Establish the connection between citizen's charter and good governance
- Analyse the importance of Right to Information in the context of people's participation in administration

3.2 CIVIL SOCIETY-EVOLUTION, CHARACTERISTICS, IMPORTANCE AND CHALLENGES TO CIVIL SOCIETY

A Nation and Civil Society

Weber's view that the State uses violence legitimately in a number of forms, helps us distinguish the State from a nation and civil society. A nation, in the most elementary sense, is a community whose cohesive identity has been built over time. Civil society is a loose conglomeration consisting of organizations based on voluntary participation. Now, let us understand the concepts of a nation and civil society in a detailed manner:

A nation

According to Hugh Seton-Watson, a historian, there are 'old, continuous' nations and new nations. Old nations evolved by integrating wider sections of population through the expansion of the State, growth of trade and communications as well as the rise of vernacular literature. New nations were the ideological products of educated elites, who modelled their populations according to their own models, often based on the old nations.

Ernest Renan says, 'a great aggregation of men, with a healthy spirit and warmth of heart, creates a moral conscience which is called a nation. When this moral conscience proves its strength by sacrifices that demand abdication of the individual for the benefit of the community, it is legitimate, and it has a right to exist.'

Clifford Geertz distinguished between civic nationalism and ethnic nationalism. The former is a desire for citizenship in a modern State and the latter is a commitment to primordial loyalties. These primordial loyalties could take the form of blood ties, race, language, religion, region and custom.

For Elie Kedourie, nationalism was the product of the desire of individuals to achieve an independent state and this desire was driven by a belief in a unique cultural community. Ernest Gellner argued that nationalism was rooted in modernity, and was the consequence of a modern society's need for cultural homogeneity. Tom Nairn shared some of the inclinations of Gellner but added that nationalism arose when the intelligentsia in underdeveloped or peripheral societies was threatened. As

a result, they would use history to modernize a vernacular culture often around the goals of the local bourgeoisie.

The idea of a nation was also suggested by Benedict Anderson in his classic work on nationalism *Imagined communities*.

Benedict Anderson's definition of a nation?

‘A nation is an imagined political community, and it is imagined as both inherently limited and sovereign. [...] It is *imagined* because the members of even the smallest nation will never know most of their fellow-members, meet them, or even hear of them, yet in the minds of each lives the image of their communion. [...] The nation is imagined as *limited* because even the largest of them, encompassing perhaps a billion living human beings, has finite, if elastic, boundaries, beyond which lie other nations. No nation imagines itself coterminous with mankind. [...] It is imagined as *sovereign* because the concept was born in an age in which Enlightenment and Revolution were destroying the legitimacy of the divinely-ordained, hierarchical dynastic realm. [...] Finally, it is imagined as a *community*, because, regardless of the actual inequality and exploitation that may prevail in each, the nation is always conceived as a deep, horizontal comradeship.’

Anderson, 1995, *Imagined Communities*, pp. 6–7

Anderson argued that the use of vernacular languages in print media helped in the formation of national consciousness. This created a group of people who could understand each other. They, then, thought of creating a cohesive, political and sociological community called a nation.

Civil society

Civil society is neither mandated nor run by the State institutions. It springs from the activities of interest in everyday life. The idea of civil society has a long history beginning with the writings of John Locke (1632–1704) upto the writings of Antonio Gramsci (1891–1937). Let us look at how Locke, Hegel and Gramsci conceived civil society:

Before we explain what John Locke meant by civil society, one needs to understand his idea of the ‘state of nature’. The state of nature is a counterfactual or hypothetical situation that can be conceived of before political or civil society came into being. In the state of nature, human beings enjoyed complete freedom and there existed equality amongst all of them. They could distinguish between right and wrong.

Initially, in the state of nature, property was common to all. However, as people began to own private property, disputes became common and there was no impartial system of law that could be employed to resolve such conflicts. So, for redressing this issue, civil society came into being with laws, judges and a coercive apparatus.

The intervention of Georg Hegel (1770–1831), a German philosopher, is significant in the conceptual history of this idea. Civil society, for Hegel, was constituted by social relations standing between family and the State. However,

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Hegel believed that the problem of social antagonism could be solved only by the State.

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According to the Hegelian conception of civil society, individuals acted with their own interests in mind. Hegel made the first systematic effort to theorize a competitive sphere of self-interest which is in radical distinction from the State.

Antonio Gramsci was an Italian Marxist, who was imprisoned by the Fascist government in 1926. He spent the rest of his life in jail until his death in 1937. During those years, he wrote more than one thousand pages on a variety of subjects related to politics, society and economy. This work has been published as *Prison Notebooks*. His analysis on the functioning of the state, political democracy and the bourgeois domination of the State were extremely insightful.

For Gramsci, the State was the sum of dictatorship and hegemony. He argued that the ruling classes ran the State not only through coercion but also by gaining consent over the ruled. Consent was gained through the ideological hegemony that the bourgeoisie exercised over the masses through a variety of institutions of civil society like schools, churches and private associations.

[There are] two major superstructural 'levels': the one that can be called 'civil society', that is the ensemble of organisms commonly called 'private', and that of 'political society' or 'the State'. These two levels correspond on the one hand to the function of 'hegemony', which the dominant group exercises throughout society and on the other hand to that of 'direct domination' or command exercised through the State and 'juridical government'.

Today, civil society is important because of a pervasive skepticism concerning the role of the State and the institutions of the State. According to Ehrenberg, civil society has the ability to revive local communities, train citizens effectively, cultivate values essential to social life and limit the power of intrusive bureaucracies.

Change and continuity are the inevitable facts of life. Not only do people undergo the process of change, but also the habitat they live in. That's why 'change' is often called as the unchangeable or inescapable law of nature. Change is the only reality. Looking at the inevitability of change, the Greek Philosopher Heraclitus pointed out that a person cannot step into the same river twice since in between the first and the second occasion, both the water in the river and the person concerned get changed (Giddens 2001, 42). History reveals that man's life has been transformed from the caves and jungles to the palatial buildings. People, family, religion, value system, etc. will not remain same forever. Societies grow, decay and modify to changing conditions.

Every society, from primitive to industrial and post-industrial, has witnessed continuous state of transformation. Change is permanent, although the intensity or degree of change is different in different societies. As to Giddens (2001), in human societies, to decide how far and in what ways a particular system is in a process of

change or transformation, we have to show to what degree there is any modification of basic institutions during a specific time period. There are social systems which change very fast, whereas there are others which have ties with the remote past. World religions like Christianity and Islam maintain their ties with ideas and value systems pioneered thousands of years ago.

Primitive societies considered change as external and problematic phenomena. However, in modern times, Change is seen as natural and necessary. Every new generation faces different and new socio-economic challenges and yet they forge ahead with new possibilities of life keeping continuity with the past.

Like natural scientists study different aspects of change in the nature, social scientists study change in the social life of man. Change and continuity have long been the subjects of research and study for social scientists and philosophers. Scholars like Aristotle, Plato, Hegel and others have written at length on various aspects of change during their times. In fact, sociology as a separate discipline emerged in the middle of the nineteenth century as an effort to explain the socio-cultural and economic changes that took place in Europe following the industrialization and democratization processes. It will not be wrong to state that major classical sociologists were preoccupied with explaining change, more precisely articulating on the change that followed the rise of capitalism in the West. Considering change as an important aspect of study, the father of sociology, August Comte, even remarked that the role of this discipline is to analyse both the **Social Statics** (the laws governing social order) and **Social Dynamics** (laws governing social change (Slattery 2003, 57). Similarly, Herbert Spencer also talked about change in his analysis of ‘Structure’ and ‘Function’. ‘Structure’ indicated the internal build-up, shape or form of societal wholes, whereas ‘function’ signifies their operation or transformation (Sztompka 1993, 3). He has measured change or progress taking into consideration the degree of complexity in society.

According to Spencer, society passes from simple, undifferentiated, homogeneity to complex, differentiated, heterogeneity. Another classical sociological thinker, and one of the founders of the discipline, Emile Durkheim talks about evolutionary change in his famous work ‘*The Division of Labour*’ and observes that society passes from ‘mechanical solidarity’ to ‘organic solidarity’. Karl Marx explains societal change with his economic deterministic model and describes change of society from primitive communism to socialism. Max Weber’s analysis of religious codes and its impact on economic development in his ‘*The Protestant Ethic and the Spirit of Capitalism*’ examines the major aspects of change.

Meaning and Analysis of Change

Before going into details about social change, it is pertinent to discuss the meaning of the term ‘change’. ‘Change’ refers to any alteration or transformation in any object, situation or phenomena over a certain period of time. As Strasser and Randall (1981, 16) have said, ‘If we speak of change, we have in mind something that

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comes into being after some time; that is to say, we are dealing with a difference between what can be observed before and after that point in time.' Similarly, the *Blackwell Encyclopedia of Sociology* defines change as a 'succession of events which produce over time a modification or replacement of particular patterns or units by other novel ones' (Sekulic 2007, 4368). Time is an important factor in the context of change. 'Social change' on the other hand indicates the changes that take place in human interactions or interrelationships. Society is regarded as a 'web of social relationships' and in that sense social change refers to change in the system of social relationships (Shankar Rao 2000, 484). It is the alteration or modification of the structure and function of any system. For example, change in interpersonal relationships, inter-caste and inter-community marriage, change in family type from joint-living to nuclear households, etc. can be called as social change.

Different scholars have defined social change in different ways. A glance at some of them can make understanding clear. According to Morris Ginsberg (1986, 129), 'Social change is the change in social structure, i.e., the size of a society, the composition or balance of its parts or the type of its organisation. The term social change must also include changes in attitudes or beliefs, in so far as they sustain institutions and change with them.' Here, he talks about two types of changes: changes in the structure of society and changes in the values system of society.

However, these two types of changes should not be treated separately because a change in one brings on changes in the other, as a change in the attitude of people may bring about changes in the social structure and vice versa (Kar 1994, 500). Describing it as a part of 'cultural change', Kingsley Davis says, 'Social change is meant only such alterations as occur in social organizations, i.e. the structure and function of society' (Kar 1994, 501). Macionis (1987, 638) defines social change as the 'transformation in the organisation of society and in patterns of thought and behaviour over time'. Again, according to Ritzer et al. (1987, 560), 'Social change refers to variations over time in the relationships among individuals, groups, organizations, cultures and societies.' So, it can be summarized from the above definitions that almost all the authors while defining social change, give emphasis on social relationships, social organizations, social patterns and values. Social change, therefore, is change in the societal system as a whole.

Different scholars debate over if 'change' is a revolutionary process or it happens gradually. However, they settle with the fact that it is both an evolutionary and a revolutionary process. Every change has an effect over different aspects of life and different components of the societal system. The development of the Internet for example in contemporary society has enormous implications for other institutions and ideas—it affects psychology, ideology, the political system, industry, education and the media. It is a revolutionary force but it builds upon previous developments so that it is both gradual and insurrectionary (Hoffman 2006, 561). Social change is the alteration or modification of the structure and function of any societal system. It can be the change in interpersonal relationships, social organizations, social patterns and values, inter-caste and inter-community marriage, and change in family type from jointliving to nuclear households, etc.

Sociologists have given different models through which they trace the trends of social change. With the development of sociology as a discipline, sociologists including the founding fathers have borrowed heavily from other disciplines to interpret social change and make an outline of the direction with which societies change. In the 19th century, evolution became the predominant model for interpreting change in biology and sociologists interpreted social phenomena in the same direction, emphasizing that change in society is gradual and continuous and it occurs in a sequence. The evolutionary theorists have traced the trends of social change in two different ways: unilinear and universal.

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The unilinear evolutionists claim that changes occur in society in a single direction. For them evolution is an irreversible and unidirectional process. Societies pass through different stages and every stage is a higher and improved one than the previous stage. Auguste Comte and Karl Marx are the proponents of this view. Comte, the father of the discipline, viewed evolution in three successive stages: theological, metaphysical and positive stages, most commonly known as the 'law of three stages'. Human thought and knowledge are the bases through which societies change from one stage to the other. In the theological stage, people believed in the supernatural forces. In the metaphysical stage, human intelligence was the product of abstract forces.

The last stage was the positive stage. In this stage of evolution, reasoning and scientific observation dominated all social phenomena. People started thinking about reason rather than superstition. According to Comte, all the societies pass through these three successive stages and each stage is more progressive than the earlier stage. Karl Marx also talked about evolution of societies in unilinear manner. He believed that the Western societies have developed through four main phases, i.e., Asiatic, Ancient, Feudal and Capitalist.

Through the path of change and development, societies progress in unilinear way and the basis of change is conflict between the classes of those who own the mode of production and those who do not. There is a conflict between the thesis and anti-thesis and as a result, the synthesis comes into existence. As to Marx, the Asiatic mode of production was the characteristic of primitive societies where ownership of land was communal and therefore there didn't exist any class.

The next stage was the Ancient mode of production when slavery prevailed extensively. The master had the right of ownership over the slaves. Two types of classes existed during this phase as Marx propounded: the slave-masters and slaves. Following this, there was the Feudal mode of production which consisted of again two different classes namely, feudal lords and serfs. Serfs were deprived of property and were obliged to surrender their labour to the lords who on the other hand were the owners of private property. This stage laid the foundation for the next phase, i.e., the capitalist mode of production. In this stage, capital is the dominant means of production. Capital can be money or credit. The capitalists own all means of production like land, machines and the bourgeoisie only own their labour power which they provide to the capitalists for their means of subsistence. As in other stages, the superior class exploits the inferior class in this phase of mode of production too. The bourgeoisie get exploited by the capitalists who pocket all profit and surplus value which leads to estrangement and alienation by the labourers or bourgeoisie class.

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This leads to a situation where the bourgeoisie world over will unite and raise voice against their exploitation by the capitalists. Marx predicts, a conflict will erupt between the capitalists and the bourgeoisie following this. It will lead to a classless socialist mode of production. Marx says that class struggle or conflict is the basis on which society changes from one mode of production to another. In his own words, 'The history of all hitherto existing society is the history of class struggle.' So, his theory is based on the assumption that each society passes through four stages of development and each stage is progressive than the preceding one.

The second category of evolutionists is known as universal evolutionists who focused on the evolution of societies from one typical social structure to another. Emile Durkheim, Herbert Spencer and Ferdinand Tönnies are the proponents of this theory. Emile Durkheim has explained his theory of evolution in his book '*The Division of Labour*' (1893). He has discussed evolution of society from 'mechanical solidarity' to 'organic solidarity'. The ancient society has been identified by him as representing the 'mechanical solidarity' and the modern industrial society with 'organic solidarity'. In the ancient period, societies were united with the solidarity of sameness, likeness and resemblance. Such solidarity was possible because collective consciousness among the people was strong. Individual behaviour was regulated by the collectivity. Law was 'repressive' in nature. On the other hand, 'organic solidarity', Durkheim explains, is the solidarity based on differences. This is the characteristic feature of industrial societies marked by high degree of division of labour and specialization. Collective consciousness in this type of society is relatively less effective and law therefore becomes 'restitutive'. In the transition from mechanical solidarity to organic solidarity, division of labour plays an important role.

Herbert Spencer also traced the change in society in an evolutionary way. As he said, 'Evolution is an integration of matter and concomitant dissipation of motion during which matter passes from an indefinite, incoherent homogeneity to definite, coherent heterogeneity.' Spencer for the first time introduced systematically the laws of 'natural selection' and the 'survival of the fittest' hypothesis into sociology.

In his '*The Principles of Sociology*' he emphasized that human society had progressed from small groups to larger ones and from simple to compound and later doubly compound ones, i.e., from a homogenous to heterogeneous form. Similarly, Ferdinand Tönnies believed that societies evolved from 'Gemeinschaft' to 'Gesellschaft'. To him 'Gemeinschaft' represents the type of society characterized by community feeling and intimate face to face relationships. All the members of community know each other personally and, therefore, cooperation among them binds the whole community. The individual members are controlled by informal means such as morals, values, gossips and gestures. Tönnies said that the rural societies represented the 'Gemeinschaft' kind of society. On the other hand, 'Gesellschaft' represents the modern urban life. Such type of society is characterized by impersonal relationships among the members and social control is maintained by formal means like laws and legally defined punishments. Apart from the evolutionists, there are other theorists who trace the trends of social change in cyclical manner. Sorokin and

Vilfredo Pareto and Sorokin are two of such sociologists. According to Sorokin, a particular society or culture progresses to a certain point reaching at its peak and then reverses back to its original position. He states that society moves from 'ideational culture' to 'sensate culture' and vice versa. While moving in a cyclical fashion these two types of cultures make space for a third type of culture, i.e. 'idealistic culture'. The 'ideational culture' is characterized by spiritualism and otherworldliness. The 'sensate culture' is fundamentally opposite to the 'ideational culture'. Here people give importance to their material sense and not to their spiritual senses. The 'idealistic culture' on the other hand is a mixture of the other two types where both materialism and spiritualism elements are present. Human knowledge is based on both supernatural and spiritual intuition and sensory experiences.

Vilfredo Pareto also analyzed change in a cyclical method. His theory is known as the 'circulation of elites'. According to Pareto, any society consists of elites and masses and it is the elites who bring change in the society. There can be two types of elites in a society according to Pareto: the governing and non-governing elites. The governing elites are those who play a role in government and hold power. The non-governing elites are those who don't enjoy power and are out of the government. To Pareto, elites can be of 'foxes' type and 'lions' type. The former type of elites rule the society by cunning, fraud and manipulation; whereas the latter type of elites control power through direct use of force. Pareto says that major changes occur in society when one type of elites replaces another, i.e. the process of circulation of elites. The elites fall and lose their control over government as they decay in quality and lose dynamism.

There are also couple of sociological models that created analogies between social change and the technological advancement of the Western societies. In the mid-twentieth century, sociologists and anthropologists borrowed a theoretical model from linguistics and analysed social change. This approach is called 'structural functionalism'. This theory postulated that the existence of social institutions like kinship determine human behaviour. The theory propounds that social institutions are all interrelated and a change in one institution brings change in other institutions.

3.2.1 Characteristics and Challenges Faced by Society in India

During the fifties and the sixties of the nineteenth century, modernization became one of the dominant themes of research. In fact, it is one of the important concepts of the sociology of development. Modernization studies deal with the effects of economic development on traditional social structure and values. The process of modernization is related to the industrialization, urbanization, high standard of living, development of civilization and broadness of view point. According to Eisenstadt, 'From a historical point of view modernization is a process of change towards those type of social, economic and political systems which were developed in Western Europe and North America from the seventeenth to nineteenth centuries, and after

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that spread over to South America, Asia and Africa during the nineteenth and twentieth century' (Hasnain 2006, 609). In social science disciplines, modernization refers to the transition from a 'pre-modern' or 'traditional' type of society to a 'modern' society. Many sociologists associate modernization with the spread of education, urbanization and industrialization.

As to Kendall (2007), urbanization is a process which has accompanied modernization and the rapid process of industrialization. In sociology, modernization is also linked to the process of rationalization. In a modernized society, the individual becomes much more important, gradually replacing the family or community as the primary unit of society. As societies experience the process of modernization, the importance of religion, traditional values, etc. becomes less important and people start thinking more about reason and rationality. As Hasnain (2006) mentions, the term modernization is less value-loaded than its predecessor—Westernization. Most countries in the Third World region were proud of their cultural heritage and deeply attached to it. While they were attracted to Western culture, still they had no plans to abandon their own life-styles and value systems. The concept of modernization recognized the strength of roots; it didn't pose any overt threat to the cultural diversity of the people aspiring for rapid change. To the elite of the Third World, the ideal of Westernization was difficult to swallow; they accepted modernization readily because it didn't appear to offend their own cultural dignity.

According to Lerner (1958), there are three features of modernization which are core to a modernized personality—empathy, mobility and high participation. Empathy is the capacity to see things as others see them. All societies possess this capacity in some measure, but to sharpen and strengthen, it can make a qualitative change in human interaction. The second attribute, mobility, doesn't only imply geographical mobility; rather it is used in a more comprehensive sense. Unlike the traditional societies which had ascribed status, the modernized societies have open status system and largely give emphasis to achievement rather than birth. The third attribute—high participation—refers to the increased role of individuals in realizing social goals and objectives in more active ways (Hasnain, 2006, 609–10).

The character of modern society is rational in cognitive aspects, universalistic in membership aspects, functionally specific in substantive definitional aspects, neutral in affective aspects, individualistic in goal orientation aspect and hierarchical in stratification aspects. Units of society tend to be more specialized and self-sufficient in a modern society and there is increasing evidence of role differentiation, solidarity and integration (Jena and Mohapatra [1993] 2001, 133). Singh 1973[2001], 61) remarked that modernization symbolizes a rational attitude towards issues, and their evaluation from a universalistic and not a particularistic view point, (when it involves an emotional response to problems), orientation is empathic and not constrictive. Modernization is rooted in the scientific world-view. It has deeper and positive association with levels of diffusion of scientific knowledge, technological skill and technological resources in a particular society. However, what may be essential to modernization is the commitment to scientific world-view, the internalization of

humanistic and philosophical view-point of science or contemporary problems and not merely the volume of technological advancement.

