

FINANCIAL CONTROL AND MANAGEMENT OF POLICE SERVICES –A CASE STUDY OF PUNJAB STATE

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INTRODUCTION

Money is the bloodstream of administration and it is required for running all the activities of Government. Each officer who has some responsibility for conducting Government activities has to exercise financial control. In departments like the police, where receipts are negligible, control over expenditure is important and financial control largely means control over expenditure. The science of finance is called upon to formulate and improve the organizational principles of the financial system and the agencies for managing and planning finance (Jain, 1978). Financial administration consists of three broad elements viz. policy determination, accountability and management. The policy determination is done by the government, which is responsible to the legislature and is approved by the latter when the budget is approved. The accountability of different levels is achieved by the rules of procedure laid down by Government. The management of the entire process is done by the finance department at the apex and the administrative departments at the level of the Government and the executing organs below that level right down to the lowest formation. The Controller and Auditor General and his organization as an external agency ensure through audit that accountability is achieved as desired by the legislature and different levels of the Government (Rao, 2001). The present study is an attempt

1. To have an overview of the main components of financial control and management with regard to the police services in Punjab.
2. To analyze the issues before the Punjab Police in context of financial administration.
3. To examine the variations in the nature and quantum of total public expenditure on police services in Punjab during different phases of crime.

METHODOLOGY

The data of Punjab Police expenditure was subjected to primarily tabular and graphical analysis. The total police expenditure was deflated at 1993-94 constant prices using wholesale price index. To estimate the growth of police expenditure compound growth rates (CGR) were computed. The present study was conducted for a period of two decades i.e. from 1984 to 2004. The scope of the study is limited to the expenditures of Civil Police force and Armed Police force in Punjab State. Armed Police force is further divided into Punjab Armed Police, Punjab Police Commandos and Indian Reserve Battalion Police. Civil Police force deals with day to day law and order situations, investigation work, traffic regulation etc; where as Armed Police force is a type of reserve Police force to augment the strength of Civil Police force to meet emergency situations like riots, imposition of curfew, mass public agitation and some times also given the charge of securing of bridges, dams, important industries etc. during the declaration of national emergency. Police expenditure was classified under twenty-four heads. It was a gigantic task to reconcile the vast data on police expenditure and crime in Punjab, which was made possible with special permission from the Director General of Punjab Police. It was a maiden attempt on our part as no study so far has ever been delved into this aspect of the Punjab Police department.

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The annual, decade's and overall average compound growth rate on police expenditure were obtained using the following formula

$$Y = a b^t e^u$$

Y = Yearly expenditure on Police
t = Time period
u = Stochastic term

a & b are constants which were estimated by principle of least square using following formula

$$\log b = \frac{n \sum t \log y - (\sum t)(\log y)}{n \sum t^2 - (\sum t)^2}$$

$$\log a = \frac{\sum \log y}{n} - (\log b) \frac{\sum t}{n}$$

$$\text{Average C.G.R.} = (b - 1) 100$$

MAIN COMPONENTS OF FINANCIAL CONTROL AND MANAGEMENT IN PUNJAB POLICE

An overview of the main components of financial control and management with regard to the Punjab Police includes the following aspects in the Punjab Police financial scheme.

- a) Budgetary control
- b) Accounting
- c) Purchases
- d) Treasury Management
- e) Tax Administration
- f) Auditing

A) BUDGETARY CONTROL: -

Budget is a comprehensive plan, expressed in financial terms, by which a program is operated for a given period of time. Budgetary Control consists of two processes

- i. Watching that the expenditure is proportionate to the annual budget allotment and
- ii. any excesses or savings are taken into account

Budget cycle consists of sequential steps that should be repeated every year at about the same time in a well-organized department (Swanson, 1993). The following details will throw some light on the sequential steps followed by the Punjab Police department with respect to the budgeting process.

I) Budget preparation: -

The Punjab Budget Manual is followed during the preparing stage and all gazetted officers, head clerks and accountants of the Punjab Police are required to familiarize themselves with the general principles contained in the manual. Punjab State is divided into police districts. Senior Superintendent of Police (S.S.P.) is in charge of police administration in a district and he supervises the budgets prepared in the first instance by Head Clerks and Accountants. He is required to personally check the estimates so prepared with great care and to satisfy himself that the estimates of revenue & expenditure are as accurate as possible and are not mere repetitions of the figures of the previous years. The budget so prepared is put forward to the range Deputy Inspector Generals (DIGs) who again scrutinize them according to the given guidelines. The DIG retains the original district estimates of the budget and forwards the consolidated budget estimates to the Director General of Police (DGP) office, which is the apex authority responsible for all individual departmental budgets.