It is possible that a society as also an individual might command a maximum of scientific skills and resources but a minimum of its necessary psychic and emotional requisites. It is otherwise possible that a successful scientist may be a failure as a 'modern' human, and a most affluent or technologically advanced society may also be the one which is most tyrannical. He further mentioned that the distinction between modern values and traditional values may be maintained on the ground that modern values, like science, being evolutionary universal, might not be typical to any one particular cultural tradition, whereas traditional cultural values may be particularistic and typical. Modernization in its essential attributes or in ideal-typical forms is a universal-cultural phenomenon. Like science, modernity is not an exclusive possession of any one ethnic or cultural group, but it belongs to the humanity as a whole.

Singh analysed modernization in Indian context of change in a very systematic manner. According to him, the sources of change can be endogenous or exogenous. Endogenous sources of change are the sources within the social system and exogenous sources are those coming from outside. Besides, change takes place in 'tradition' and 'social structure'. Tradition according to Singh is characterized by hierarchy, holism, continuity and transcendence and is divided into 'Great tradition' and 'Little tradition'. The former is the cultural belief and value systems that are practiced throughout the country, while the latter comprises the folk cultural beliefs and oral traditions and localized adoption of the 'Great tradition'. Both Hinduism and Islam in India featured holism, hierarchy, continuity and transcendence. Modernization of 'Great tradition' in both these cases referred to a pattern of change from hierarchy to equality, from holism to individualism, from continuity to historicity and from transcendence to rationalism and secularism.

In India, following the process of Westernization, there was educational modernization, emergence of universal legal system, advancement in communication systems and transportation, expansion of urban centres and modern political institutions. Similarly, in the sphere of little tradition, two forces of change, Sanskritization and Islamization (conversion to Islam) came through.

Further, he analysed change in social structure which he divided into macro and micro-structure. The change in macro-structure referred to the change in the political, industrial and urban structures. For example, the elite structure in the country indicated that they came from homogenous backgrounds. However, the post-independence era saw the change in such macro-structure and elites came from different socio-cultural backgrounds. Change in the micro-structure referred to the change in caste, family, communities, etc. The modernization of caste for example was seen in its association with politics without losing its social functions. Voting behaviour is largely influenced by the caste of the candidate contesting the election. So, Singh claimed that India's modernization process is very unique and it is being instituted through the adaptive changes in the traditional structures rather than structural breakdown.

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For a clear understanding, Jena and Mohapatra ([1993] 2001, 133–4) gives the following indicators of modernity.

- (1) A degree of self-sustaining growth in the economy or at least growth sufficient to increase both production and consumption regularly;
- (2) Increasing use of inanimate sources of power to meet human requirement and to solve human problems;
- (3) A noticeable degree of both individual and collective effort to achieve the technological advancement;
- (4) A measure to mass participation in the political affairs or at least a sort of democratic representation in defining and choosing policy alternatives;
- (5) A diffusion of secular-rational norms in the culture;
- (6) An increment of mobility in the society—understood as personal freedom of physical, social and psychic movement;
- (7) The emergence and growth of specific functional organizations and attendant changes in social structures and values;
- (8) A corresponding transformation in the model personality that equips the individuals to function effectively in a social order.

Ram Ahuja (1999, 485–6) cites the following problems of modernization.

- (1) The first paradox of modernization is that a modern society must change in all ways at once but such a regular, coordinated pattern of growth cannot be conceivably planned. A certain amount of social unrest is, therefore, inevitably created. For example, mass educational system demands that trained individuals must be absorbed in occupational roles commensurate with their training and knowledge. However, it is not always possible to provide jobs to all educated people. This leads to unrest among the educated unemployed people.
- (2) The social problem is that structural change is uneven during periods of modernization. For example, industries may be modernized but family system, religious system, etc. remain conservative. These discontinuities and patterns of change affect the established social and other structures and produce lags and bottlenecks.
- (3) Modernization of social and economic institutions creates conflicts with the traditional ways of life. For example, trained doctors pose a threat to traditional medicine men. Similarly, machine-made finished products pose a threat to traditional hand-made crafts and the livelihood of the artisan communities.
- (4) Most often roles adopted by people are modern but values continue to be traditional.
- (5) There is a lack of co-operation among agencies which modernize and among institutions and systems which are modernized. This often leads to cultural lag as well as institutional conflicts.
- (6) Modernization raises the aspiration of people but many times social systems fail to provide opportunities to them to achieve those aspirations. This creates frustrations, deprivations and social unrest.

Secularization is another important process of social change in modern Indian context. It refers to the transformation of a society identified with religious values, ideas and institutions towards non-religious ideas, values and institutions. As societies progress and modernize, the people follow values of reason and rationality; while religion, religious scriptures and institutions lose their influence on people and their social life. So secularization is a process where societies lose their religious significance. Max Weber opined that the scientific and technological advancement would weaken peoples' belief on religion and supernatural powers. Rationality will also overpower superstitious beliefs and dogmas. Weber called this process as the 'disenchantment of the world'.

The term 'secularization' was first used in Europe in 1648. It was then understood as the process of transferring of Church properties to the control of the rulers. Bryan Wilson (1966) defined secularization as 'a process where religious thinking, practice and institutions lose social significance'. Similarly, Peter Berger (1973) defined secularization as 'the process by which sections of society and culture are removed from the domination of religious institutions and symbols'. Further, M. N. Srinivas (1966) wrote that 'the term secularization implies that what was previously regarded as religious is now ceasing to be such and it also implies the process of differentiation which results in the various aspects of socio-economic, political, legal and moral becoming increasingly discrete to each other.' Singh (1973[2001]) remarked that secularism is a sub-process of modernization.

M.N. Srinivas (1966, 118–119) wrote elaborately on the process of secularization in his analysis of social change in Indian society. According to him, British rule brought with it a process of secularization of Indian social life and culture, a tendency that gradually became stronger with the development of communications, growth of towns and cities, increased spatial mobility and the spread of education. The two World Wars and Gandhiji's Civil Disobedience campaigns, both of which socially and politically mobilized the masses, also contributed to increased secularization. Following independence, the Constitution also recognised India as a secular state and maintained that all citizens are equal before law. Comparing both Sanskritization and secularization, Srinivas opined that of the two, secularization is the more general process, affecting all Indians; while Sanskritization affects only Hindus and tribals. As he mentioned, broadly, it would be true to say that secularization is more marked among the urban and educated sections of society and Sanskritization among the lower Hindu castes and tribes. Quoting the *Encyclopedia of the Social Sciences*, he elaborated that one of the essential elements of secularization is rationalism, a comprehensive expression applied to various theoretical and practical tendencies which aim to interpret the universe purely in terms of thought, or which aim to regulate individual and social life in accordance with the principles of reason and to eliminate as far as possible or to relegate to the background everything irrational.

Following the analysis made above, as outlined by Jena and Mohapatra ([1993] 2001, 159–60), the main ingredients of secularization can be discussed as:

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- (1) **Decline in religiosity:** Religion is based on a distinction between sacred and profane in which the term sacred is associated with a faith in a mythical or supernatural power. However, the process of secularization in contrast implies a gradual decline of religious feelings. In a perfectly secularized society, religious considerations are replaced by rationalistic considerations. Thus, as the process of secularization proceeds, the social institutions and individual actions become increasingly free from the influence of religion.
- (2) **Rationality:** With the gradual decline of religious controls, there takes place a corresponding increase in rationalism in the process of secularization. People start thinking about the problems of their day-to-day life. Reason takes the place of faith. Instead of taking everything for granted, people try to find out the cause of happenings in their individual as well social life. A tendency towards establishment of cause and effect relationship becomes increasingly popular.
- (3) **Empiricism and commitment to scientific world views:** The process of secularization results in growth in empiricism and scientific world view. Human knowledge is based on observation, experimentation and verification. Experience and experimentation governs the human consciousness. Beliefs, faiths and mythical orientation are increasingly replaced by the scientific knowledge derived from empirical observation.
- (4) **Process of differentiation:** The growth of empiricism and rationalism necessarily results in a corresponding differentiation in the social structure. Different aspects of social life come to be differentiated from each other. Each such aspect for example, economic, legal, political and moral sub-systems becomes increasingly distinct. Each sub-system gets further differentiated which results in the increasing specialization and professionalization.

So, to sum up it can be said that secularization is a process which brings change in the approach of people towards things where rationality and reason increasingly influence their attitude and orientations and where religious and superstitious beliefs have less control on human behaviour. As has been discussed in brief in the above paragraphs, the process of secularization in India started with British contact. However, there is a difference between the Western model of secularization and the Indian model of secularization. The Indian experience of secularization is a unique one. In the West, especially in Europe, secularization meant isolating the Church/religion from public life/control. So, the Western model is without religion. However, the Indian model of secularization is with religion.

The Indian Constitution mentions in its 'Preamble' that it is a 'secular' country where each and every religion will be treated by state equally and that there wouldn't be any state religion. The Constitution also defines that every individual has freedom to practice, profess and propagate any religion. It has been instituted as one of the fundamental rights of Indian citizens. The right to freedom of religion is guaranteed under Article 25 of the Constitution of India. As it reads, Article 25(1) says, 'Subject to public order, morality and health

and to the other provisions of this Part, all persons are equally entitled to freedom of conscience and the right freely to profess, practice and propagate religion.' Again, Article 25 (2) says, 'Nothing in this article shall affect the operation of any existing law or prevent the State from making any law:

- (a) Regulating or restricting any economic financial, political or other secular activity which may be associated with religious practice;
- (b) Providing for social welfare and reform or the throwing open of Hindu religious institutions of a public character to all classes and sections of Hindus.' So this Article in the Constitution of India guarantees that every person in India shall have the freedom of conscience and shall have the right to profess, practice and propagate religion, subject to the restrictions that may be imposed by the state on the following grounds, namely:
 - (1) Public order, morality and health;
 - (2) Other provisions of the Constitution;
 - (3) Regulation of non-religious activity associated with religious practice;
 - (4) Social welfare and reform;
 - (5) Throwing open of Hindu religious institutions of a public character to all classes of Hindus.

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CHECK YOUR PROGRESS

1. Point out the difference between civic nationalism and ethnic nationalism.
2. What were the three stages of evolution defined by Auguste Comte?
3. Where did the term 'secularization' originate? How was it defined?

3.3 ROLE OF MEDIA, INTEREST GROUPS AND VOLUNTARY ORGANIZATIONS IN PUBLIC ADMINISTRATION

3.3.1 Public Opinion

A very important aspect of political linkages in India is the public opinion. Being classified as one of the largest democracies in the world, the crucial role of public opinion can neither be underestimated nor ignored. Democracy is a 'government of the people, by the people and for the people'. The public opinions are expressed through the exercise of people's franchise. No doubt, then, that public opinion plays a very crucial and decisive role in making or breaking a government.

Public opinion is the sum total of individual beliefs and attitudes that define both society and polity. Democracy and public opinion are intertwined, and public opinion is a derivative of democracy that leads us to the following assumptions:

- Public has an interest in the functioning of the government.
- Public can express its wants.
- Public's will can be enacted into a law.

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The role of the public opinion in democracy cannot be ignored because of the following:

- It can keep a check on the use of absolute power.
- Express public opinion compels politicians to fulfill their political obligation.

The public opinion should become a part of the system of communication with the authority. The media should become public mentor to make political power accountable. However, the commercialized media has reduced the public spaces. The citizen of the public sphere is gradually being replaced by the consumer of the private sphere.

All forms of communication involve creating audiences and making certain assumptions. Public opinion polls and the surveys, interviews, etc. provide the public opinion. .

Many argue that the current forms of mass communication actually threaten democracy by 'distorting' political knowledge and thus manipulating people's normal thinking process and political judgment.

3.3.2 Mass Media

The importance of the press / mass media (both electronic and print media) in the democratic process has been recognized since the 17th century. The need to permit individuals to freely exchange ideas and information in order to promote the public interest was regularly posited by democratic theorists. John Milton in the mid-seventeenth century argued against restricting ideas and information, saying that truth should be allowed to grapple freely with falsehood and that truth would ultimately emerge victorious. Strong connection exists between mass-communication and democracy. The civil society requires access to information to make political choices. In the same manner, the political leaders require the media to take stock of the public mood, present their views and interact with the society. The media is, thus, accepted to be an important conduit of relations between the state and the society at large.

Political systems in general and democracies in particular that believe in dispersal of power, often get corrupted undermining people's participation and people's voice. This call for essential institutional checks and balances as necessary firewalls against such abuse, and the media has to perform the job of protecting public opinions and interests. As the fourth estate or the watchdog of the government, it is expected of the media to assess critically the actions of the state and provide the requisite information to the public at large. Ideally speaking, the media is a link between the rulers and the ruled, but they can also impart such information that may restrict the centralization of power or even unethical state action.

The media is one of the great powers of the twentieth century. That is why British Prime Minister, Disraeli (1804–81) referred to press as the fourth estate. But freedom is the most essential component for its survival. A successful democracy needs a free and fair press. Even Article 19 of the Universal Declaration of Human Rights guarantees the freedom of the press. However, to make the press worthy of the absolute freedom, there must be some kind of self-regulation. There must be a body or an agency to which the press must be made accountable. Media is not just a business; but also a profession that must have standards and values.

The media is vital to the creation of the civil society and the foundations of the democracy may be undermined in its absence. The crucial nature of mass media and mass communication in modern democracies is reflected in the debate over the media itself. Media's role is two types:

1. Informer to the public as well as to the politicians and
2. As agent of change and educator of masses.

With regard to the first dimension as an effective agent, the media should be free from biases while publishing news and facts for the public.

Actually, in understanding the media content, one needs to also understand the politics of journalistic practice, like the corporate politics of global giants, individual businesses and political interests and influences of particular media house.

It is no surprise when political coups take place, the rebels head straight for the radio and television stations in order to secure their victory; and the one powerful device to maintain control is to strictly manage the flow of information. Secrecy is a key weapon of the powerful. In the Western democracies, the mass media claim the responsibility of representing the people and upholding democracy. The media in the West plays a key role in informing the public. But then, interpreting the media is a skill, a skill that is also dependent upon the social and educational backgrounds. The relationship between politics and mass media has to be understood as the product of particular institutional forms which shape the media.

Political coverage, like all news reporting, always intends to narrate a story. Explicitly or implicitly, these narratives connect characters and events. The story of an election is narrated through words and images that construct a particular vision of the political process. The political positions are determined through the speeches and pronouncements of the leaders. Whatever the coverage accorded to the leaders, the role of the 'ordinary participant' is always overlooked. In so far as politics is presented as an electoral game in which individual political ambition is the core motivating force, the media engage in a process of constituting and legitimating a version of the political process.

Let us also examine this relationship from another perspective. Despite the blurring of the boundaries, politics is treated with considerable reverence in news and current affairs television. Politicians are viewed as legitimate and influential political actors whose views are to be canvassed, cross-examined and recorded. While thinking about the relationship between politics and mass media one needs to

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look beyond the traditional corrals of news and current affairs, and to analyze the ways in which political values and the representation of politics are part of our daily pleasures. There has always been a continuous, but not a very consistent, effort to change the media in order to serve democracy better. However democratic the media be, they cannot fulfill their function if, for example, they confront a wall of official secrecy. Freedom of information is a fundamental feature of a democratic society. Equally, the conditions under which political affairs are conducted affect the media's capacity to fulfill a useful role. For example, restrictions on campaign spending are a necessary corollary of media effectiveness. A democratic media must serve to keep our rulers in their place.

3.3.3 Pressure Groups

Pressure groups operate actively, especially in a representative government committed to the realization of the ideal of social service state. The state also makes itself increasingly dependent on them while handling its sphere of planning and social service. However, the number of groups and the intensity with which they are able to pursue their objectives depend upon the social legitimization of group activity and the prospects of fulfilling group demands in a given political system.

The genesis of the pressure groups may be traced back to the pre-Independence days when a large number of pressure groups existed to put forth their reasoning and argument before the British government in order to pressurize it and to seek concessions and privileges for the members of the pressure groups. In fact, the Indian National Congress in 1885 is more like a pressure group to plead for reforms and to articulate the interests of the educated middle class. As the Congress donned the mantle of a political party gradually, various pressure groups began to mushroom to safeguard the interests of other sections. Remarkable is the formation of the All India Trade Union Congress in 1920 and the All India Kisan Sabha in 1936 that opened new chapters in the book of pressure groups.

In the post-Independence times, the processes of democracy and development provided a fertile ground for a huge number of pressure groups to come into existence. Various sections of the society began to create their own interest groups to make their voices heard in policy formulation and the ever-increasing state activities. In the wake of planned economic development, even the polity inspires the creation of pressure groups for their contribution to developmental activities. Moreover, the consolidation of the party system has also contributed to the expansion in the base and scope of activities of pressure groups in certain defined sectors of economy, society and polity. For example, with an eye on inculcating the voters for their parties on a long-term basis, almost all major political parties in the country have floated various frontal organizations in the areas of trade union activities, farmers fronts, women morchas and students wings. There also exist politically neutral pressure groups like federation of Indian Chambers of Commerce (FICCI) and Confederation of Indian Industry (CII). All these pressure groups ensure safeguards from adverse policy initiatives of the government.

Types of pressure groups

In India today there are four types of pressure or interest groups. Different writers on comparative government have classified interest groups and pressure groups on the basis of their structure and organization. In general interest groups are classified into four types.

1. **Institutional interest groups:** These are formally organized groups consisting of professionally qualified people. They are closely connected to government machinery while at the same time enjoy sufficient autonomy. They exert sufficient influence on the government policy making. They include bureaucracy, armies, political parties and legislatures. Whenever these groups raise protest they do by constitutional means and in accordance with rules and regulations. An example of such as organization can be west Bengal Civil Services Association.
2. **The associational interest groups:** These are formally organized groups which articulate the shared interests of their members over long periods of time and try to achieve the specific and particular objectives of their members. They are also called promotional or protective or functional or professional groups. Associational groups promote economic and vocational interests, public interest or single issues or protect and safeguard the interests of their members. These are organized specialized groups formed for interest articulation, but to pursue limited objectives. These include trade unions, organizations businessmen and industrialists and civic groups. Some examples of associational interest groups in India are Federation of Indian Chambers of Commerce and Industry (FICCI), Trade Unions such as AITUC (All India Trade Union Congress), teachers associations, students unions, etc.
3. **Anomic interest groups:** These are ad hoc (unplanned) groups which come into existence as a result of turmoil and excitement, a crisis, a specific event or issue. Anomic groups do not have a formal structure or leaders and their actions are often violent. They act spontaneously and in an uncoordinated fashion and are short-lived. They express their grievances through violent riots, demonstrations and street protests.
4. **Non-associational interest groups:** These are the complete opposite of associational interest groups. They have no formal organization. They are composed of individuals who feel close to others on the basis of class, caste, race, religion, culture or gender. They seldom act as coherent political groups, but they are often regarded by others as if they represent an interest even though they have no formal authorization to do so.

Big business

Among the organized groups the most important are the groups of big business. In fact the growth of business associations is a parallel to the process of development. At present, there are many types of business associations, industrial associations, communal associations, regional organizations and all India organizations connected

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with trade and commerce. Most important of these is the Federation of Indian Chambers of Commerce and Industry (FICCI) which is the spokesman of Indian capitalism and of the big capitalists.

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The kinds of pressure exerted by the business interests are extremely varied. The associations lobby among the members of Parliament and Legislative Assemblies, members of the Council of Ministers and bureaucrats. They also devote a great time and effort to influence the Planning Commission, the economic ministries and the various licensing bodies. They also have considerable influence on the councils of various parties, particularly the ruling party, which have been heavily dependent on business contributions to their funds. Such contributions do not go unrewarded. The big business has frequent and sustained access to the executive and bureaucracy for lobbying when the policy is being made and implemented.

The enormous strength of the groups of big business comes from the fact of its ownership and control of the larger part of society's economic resources. This makes it difficult for even a reform-minded government to impose its policies to which these groups are firmly opposed. Alternatively, they have the power of going on an 'investment strike' until the government creates the necessary climate of 'business confidence' by dropping unwelcome policies. Since such inertia will slow down the economy and therefore discredit the government, even a reformist government will be forced to compromise at least on crucial issues.

The power of capital as a pressure group is reinforced by the composition of the state elite. The state elite includes not only the political executive but also, very importantly, the bureaucratic or administrative elite, which is not accountable to parliament or the electorate, but which plays a vital advisory and executive role in policy-making. The composition of the state elite, due to its social, economic and other links with big business and inclinations biases the state system in favour of capitalist class interests and reinforces and complements capital's power as a pressure group on the state system.

Trade unions

Along with the growth of industries, the working class has also been growing in India. Though it is accepted that limited industrial growth and availability of large work-force, continuous relationship of the laborers with their peasantry background and archaic way of thinking are hindrances in the development of workers organizations, the Indian trade union movement has developed with an astonishing speed. There is a high concentration of Indian industry in certain regions. The Indian National Congress has mobilized the trade unions to participate in the freedom struggle. In fact, even before independence trade unions had won some important battles in the field of social legislation.

After independence other centres of Trade Unions like Indian National Trade Union Congress (INTUC), Hind Mazdoor Sabha (HMS), Centre of Indian Trade Unions (CITU), etc. have also been organized. The number of such centres has been increasing along with the increase in political parties. Even the rightist parties

have started organizing trade unions, under their influence. Yet the fact remains that only a small part of the country's work force is organized. A substantial portion of the labour force is still in rural areas and because of various factors, it is yet not organized to a significant extent on class lines at national or local level.

Further, the trade unions have been organized by the middle class leadership of the various political parties and act as the aims of those parties. Almost all labour unions act as agents of the some parties, seeking to explain their parties' policy to workers and enlisting their support. This has, in turn, led to fragmentation and internecine antagonism among the workers, making them pliable for manipulation by political parties sometimes against the long-term interests of their own movement. Trade unions in India, as whole, are able to exert significant pressure on the policy formulation. The political parties and the government, all recognize their strength. Trade unions provide significant vote-banks in the industrialized regions. Another factor that cannot be ignored here is that the working class views capital as its main opponent.

The only important weapon that labour has is the strike. But the use of its only effective weapon is precisely what is severely hampered by its internal division and weakness and by the external pressures it is vulnerable to. Firstly, in most capitalist countries only a part of the labour force, usually a minority, sometimes as low as 30 per cent in the United States, is organized into trade unions. Secondly, strikes are a serious drain on the resources of the trade unions, and these resources and the corresponding staying power of the union, are extremely limited compared to those of the employers. Thirdly, trade unions have always been divided from each other in terms of the particular skills and functions of their members and sometimes geographically (i.e. regionally or provincially) and also racially in the present age of large-scale immigrant labour in the West from the third-world. This makes it easier for employers and the state to divide and isolate striking unions. Fourthly, trade unions in advanced capitalist countries are often bitterly divided politically and ideologically into communist, social democratic or plain economist unions. This makes it easier for employers and the state to drive a wedge between striking unions or striking members of a particular union buying off the less militant, economist and reformist elements with minor concessions and isolating the militants. Fifthly, during a strike, whatever the merits of the case, the bourgeois parties and the capitalist dominated mass media, as well as the state-owned media, can be expected to blast the strike as irresponsible, economically ruinous, sectional and against the 'national interest', thus creating a climate of public opinion hostile to the strike and isolating the strikers. All these forces combine to severely hamper the effective use of organized labour's only weapon, the strike, thus indirectly adding to the pressure power of capital already vastly superior, upon the state system.

By their activities, the organized working class has been able to obtain quite a few successes in bettering their economic and social conditions. Among their major achievements could be mentioned (1) the recognition of the fundamental right of strike, (2) an overall increase in the wage structure, (3) the right to bonus in many

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public sector undertakings as well as private enterprises, (4) regulation of working hours and overtime payment, (5) relating the wage structure to conditions of living and price increase in the form of dearness Pay ad Dearness Allowances with the obligation for a pay revision after every three increases in the Dearness Allowance payment, and 6) better living conditions in the form of social welfare benefits like employees insurance, medical and housing facilities etc. etc. The government has realised the inevitability of increasing trade union strength.

Peasants' organizations

For a land so overwhelmingly rural and more than 73 per cent of the available work force engaged in agriculture, it is expected that agricultural groups would play in important role in the democratic politics.

In independent India, particularly in the sixties more important than the peasant movements had been the lobbies of big and middle framers. Over the years, the implementation of zamindari abolition and land reform measures and the momentum they created in the rural side, have resulted in the middle class peasants acquiring more land and working harder on their land. At least a good section of them acquired sufficient economic power to organize themselves politically. The power of the rich farmers has also increased over the years as a result of the conventional electoral politics. The Panchayati Raj, the Community development programme and the government sponsored Green Revolution.

The agriculturists are, however, organized more in the regional or local class-unions, than on an all India basis. Even though there are some important All India Kisan Associations like All India Kisan Congress, All India Kisan Kamgar Sammelan, Kisan Janata, Akhil Bhartiya Kisan Sangh and All India Agriculturists Federation, Peasant groups have been organized on territorial basis. The reason for such a pattern seems to be the weak financial position of the Kisans apart from the interplay or factors like language, caste and geography of agriculture. Moreover, the pattern of crop production, fertility of land, land-labour use, etc. is not uniform throughout the country. Due to the regional and local variations in the agrarian system, state level organizations have emerged stronger than the all India associations.

Another pattern of peasant organizations is that the state-level organizations tend to be non-political, independent of the political parties and homogenous. Their political slogan is unity of classes as against the division of classes. In fact, the class basis of peasant organizations in India is generally from the middle rich peasantry with a small percentage of poor peasants. The commercial farmers have found the utility of organized activity and quite often lead the agitations on the basis of the problems facing the entire peasantry in general and the rich in particular.

Other groups in modern sector

In addition to large-scale and influential business, trade union and kisan groups, there also exist various professional and occupational groups, especially in the towns and cities. These include employees associations, lawyers associations, teachers

associations, students unions, consumer interest associations, teachers associations, students unions, consumer interest associations, and specific groups with various issues emerging from time to time. Their strategies range from arousing public opinion through the various media in favour of issues they want to project, to organizing massive demonstrations and sometimes strikes, to press the government for conceding specific demands or change in policy line. Most of these groups are effective at local or state level.

Caste groups

In certain areas the formation of caste associations began in the early years of this century. In the early stages of its awareness, as a competing entity which could gain strength by organization and by throwing out of links beyond immediate locality, the castes organizations concentrated on ritual status rather than directly on political or economic rights. But after a while, (and the stages tended to be increasingly telescoped with the faster pace of social change) the aspirations took a more material form.

The meaning of caste itself has changed in the encounter between tradition and modernity. By creating conditions in which a caste's significance and power is beginning to depend on its numbers rather than on its ritual and social status, and by encouraging egalitarian aspirations among its members, the caste association is exerting a liberating influence.

There are also groups based on religion. However, the communal interest groups are not of rich variety and texture. But a tendency towards crystallization of communal groups seems evident. Cases of Indian Christian Conference, the Chief Khalsa Diwan, and Vishwa Hindu Parishad etc. may be cited as examples. Similarly, there are several Muslim groups which have sought to change the government policy. Also in the process of economic change and social mobilization India's increasingly participant communities have grown more politically self-conscious, and this self-consciousness not only depends on existing cleavages but also makes them to pressurize the system as organized groups.

Style of operation of pressure groups

The nature and characteristics of the pressure groups in a society depend mainly upon the governmental structure, its activities and the socio-economic milieu. The various groups in India operate within the federal and parliamentary nature of the polity, the division of powers, at the regional level between the state and local levels, as well as the process of development and transformation taking place in India.

3.3.4 Role of Pressure Groups

There are various organized interest groups that make use of a 'pressure system' for getting their claims accepted by the decision-makers, though they have been slow to develop. These groups in India are a form of linkage and means of communication between the masses and the elite. They provide scope for expanding participation and their institutionalization is a critical element in the development of a

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responsive political system, for they are barometers of the political climate by which decision-makers can make and assess policy. While the interest groups make demands upon society for the benefit of its members, it also serves to restrain them. Interest groups not only act as agents of interest articulation, they also increase the political consciousness and participation of their membership and democratic achievements, although they may strain the responsive capacity of the system. In addition interest groups may be reservoirs of political leadership. Most importantly interest groups vehicles for social integration.

However, in a society whose resources are limited, demands may far outrun the capacity of the government to respond. Rational economic planning may come into conflict with the exigencies of democratic response, forcing the decision-makers to consider demands as such illegitimate and to argue that the compulsions of a backward society require restriction of political access and democratic competition. In the name of rationality and public interest, the decision-makers have often turned deaf ear to the demands of interest groups. On the one hand group pressure in India has been directed toward influencing the administration and implementation of policy rather than its formation. On the other hand, interests are articulated not always through collective channels; nor does pressure always take the form of group pressures. In spite of the existence of highly differentiated structures of interest articulation, individual business houses, for instance, hand placed continued reliance on individual approach.

Also in the given situation, pressure is on only one of the methods used by various interest elites for the purpose of influencing the decision-makers. Money is the most important instrument to be used for the purpose of forcing the decision-makers behave in certain ways. Apart from this, however, personal ties are also used to achieve the desired ends. Thus, as a whole, while political mobilization has extended the identity horizon of the Indian masses in widening participation and involvement, interest groups have been unable to provide the institutional channels or access to structure and order what Myron Weiner has called the 'emergent mass political culture'. Political parties have assumed this critical role.

CHECK YOUR PROGRESS

4. What is public opinion and why is it necessary?
5. What are atomic interest groups?
6. State the role of pressure groups in India.

3.4 CITIZEN'S CHARTER AND GOOD GOVERNANCE

Developing countries like India are particularly vulnerable to global events and actions and have come to depend heavily on the international community for financial and

technical assistance. Consequently, national policies are interlocked with global issues, because poor countries generally have fragile politics and weak system of accountability, with few autonomous institutions and little power to offset that exercise by the central government. External agencies are potentially key political players, capable of exerting considerable influence. The boundaries of the political system are no longer impermeable to outside pressures and influences. Public policy now takes place in a world system as well as in the national political system. The international environment has an added role to play in influencing the national policies. The mass media and international conference ease the process of policy diffusion. Policy-makers in each country share a policy context formed in the international economic cycle of prosperity; recession depression and recovery of international organization. The Economic Council also forms an increasingly important part of national policy-making. The policy agenda is also becoming international.

As multinational corporations and international organizations come to exercise a great degree of influence, the capacity of national policy-makers to frame their own agenda is reduced. National issues such as social welfare, environment, drugs and trade are items on the national policy agenda, which have become global issues. This has been accompanied by increasing transnational cooperation. National policy agenda in a developing country like India is now exposed to developed countries. With globalization, there is a greater scope of interaction between a nation state and other countries.

Nation states have now come to exercise less control on policy agenda than they did in the second age of the 20th century. From the national perspective, this means that the policy agenda may be global but policy-making and implementation remain national. Thus there is a new kind of inter play between transnational companies and the national and world economies. Global politics has an added role to play in the determination of national policies, especially of developing nations. Global issues interact with national issues, which in turn interact with local issues. Under globalization, these layers are becoming ever more interactive, leading to the development of new policies.

It has been seen that the country's political system also functions with the world system. The boundaries of the political system are no longer impermeable to outside pressures and influences. The world has become a single social system, as a result of growing ties of interdependence. The point is that there is a new kind of interplay between transnational companies and national and world economics.

So the public policy is directly and indirectly engaged with the citizen of a country or other country and other stakeholders. Globalization as a term has gained wide attention and recognition. Globalization refers to all those processes by which the people of the world are incorporated into a single world society and global society. Globalism is one of the forces which assist in the development of globalization. The implications of the notion of globalization are that policy-makers must consider agenda formation and problem definition within a global context.

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Social Problems and Participation of Stakeholders

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Developing countries or Third World countries are facing increasingly serious population growth and poverty problems. Despite lower poverty rates, the number of poor people has increased because of population growth in developing countries, as well as uneven development and increasing concentration of wealth.

Poverty and population growth have now become a global issues. The World Bank's (WB) new strategy proposes an approach to fight poverty. Three probed approach of the WB focusses on increasing opportunities for people, facilitating their empowerment and enhancing their security. Policy-makers and environmentalist now largely agree that efforts to reduce poverty and population growth and to achieve better living standards can be closely linked and are mutually reinforcing. The policy agenda at the global level is now on slowing the increase in population and attacking poverty.

India was drawn as policy measure in the wake of Alma-Ata declaration. The Declaration of Alma-Ata was adopted at the International Conference on Primary Health Care (PHC), Almaty (formerly Alma-Ata), Kazakhstan (formerly Kazakh Soviet Socialist Republic), 6-12 September 1978. It expressed the need for urgent action by all governments, all health and development workers, and the world community to protect and promote the health of all the people of the world. It was the first international declaration underlining the importance of primary health care. The primary health care approach has since then been accepted by member countries of the World Health Organization (WHO) as the key to achieving the goal of 'Health For All'.

As diseases have no barriers, there is the need for international cooperation and national political action by turning statements of principle into specific policies and action throughout the world.

The use of drugs has become an equally global concern. Earlier it was regarded as a social problem and the focus was on seeking a national policy. The international concern has addressed the supply and transportation of drugs from the producing nations such as Thailand, Pakistan Columbia, Peru and Bolivia.

Political processes and policies have been pursued by governments of the nation states. The success of nation states in policy performance will diverge notwithstanding the need of joint global cooperation to fight against global terrorism. The US, UK and EU and developing countries like India Pakistan Nepal and Bangladesh, have listed policies and adequate measures taken to root out terrorism from the country.

Democratization and Enhanced Citizen Participation

An administration cannot be successful if it is not living up to the democratic values; the citizens have to be treated fairly, provided with equal opportunities and above all are able to exercise their rights. The representativeness of Indian administration is on an increase, where various sections of society are making an entry. But, simply

on the basis of population, composition and power, representative character cannot be reflected. A democratic administration has to be ethical, responsive, trustworthy, proactive and above all simple and empathetic.

Citizen participation is community-based process, where citizens organize themselves and their goals at the grassroots level and work together through non-governmental community organizations, to influence the decision-making process. It is through people participation that transparency is increased in the decision-making process and ensures accountability. In India social activists like Anna Hazare, Medha Patkar and Swami Agnivesh have helped in enhancement of citizen participation. The movement for right to information launched by the Mazdoor Kisan Sangharsh Samiti and the Narmada Bachao Aandolan has influenced the decision-making process. In Rajasthan, Jan Sunwais or public hearing has become both the means of participation in the decision-making process, as well as a mechanism of accountability. The citizens should give ample time to learning about a number of issues and then come together to compel authorities to disseminate information by peaceful means.

The passage of Right Information Act, 2005 has provided further impetus to enhance citizen participation. Now the administrators must help in making people aware of its nuances. In order to make it effective the records management, e-governance and training can do wonders. The advantage with India is that local structures are already there, they just require restructuring.

The administration has to come forward in listing the support and the leadership of different movements. It should act as initiator of citizen participation. Structural adjustment programmes and fiscal corrective measures have to be conveyed in meaningful teams to diverse sections of society, including the poor and the marginal groups, such as reordering of expenditure to improve services and allocations for non-salary components of education and health.²

The NPM movement which began with much fanfare in USA and UK has not met with that much success. On the other hand countries like New Zealand, Denmark and Netherlands were successful to a large extent. There are certain cross cutting issues like ethics, corruption, policy choice and concerns which are yet to be sorted out. For a nation besotted with ethno-cultural problems, leaving service delivery to the market forces can further compound the problems. The tools of E-Governance, along with other parameters of good governance are issues of utmost importance. Service delivery is not only dependent upon good governance but can also be an entry point towards building an effective state, particularly in places where states are weak.³

We can, thus, say that citizens and other stakeholders like national and international organization are interrelated with policy-making and policy implementation. In this global age, participation of citizens, along with stake holders is need for development of the society and the state. The global socio-economical framework interacts with the political processes and policies pursued by the government of the nation state. The success of the nation states in policy performance will diverge despite the union of global policy concerns.

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3.4.1 Concept of Good Governance

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Good governance is an indeterminate term used in development literature to describe how public institutions conduct public affairs and manage public resources in order to guarantee the realization of human rights.¹ **Governance** is described as the process of decision-making and the process by which decisions are implemented or not implemented. The term ‘*governance*’ can apply to corporate, international, national, local governance or to the interactions between other sectors of society.

Hence the concept of ‘good governance’ often emerges as a model to compare ineffective economies or political bodies with viable economies and political bodies.² Because the most ‘successful’ governments in the contemporary world are liberal democratic states concentrated in Europe and America, those countries’ institutions often set the standards by which to compare other states’ institutions. In international affairs, analysis of good governance can look at any of the following relationships:

- between governments and markets,
- between governments and citizens,
- between governments and the private or voluntary sector,
- between elected officials and appointed officials,
- between local institutions and urban and rural dwellers,
- between legislature and executive branches, and
- between nation states and institutions.

Concepts such as civil society, decentralization, peaceful conflict management and accountability are often used when defining the concept of good governance. The definition of good governance promotes many ideas that closely align with effective democratic governance. Not surprisingly, emphasis on good governance can sometimes be equated with promoting democratic government.

To promote good governance, there are three institutions which needs to be reformed: (i) the state, (ii) the private sector, and (iii) civil society.³ However, among various cultures, the need and demand for reform can vary depending on the priorities of that country’s society.⁴ A variety of country level initiatives and international movements put emphasis on various types of governance reform. Each movement for reform establishes criteria for what they consider good governance based on their own needs and agendas. The following agencies are examples of good governance standards for prominent organizations in the international community.

The International Monetary Fund (IMF) declared in 1996 that ‘promoting good governance in all its aspects, including by ensuring the rule of law, improving the efficiency and accountability of the public sector, and tackling corruption, as essential elements of a framework within which economies can prosper’.⁵ The IMF feels that corruption within economies is caused by the ineffective governance of the economy, either too much regulation or too little regulation. To receive loans from the IMF, countries must have certain good governance policies, as determined by the IMF, in place.

The United Nations also emphasizes reform through human development and political institution reform. The UN refers to following eight characteristics of good governance:

- Consensus-oriented
- Participatory
- Following the rule of law
- Effective and efficient
- Accountability
- Transparency
- Responsive
- Equitable and inclusive

For good governance World Bank is more concerned with the reform of economic and social resource control.⁶ In 1992, it underlined three aspects of society which it feels affect the nature of a country's governance:

- (i) Type of political regime
- (ii) Process by which authority is exercised in the management of the economic and social resources, with a view to development
- (iii) Capacity of governments to formulate policies and have them effectively implemented

Good governance defines an ideal which is difficult to achieve in full, though it is something development supporters consider donating to causes.⁷ Major donors and international financial institutions, like the International Monetary Fund (IMF) or World Bank, are basing their aid and loans on the condition that the recipient undertake reforms ensuring good governance.

Structural Reforms and Good Governance

To achieve good governance, there is a serious need for structural change in the government programmes. There is now a growing body of evidence, which shows that the quality of governance is related to differentials in growth and development. However, most of the initiatives deal with improving the performance of short-term normal government functions such as increasing the efficiency of public services, accountability of bureaucracy and enhancing transparency in decision-making. Governance needs to be seen not merely in terms of managing resources and people during the tenure of a government but its ability to take a long-term view not only of the nation but nation in the global context.⁸

Attributes of good governance must be determined by the nation's vision of the larger social and economic goals and the value system it wants to promote. While a consensus among political parties on the former is more easily achieved and therefore possible to insulate it from the government of the day, to reach such a consensus in the case of the latter is extremely difficult. It is, however, possible to move towards a minimal common agenda across the spectrum of political thinking on a value system that would be promoted.

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The goals and value systems tend to be dynamic and change more often at a sedate pace resulting in a sense of continuity, thus enabling the society at large to adjust more easily with those changes. Along with such changes in goals, therefore, the system of governance, the institutions as well as attributes of good governance also changes. It is necessary, however, to note: (i) that the changes that have swept most nations in the last quarter of the 20th century have been rapid and decision-making at all levels has become more complex and dependent on a whole range of factors that are outside the control of decision-makers, and (ii) that a substantial part of the governance concern must pertain to long-term view. A system of governance that has performed well in the past would also require to be changed due to larger changes that take place both within the nation and across nations. What should continue as central to governance are the people.

The second half of the 20th century was an era of radical transformations, some brought about by internal compulsions and the way in which the country was governed and partly due to technological change and the global context. These changes have reduced predictability of the future. As Akio Morita, former president of SONY said, the only way to predict the future is to create it.⁹ But creating future requires vision as well as commitment. A working definition of governance could be ‘processes, systems and structures that guide the social, economic and political relationships’.¹⁰ The relationships could be viewed as between the government and the market, the government and the citizen, the government and private sector and voluntary organizations, elected and appointed officials, levels of government—union, state and local, and between legislative and executive structures.

A widely prevalent perception of state of governance in India has been summarized as: ‘Those in the government continue to feel that that they are doing a fine job and nothing could be better. The citizen clearly feels otherwise. This mismatch in the perceptions of the people and the government is made worse by the credibility gap that exists between the citizen and the government. By now, the general feeling outside the government is that the government is huge, it lacks direction, it is unmanageable, is wasteful and it is uncaring of the citizen. The government on its part keeps on reasserting itself with new policy prescriptions from time to time in a bid to ‘win friends and influence people’. A stage has been reached when the people take with a pinch of salt whatever the Government says or claims.’¹¹

Central to the theme of achieving economic and social development is the quality of Governance. The common and oft repeated attributes of good governance include participation, rule of law, transparency, responsiveness, consensus based, equity concerns, effectiveness, accountable and strategic vision. Governance therefore is larger than government and envisages a role for private sector, civil society and citizens at large.¹² Improvement in governance cannot be limited to reforms within the government but would need to encompass a wider arena including civil society. Thus, people and civil society institutions themselves form an important

link in the governance chain. However, increasing role of market, civil societies and non-governmental organizations cannot compensate the inadequacies of governance, even though their role is crucial in shaping the quality of governance. Government is the focal point for instituting good governance as all other institutions function within the overall institutional framework provided by the government.