PAP (Punjab Armed Police) battalions, IRB (Indian Reserve Battalion) and Punjab Police Commando Battalion draft their own individual departmental budget which are supervised by concerned commandants who are SP rank officers and forwarded to the DIG offices concerned.

II) Budget execution: -

The budget execution function has four objectives

1. To provide for an orderly manner in which the police departments approved objectives for the fiscal year are to be achieved.
2. To ensure that no commitment or expenditure by the police department is undertaken, except in pursuance of authorizations.
3. To conserve the resources of the police department that are not legitimately required to achieve the approved objectives.
4. To provide for a suitable accounting, at appropriate intervals (Swanson, 1993).

The objectives are supported by three different mechanisms

- a) Allocation system.
- b) Accounting controls.
- c) Management controls.

a) Allocation System: -

Each department in the Punjab Police force allocates its entire non-plan budget for all its Drawing & Disbursing officers (DDOs) under each minor head and sub-head of expenditure in a format and convey it to the Department of Finance. A copy is endorsed to all the District Treasury Officers (DTOs) and Treasury Officers concerned. If a department has a very large number of DDOs in a district under the control of a district head, then the allocation is made to the district head. The head of department signs the DDO wise allocation statement. The budget allocation for the Standard Objects of Expenditure (SOEs)– Salaries, Medical Reimbursements, Travelling Expenditure, Pension & Pensioner Benefits, Rent Rates & Taxes, Telephones & Grant in-Aid is made to each DDO/ District Head within the annual budget allotment by the head of department. It is the responsibility of each DDO to ensure that all expenditure is booked correctly under the appropriate SOEs. The HOD reallocates unused allocation at the end of the first and second quarter of the financial year by sending an “Amended DDO-wise allocation statement” to all concerned DTOs & Finance department. The act of appropriation of funds requires the communication of budget allotment in the manner laid down in the Punjab Budget Manual (Chawla, 1998).

b) Accounting Controls: -

According to Punjab Police Rules to facilitate a check on the progress of expenditure by the Deputy Inspector General of Police, the Inspector General of Police & the Accountant General, a service of returns has been prescribed. The disbursing officers are required to maintain registers for all expenditure in which the account classification shall be shown & the allotment under each unit shall be entered in red ink at the top of each column. Disbursing officers are also required to submit to the Controlling Officer & the Inspector General of Police, a departmental return showing under each primary & secondary unit the allotment, expenditure incurred & the balance available at the end of the preceding month.

c) Management Controls: -

The last element of budget execution is management controls, without which financial controls are incomplete. Management controls reach throughout the police department to regulate the use of resources. Management controls may also be both retrospective & prospective; the midyear review gives an opportunity to examine financial performance & progress toward departmental objectives during the first half of the fiscal year & to plan & take any necessary corrective action for future. Monitoring actions can occur on a more frequent basis such as monthly or quarterly.

(B) ACCOUNTING: -

Financial accounting is a branch of accounting & historically has evolved processes by which financial information about a business is recorded, classified, summarized, interpreted and communicated. An organization like the police department should ensure that there is a proper use of accounting procedures, supported by technology that enforces rules, streamlines processes & increases accuracy.

Accounting Process followed by Punjab Police: -

The basic record of receipts & expenditure are incorporated in the cashbook. Amounts are drawn from the treasury on bills, on account of salaries, allowances, contingencies & other miscellaneous bills, including secret service expenditure. Different forms are prescribed for different types of bills. The bills prepared are entered in the bill book and sent to the treasury, which after scripting either passes a pay order on the bill itself or issues a cheque detaining the bill in the treasury itself for accounting purpose. As soon as the bills/cheques are encashed, money is obtained from the bank and entered in the cash book after which it is disbursed under proper acknowledgement. It is necessary for the DDO to ensure before signing the bills that they are genuine claims and that the office copy and the fair copy has the same amount and they are written both in figures & words. After they are encashed the DDO ensures that they are entered in the cash book and all disbursements made therefrom are supported by acknowledgements to the rightful payees. Contingent bills are not endorsed in favour of suppliers or handed over to them as this leads to misappropriation of Government money. The cash book is closed every day & periodically the DDO conducts physical verification of cash. The cash book should be bound in convenient volumes and pages machine numbered. It should be closed regularly and completely checked (Chawla, 1998). The receipts & expenditure are tabulated under the different heads of account, voucher wise & this forms the basis for reconciliation with the treasury & also with the Accountant General. The reconciliation not only ensures that the expenditure has been classified correctly, but also shows if there are any misappropriations. The rules regarding the maintenance of receipt books have been enumerated below.