Political reforms for good governance

All political power in democracy stems from people. Therefore, empowerment of people by increasing their control over governance is needed. The irony of a discourse on empowerment of people is because: ‘As the colonial state had consciously distanced itself from the people, and as that distance did not significantly narrow in the post-independent era, tradition of consultation of and participation by the people did not develop. Accessibility of government to the common people and their sensitivity to people’s need has progressively declined.’¹³

‘The new developmental administration has been bestowed a vast number of new responsibilities and vastly extended financial powers. Although the exercise of these powers is not untrammelled—there are a number of checks and balances imposed by the democratic system complex and obscure processes through which decisions are taken, over-regulation in many spheres of public life, the weakness of democratic institutions, and the sheer monopoly which vests with the State, creates sufficient ground for arbitrary exercise of this power. This has led to two very major problems in the governance structures—*inefficiency* and *corruption*.’¹⁴

It is only in recent years that a consciousness of the importance ‘stakeholder participation’ and ‘shareholder participation’ have begun to emerge. From a situation of extreme state control, the pendulum has started moving back in the other direction towards the user communities and people. Devolution to local bodies has emerged as a major plank of governance reform, both in the Centre and the States. According to the Human Development Report 1993, where decentralization has taken place, it has often been quite successful, encouraging local participation, increasing accountability of local officials, reducing costs and increasing efficiency.¹⁵

However, it is important that physical and economic access to technology based information system is substantially expanded, traditional forms of information would continue to be improved so that in the name of modernization, weaker sections are not excluded in sharing of rapidly expanding knowledge and information base. While an expanded system of acquisition of knowledge and information is a prerequisite, for it is insufficient to ensure more people’s participation; it must also be realized that participation is not an event such as attending community meetings but is a process that has to be embedded in the social ethos.

However, in the context of rapid transformation across nations, there is an urgency to hasten the reform process and improve the governance of the nation.

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Such reforms would not be confined by a minimalist approach to curbing corruption, improving delivery of service and creating a transparent and accountable bureaucracy but include putting in place structures and processes to address long-term critical choices to place the nation in a position that it merits respect in the global community. In a democratic set-up, the sustenance of a bold agenda of reform requires political will at the highest level of government to withstand the pressures of vested interest and sustained pressure by the people. Such pressures would have to be exercised by them through civil society.

Political reforms are urgently required in concert with economic reforms. Both are essential to ensure good governance. A paradigm shift is required in the prevailing system of governance.¹⁶ Serving the people and putting their interests above the interests of the ruling elite must be the prime motivating force driving the reformed system of governance. Good governance can be ensured through the provision of an adequate quantity of public services and by improving their quality. Indian politicians need to become fully aware of the costs and benefits of economic reforms. Ruling politicians with limited terms in office are often guided by narrow and short-term motivations while formulating policies in the national interest. The Indian public at large also needs to be thoroughly educated on the inevitable need to bear short-term pain in order to reap the somewhat uncertain longer-term gains from economic reforms.

Economic reforms for good governance

The base of credible national security is based on the level of economic prosperity which caters to the well-being of the population of any country, and especially of developing countries like India. There are many developing countries in the Asia-Pacific region, including China and India, where nearly one-third of the world's population are currently going through economic transitions. The central objective of transition through economic liberalization is to improve the competitive efficiency of the economy in the global marketplace to sustain accelerated rates of economic growth, and thereby continuously improving the security and well-being of the people. India launched its market-oriented economic reforms in 1991.

In India post-1991, economic reforms have been evolutionary and incremental in nature. There have been delays and reverses in some areas due to the interplay of democratic politics, coalition governments, and pressure groups with vested interests. However, all the governments in power since 1991 have carried on these economic reforms, which have been based on market liberalization and a larger role for private enterprise.

It is well known that from 1951 to 1991, Indian policymakers stuck to the path of centralized economic planning accompanied by extensive regulatory controls over the economy. The strategy was based on an 'inward-looking import substitution' model of development. This was evident from the design of the country's Second Five-Year Plan (1956–61).¹⁷ Several official and expert reviews undertaken by the government recommended incremental liberalization of the economy in different

areas, but these did not address the fundamental issues facing the economy.¹⁸ India's economy went through several phases of economic liberalization in the 1970s and the 1980s under Indian prime ministers Indira Gandhi and Rajiv Gandhi. However, these attempts at economic liberalization were halfhearted, self-contradictory, and often self-reversing in parts.¹⁹ In contrast, the economic reforms launched in the 1990s by Prime Minister P.V. Narasimha Rao and Manmohan Singh as his Finance Minister were 'much wider and deeper'²⁰ and decidedly marked a 'U-turn' in the direction of economic policy followed by India during the last 40 years of centralized economic planning.²¹

Most economic policymakers and analysts held widely convergent views on the causes of the unprecedented economic crisis faced by India in 1990–91. The root cause of the crisis could be traced to macro-economic mismanagement throughout the 1980s as reflected in an unsustainably high fiscal deficit, in particular the revenue deficit and the monetized deficit.²² The Central Government's fiscal deficit alone peaked at 7.9 as a percentage of GDP in 1989–90. Thus, growing fiscal wastefulness and irresponsibility, and the unviable financing patterns of the fiscal deficit prevailing in the 1980s made high levels of annual GDP growth peaking at 5.6 per cent in 1989–90 unsustainable.²³ Foreign-exchange reserves dwindled to a low of USD 2.2 billion (with less than 15 days' cover against annual imports).²⁴

India stared bankruptcy in the face as it struggled to meet external debt obligations. Prime Minister Narasimha Rao converted the then prevailing economic crisis into an opportunity to launch massive economic reforms. First, he introduced an economist rather than a politician into the Cabinet as Finance Minister and allowed him to evolve and implement path-breaking economic reforms. The new economic policies radically departed from the economic policies and regulatory framework pursued in India during the previous 40 years. The government recognized in 1991 that the time had come to reshape India's economic policies by drawing appropriate lessons from the 'East Asian Miracle' based on more export-oriented and more globally connected strategies of development, as successfully practiced earlier by Japan and South Korea and also by the South East Asian tigers Malaysia, Singapore, Indonesia and Thailand.²⁵

The East Asian development model had been remarkably successful in achieving sustained high growth rates accompanied by rapid growth in the living standards of the people in just two decades. India had missed on both these fronts by relentlessly pursuing import substitution and a relatively closed economy model of development. The government, after launching the relatively aggressive reforms, was soon confronted with the political constraints of 'competitive populism' during elections held at the state level in 1993.²⁶ Therefore, the government adopted a 'middle path', furthering the economic reforms in an 'incremental' fashion in order to continue to extend their width and depth during the remainder of the government's term. The government took two years to get over the immediate macroeconomic crisis, initially with the help of a balance of payments loan facility from the

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International Monetary Fund. The government brought a clear enunciation of its vision and the objectives of its economic reforms only after regaining macro-economic stability. This was contained in the Discussion Paper on Economic Reforms brought out by the Ministry of Finance in July 1993.²⁷ The fundamental objective of economic reforms is to bring about rapid and sustained improvement in the quality of life for the people of India.

CHECK YOUR PROGRESS

7. List the 8 characteristics of good governance as given by the UN.
8. Why are economic reforms necessary for good governance?

3.5 PEOPLE'S PARTICIPATION AND RIGHT TO INFORMATION

Since 1991, the Government of India has reoriented the role of planning in India. It has been recognized that market forces and the state should be given roles that play to their comparative advantages and that they should work together as partners in the economic development of the nation. While private initiative should be encouraged in most areas of business activities, the state should increasingly play a proactive role in areas in which the private sector is either unwilling to act or is incapable of regulating itself in the social interest. The areas in which the state has a comparative advantage over the private sector includes poverty alleviation programmes; human resource development; provision of social services such as primary health and primary education; and similar activities categorized as building human capital and social infrastructure. The State also has a new role in setting up independent regulatory authorities to encourage genuine competition and to oversee the provision of services by the private sector in critical areas such as utilities, water supply, telecommunications, and stock market operations to avoid the ill effects of speculation and to maintain a workable balance between the interests of the producer and the consumers.

Economic liberalization in the organized manufacturing has led to growth with very little additional employment. Thus, the government has to intervene and calibrate the contents and speed of market-based economic reforms to more effectively address the specific areas of 'market failures and weaknesses' to optimize growth with social justice. The new role assigned to planning, consistent with market-based economic liberalization can perhaps best be illustrated with the goals and the strategies incorporated in India's Tenth Five-Year Plan (2002–07).³⁴ The Plan targeted an annual growth rate of eight per cent. Along with this growth target, the government laid down targets for human and social development. Timely corrective actions were proposed to ensure growth accompanied by social justice. The key indicators of human and social development targeted under this Plan included: a reduction of the

poverty rate by five percentage points by 2007; providing gainful employment to at least those who join the labour force during 2002–07; education for all children in schools by 2003; and an increase in the literacy rate to 75 per cent by March 2007.

The development strategy adopted for the Tenth Plan envisaged redefining the role of government in the context of the emergence of a strong and vibrant private sector, the need for provision of infrastructure and the need for imparting greater flexibility in fiscal and monetary policies. With a view to emphasizing the importance of balanced development of all states, the Tenth Plan included a state-wise break-up of broad developmental targets including targets for growth rates and social development consistent with national targets. The Tenth Plan emphasized the need to ensure equity and social justice, taking into account the fact that rigidity in the economy can make the poverty-reducing effects of growth less effective. The strategy for equity and social justice consists of making agricultural development a core element of the Plan, ensuring rapid growth of those sectors which are most likely to create gainful employment opportunities and supplementing the impact of growth with special programmes aimed at target groups.³⁵

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Incentives and conditionalities

The Government of India has introduced a scheme called the States' Fiscal Reforms Facility (2000–05). Under the Facility, the Central Government set up a five-year incentive fund 'to encourage states to implement monitorable fiscal reforms'. Additional amounts by way of 'open market borrowings' are allowed if the state is faced with a structural adjustment burden. State governments may draw up a Medium-Term Fiscal Reforms Programme (MTFRP) to achieve specified targeted reductions in their consolidated fiscal deficit, especially the revenue deficit. The coverage of the MTFRP has been extended to cover a Debt Swap Scheme in order to help state governments reduce their growing public debt.³⁶ This scheme is designed to help liquidate the burden of high-cost loans taken from the Central Government through the allocation of additional market borrowings at currently prevailing lower interest rates. The major structural reforms carried out by several state governments include:

- (i) Measures to improve quality of life through improvements in basic public services such as primary health, primary education, and rural infrastructural services such as electricity, water and roads. Madhya Pradesh has brought out the first state-level *Human Resource Development Report*. Other states have followed suit. The Planning Commission has also published a comprehensive *National Human Development Report* assessing human development nationwide and in the major states.³⁷
- (ii) Clustering high-tech industries and services (for example, in software parks).
- (iii) Setting up Special Economic Zones and Agri-Economic Zones to promote exports.
- (iv) Formulating state-level industrial policies to attract investments.

- (v) Power-sector reforms that restructure state Electricity Boards by separating generation, transmission and distribution activities, encouraging independent power producers in the private sector to invest in the power sector, and setting up independent state Electricity Regulatory Authorities.

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Within the constraints of democratic politics and the relatively 'soft' nature of the economic reforms implemented since 1991, the Indian economy has reaped several welcome rewards from its reforms. These have strengthened the conviction that the broad direction of the reforms is right and, in that sense, made the reform process irreversible. However, India needs to launch a 'second generation' of economic reforms, with a more human face, if it is to reap their full potential. Reforms must be based on the long-term vision of transforming India into a global economic power in the next 20 to 25 years. It will be of utmost importance that all sections of society are educated about the long-term benefits of reform in order to mobilize public support.

Future economic reforms must be seen and experienced as not only good economics but also good politics. Two paradigm shifts in the reforms, backed up by the effective fulfillment of the promises made, will help to garner the support of the Indian people. First, these reforms must aim to raise the productivity of Indian labour and improve the work culture and, over time, provide significant rewards to the people of India by spurring growth, providing a higher level of real wages, and generating wider avenues for employment and re-employment. Growth with employment is the most effective strategy for eliminating poverty and improving the quality of life of the people. Second, the reforms must aim to directly benefit Indian consumers. Over a reasonable time span, the reforms must reduce prices of goods and services including public goods, improve their quality, and allow much more freedom of choice by maximizing the benefits of healthy competition. This will further expand the size of the market—both domestic and international—and provide incentives to entrepreneurs to raise their investment, output, and employment. A combination of more productive labour and pro-consumer economic reforms will be a win-win, proving to be both good economics and good politics.

In the political field, electoral reforms should take place which would ensure efficient representation. All this presupposes that Members of Parliament will want to contribute actively to governance. This may not be accurate, given the enormous responsibilities most of them have with regard to massive electorates, where they fulfill a variety of roles. They have to promote infrastructural development and find employment, they have to resolve disputes and coordinate with a host of officials belonging to a range of departments. And, in doing all this, they have to compete against other Members of Parliament working in precisely the same areas. Obviously to be successful they have to also raise adequate resources for initiatives and support mechanisms.

The important thing here is that areas should be able to select individuals they think would represent them most effectively. Such individuals could then work concentratedly on the welfare of the people in the area they represent. And also

they will certainly be able to play a more knowledgeable role in Consultative Committees since they would be more acutely aware of the implications of policies for their particular areas. They could also play with regard to private business a more coherent role in ensuring attention to the particular problems of the areas they represent.

3.5.1 Corruption and Central Vigilance Commission

In the contemporary society, the state plays an important role in socio-economic development. The success of democracy and development depends to a great extent on the efficiency of the government machinery. However, in the exercise of administrative powers, there is always a possibility of malpractices. The issues of corruption, transparency and accountability are not only related to each other, but need to be addressed at all levels simultaneously in order to be meaningful. The issues are also becoming complex with decentralization of decision-making and devolution of administrative and financial responsibilities. These issues are sought to be addressed through various instruments. 'To ensure that public servants behave as public servants, and this includes all of them namely the political administrators, the civil servants, members of the judiciary and the elected representatives of the people. They will have to be subjected to full accountability not only for misfeasance but also for nonfeasance. And this will have to be ensured strictly, even ruthlessly. Some of the pillars of democracy lack accountability while they seek accountability of others. This will have to be rationalized. It is expected that the next 20 years will witness the strengthening of the process of accountability not only of the limbs of governance but even the Press and the Media, the Comptroller and Auditor General, members of the judiciary and the components of civil society.'³⁸

Today corruption is witnessed in every field and every section of the administration. World Map of the 2010 Corruption Perceptions Index by Transparency International, measures 'the degree to which corruption is perceived to exist among public officials and politicians'.³⁹

Political corruption is the use of legislative powers by government officials for illegitimate private gain. Misuse of government power for other purposes, such as repression of political opponents and general police brutality, is not considered political corruption. Neither are illegal acts by private persons or corporations directly involved with the government. An illegal act by an officeholder constitutes political corruption only if the act is directly related to their official duties, is done under colour of law or involves trading in influence.

Forms of corruption include bribery, extortion, cronyism, nepotism, patronage, graft and embezzlement. Corruption may facilitate criminal enterprise such as drug trafficking, money laundering, and human trafficking, though is not restricted to these activities.

The activities that constitute illegal corruption differ depending on the country or jurisdiction. For instance, some political funding practices that are legal in one

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place may be illegal in another. In some cases, government officials have broad or ill-defined powers, which make it difficult to distinguish between legal and illegal actions. Worldwide, bribery alone is estimated to involve over 1 trillion US dollars annually.⁴⁰ A state of unrestrained political corruption is known as a kleptocracy, literally meaning ‘rule by thieves’.

‘Police corruption’ is a specific form of police misconduct designed to obtain financial benefits, other personal gain, or career advancement for a police officer or officers in exchange for not pursuing, or selectively pursuing, an investigation or arrest. One common form of police corruption is soliciting or accepting bribes in exchange for not reporting organized drug or prostitution rings or other illegal activities. Another example is police officers flouting the police code of conduct in order to secure convictions of suspects—for example, through the use of falsified evidence. More rarely, police officers may deliberately and systematically participate in organized crime themselves.

Another type of corruption is related to corporate bodies. In criminology, ‘**corporate crime**’ refers to crimes committed either by a corporation (i.e., a business entity having a separate legal personality from the natural persons that manage its activities), or by individuals acting on behalf of a corporation or other business entity.

There are several types of political corruption that occur in the local government. Some are more common than others, and some are more prevalent in local governments than in larger segments of government. Local governments may be more susceptible to corruption because interactions between private individuals and officials happen at greater levels of intimacy and with more frequency at more decentralized levels. Forms of corruption pertaining to money like bribery, extortion, embezzlement, and graft are found in local government systems. Other forms of political corruption are nepotism and patronage systems.

In India, however, corruption in administration is a big problem. In the past, the colonial history and the authoritarian orientation of Indian administration resulted in the negative attitude of citizens towards the administration. The gap between the performance of administration and the expectations of the people also created a negative image of administration. The democratic aspirations of the people and the authoritarian attitude of administrators produced tensions between the two. The contradictions in the social situation have resulted in inequalities. There is discrimination in the treatment of citizens by administration. The social gap between the civil servant and the citizen whom he is expected to serve also is a cause for hostile relationship between the two. The well-educated urban middle class civil servant is expected to serve the poor and illiterate rural citizens. This creates a socio-psychological gap between them. Then, there are the chronic delays in getting things done, and innumerable rules and regulations that are not easily comprehensible to ordinary citizens. The cumulative effect of all these factors is the piling up of public grievances against administration as well leading to massive corruption.

Everyone who comes in contact with the administration feels the all-pervading nature of corruption. Corruption has many negative effects on administration. It is one of the major factors for delay and inefficiency in administration. The bureaucratic norms of impartiality suffer due to this factor. There is loss of credibility of administration and it is the common man who suffers most because of it.

The term 'corruption' has been defined in many ways. In general terms, corruption is not always for monetary gains. It is the personal use of public office in violation of rules and regulations. K. Santhanam, Chairperson of the Committee on Prevention of Corruption said, 'any action or failure to take action in the performance of duty by a government servant for some advantage is corruption'.⁴¹ Hence under his headship the Central Vigilance Commission was set up by the Government in February, 1964 on the recommendations of the Committee on Prevention of Corruption, to advise and guide Central Government agencies in the field of vigilance⁴² and to check corruption. Nittoor Srinivasa Rau, was selected as the first Chief Vigilance Commissioner of India.

Central Vigilance Commission (CVC)

There are various institutions in India for dealing with corruption. The Central Vigilance Commission is one among them. After Independence, various measures were taken up for checking corruption in public services. In 1962, the Central Government appointed a Committee on Prevention of Corruption under the chairmanship of K. Santhanam to review the existing arrangements for checking corruption and to suggest steps to make anti-corruption measures more effective. The Santhanam Committee in 1964 recommended the setting up of Central Vigilance Commission headed by Central Vigilance Commissioner. Based on the Committee's recommendations, the Central Vigilance Commission was constituted in 1964.

The role of the Commission is advisory. It falls within the jurisdiction of the Ministry of Personnel. Its jurisdiction and powers extends to all those matters, which fall within the purview of the executive powers of the Central Government. Its jurisdiction covers:

- (i) All the employees of the Central Government.
- (ii) All the employees of public undertakings, corporate bodies and other institutions under the Central Government.
- (iii) All the employees of the Delhi Metropolitan Council and the New Delhi Municipal Corporation.

The Commission receives complaints against corruption and malpractices directly from the aggrieved citizens. It can also gather information about the same from Press reports, audit reports, various department enterprises concerned, allegations made by members of Parliament, and reports of parliamentary committees.

CVC is conceived as the apex vigilance institution, free of control from any executive authority, monitoring all vigilance activity under the Central Government and advising various authorities in Central Government organizations on planning,

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executing, reviewing and reforming their vigilance work. Consequent upon promulgation of an Ordinance by the President, the Central Vigilance Commission has been made a multi-member Commission with 'statutory status' with effect from 25 August 1998.⁴³ The CVC Bill was passed by both the Houses of Parliament in 2003 and the President gave its assent on 11 September 2003. Thus, the Central Vigilance Commission Act, 2003, (No. 45 of 2003) came into effect from that date.

The Annual Report of the CVC not only gives the details of the work done by it, but also brings out the system failure which leads to corruption in various departments/organizations, system improvements, various preventive measures and cases in which the Commission's advises were ignored, etc.

The Central Vigilance Commission has identified the following modes of corruption:

- Acceptance of substandard stores/works
- Misappropriation of public money and stores
- Borrowing of money from contractors firms having official dealing with officers
- Show of favours to contractors and firms
- Possession of assets disproportionate to income
- Purchase of immovable property without prior permission or intimation
- Losses to the government by negligence or otherwise
- Abuse of official position and powers
- Production of forged certificate of date of birth/community
- Irregularities in reservation of seats by rail and by air
- Irregularities in grant of import and export licences
- Moral turpitude
- Acceptance of gifts

The CVC is headed by the Central Vigilance Commissioner who is appointed by the President of India for a period of six years or till the age of 65 years, whichever is earlier. He can be removed in the same manner as provided for the removal of the Chairman of the UPSC. He is not eligible for any further employment either under the Central Government or the state governments.

Functions of the CVC

The functions of the CVC are as follows:

- (i) Undertaking inquiry into any transaction in which a public servant is suspected or alleged to have acted for an improper purpose or in a corrupt manner and tendering advise to the disciplinary authorities on such cases at different stages of investigation, appeal and review.

- (ii) Exercising a general check and supervision on the vigilance and anti-corruption work in ministries and departments of the Government of India and other autonomous bodies.
- (iii) Advising the administrative authorities to modify the existing procedures and practices when it appears that such procedures and practices afford scope for corruption and misconduct.
- (iv) Approving the appointment of Chief Vigilance Officers (CVO) who heads the vigilance units in various organizations. It may initiate a review of procedures and practices of administration in so far as they relate to maintenance of integrity in administration.

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Role

The role of the CVC can be summed up as follows:

- The CVC is not an investigating agency, and it either gets the investigation done through the CBI or through the Departmental Chief Vigilance Officers.
- The only investigation carried out by the CVC is that of examining Civil Works of the Government which is done through the Chief Technical Officer.
- Corruption investigations against government officials can proceed only after the government permits them. The CVC publishes a list of cases where permissions are pending, some of which may be more than a year old.
- The CVC also publishes list of corrupt government officials against which it has recommended punitive action.

Appointment

The Central Vigilance Commissioner and the Vigilance Commissioners shall be appointed by the President by warrant under his hand and seal; provided that every appointment under this sub-section shall be made after obtaining the recommendation of a Committee consisting of:

- the Prime Minister — as the Chairperson
- the Minister of Home Affairs — as its Member
- the Leader of the Opposition in the House of the People (the Lok Sabha)

Removal

The Central Vigilance Commissioner or any Vigilance Commissioner shall be removed from his office only by order of the President on the ground of proved misbehaviour or incapacity after the Supreme Court, on a reference made to it by the President, has, on inquiry, reported that the Central Vigilance Commissioner or any Vigilance Commissioner, as the case may be, ought to on such ground be removed. The President may suspend from office, and if deem necessary prohibit also from attending the office during inquiry, the Central Vigilance Commissioner or any Vigilance Commissioner in respect of whom a reference has been made to the Supreme Court until the President has passed orders on receipt of the report of the Supreme

Court on such reference. The President may, by order, remove from office the Central Vigilance Commissioner or any Vigilance Commissioner if the Central Vigilance Commissioner or such Vigilance Commissioner, as the case may be:⁴⁴

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- is adjudged an insolvent; or
- has been convicted of an offence which, in the opinion of the Central Government, involves moral turpitude; or
- engages during his term of office in any paid employment outside the duties of his office; or
- is, in the opinion of the President, unfit to continue in office by reason of infirmity of mind or body; or
- has acquired such financial or other interest as is likely to affect prejudicially his functions as a Central Vigilance Commissioner or a Vigilance Commissioner.

Organization and Secretariat

The Central Vigilance Commission has its own Secretariat, Chief Technical Examiners' Wing (CTE), and a wing of Commissioners for Departmental Inquiries (CDI).

The Secretariat consists of a Secretary of the rank of Additional Secretary to the Government of India, 1 officer of the rank of Joint Secretary to the Government of India, 10 officers of the rank of Director/Deputy Secretary, 4 Under Secretaries and office staff. There are 15 posts of Commissioners for Departmental Inquiries (CDI) in the Commission, 14 in the rank of Deputy Secretaries/Directors and one in the rank of Joint Secretary to Government of India. The CDIs function as Inquiry Officers to conduct inquiries in departmental proceedings initiated against public servants.

State and district level vigilance machinery

The vigilance machinery at the state level differs from state to state. Most of the states have a State Vigilance Commission. There is also a special police establishment to deal with cases of corruption in both the state government and the state public undertakings. The Commission presents the Annual Report to the State Government and the same is placed before the State Legislature. At the district level, there is a District Vigilance Officer. The District Collector appoints one of his gazetted officers as District Vigilance Officer.

3.5.2 Ombudsman in India: Lokpal and Lokayuktas

The Administrative Reforms Commission (ARC) headed by Morarji Desai submitted a special interim report on 'Problems of Redressal of Citizen's Grievances' in 1966. In this report, the ARC recommended the setting up of two special authorities designated as 'Lokpal' and 'Lokayukta' for the redressal of citizens' grievances.

The ARC recommended the creation of Ombudsman-type institution namely the Lokpal at the Centre and the Lokayukta at the State level. The Scandinavian

Institution of Ombudsman is the earliest institution for the redressal of public grievances, first established in Sweden in 1809. The Ombudsman Institution is based on the principle of administrative accountability to Parliament. The Institution refers to an officer appointed by the legislature to handle complaints against administrative and judicial action.

The Lokayukta helps people bring corruption to the fore mainly among the politicians and officers in the government service. It is to be noted that the Lokayukta conducts raids. But surprisingly, it does not have binding powers to punish anyone. Owing to this, many acts of the Lokayukta have not resulted in criminal or other consequences for those charged.

The features of these institutions as given by ARC are:

- They should be demonstrably independent and impartial
- Their investigations and proceedings should be conducted in private and should be uniform in character
- Their appointment should be, as far as possible, non-political
- Their status should compare with the highest judicial functionary in the country
- They should deal with matters in the discretionary field involving acts of injustice, corruption and favouritism
- Their proceedings should not be subjected to judicial interference, and they should have the maximum latitude and powers in obtaining information relevant to their duties
- They should not look forward to any benefit or pecuniary advantage from the executive government

Based on the recommendations of ARC, many attempts were made from 1968 onwards for the establishment of Lokpal at the Central level. The Government of India introduced bills for this purpose in Parliament in 1968, 1977, 1985, 1990, 1998 and 2001. The Lokpal Bill introduced in 1977 brought in the Prime Minister as well as Members of Parliament under its purview. While the 1985 Bill excluded the Prime Minister from the jurisdiction of Lokpal. The Bill on Lokpal introduced in Parliament recently has brought in Prime Minister and other ministers again under Lokpal's jurisdiction. Unfortunately, these bills have not yet been passed in Parliament.

Lokayukta

The Ombudsman established at the level of states in India is known as the Lokayukta. Many state governments have established the office of the Lokayukta and Up-Lokayukta. Establishing Lokayukta is not mandatory on the part of states. Thus, the office of the Lokayukta exists in Maharashtra (1971), Bihar (1973), Uttar Pradesh (1975), Madhya Pradesh (1981), Andhra Pradesh (1985), Himachal Pradesh (1985), Karnataka (1985), Assam (1986), Gujarat (1986), Punjab (1995), Delhi (1996) and Haryana (1996). Kerala is also in a process of establishing this office. Orissa was the first state to pass ombudsman legislation in 1970 and also the first to abolish the

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institution in 1993. The appointment of the Lokayukta and Up-Lokayukta is made by the Governor who is the executive head in the states. The Lokayukta Acts provide that the Governor shall appoint Lokayukta and Up-Lokayukta in consultation with the Chief Justice of the High Court of the state and the leader of the opposition in the legislative assembly.

Terms and conditions of office

The term of the Lokayuktas and Up-Lokayuktas has been fixed for five years. The Assam Act, however, prescribes an upper age limit of 68 years. The status prescribed for the Lokayukta is equal to that of the Chief Justice of a High Court or a judge of the Supreme Court of India and that of Up-Lokayukta to the judge of a High Court and in any other case to an additional secretary to the Government of India. With a view to ensure independence and impartiality, the Lokayukta and Up-Lokayukta have been debarred from being a member of parliament or a state legislature, and prohibited from keeping any connection with political parties. After relinquishing office, they have been made ineligible to hold another office under their respective state governments. All state Acts expressly prohibit the reappointment of the Lokayuktas. The Lokayukta and Up-Lokayukta can be removed from office by the Governor for misbehaviour or incapacity. The procedure prescribed for the removal of the Lokayukta is almost the same as provided for in the Constitution of India for the removal of judges of the High Court or the Supreme Court.⁴⁵

Jurisdictional area

The Lokayukta and Up-Lokayukta have been granted powers to investigate any action, which is taken by or with the general or specific approval of a minister or a secretary, or any other public servant. Thus, all administrative actions from the level of ministers to the lower levels are subjected to scrutiny by the Lokayukta and Up-Lokayukta. Certain other categories of officials like Chairman of Zila Parishad and other local bodies have also been included within the purview of the Lokayukta.

Procedure of investigation

After making preliminary investigations, where the Lokayukta or Up-Lokayukta proposes to conduct investigation, he forwards a copy of the complaint to the officer and to the competent authority concerned. Any proceeding before the Lokayukta and Up-Lokayukta has to be conducted in private and the identity of the complainant or the person complained against is not to be disclosed at any stage of investigation. The Seventh All-India Conference of Lokpals, Lokayuktas and Up-Lokayuktas held in Bangalore, in January 2003,⁴⁶ stressed on the following provisions:

- There is a need to bring out Lokayukta Act to bring uniformity and to make the institution independent of the political executive.
- If Parliament brought in a law, the appointment of Lok Ayuktas could be based on the recommendations of the Chief Justice of India in consultation with the Chief Justice of respective High Court. This will ensure tenure, protection of salary and emoluments and a sound procedure for their removal.

- The staff deputed to the Lokayukta should be given protection.
- Reports of the Lokayukta should be made binding on the government in so far as it is related to the government servants.
- Lokayukta should bring out an annual report about their functioning and this should be made public.
- Lokayukta should be made easily accessible to the public.

The first Lokpal Bill was proposed by Mr Pacos in 1968 and passed in the 4th Lok Sabha in 1969 but could not get through the Rajya Sabha. Subsequently, lokpal bills were introduced in 1971, 1977, 1985, 1989, 1996, 1998, 2001, 2005 and 2008, but were never passed.

The Lokpal Bill provides for filing complaints of corruption against the prime minister, other ministers, and MPs with the Ombudsman. The Administrative Reforms Commission (ARC) while recommending the constitution of Lokpal was convinced that such an institution was justified not only for removing the sense of injustice from the minds of deeply affected citizens, but also necessary to instill public confidence in the efficiency of the administrative machinery. Following this, the Lokpal Bill was for the first time presented during the fourth Lok Sabha in 1968, and was passed in 1969. However, while it was pending in the Rajya Sabha, the Lok Sabha was dissolved, and so the Bill was not passed at that time. The Bill was revived several times in the subsequent years. Each time, after the Bill was introduced to the House, it was referred to some committee for improvements such as a joint committee of parliament, or a departmental standing committee of the Home Ministry and before the government could take a final stand on the issue, the house was dissolved again.

Several conspicuous flaws have been cited in the recent draft of the Lokpal Bill. The basic idea of the Lokpal is borrowed from the office of Ombudsman, which has Administrative Reforms Committee of a Lokpal at the Centre, and lokayukta(s) in the states. Since recently, in 2011, there has been a public demand and agitation led by civil society organizations to pass the Lokpal Bill in Parliament. The Jan Lokpal Bill (Citizen's Ombudsman Bill) is being prepared by civil society organizations and activists to replace Lok Pal Bill drafted by the government in power. The objective of this draft anti-corruption bill is to seek the appointment of a Jan Lokpal, an independent body that would investigate corruption cases, complete the investigation within a year and ensure that the trial is over in the next one year.

The Bill has been drafted by Justice Santosh Hegde (former Supreme Court Judge and former Lokayukta of Karnataka), Prashant Bhushan (Supreme Court Lawyer) and Arvind Kejriwal (RTI activist). The drafted Bill envisages a system where a corrupt person found guilty would go to jail within two years of the complaint being made and his ill-gotten wealth will be confiscated. It also seeks power for the Jan Lokpal to prosecute politicians and bureaucrats without government permission. Retired IPS officer Kiran Bedi and other known people like Swami Agnivesh, Sri Sri Ravi Shankar, Anna Hazare and Mallika Sarabhai are also part of the movement,

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called India Against Corruption. The movement was an expression of collective anger of people of India. However, on 27 December 2011, the Lokpal Bill was passed by the Lok Sabha after a day long debate and amendments but could not pass in the Rajya Sabha.

Role of Lokayukta

Lokayukta investigates cases of corruption, and where substantiated, recommends action. He is a great check on corruption, brings about transparency in the system, and makes administrative machinery citizen friendly. His functions largely depend upon jurisdiction vested in him and facilities provided for taking cognizance of citizens' grievances promptly, dexterously and expeditiously through simple, informal mechanism devoid of technicalities.

He provides for inquiry/investigation into complaints of corruption against public servants. He protects Citizens' Right against mal-administration, corruption, delay, inefficiency, non-transparency, abuse of position, improper conduct etc. The procedure to be followed is informal and inexpensive, and technicalities do not come in the way. Each complaint is supported by an affidavit, making out a case for inquiry. He is a representative of the Legislature, powerful friend of the citizens for acting against officials' actions, inaction or corruption. He is not anti-administration, but, rather helps in humanizing relations between the public and the administration, and acts as a step forward in establishing an 'Open Government' for securing respect for the rule of law. He is an educator aiming at propagating the prevention of corruption, inefficiency and mal-administration in governance.

The role of Lokayukta is necessary in providing a mechanism which can balance the fundamental requirement that governments must be able to govern but with appropriate accountability.

Effectiveness of Lokayukta is related to his primary objective—to ensure that the constitutional state is maintained, that public authorities respect citizens' rights and laws and that administrative problems are corrected such as elimination formalities, reduced delays, revision of discretionary decision-making processes etc. Consequently, this mission is divided into two parts: (a) monitoring and (b) correcting, if necessary, public authorities' behaviour. This is why the Lokayukta's effectiveness, or his success in getting his recommendations implemented by public authorities, relies on his ability to make public authorities accept and understand his recommendations. This is why he ensures that public authorities are aware of his intervention criteria, the general scale according to which he evaluates the government's administrative behaviour. It makes his general intervention policies public, the population, public authorities and media are better able to understand the rationale for any possible recommendations that he could make in a case under his scrutiny, no matter what the nature of the investigations.

3.5.3 Right to Information Act, 2005

In the broader context, it is realized that accountability should go hand in hand with necessary authority and responsibility, appropriate delegation of powers, and making every unit of government a discrete entity for the performance of its assigned tasks. At the national level, the agenda in this regard includes enactment of Right to Information Act. Every citizen has a right to know how the government is functioning. Right to Information empowers every citizen to seek any information from the Government, inspect any government document and seek certified photocopies thereof. Some laws of Right to Information also empower citizens to officially inspect any government work or to take sample of material used in any work.

Right to Information includes the right to:

- Inspect works, documents, and records
- Take notes, extracts or certified copies of documents or records
- Ask any questions from the government or seek any information
- Take samples of materials of any governmental work
- Obtain information in form of printouts, diskettes, floppies, tapes, video, and cassettes or in any other electronic mode or through printouts.

Information means any material in any form, including records, documents, memos, e-mails, opinions, advices, press releases, circulars, orders, logbooks, contracts, reports, papers, samples, models, data material held in any electronic form and information relating to any private body which can be accessed by a public authority under any other law for the time being in force. Record includes any document, manuscript and file, any microfilm, microfiche, and facsimile copy of a document, any reproduction of image or images embodied in such microfilm (whether enlarged or not); and any other material produced by a computer or any other device.

As per the provisions of RTI Act, 2005, an applicant cannot ask for opinions/ advice/views under the RTI Act, unless the opinion/advice/view is already on 'record'. RTI is an Act to provide for setting out the practical regime of right to information for citizens to secure access to information under the control of public authorities, in order to promote transparency and accountability in the working of every public authority, the constitution of a Central Information Commission and State Information Commissions and for matters connected therewith or incidental thereto.

The Act applies to all States and Union Territories of India except the State of Jammu and Kashmir. Jammu and Kashmir has its own act called Jammu & Kashmir Right to Information Act, 2009.

Under the provisions of the Act, any citizen may request information from a 'public authority' (a body of Government or 'instrumentality of State') which is required to reply expeditiously or within 30 days. The Act also requires every public authority to computerize their records for wide dissemination and to pro-actively

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publish certain categories of information so that the citizens need minimum recourse to request for information formally. This law was passed by Parliament on 15 June 2005 and came fully into force on 13 October 2005. Information disclosure in India was hitherto restricted by the Official Secrets Act, 1923, and various other special laws, which the new RTI Act now relaxes.⁴⁷ The formal recognition of a legal right to information in India occurred more than two decades before legislation was finally enacted, when the Supreme Court of India ruled in *State of Uttar Pradesh vs Raj Narain* that the right to information is implicit in the right to freedom of speech and expression explicitly guaranteed in Article 19 of the Indian Constitution.

The Act is applicable to all constitutional authorities, including the executive, legislature and judiciary; any institution or body established or constituted by an Act of Parliament or a state legislature. It is also defined in the Act that bodies or authorities established or constituted by order or notification of appropriate government including bodies ‘owned, controlled or substantially financed’ by government, or non-governmental organizations ‘substantially financed, directly or indirectly by funds’ provided by the government are also covered in it.

Private bodies are not within the Act’s ambit directly. However, information that can be accessed under any other law in force by a public authority can also be requested. In a landmark decision of 30 November 2006 (*Sarbajit Roy vs DERC*) the Central Information Commission also reaffirmed that privatized public utility companies continue to be within the RTI Act their privatization notwithstanding.⁴⁸

Process of RTI

Under the Act, all authorities covered must appoint their Public Information Officer (PIO). Any person may submit a request to the PIO for information in writing. It is the PIO’s obligation to provide information to citizens of India who request information under the Act. If the request pertains to another public authority in whole or a part, it is the PIO’s responsibility to transfer/forward the concerned portions of the request to a PIO of the other within five working days. In addition, every public authority is required to designate Assistant Public Information Officers (APIOs) to receive RTI requests and appeals for forwarding to the PIOs of their public authority. The applicant is not required to disclose any information or reasons other than his name and contact particulars to seek the information. “Apply RTI” is the online system which facilitates the filing of RTI Act (India) applications online. It aims primarily at minimizing the time taken and effort required in filing an application. The Act specifies time limits for replying to the request as follows:

- If the request has been made to the PIO, the reply is to be given within 30 days of receipt.
- If the request has been made to an APIO, the reply is to be given within 35 days of receipt.

- If the PIO transfers the request to another public authority (better concerned with the information requested), the time allowed to reply is 30 days but computed from the day after it is received by the PIO of the transferee authority.
- Information concerning corruption and Human Rights violations by scheduled Security agencies (those listed in the Second Schedule to the Act) is to be provided within 45 days but with the prior approval of the Central Information Commission.
- However, if life or liberty of any person is involved, the PIO is expected to reply within 48 hours.

Since the information is to be paid for, the reply of the PIO is necessarily limited to either denying the request in whole or part and/or providing a computation of 'further fees'. The time between the reply of the PIO and the time taken to deposit the further fees for information is excluded from the time allowed. If information is not provided within this period, it is deemed a refusal. Refusal with or without reasons may be ground for appeal or complaint. Further, information not provided in the time prescribed is to be provided free of charge. For Central Departments, as of 2006, there is a fee of ₹ 10 for filing the request, ₹ 2 per page of information and ₹ 5 for each hour of inspection after the first hour. If the applicant is a Below Poverty Level (BPL) cardholder, then no fee shall apply. Such BPL cardholders have to provide a copy of their BPL card along with their application to the Public Authority. States Government and High Courts fix their own rules. The Act allows those part(s) of the record which are not exempt from disclosure, and which can reasonably be severed from parts containing exempt information to be provided.

Exclusion from RTI

Central Intelligence and Security agencies specified in the Second Schedule like IB, Directorate General of Income tax (Investigation), RAW, Central Bureau of Investigation (CBI), Directorate of Revenue Intelligence, Central Economic Intelligence Bureau, Directorate of Enforcement, Narcotics Control Bureau, Aviation Research Centre, Special Frontier Force, BSF, CRPF, ITBP, CISF, NSG, Assam Rifles, Special Service Bureau, Special Branch (CID), Andaman and Nicobar, the Crime Branch-CID-CB, Dadra and Nagar Haveli and Special Branch, Lakshadweep Police are excluded from RTI. Agencies specified by the state governments through a Notification will also be excluded. The exclusion, however, is not absolute and these organizations have an obligation to provide information pertaining to allegations of corruption and human rights violations. Further, information relating to allegations of human rights violation could be given but only with the approval of the Central or State Information Commission.

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The following information is exempt from disclosure:

- Information, disclosure of which would prejudicially affect the sovereignty and integrity of India, the security, 'strategic, scientific or economic' interests of the State, relation with foreign State or lead to incitement of an offence.
- Information which has been expressly forbidden to be published by any court of law or tribunal or the disclosure of which may constitute contempt of court.
- Information, the disclosure of which would cause a breach of privilege of Parliament or the State Legislature.
- Information including commercial confidence, trade secrets or intellectual property, the disclosure of which would harm the competitive position of a third party, unless the competent authority is satisfied that larger public interest warrants the disclosure of such information.
- Information available to a person in his fiduciary relationship, unless the competent authority is satisfied that the larger public interest warrants the disclosure of such information.
- Information received in confidence from a foreign government.
- Information, the disclosure of which would endanger the life or physical safety of any person or identify the source of information or assistance given in confidence for law enforcement or security purposes.
- Information which would impede the process of investigation or apprehension or prosecution of offenders.
- Cabinet papers including records of deliberations of the Council of Ministers, Secretaries and other officers.
- Information which relates to personal information the disclosure of which has no relationship to any public activity or interest, or which would cause unwarranted invasion of the privacy of the individual (but it is also provided that the information which cannot be denied to Parliament or a State Legislature shall not be denied by this exemption).
- Notwithstanding any of the exemptions listed above, a public authority may allow access to information, if public interest in disclosure outweighs the harm to the protected interests. [This provision is qualified by the proviso to Sub-section 11(1) of the Act which exempts disclosure of 'trade or commercial secrets protected by law' under this clause when read along with Section 8(1)(d)].

Role of the government

Section 26 of the Act enjoins the Central Government, as also the state governments of the Union of India (excluding J&K), to initiate necessary steps to:

- Develop educational programmes for the public especially disadvantaged communities on RTI

- Encourage public authorities to participate in the development and organization of such programmes
- Promote timely dissemination of accurate information to the public
- Train officers and develop training materials
- Compile and disseminate a User Guide for the public in the respective official language
- Publish names, designation postal addresses and contact details of PIOs and other information such as notices regarding fees to be paid, remedies available in law if request is rejected, etc.
- The Central Government, State Governments and the Competent Authorities as defined in Section 2(e) are vested with powers to make rules to carry out the provisions of the Right to Information Act, 2005 (Section 27 and Section 28)
- If any difficulty arises in giving effect to the provisions in the Act, the Central Government may, by Order published in the Official Gazette, make provisions necessary/expedient for removing the difficulty (Section 30)

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9. Which are the various forms of corruption seen in the field of politics?
10. Who all does CVC’s jurisdiction cover?
11. What is the Lokpal bill usable for?
12. Which agencies are covered by the Right to Information Act of 2005?

3.6 SUMMARY

- A nation, in the most elementary sense, is a community whose cohesive identity has been built over time. Civil society is a loose conglomeration consisting of organizations based on voluntary participation.
- Civil society is neither mandated nor run by the State institutions. It spring from the activities of interest in everyday life. The idea of civil society has a long history beginning with the writings of John Locke (1632–1704) upto the writings of Antonio Gramsci (1891–1937).
- Modernization studies deal with the effects of economic development on traditional social structure and values. The process of modernization is related to the industrialization, urbanization, high standards of living, development of civilization and broadness of viewpoint.
- In sociology, modernization is also linked to the process of rationalization. In a modernized society, the individual becomes much more important, gradually replacing the family or community as the primary unit of society. As societies experience the process of modernization, the importance of religion, traditional

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values, etc. becomes less important and people start thinking more about reason and rationality.

- Secularization is another important process of social change in modern Indian context. It refers to the transformation of a society identified with religious values, ideas and institutions towards non-religious ideas, values and institutions.
- A very important aspect of political linkages in India is the public opinion. Being classified as one of the largest democracies in the world, the crucial role of public opinion can neither be underestimated nor ignored.
- The civil society requires access to information to make political choices. In the same manner, the political leaders require the media to take stock of the public mood, present their views and interact with the society. The media is, thus, accepted to be an important conduit of relations between the state and the society at large.
- Pressure groups operate actively, especially in a representative government committed to the realization of the ideal of social service state. The state also makes itself increasingly dependent on them while handling its sphere of planning and social service.
- Developing countries like India are particularly vulnerable to global events and actions and have come to depend heavily on the international community for financial and technical assistance. Consequently, national policies are interlocked with global issues, because poor countries generally have fragile politics and weak system of accountability, with few autonomous institutions and little power to offset that exercise by the central government.
- Citizen participation is community-based process, where citizens organize themselves and their goals at the grassroots level and work together through non-governmental community organizations, to influence the decision-making process. It is through people participation that transparency is increased in the decision-making process and ensures accountability.
- Good governance is an indeterminate term used in development literature to describe how public institutions conduct public affairs and manage public resources in order to guarantee the realization of human rights.
- Governance needs to be seen not merely in terms of managing resources and people during the tenure of a government but its ability to take a long-term view not only of the nation but nation in the global context.
- Since 1991, the Government of India has reoriented the role of planning in India. It has been recognized that market forces and the state should be given roles that play to their comparative advantages and that they should work together as partners in the economic development of the nation.
- In the contemporary society, the state plays an important role in the socio-economic development. The success of democracy and development depends to a great extent on the efficiency of the government machinery. However, in the exercise of administrative powers, there is always a possibility of malpractices.

- The Administrative Reforms Commission (ARC) headed by Morarji Desai submitted a special interim report on 'Problems of Redressal of Citizen's Grievances' in 1966. In this report, the ARC recommended the setting up of two special authorities designated as 'Lokpal' and 'Lokayukta' for the redressal of citizens' grievances.
- Every citizen has a right to know how the government is functioning. Right to Information empowers every citizen to seek any information from the Government, inspect any government document and seek certified photocopies thereof. Some laws of Right to Information also empower citizens to officially inspect any government work or to take sample of material used in any work.

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3.7 KEY TERMS

- **Civil society:** It is a loose conglomeration consisting of organizations based on voluntary participation.
- **Secularization:** It refers to the transformation of a society identified with religious values, ideas and institutions towards non-religious ideas, values and institutions.
- **Public opinion:** It is the sum total of individual beliefs and attitudes that define both society and polity.
- **Citizen participation:** It is community-based process, where citizens organize themselves and their goals at the grassroots level and work together through non-governmental community organizations, to influence the decision-making process.
- **Good governance:** It describes how public institutions conduct public affairs and manage public resources in order to guarantee the realization of human rights.
- **Governance:** It is described as the process of decision-making and the process by which decisions are implemented or not implemented.

3.8 ANSWERS TO 'CHECK YOUR PROGRESS'

1. Clifford Geertz distinguished between civic nationalism and ethnic nationalism. The former is a desire for citizenship in a modern State and the latter is a commitment to primordial loyalties. These primordial loyalties could take the form of blood ties, race, language, religion, region and custom.
2. Comte, the father of the discipline, viewed evolution in three successive stages: theological, metaphysical and positive stages, most commonly known as the 'law of three stages'. Human thought and knowledge are the bases through which societies change from one stage to the other. In the theological stage, people believed in the supernatural forces. In the metaphysical stage, human intelligence was the product of abstract forces.

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3. The term 'secularization' was first used in Europe in 1648. It was then understood as the process of transferring of Church properties to the control of the rulers. Bryan Wilson (1966) defined secularization as 'a process where religious thinking, practice and institutions lose social significance'.
4. A very important aspect of political linkages in India is the public opinion. Being classified as one of the largest democracies in the world, the crucial role of public opinion can neither be underestimated nor ignored. Democracy is a 'government of the people, by the people and for the people'. The public opinions are expressed through the exercise of people's franchise. No doubt, then, that public opinion plays a very crucial and decisive role in making or breaking a government.
5. These are ad hoc (unplanned) groups which come into existence as a result of turmoil and excitement, a crisis, a specific event or issue. Anomic groups do not have a formal structure or leaders and their actions are often violent. They act spontaneously and in an uncoordinated fashion and are short-lived. They express their grievances through violent riots, demonstrations and street protests.
6. These groups in India are a form of linkage and means of communication between the masses and the elite. They provide scope for expanding participation and their institutionalization is a critical element in the development of a responsive political system, for they are barometers of the political climate by which decision-makers can make and assess policy.
7. The UN refers to following eight characteristics of good governance:
 - Consensus-oriented
 - Participatory
 - Following the rule of law
 - Effective and efficient
 - Accountability
 - Transparency
 - Responsive
 - Equitable and inclusive
8. The base of credible national security is based on the level of economic prosperity which caters to the well-being of the population of any country, and especially of developing countries like India. There are many developing countries in the Asia-Pacific region, including China and India, where nearly one-third of the world's population are currently going through economic transitions. The central objective of transition through economic liberalization is to improve the competitive efficiency of the economy in the global marketplace to sustain accelerated rates of economic growth, and thereby continuously improving the security and well-being of the people.
9. Forms of corruption include bribery, extortion, cronyism, nepotism, patronage, graft and embezzlement. Corruption may facilitate criminal enterprise such

as drug trafficking, money laundering, and human trafficking, though is not restricted to these activities.

10. CVC's jurisdiction covers:

- All the employees of the Central Government.
- All the employees of public undertakings, corporate bodies and other institutions under the Central Government.
- All the employees of the Delhi Metropolitan Council and the New Delhi Municipal Corporation.

11. The Lokpal Bill provides for filing complaints of corruption against the prime minister, other ministers, and MPs with the Ombudsman. The Administrative Reforms Commission (ARC) while recommending the constitution of Lokpal was convinced that such an institution was justified not only for removing the sense of injustice from the minds of deeply affected citizens, but also necessary to instil public confidence in the efficiency of the administrative machinery.

12. The Act is applicable to all constitutional authorities, including the executive, legislature and judiciary; any institution or body established or constituted by an Act of Parliament or a state legislature. It is also defined in the Act that bodies or authorities established or constituted by order or notification of appropriate government including bodies 'owned, controlled or substantially financed' by government, or non-governmental organizations 'substantially financed, directly or indirectly by funds' provided by the government are also covered in it.

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3.9 QUESTIONS AND EXERCISES

Short-Answer Questions

1. What kind of influence do multinational corporations and international organizations exercise on national policies?
2. Write a note on the advantage of democratization and enhanced citizen participation in making policies.
3. What is the role of mass media in a democratic setup?
4. What are the common grievances against administration?
5. What are the modes of corruption in public services?
6. What are the recommendations of Administrative Reforms Commission on Lokpal and Lokayukta?
7. What are the differences between a nation and civil society?
8. Describe the features of the State, a nation and civil society.

Long-Answer Questions

1. Discuss the impact caused by social problems on the process of policymaking.
2. Discuss the concept of good governance and the need for it in Indian civil society.

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3. How do pressure groups impact public administration? Which are the various types of pressure groups?
4. Explain the role of the Central Vigilance Commission.
5. Explain the institution of Lokayukta.
6. Write an essay on the Right to Information Act, 2005.
7. How does modernization pose a challenge for civil society?

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UNIT 4 FINANCIAL ADMINISTRATION

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Structure

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- 4.2 Meaning and scope of Financial Administration
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4.0 INTRODUCTION

Financial administration constitutes the lifeblood of effective administration of a country. With the addition of regulatory and welfare functions to the sphere of the Government, the functional role of financial administration was articulated in terms of mobilization of resources and their productive deployment. It was expected to achieve the broad objectives mentioned in public policies from time to time. Its aim was to achieve the objectives of the government with the maximum possible level of efficiency at the least expenditure. In a welfare state with a commitment to socio-economic justice, the government wishes to raise the quality of life of its citizens. Therefore, one may expect the efficiency and economy of financial administration having certain common objectives.

In this unit, we will discuss the objectives, principles, and working of financial administration. The unit will also trace the evolution of financial administration in India and some of its emerging trends.

4.1 UNIT OBJECTIVES

After going through this unit, you will be able to:

- Discuss the meaning and scope of financial administration
- Identify the principles of financial administration
- Explain the concept of performance budgeting
- Describe the place of audits and accounting in financial administration

4.2 MEANING AND SCOPE OF FINANCIAL ADMINISTRATION

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It is understood that finance is the fuel for the engine of public administration. Lloyd George once remarked that government itself is finance and this is quite correct, because almost everything the government does, requires money. According to Kautilya, 'all undertakings depend upon finance. Hence, foremost attention shall be paid to the treasury'. Financial administration consists of those operations whose objective is to make funds available for governmental activities, and to ensure the lawful and efficient use of these funds. Those operations are performed by the following agencies:

- The Executive, which needs funds;
- The Legislature, which alone can grant funds;
- The Finance Ministry which controls the expenditure; and
- The Audit which sits in judgment over the way in which the funds have been spent.

Financial administration is a dynamic process, which has five well-defined divisions, namely:

- (i) Preparation of the budget, i.e., of the estimates of the revenue and expenditure for the ensuing financial year.
- (ii) Getting these estimates passed by the Legislature called "Legislation of the Budget".
- (iii) Execution of the budget, i.e., regulation of the expenditure and raising of revenue according to it.
- (iv) Treasury management, i.e., safe custody of the funds raised, and due arrangement for the necessary payments to meet the liabilities.
- (v) Rendering of the accounts by the executive and the audit of these accounts.

According to L.D. White, 'fiscal management includes, as its principle subdivisions, budget making followed by the formal act of appropriation, executive supervision of expenditure (budget execution), the control of the accounting and reporting system, treasury management and revenue collection and audit'. So far, the best known machinery for fiscal management is the budget system in the developed countries, which have led to an enlarged scope of financial administration that is characterized by deficit budgets, massive public debt and deficit financing. Similarly, in the developing countries, where governments have assumed the role of a facilitator of development, fiscal policies and administration reflect a set of multiple objectives such as stability, development, self-reliance, reduction of interpersonal inequalities in income and wealth, and balanced regional development. Interestingly, these countries also utilize the same instruments of action. Even though political ideologies or economic doctrines are crucial in the management of the affairs of the state; there are certain fundamental objectives of financial administration which transcend politico-economic compulsions. These are as follows:

- **Management of finances of public household:** Just as in an individual household, the public authorities are concerned with the satisfaction of human wants and their major problem is to ensure the best application of limited means to secure given ends. In this context, a financial manager focuses his attention on mobilization of resources and their rational deployment in conformity with the rising expectations of the people.
- **Implementation of projects and programmes:** An initiated development in financial administration is related to ensuring optimal public investment decisions through project formulation, appraisal and implementation. The emphasis has shifted from expenditure control to the implementation of projects within the stipulated time schedule and expenditure ceiling.
- **Provision for public goods and social services:** Since the benefits from public goods and social goods are available to one and all notwithstanding one's contribution to public exchequer, no one will offer payments for the supply of such goods. Provision of public goods like public parks, social services like public health, sanitation cannot be left to the private sector which is driven by profit rather than service to the people. Budgetary support for such services becomes a legitimate concern for fiscal policymakers.
- **Growth, employment and price stability:** Modern governments are expected to focus attention on the socially desired rate of economic growth, high employment and a reasonable degree of price level stability and a positive balance of payment position. Achievement of these objectives cannot come about automatically. Hence, there is need for policy initiatives on the part of public authorities.
- **Capital formation:** Economic development of a nation, to a great extent, depends upon the capital formation through increased savings. No amount of State's coercive power can achieve this objective. Appropriate financial and fiscal measures such as discriminatory taxation and monetary policy instruments may be employed to accomplish this objective.
- **Productive deployment of national funds:** A major problem of under-developed countries is the allocation of funds for investment between competing projects and programmes. The entrepreneurs may prefer 'risk free' and 'quick yielding' investment rather than those which are essential in national interest. In order to ensure flow of investible funds into desirable channels, the Planning Commission lays down guidelines regarding priorities for different types of investment for both public and private sector. The finance ministry takes up the task of ensuring adherence to national priorities both in the public sector and the private sector.
- **Facilitating smooth flow of parliamentary processes:** The basic tenet of representative governments throughout the world is the supremacy of the representative institutions and their control over the executive branch of the government. One of the most important dimensions of this is the control of legislature over use of public funds. The supremacy of the legislative body over the executive can be ensured by financial administration through its budgetary process and audit function.

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- **Achieving equity and equality:** The distribution of income and wealth depends upon the distribution of factors of production and factor pricing determined through the market mechanism. It also depends upon the transmission of property rights through inheritance as well as personal earning abilities. Such distribution may not be in conformity with what society considers a 'fair' or 'just' state of distribution. Equity, however, has to be achieved through an evolutionary process without giving scope for class conflicts and large-scale violence. There should be a progressive reduction in the concentration of economic power. At the same time, equal opportunities for everyone in every sphere will have to ensure non-occurrence of fresh inequalities. Financial administration, through its fiscal policies, such as progressive taxation, grants, subsidies etc., can help the movement towards greater equality of wealth and opportunities.

To sum up, the objectives of financial administration can be broadly categorized as stability, equity and growth, and the effect of these objectives is very important to bring about socio-economic transformation in a desirable direction.

4.2.1 Evolution of Financial Administration in India

The concept of 'financial administration' is not new to India. Financial administration reached an advanced stage of development as early as 4th century BC. Kautilya's *Arthashastra* was a treatise on financial administration. It contained several sound principles of public finance and financial administration. The Mauryan administration carried out its fiscal functions in conformity with these principles. Land revenue was a principal source of revenue and it was based on land yields. Taxes were also imposed on commodities such as gold, cattle, etc. Income from public works constituted a major source of non-tax revenue. Public borrowing and deficit financing were unknown. There was a well-organized financial structure which included offices of the Collector General, the Treasurer General, and the Accountant General. Fiscal decisions were influenced by royal whims and fancies and there was no sound system of financial accountability. The Gupta period had more or less a similar system of financial administration.

The Mughal period saw an elaborate and systematic financial system. Land revenue continued to be the main source of revenue. It was being levied after a systemic process known as 'survey and settlement'. The basic structure of revenue administration was designed in India by Sher Shah Suri. Raja Todarmal, a noble of Akbar's *darbar* (court), systematized it and codified the principles of revenue administration in the form of a manual which was adapted by Britishers at a later date. They had created intermediate relationships on land matters. Capitation tax, Jazya, Income Tax, etc., constituted other direct taxes, and indirect taxes comprised sales tax, customs, octroi and excise duties. There was a network of government and non-government treasuries for collection, custody and disbursement of public funds.

Though the above said heritage has left its indelible footprints on the fiscal history of India, a beginning for the modern financial system was made during British

rule. The system of financial control which was introduced in India during the British period was a highly centralized version of the British system. But, it was designed to serve the basic interests and ambitions of British imperialism. The financial policies and the system of financial administration was instrumental in safeguarding British interests in India and subserving their imperialist expansion in other parts of the world.

During this period, financial administration passed through several distinct phases of development. One can broadly divide financial administrative history of India into various phases.

The first phase (1765–1858) was creation of structure and concretization. The Acquisition of Diwani Rights in 1765 marked the commencement of financial administration of British India. All the powers were vested in the East India Company, which were exercised through the Board of Control. Revenues from India were treated as commercial earnings of the East India Company. The British Government could only influence the Company administration through indirect methods as provided for in various Regulating Acts. The superintendence and control of public finances vested separately in each Presidency was headed by a Governor. The Governor-General of India could not utilize these funds unless he got specific permission from the Board of Control. However, he could use these funds during wars.

In 1833, the British Parliament swung into action when there was gross mismanagement in Company administration. Under the Government of India Act, 1833, the East India Company lost its authority to govern India on its own. It held the property as trust for the Crown. The Act vested the superintending and controlling authority in the Governor-General of India. The Governors lost their authority as they could not create any new office, or grant any salary, allowance or gratuity without sanction from the Governor-General. The Finance Secretary to the Government of India was charged with the responsibility of conducting and coordinating financial operations such as preparation of estimates, provision of ways and means, negotiation of loans, and supervision of accounts. He was to review all proposals for new expenditure.

The Accountant-General of Bengal became Accountant-General of India and he was entrusted with the responsibility to submit financial returns and accounts to the Finance Secretary. There was no authority to conduct audit as it remained with the provinces. With a view to strengthening the hands of the Finance Secretary through a combination of finance and accounts, he was made Accountant-General of India in 1854. This system could not last long. In 1857, under the reforms initiated by Lord Canning, the Finance Secretary was given exclusive charge of finance. The Accountant-General of India who took over accounts function from the Finance Secretary was vested with the responsibility for audit.

The process of consolidation of financial administration had begun in 1858. The Act of 1858 brought the formal authority of the East India Company to an end. The British Government assumed supervision and control over the Indian financial

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system. The Act had provided for the Secretary of State for India, with the Council of India to assist him, as a Minister of State in the British cabinet, responsible for Indian financial and administrative affairs. No appropriations could be made from Indian finance without his prior approval. The Governor-General enjoyed delegated financial authority. The Secretary of State for India controlled Indian finances through several ways such as approval of budget, control of expenditure through a system of rules and regulations as expressed in codes and executive orders. He was assisted by a finance committee and the finance secretary who headed the Finance Department of the India office as an advisor. The Council of India, which was required to discharge a watch-dog role, failed to play its role as it had no means to control an 'absolutist' secretary of state. The parliamentary control over the Secretary of State for India was quite ineffective for various reasons such as lack of time, lack of interest, and developments in the national movement in India. The Secretary of State for India emerged as the 'de facto' authority. But he was not in a position to exercise effective control due to such limitations as ignorance of local conditions, absence of an effective communication system, geographical factors (distance) etc. The Secretary of State had no option except to delegate significant financial authority to the Governor-General of India who emerged as actual master of financial activities of India. In India, there was no authority to control him as the legislative council had no authority to examine financial matters. The era of excessive dependence of provinces on the Centre which began from 1833 continued under the Government of India Act of 1858.

The Accountant-General continued to exist in his inferior status as compared to the Governor-General of India. The Finance Member was to preside over and direct the Finance Department. He performed a number of duties with regard to India's finances. The Finance Member prepared the annual financial statement, watched the progress of income and expenditure so as to ensure soundness of the financial system, supervised and administered the monetary system, and supervised and controlled Provincial Finance Departments. The Finance Department, under the leadership of the Finance Secretary, had to ensure that the restrictions imposed by the Secretary of State for India were adhered to and that the rules and regulations were observed. It had dual power, namely pre-budget scrutiny and expenditure sanction.

The second phase (1860–1919) was related to development of system and procedures. The Governor-General found it impossible to handle financial problems single-handedly. In 1859, in response to his request, the post of the Finance Member was created in the Executive Council to assist him. Wilson was the First Finance Member. Till then, there was no system of budgeting as the law did not provide for it. Wilson presented the first budget to the legislative council in 1860, although the law did not require him to do so. Though the council did not discuss his budget, his presentation created great interest in finance. It set a precedent by which whenever there was a financial purpose, the budget was presented in the council and discussed in greater detail. From 1861–62 onwards, the annual budget

system was established. The Councils Act of 1892 authorized the Governor-General of India-in-Council to frame rules authorizing discussion of the budget in the legislative council with no right to alter the budget proposals. But the members were not free to move any resolutions. There was a constant agitation both inside and outside the house, to secure popular control over the public purse. The Congress, in its annual sessions of 1895 and 1896, passed resolutions for full fledged budget system.

The Act of 1909 provided for an elaborate discussion of annual budget with a provision for passage of resolutions on budget estimates. Though the Act of 1909 is a significant step towards budgetary development, it yielded limited benefits as these resolutions were not binding on the government. The Act of 1919 introduced the modern system for legislative approval of the budget. The legislature was empowered to assent or refuse its assent or reduce the amount referred to therein. But the system suffered from two limitations: (i) the government could overrule popular opinion, and (ii) the list of non-votable items accounted for more than half of the budget. The Act of 1935 made no remarkable change in this system. In 1860, the Accountant-General was designated as Auditor-General of India, who was responsible for discharge of several functions such as accounting, supervision of public department operations etc. The Act of 1919 gave statutory status to Auditor-General of India. He was independent of the Government so as to enable him to perform his watch-dog functions effectively.

The third phase (1919–1947) was all about democratization and decentralization. Till 1909, the Central Legislature was loaded with powerful bureaucracy. The Minto-Morley Reforms of 1909 contemplated limited induction of elected elements in the Central Legislature. But under the Act of 1919, the non-officials formed the majority in the provincial councils and the Central Legislature was enlarged and made more popularly representative. This Act provided for maximum popular representation to provincial governments. It also envisaged dyarchy in the provincial governments in which the process of provincial autonomy was completed in 1937 when popular governments were formed under the Government of India Act of 1935. The dyarchy was introduced in the Centre under the Act of 1935 according to which about 20 per cent of the expenditure was brought under popularly elected members of the Viceroy's Executive Council. But special powers enjoyed by the Governor General had frustrated popular participation. There was no Central Government before 1833. The era of dependence of the provinces on the Centre began in 1833. The dependence was so much that no Governor could create a permanent post carrying salary of more than 101 rupees a month. The same system continued under the Act of 1858. The basic premise was that the Empire must be treated as a whole, not a collection of separate States; though provincial authority was augmented through various contracts and settlements made in 1870, 1877, 1882, 1897, 1904 and 1911. This basic premise remained unaltered till 1919.

The Act of 1919 was a landmark in fiscal federalism. It brought about a statutory distribution of powers and responsibilities between the Centre and the provinces. Provinces were not required to submit their budgets on transferred subjects.

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But this Act envisaged significant powers for the Governor-General to supervise and control the Governors. For instance, he could send directions in form of messages to the Governor. The basic features and the structure of full-fledged federalism were introduced in 1935 which continues to exist even today.

The fourth phase (1950–till date) is considered as development orientation. Independence brought in its way certain fundamental changes in the environment of financial administration in India. By this historic event, India snapped all formal political ties with Britain. There were basic changes in the political context of financial administration. There was a formal acceptance of the principle of executive responsibility to the legislature. The budgetary and other systems and procedures were tuned to subserve this principle and its implementation. Legislative Committees began to take active interest in the form, content, legality and regularity of public spending. The Comptroller and Auditor-General became a constitutional authority with a responsibility to aid legislative control.

With the inauguration of the new constitution in 1950, the president replaced the Government-General as the head of the state (the Indian republic). Governors were retained as formal head of state (Provincial) governments. The size of public outlay soared a modest figure of less than 2,000 crore rupees under the First Plan to nearly 40,000 crore rupees in the Fifth Plan that was an increase by about 20 times in money terms. The Planning Commission, the Administrative Reforms Commission and the cabinet were lending their weight and support. Hence, the introduction of performance budgeting has been gathering momentum in the Government of India and some of the progressive states since 1968–69. The next important landmark in accounting reform is the separation of audit and accounts in the Government of India which was completed in 1976.

Currently, efforts are on to make accounting an aid to decision-making in the Government. Kaldor's Tax Proposals (1955), Wanchoo Committee report on direct taxes, Raj Committee report on agricultural holding tax were some of the efforts towards rationalization of direct taxes. The Finance Committee was functioning since 1950 to evaluate large schemes and projects, but it was not until 1966 that a proper pro forma for feasibility studies was designed. A beginning was made in this direction in 1955. Major steps towards enhanced delegations were made in 1958, 1962, 1968 and 1975. The system of financial advice has also been progressively internalized. The financial administration gradually shifted its focus from stability to welfare, development and equity. Planning and budgeting got united in the form of Performance Budgeting in 1974 which gave result orientation to financial processes. The system of financial control has been basically restructured so as to make it an instrument of plan implementation.

Until 1975, external financial advisors were retained to scrutinize proposals in the non-delegated field. Often gross inefficiencies lurk behind the inflexibilities of the system of normal control. The responsibility for financial control has been fixed firmly on spending departments. This was sought through two means. First was the scheme of Integrated Financial Advice, and the second was the separation of audit

and accounts. In order to meet the growing financial needs of development expenditure, budget became an instrument of resource mobilization. Deficit finance became a regular feature as the Government had to cope with tremendous pressure of quickening the pace of development. Nationalization of the banking system was considered an instrument to channel national funds towards development activities. Public sector assumed significant importance in advancing the goals of development and equity. There were certain undesirable consequences. Galloping inflation, sinking balance of payments position, increasing negative returns from public sector, shrinking public savings and resource base etc., have had a cumulative impact on financial administration in such a way that the government had to take steps to set right these tendencies.

To conclude, during the first phase the basic thrust had been on the formulation of financial organization with the aim of creating centres of control and direction in the form of Secretary of State and Governor-General. Second phase was characterized by efforts to evolve a sound budgetary system and its practice. Third phase saw responses to freedom movement and as a result of which gradual induction of popular element was attempted. It also saw decentralization of authority and creation of federal structures. The last phase is characterized by orientation towards people and their well-being and development.

4.2.2 Emerging Financial Trends in India

In recent years, some emerging trends have been seen in the financial administration of India. These are explained below.

Regulation and control of fiscal deficit

Development efforts in India are characterized by an order of investment much higher than the available domestic resources. The gap should have been met from a favourable balance of payments and external remittances. But Indian policy makers closed this gap by creation of credit on excessive dosage of money supply. Deficit financing was used as an alternative to resource mobilization including taxation. The annual average rate of deficit financing began to rise year after year. It was far in excess of conceivable safety limit which is said to be set by the rate of growth of supplies of consumer goods, degree of monetization of economy; and the extent of control over production and distribution.

As an outcome of such indiscriminate deficit financing, a high rate of inflation has characterized the economy since the mid of 1960s. It has also caused balance of payments problems. This situation culminated into an economic crisis in July 1991. The government had to take a number of measures for overcoming this crisis. The main objective was to control fiscal deficit and bring it down to 5 per cent of GDP (national income) by 1992–93.

Cutback on non-development expenditure

A substantial portion of Indian resources are frittered away in non-development expenditure which is an unproductive channel. There has been a tremendous increase

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in non-development expenditure. A significant amount of this expenditure is associated with extravagance, inefficiency and infructuous public policies and activities. Massive outlay on defence and law and order have also contributed towards this trend. Public policy has focused its attention on lowering of expenditure. The bulk of the savings are sought from the cuts on subsidies, defence spending, resource transfers to public enterprises, current and capital spending. The government declared that during the remaining part of the financial year, there will be no net additions to expenditure through supplementary appropriations unless such proposals are supported by matching savings elsewhere.

Development of zero-base perspective

Budgetary decisions in India have been characterized by incrementalist approach. Though no whole-scale installation of zero-base budgeting was attempted, expenditure policy that evolved during the last few years took into account the basic premises of this new budgetary concept. No area of government spending was sought to be exempted from scrutiny.

Application of contingency approach and objectives

Contingency approach emphasizes analysis and understanding of subsystems of public organization along with the supra-system of environment, so that public policies and administrative actions can be adapted and adjusted to the demands of specific situations and contexts. It enables the public administrator to evolve a practical answer to a complex problem. The approach of the government to deflect the recent economic crisis has reflected the basic elements of this latest theory. For instance, though the government has political authority and basic inclination towards deficit financing, it is forced to take decisions to the contrary. It was because of the circumstances of the situation. Similarly, the concepts of self sufficiency and social equity are no longer the dominant considerations of the government as is evident from the open door policy towards foreign participation with a special emphasis on Non-Resident Indians and a host of other public policy decisions which are being taken in pursuit of orientation of the economy to market mechanism.

De-emphasized public sector

In India, the rationale for public enterprises had been based on the premise that state ownership was desirable for the achievement of national objectives. This value consideration resulted in large scale nationalization. Recurring losses of a large number of public enterprises, need for resources for bringing down the fiscal deficit, global trends towards privatization of public enterprises have all changed the government's policy towards the public sector. New Industrial Policy of the government has brought an end to this thinking. For instance, the Eighth Plan's outlay on public sector was to the tune of 43.2 per cent as against 54 per cent on the Seventh Plan. The trend is towards removal of the distinction between public sector and private sector and towards the emergence of 'national sector' in which public sector and private sector merge with each other. The government's move to solicit equity participation of private sector in public sector enterprises is a significant policy measure indicating the new approach.

Involving private sector and focus on decentralized responsibility

The government is thinking in terms of providing public goods and services competitively to avoid the pitfalls of public monopoly. The government, for instance, is seriously thinking in terms of involving private sector in power generation and distribution, electronic media and telecommunications, roads, etc.

Union Government has had the responsibility for plan formulation as well as plan financing. The state governments could execute centrally sponsored schemes rather than the schemes supported by their budgetary provisions. This tendency on the part of the State led to a lack of concern for resource mobilization. This syndrome is evident from increasing emphasis of the state governments on populist measures. As a back-up to economic reforms, the Union Government has veered round to the concept of 'indicative planning'. This changed outlook pervades the formulation of the Eighth Five Year Plan. The Union Government is now promoting cooperative federalism and is therefore, seeking an active role for the state government in resource mobilization.

Towards deregulation and liberalization

Union Government made efforts to provide full freedom to market mechanism so as to maximize productive potential of enterprising business people in moving towards a free market economy. Industrial policy has been suitably amended to accommodate genuine requirements of the private sector and foreign direct investment. Similar changes have been made in Trade Policy and Commercial Policy. There is a growing feeling that the inequalities of income and wealth may get accentuated and that the poor and weaker sections of society may be left to fend for themselves. This unfortunate trend can be largely redressed through increased expenditure on social services and rural development programmes. There is already evidence that the government is taking policy initiatives like strengthening of public distribution system and other means to ensure that growth is not achieved at the cost of equity.

To sum up, these new trends are intended to liberate market forces from bureaucratic control as the Indian Government has already adopted liberalization policies. These trends were found to be quite in conformity with the requirements of underdeveloped countries. In fact, some countries have registered astonishing breakthroughs with similar policy packages. Therefore, the government did not face any major resistance against its approach. A major failure though expected, has been the inability of the government to contain price rise.

CHECK YOUR PROGRESS

1. What all does fiscal management include?
2. How was the Act of 1919 a landmark in fiscal federalism?
3. What led to large-scale nationalization in India?

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4.3 PRINCIPLES OF FINANCIAL ADMINISTRATION

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Great thinkers of the older and the contemporary times have seen financial administration as a part of 'Science of Finance'. Some see it as 'fiscal science'. Taking into consideration the views of all the thinkers, one can sum up the following principles of financial administration.

- Principle of political direction and control
- Principle of primacy
- Principle of correspondence
- Principle of balance and stability
- Principle of unity in management and organization
- Principle of flexibility and simplicity
- Principle of regularity, conduct and discipline
- Principle of accountability

(i) Principle of political direction and control

All the societies have a basic framework which is politico-legal in most cases, and this framework takes care of human activities in both the private as well as the public sectors. Of course the framework is varied because of different traditions, customs and political values. The financial administration works within these frameworks as mentioned in the constitutions. The democratic ideas however have started dominating the ideas of financial administration all over the world, as the world in modern times is seeking globalisation.

(ii) Principle of primacy

The principle of primacy seeks:

- Primacy of public interest
- Primacy of public policy

In the '*Science of Finance*', Prof. H.C. Adams states that, 'the Science of Finance treats of the wants of the State and the means of their supply and hence the fiscal policy should not impair the patrimony of the state.'

His theory has been looked upon as a significant dictum of fiscal policy. These concepts, however, and the public interest is the basic concern of financial administration in modern times. Public interest can apply to:

- General welfare
- Common good
- Improvement in overall quality of life
- Collective realization of social values
- Realization of rights and privileges
- Progress of contemporary generations with a view of the future

(iii) Principle of correspondence

The principle of correspondence states that there must exist a relationship, even if it is a casual one, between financial administration and material and human resources. This is vital for the smooth functioning of the administration. The necessities for a process to be carried and for forming the rational basis through which the economic functions need to be carried out are:

- (a) The kind of personnel required
- (b) The kind of facilities provided

(iv) Principle of balance and stability

As we have mentioned above, the facilities and the need of personnel in financial administration is imperative. The technical expertise of the personnel is of great importance as untrained personnel would hamper the functioning of the whole system. Financial organisation, thus, comes into the picture. Two basic features under this system would be:

- Effective manpower planning
- Proper programme designed for human resource development

(v) Principle of unity in management and organization

This principle was highlighted and given prominence by Mr P. J.J. Pinto. According to him, efficiency is linked to centralisation. In an elaboration of his theories, he has clarified that by centralization he did not imply absolute control of the top hierarchy. It merely implied a unity in the workings of all the financial agencies in accordance with the government policies.

National planning may serve as a good example of this dictum.

(vi) Principle of flexibility and simplicity

In all the democratic nations of the world, the electorate serves as a fountain for the functions of all the authorities. All the democratic institutions, which include the parliament, are dependent upon the electorate for the purpose of deriving authority. This further proves that it is essential that the financial procedures of the nation should be transparent and should be simplified, so that even a layman can have a basic understanding of the system. This would help to strengthen the relationship of the masses with the government. The principle of flexibility further implies that the financial organisations should:

- Develop a capacity so that it can adjust itself
- Handle fluctuations on the workflows
- Mobilise human composition and physical facilities in a proper manner

(vii) Principle of regularity, conduct and discipline

This principle entails that rules and regulations along with objectives, procedures and policies should be carried out in an ethical manner keeping a high standard of

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values. Discipline should not be imposed; rather the principle lays stress upon self-discipline, since desirable results cannot be achieved if discipline is forced upon anyone. Discipline must be voluntary.

By regularity, the principle implies that the functions of the financial organisation should be smooth without intervals and breaks, since administrative systems require continuous procedures.

(viii) Principle of accountability

Public funds are collected and distributed by the financial administration in the form of public trust. It is of common knowledge that these funds are often misused for personal greed and interests. The financial administration, thus, has the responsibility of being answerable and should make sure these funds are used in a proper manner. Several areas where these funds are used can be:

- Political
- Administrative
- Legal
- Organisational

4.3.1 Fundamental Objectives of Financial Administration

The markets of developed countries face a variety of problems and challenges. These challenges also mean that there is a wider scope and need for financial administration in these countries. Some of the basic challenges which these countries face are:

- Deficit budgets
- Deficit financing
- Massive public debt

These problems need to be taken care of through proper financial administration, through:

- Stability
- Reduction of inequalities in income
- Self-reliance
- Development
- Reduction of inequalities in wealth
- Proper regional development

Different countries have different ideologies and face different kinds of dilemmas and problems; their economic doctrines are also diverse. There are certain fundamental objectives of financial administration which are of significant importance universally. These objectives also apply to Indian financial administration.

- Implementation of programmes and projects
- Managing finances of the public household

- Provision of public goods and services
- Capital formation
- Price stability, growth and employment
- Development of national funds in a productive manner
- Proper flow of the parliamentary procedures
- Achievement of equity along with equality

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Implementation of programmes and projects

Implementation of new programmes and projects is vital for the financial development of any nation. This also brings public investment into picture, as new projects also mean new opportunity for the public. Earlier the focus was on expenditure control, but the focus has now shifted towards project implementation in most of the economies of the world. The focal points regarding project implementation are:

- Formulation of projects
- Proper appraisal and implementation
- Keeping a control over the expenditure
- Completion of projects within the stipulated time periods

Managing finances of the public household

The individual household is concerned with satisfying its needs; similarly the public household looks to satisfy human wants through public authorities. The fundamental system is the same — meeting the ends with limited means in the best possible manner. The role of the financial manager is crucial in this regard. The attention should be on:

- Mobilisation of resources
- Rational development
- Meeting the rising expectation of the masses in a proper manner

Provision of public goods and services

Public goods and services include free health services, public parks and other social services. The policy makers have to support these services by maintaining a provision in the budget for such services. The implementation of these is usually not assigned to the private sector since the private sector enterprise is profit oriented. This often is a an area of concern for the financial system since these goods and services go for free and the government cannot extract any payments for these services. So, a proper planning in the budget is required to make-up for this expenditure.

Capital formation

Capital formation is imperative for the economic development and progress of any nation. Even the financial growth of any single individual is hard to imagine without savings. So a proper system of increased savings is vital for the nation's economic development. This can be done through:

- Implementing appropriate fiscal and financial methods and measures
- Discriminatory taxation
- Implementation of monetary policy instruments

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Price stability, growth and employment

The objectives which need to be fulfilled by the government for stability of prices, economic growth and better opportunities for employment are:

- New policies made under the public authorities
- Balance amongst payment positions
- New plans for employment resulting in high employment

Development of national funds in a productive manner

This is a major problem especially for the underdeveloped countries of the world. Often, the governments are facing the dilemma of investing funds because the budgets are limited and the project and programmes are many. Private entrepreneurs want to invest in projects which are: (a) risk free and (b) quick yielding. Usually, the private entrepreneurs have little or no interest in what is good for the nation and what should, therefore, be done, (though there can be exceptions) when it comes to choosing a project. Thus, there is a role for the planning commission. The planning commission's job is to lay down rules and guidelines in regard to investments for both the private and the public sector. The finance ministry has to make sure that national interest is given top priority in cases of investment of funds.

Proper flow of the parliamentary procedures

Representative governments like India work on systems where there is a need for representative institutions to have a proper control over the executive branches of government. For the proper flow of parliamentary processes, legislature needs to have a control over public funds and its usage. This is done through:

- Budgetary process
- Audit functions

Achievement of equity along with equality

As we have discussed earlier, distribution of wealth and income in a proper way is imperative for the smooth functioning of a nation. The distribution depends upon:

- Allocation of the factors of production
- Factor pricing
- Market mechanism
- Transmission of property rights

This distribution in no way can be called fair or just if we go in an ethical manner but, still, equity needs to be achieved and the evolutionary procedure is what is kept in mind mostly. The governments have to keep in mind that there are no class conflicts or cases of mass violence. The focus of attention should also be on reducing

concentration of the economic power in fewer hands. Inequalities will not become extinct overnight but equal opportunities will make sure that there are no fresh cases of inequality. Greater equality of wealth and equal opportunities can be achieved through:

- Government fiscal policies
- Progressive taxations
- Subsidies
- Grants

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CHECK YOUR PROGRESS

4. List some of the challenges faced by markets of developed countries.
5. Why is capital formation important and how is it done?
6. List any 5 principles of financial administration.

4.4 PERFORMANCE BUDGETING

The term budget was derived from ‘bougette’ which in French means a leather bag. It got used in the form of a satire in 1733 called ‘opened the budget’. There is a pretty interesting story behind this. Chancellor Walpole of Oxford had the habit of carrying a leather bag which contained financial plans regarding the ‘House of commons’. So when he used to open the bag, it was denoted he was presenting his budget before the committee.

Therefore, budget in contemporary times means those documents which contain the estimates of expenditures and revenues of the nation.

Definitions

In the words of **Harold R. Bruce**, ‘A budget is a financial statement prepared in advance of the opening of a fiscal year, of the estimated revenues and proposed expenditure of the given organization for the ensuing fiscal year.’

In the words of **Dimock**, ‘A budget is a financial plan summarizing the financial experience of the past stating a current plan and projecting it over a specified period of time in future’

In the words of **Rene Stown**, ‘Budget is a document containing a preliminary approved Plan of Public Revenue and expenditure.’

According to **Munro**, ‘Budget is a plan of financing for the incoming fiscal year. This involves an itemized estimate of all revenues on the one hand and all expenditure on the other.’

According to **Rene Gaze**, the Budget in a modern state is a forecast and an estimate of all public receipts and expenses and for certain expenses and receipts an authorization to incur them and collect them’...

According to **Taylor**, ‘Budget is a financial plan of Government for a definite period.’

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As **Wilne** puts it, ‘budget is a detail of estimated revenues and expenditures — a comparative chart of revenues and expenditures — and over and above this is an authority and direction of the competent authority given for collection of revenues and expenditure of public money.’

Thus, on the basis of these definitions we can sum up these significant features of budget:

- Budget is an account for the proposed expenditures as well as the expected revenues
- Budget requires an authority who sanctions it
- Budget is usually annual, in any case it has to be for a certain period of time
- Budget also puts forward a particular process through which the whole administration and collection of expenditures and revenues has to be carried out

Kinds of Budgets

The budgets can be of different types. Their classification being based on certain principles which are:

- The estimated period to be covered
- The numbers of budget that are to be announced in legislature
- The kind of method to be adopted
- The financial position which is depicted through the budget
- The classification of revenues and expenditures

Hence, on the foundation of the above-mentioned principles we can propose five types of budgets illustrated in Figure 4.1.

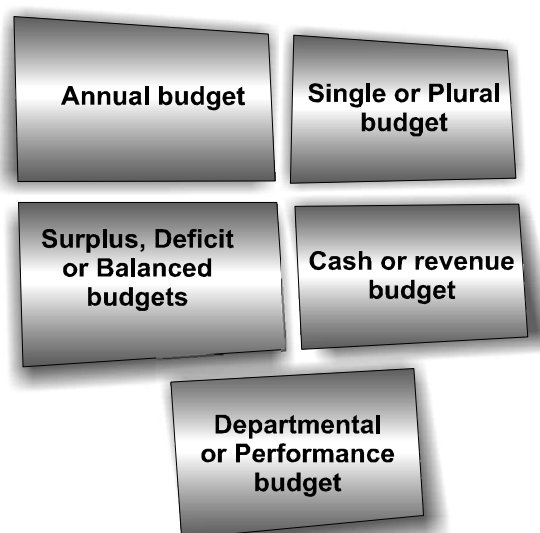


Fig. 4.1 Types of Budgets

Process of long-term budgeting

Public budgeting usually is, and has been, annual. The legislature can, thus, have a closer look and can control governmental activities. This in no way means that the government does not want or needs to take a look into the future planning and, therefore, the annual budget has to be proposed with a vision for the future. Long term budgeting is imperative. So in reality long term budgeting is not an actual budget for a certain time period but a process of making provisions for the future and making annual budgets accordingly. This process includes the following steps:

- Determining and estimating the requirements of the nation, for the coming years and a plan to meet those requirements.
- Exploring the sources of raising revenue — taxation, borrowing, savings, etc.
- Preparing a programme that is balanced as well as one which contains all the features mentioned and required for development in the proposed period. Also, the program should be flexible so that modifications can be made accordingly.
- Implementation of improvement projects.
- Incorporating a portion of long-term budget within the annual budget and getting it passed through the legislature.

Single budgets vs Plural budgets

In most countries the method of preparing a single budget is used. One single budget is made where all the estimates regarding all the departments get covered. The reason behind preparing a single budget is an argument that the financial position and standing of the government gets revealed this way. This also makes the job of the government easier as the government knows beforehand the surplus and deficits of all the departments and thus can make necessary adjustments, balancing the whole budget. This saves the government from complex adjustments and calculation to be performed at a later stage. This system is used in Germany and Switzerland, to name two.

India however has the method of plural budgets as two budgets are prepared. The two departments for which these budgets are made separately are:

- Administrative departments
- Commercial enterprises

In India, making a separate budget for the Railways was in practice since 1921. This was initiated on the recommendations of the Acworth Committee. Another example is the budget for Damodar Valley Corporation which is laid before the legislatures of Bengal and Bihar.

Social and economic implications of budget

The philosophy of 'laissez-faire' is used to govern and administer the activities in a state. Budget was not that important earlier and was merely a medium of management for state finances. These philosophies have changed in contemporary times, as it is

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an industrial age and prosperity, progress and welfare of a nation has to be looked upon by the government under complex circumstances. Thus, the significance of preparing a budget that suits the welfare of the society is vital for the state. The kind of objectives both social and economic which need to be realised are as follows:

- Increase in production
- Addressing inequalities of income and wealth distributions
- Taking care of inflation which may be caused through a variety of circumstances such as war or natural calamity
- Another goal which should be realized by the government is securing of full employment

Production can be increased through protecting the industrial and agricultural sectors and allowing subsidies.

Inequalities in distribution of wealth and income can be addressed through imposing taxes on people with large incomes. The income thus earned can be used in providing social services such as health and education, and houses for the poor sections of society.

Similarly, inflation which is caused because of issuing vast amount of paper money, especially during war times can be fought by heavy taxation and borrowing money which in turn curtails the purchasing power. This method, however, is criticised and thus needs to be implemented with care and only during emergency.

Surplus, Deficit and Balanced budgets

If the approximate revenues are over the approximate expenditure, the budget is called a surplus budget. Similarly a deficit budget is one where the expected expenditure is in excess of the revenues approximated. Clearly deficit budget shows that the country is progressing in the right direction as the Economists have pointed out. When the approximate revenues and expenditures are almost equal and at par, it is called a balanced budget. Usually, all budgets are deficit.

Departmental budgets/Performance budgets

In a departmental budget the expenditures as well as the revenues concerned under it are collected under one roof. In the case of performance budget, the budget proposed for any particular project gets divided under various programs on the basis of activities and functions related to that particular project. For instance, if there is a project regarding education, the division could be on the basis of primary, secondary and higher.

Cash budgets/Revenue budgets

In cash budgets there is an estimate of various forms of expenditures and incomes on the basis of amount that is to be spent or received in one year. In case of revenue budget the amounts are attributed in the budget whether or not they actually spent or received in the form of expenditure and revenues in one single year. Cash budgets

are prepared in countries like India and USA. Cash budgeting is done in countries like France along with other continental nations.

CHECK YOUR PROGRESS

7. Which are some of the bases for classification of budgets?
8. What is a deficit budget?

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4.5 ACCOUNTS AND AUDIT

This section discusses the process of auditing and accounting in detail.

Audit

The government commercial concerns, the accounts of which are subject to the audit of the Comptroller and Auditor General, fall under three categories: departmental enterprises, government companies and public corporations.

The annual budgets of government companies are not subject to vote by the Parliament; only the total grants in respect of their capital investment programmes contributed by the government in the form of either the purchase of share capital or grant of loans are subject to parliamentary vote. It appears that two parallel sets of auditors conduct the audit of the account of these companies, namely, the statutory auditors of the companies who audit the accounts according to the principles of commercial audit and the Comptroller and Auditor General who conducts the audit of the same accounts more or less on the principles of financial audit applicable to government departments. Under the Indian Companies Act, these professional auditors (usually private firms of chartered accountants) are appointed by the union government on the advice of the Comptroller and Auditor General who can also direct the manner in which the company accounts are to be audited. He can also conduct tests or supplementary audit if not satisfied with the audit of professional auditors. The observations of supplementary audit are incorporated in the annual audit report submitted by him to the Parliament. The Act provides that the professional auditors of the company shall submit a copy of their audit report to the CAG who has the right to comment upon or supplement the audit report in any manner he deems fit.

Public corporations are mostly free from regulatory and prohibitory statutes applicable to the expenditure of public funds and are not ordinarily subjected to budgeting and audit procedures applicable to ministries, departments or other governmental agencies. The budgets of such corporations are not voted by the Parliament; only the total grants in respect of their capital investment programmes financed by the government are voted. The accountability of such autonomous statutory corporations is, therefore, assured by their relevant statutes providing for the maintenance of accounts as prescribed of audit these corporations fall under three categories:

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- (i) There are corporations like Air India, Damodar Valley Corporation and Indian Airlines Corporation in respect of which the responsibility of audit has been entrusted entirely to the CAG
- (ii) There are corporations like the Industrial Finance Corporation and the Central Warehousing Corporation whose audit is done by professional auditors, i.e., private firms of chartered accountants. These auditors are appointed by the central government in consultation with the CAG, who also retains the right to undertake such supplementary audit as he may consider necessary either on his own motion or on a request from the government.
- (iii) There are still other corporations like the Reserve Bank of India, Life Insurance Corporation of India and Food Corporation of India for which the audit is done exclusively by the private firms of chartered accountants and the CAG does not come into the picture at all. Such corporations are required to submit their annual reports and accounts directly to the Parliament.

4.5.1 Accounting

The process of accounting is a pretty complex one if one looks from the perspective of a layman. So what is accounting? In simple terms, it is a procedure through which financial information regarding business or organization is communicated to its managers and shareholders.

The American Institute of Certified Public Accountants also known as AICPA has defined accounting as, ‘the art of recording, classifying, and summarizing in a significant manner and in terms of money, transactions and events which are, in part at least, of financial character, and interpreting the results thereof’.

A. History of Accounting

Accounting is not a modern concept as some might think, of course methods we use today are contemporary, but the process of accounting was existent even thousands of years back. Some discoveries have pointed out that the system of accounting was prevalent in Middle East some seven thousand years back.

(i) The Vedas

Vedas, which are considered to be the oldest of the Sanskrit books and regarded worldwide as one of the oldest texts available, also have mention of the accounting system, which gives us a proof that some form of accounting procedure was present during the Vedic period. Some of the terms relating to accounting which were used in the Vedic period are:

- *Vikarya* and *Nirukta*- from the Atharvaveda, which denotes tax
- *Shulka*- from the Rigveda and the Dharmasutras denoting price and tax

(ii) In the Mesopotamian culture

The system of accounting was also prevalent in the Mesopotamian culture as has been found from the ruins of Assyria, Babylon and Sumeria. These were the most

primitive methods of accounting which were ever used. They used these methods to keep a record of their growth in crops and animals. They used clay tokens for their accounting purposes.

(iii) In the Islamic culture

Accounting has also been mentioned in the holy Quran but not in the system of books but rather in a more generic sense. However, the Quran does mention and approve of keeping a record of transactions.

(iv) Modern Day Accounting

In contemporary times, accounting is termed as ‘the language of business’ as it acts as a vehicle for the transportation of financial information regarding business among a variety of individuals and groups. It also provides concrete information of the health of the business.

B. Commercial Accounting/Government Accounting

If we go by the economic definition, then ‘Commercial accounting concerns a firm which also is a production unit.’ A firm can be any one of the following;

- A proprietorship
- A partnership
- A joint stock company

In India, firm is usually associated with a partnership whereas a company is usually denoted with a corporate body. The ultimate aim of all these bodies is profit maximization. It is also their chief motivating factor for growth. So financial management, in private firms, enterprises and corporations deals with the earning of maximum profit.

On the contrary, the government has to be concerned with the general welfare of the citizens of the country. The very basic fundamental of its existence lies in doing good work for its citizens. Like corporations, it also has to raise money as it cannot function without a medium of money. This brings government accounting into picture as the complex systems of financial administration cannot be carried out without a proper system of accounting.

Significance of Government Accounting

In a democratic nation such as India, government accounting becomes all the more significant as people have the right to know the ways government financial operations are being carried out. This further restores their faith in the government representatives. The government needs to provide the following types of financial information:

- Information about revenue and expenditure
- Information about loans and deposits
- Information about cash availability

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Information regarding Revenue

Revenue of the government is collected from the citizens of that particular nation. So, it is essential for the people to know whether the revenue collected from them is being used for the country's welfare. By analysing the accounts this objective can be achieved. Revenues collected by the government are thus classified into two parts:

- Tax revenues
- Non-tax revenues

Not only the people, but even the government has to have information regarding accounts as it helps them to analyse the types of taxes to be applied, depending on the requirements. The government, however cannot be authoritative in imposing taxes and collecting revenues. So providing correct and precise information regarding revenue collection is part of the government's duty.

Information regarding expenditure

Just like revenue, the government also has a responsibility of providing information regarding expenditures. Authorities such as the legislature which are expenditure sanctioning bodies have the right to know whether the sanctioned funds are being spent in a fair manner.

Information regarding loans and deposits

Public money comprises deposits, loans, tax and revenues. Just as governments collect money from the public in the form of revenues and taxes, they also provide loans to the general public, industries, etc. There should be a detailed account maintained for these loans which are provided by the government, so that a transparent picture is presented before the legislature.

Information regarding cash availability

The collection of taxes and other borrowing as well as the expenditures are continuous processes that carry on throughout the year. There might hence be a situation where a gap might exist between the receipts of cash and actual availability of cash. The system of accounting thus helps in closing this gap. Bank Reconciliation Statement is part of this procedure.

Terms and Expressions

These are some familiar terms and expressions regarding government accounting, some of which are explained later on:

- Treasury
- Demand for grant
- Supplementary grant
- Votable items

- Non-votable items
- Comptroller and Auditor General of India
- Public Accounts Committee

Treasury

The term treasury has been taken from the financial systems of the British. In simple terms, treasury is seen as a place where all the revenues of the government are kept. The Prime Minister of Britain acts as the Lord of Treasury. In India, there is no such thing as a central treasury. Rather there are district treasuries for the states.

Demand for grant

There is a fundamental principle regarding government finance which states that there can be no expenditure made by a public authority without a sanction from the Parliament. This is termed demand for grant. The demands thus made can be:

- Granted
- Refused
- Reduced

Supplementary grant

Whenever the government desires to incur extra expenditure, a Supplementary estimate is laid before the Parliament for its sanction. If some money has been spent on any service during a financial year in excess of the amounts granted for that service and for that year, the Minister of Finance/Railways presents a Demand for Excess Grant.

Votable and non-votable items of the budget

As we have already studied in the previous unit, after the budget has been discussed in the parliament and the finance Minister has made the replies, there is a vote on the budget. Votable items include those funds or expenses that can be discussed, reduced or revised by the parliament when the budget is sent to the parliament for voting. The parliament has the power to approve or disapprove these items. On the other hand, non-votable items are prohibited from being discussed, reduced or revised, in the parliament. These fall outside the ambit of voting for the budget. These include the following:

- (a) Salary and allowances of the President of India and other expenditures related to the office
- (b) Salary and allowances of the Chairman of the Rajya Sabha and Speaker and Deputy Speaker of the Lok Sabha
- (c) The debt charges of the Indian Government
- (d) Salaries, pensions and allowances of the Comptroller General of India

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Public Accounts Committee**NOTES**

The Public Accounts Committee set up by the parliament or by the state legislature has the job of scrutinizing expenditures regarding public money. Ministers of our country are not allowed to be a part of this committee. Basically, it consists of the members of the opposition.

Government Accounting Standards Advisory Board (GASAB)**Formation**

Article 150 of the Indian constitution states that, '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'. Accordingly, with the support of the Government of India, the Government Accounting Standards Advisory Board (GASAB) was constituted by the Comptroller & Auditor General of India on August 12, 2002 for the Union and States.

Composition

- Deputy Comptroller and Auditor General - Chairperson
- Controller General of Accounts, Ministry of Finance, Government of India
- Financial Commissioner, Railways, Ministry of Railways, Government of India
- Controller General of Defence Accounts, Ministry of Defence, Government of India
- Additional Secretary (Budget), Ministry of Finance, Government of India
- Deputy Governor, Reserve Bank of India or his/ her nominee
- Director General, National Council of Applied Economic Research (NCAER), New Delhi
- President, Institute of Chartered Accountants of India (ICAI), or his/her nominee
- Principal Secretary (Finance)/ Secretary (Finance) of four States by annual rotation
- Director General (Accounts)/ Principal Director, Office of the Comptroller and Auditor General of India, as Member Secretary

Definitions: Indian Government Accounting Standard (IGAS)

- Accounting authority is the authority which prepares the financial statements of the governments.
- Cash basis of accounting is that wherein accounting transactions of an entity represent the actual cash receipts and disbursements during a financial year as distinguished from the amount due to or by the entity during the same period.
- Accounting Period means the period covered by the financial statements.

- Consolidated Fund of India is the fund referred to in clause (1) Article 266 of the Constitution of India.
- Debt is the amount owed by Government for borrowed funds.
- Financial statements means the Annual Finance Statements of the Governments.
- Government means the Union Government or any State Government or Government of any Union Territory with Legislature.
- Sector consists of a grouping of specific functions or services as per the 'List of Major and Minor Heads of Account of Union and States'.
- Budget refers to the 'Annual Financial Statement' of the State Government in terms of the provisions of the Article 202 of the Constitution.
- Accounts of the State Government refer to the annual and the periodical accounts as prepared by the accounting authority. They include the Monthly Civil Accounts, Finance Accounts, etc.

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CHECK YOUR PROGRESS

9. How are the annual budgets of government companies audited?
10. Which are the non-votable items of a budget?

4.6 SUMMARY

- Financial administration consists of those operations whose objective is to make funds available for governmental activities, and to ensure the lawful and efficient use of these funds.
- Fiscal management includes, as its principle sub-divisions, budget making followed by the formal act of appropriation, executive supervision of expenditure (budget execution), the control of the accounting and reporting system, treasury management and revenue collection and audit.
- The concept of 'financial administration' is not new to India. Financial administration reached an advanced stage of development as early as 4th century BC. Kautilya's *Arthashastra* was a treatise on financial administration. It contained several sound principles of public finance and financial administration.
- The system of financial control which was introduced in India during the British period was a highly centralized version of the British system. But, it was designed to serve the basic interests and ambitions of British imperialism.
- A substantial portion of Indian resources are frittered away in non-development expenditure which is an unproductive channel. There has been a tremendous increase in non-development expenditure.

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- In reality, long-term budgeting is not an actual budget for a certain time period but a process of making provisions for the future and making annual budgets accordingly.
- Budget was not that important earlier and was merely a medium of management for state finances. These philosophies have changed in contemporary times, as it is an industrial age and prosperity, progress and welfare of a nation has to be looked upon by the government under complex circumstances.
- The American Institute of Certified Public Accountants also known as AICPA has defined accounting as, ‘the art of recording, classifying, and summarizing in a significant manner and in terms of money, transactions and events which are, in part at least, of financial character, and interpreting the results thereof’.

4.7 KEY TERMS

- **Treasury management:** Safe custody of the funds raised, and due arrangement for the necessary payments to meet the liabilities
- **Budget:** A financial plan and a list of all planned expenses and revenues; a plan for saving, borrowing and spending
- **Surplus budget:** If the approximate revenues are more than the approximate expenditure, the budget is referred to as surplus budget.
- **Cash budget:** It includes as estimate of various forms of expenditure and incomes on the basis of the amount that has to be spent or received in one year.
- **Performance budgeting:** It refers to procedures or mechanisms intended to strengthen links between the funds provided to public sector entities and their outcomes and/or outputs through the use of formal performance information in decisions regarding resource allocation.
- **Accounting:** It is the procedure through which financial information regarding business or an organization is communicated to its managers and shareholders.

4.8 ANSWERS TO ‘CHECK YOUR PROGRESS’

1. Fiscal management includes, as its principle sub-divisions, budget making followed by the formal act of appropriation, executive supervision of expenditure (budget execution), the control of the accounting and reporting system, treasury management and revenue collection and audit.
2. The Act of 1919 was a landmark in fiscal federalism. It brought about a statutory distribution of powers and responsibilities between the Centre and the provinces. Provinces were not required to submit their budgets on transferred subjects. But this Act envisaged significant powers for the Governor-General to supervise and control the Governors.

3. In India, the rationale for public enterprises had been based on the premise that state ownership was desirable for the achievement of national objectives. This value consideration resulted in large scale nationalization.
4. Some of the basic challenges which these countries face are:
 - Deficit budgets
 - Deficit financing
 - Massive public debt
5. Capital formation is imperative for the economic development and progress of any nation. Even the financial growth of any single individual is hard to imagine without savings. So a proper system of increased savings is vital for the nation's economic development. This can be done through:
 - Implementing appropriate fiscal and financial methods and measures
 - Discriminatory taxation
 - Implementation of monetary policy instruments
6. Five of the principles are:
 - Principle of political direction and control
 - Principle of primacy
 - Principle of correspondence
 - Principle of balance and stability
 - Principle of unity in management and organization
7. Their classification is based on certain principles which are:
 - The estimated period to be covered
 - The numbers of budget that are to be announced in legislature
 - The kind of method to be adopted
 - The financial position which is depicted through the budget
 - The classification of revenues and expenditures
8. A deficit budget is one where the expected expenditure is in excess of the revenues approximated.
9. The annual budgets of government companies are not subject to vote by the Parliament; only the total grants in respect of their capital investment programmes contributed by the government in the form of either the purchase of share capital or grant of loans are subject to parliamentary vote. It appears that two parallel sets of auditors conduct the audit of the account of these companies, namely, the statutory auditors of the companies who audit the accounts according to the principles of commercial audit and the Comptroller and Auditor General who conducts the audit of the same accounts more or less on the principles of financial audit applicable to government departments.
10. Non-votable items include the following:
 - Salary and allowances of the President of India and other expenditures related to the office

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- Salary and allowances of the Chairman of the Rajya Sabha and Speaker and Deputy Speaker of the Lok Sabha
- The debt charges of the Indian Government
- Salaries, pensions and allowances of the Comptroller General of India

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4.9 QUESTIONS AND EXERCISES

Short-Answer Questions

1. What is the main function of financial administration?
2. Trace the popular trends seen in financial administration in India in the 21st century.
3. Write a short note on how financial administration agencies ensure proper flow of parliamentary procedures.
4. Define budget and performance budgeting.
5. What is the significance of government accounting?

Long-Answer Questions

1. List the five divisions of financial administration.
2. Identify the fundamental objectives of financial administration.
3. Provide an overview of the evolution of financial administration in India.
4. Discuss the principles of financial administration.
5. Describe the process of long-term budgeting and the social and economic implications of budget.

4.10 FURTHER READING

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