- 1) Each Superintendent, Deputy Inspector General, the Assistant Inspector General and Inspector General shall keep a printed receipt book the pages of which shall have printed serial numbers.
- 2) For every sum of money credited to the accounts, a receipt shall be given duly signed by the gazetted officer or an Inspector in the District office, by the Head Clerk in the Range office or by the Superintendent in the Central office, to the person from whom money is received.
- 3) The officer signing the receipt must compare the entries with the cash book and initial the entry.
- 4) Before bringing a receipt book into use, the Accountant shall check the sequence of the number printed on each receipt and mark each with the office stamp. Any discrepancies shall be brought to the notice of a Gazetted officer who shall note the fact in the book.
- 5) The head clerk shall keep blank books under lock and a register shall be maintained by him regarding their issue.

Return of Income: -

On the first day of each month each Superintendent shall submit to the Inspector General a return showing the estimated and actual collections under each head of revenue for which he is responsible. These returns are checked in the Inspector General's office and matched with copies received from the Accountant General of the treasury regarding returns of income actually credited. It is essential therefore, that the returns from the police offices should be prepared independently and not in collaboration with the treasury clerks. The Accounts Branch of the Punjab Police department has created the posts of Assistant Controller (Finance and Accounts) and Accountant which are entrusted with certain responsibilities as shown under: -

Assistant Controller (Finance and Accounts)

- To act as DDO on behalf of SSP to make payment on account of pay allowance, travelling allowance, contingency with the financial rules.
- To deal with the audit and inspection reports of Auditor General, Punjab.
- To maintain the service records of all class-III and class-IV employees and to check the correctness of pay fixation.
- To reconcile the accounts of the department having financial implications.
- To scrutinize the pension cases.

- To maintain of Group Insurance Scheme (G.I.S.) accounts and supplier estimates.
- To prepare budget estimates and supplementary estimates.
- To issue the financial sanctions.
- To sanction annual increments and fixation of pay of other ranks and non-gazetted officers.
- To supervise the work of accounts branch.

Accountant

As per PPR No.11-1, his duty and responsibilities are detailed in chapter number 10 of Punjab Police Rules. Many Head Constables and Constables will assist him as sanctioned from time to time. He will be responsible for proper maintenance of accounts branch (Jain, 2000)

C) PURCHASES :-

Since officers are spending public money they have to ensure that they get the best return for the money spent. Secondly, since their activities are open to public gaze they should do it in an unexceptionable manner. For this purpose ensuring full and fair competition is essential. Depending on the monetary limits some purchases could be made from

- 1) the market without asking for quotations,
- 2) some with quotations,
- 3) other through open tender.

Whatever purchases are made on an open tender or through quotations, the specifications and terms and conditions of purchase and payment should be laid down completely and unambiguously so that the quotations are for the same material and there is no doubt about the quality, size, utility, etc. of the purchases.

While tabulating quotations, it should be seen that the prices of the items are brought to a common comparable base (Rao, 2001). The quotations are then tabulated to make them comparable and the purchases decided. In deciding on the purchases, the following important criteria have to be borne in mind: -

- 1) Goods that conform to specifications alone can be considered unless the deviations from specification are also acceptable and the prices tendered by all suppliers including the non-conformist tenders are comparable.
- 2) It is not correct to say that the lowest tender should be accepted. Those tenders which do not conform to specification as given in the tender notice can be rejected. Purchases must be made in the most economical manner in accordance with the definite requirement (Chawla, 1998).
- 3) Past experiences with the tender regarding supply of quality materials, timely supply and supply as in adequate quantities could be given due weightage while deciding a tender.
- 4) It is desirable to ignore tenders received after the date and time of opening unless it has been posted before hand or advice about reduction of prices or other favourable condition received after the date of opening of tenders.
- 5) It is always desirable to open the tenders in the presence of representatives of the tenderers who chose to be present and get their signatures on a sheet of paper as proof of their presence.
- 6) It is also desirable to attest all corrections made in tenders after they are opened. This should preferably be done by two officers-one who opens the tender and another officer.
- 7) If there is a warranty or a guarantee for performance and a corresponding stipulation that the equipment should be tested after erection, the formalities of testing should be completed before that date so as to derive advantage of the warranty clauses.
- 8) The stitching of uniforms would perhaps be entrusted to police welfare organizations that could also be closely supervised so that the benefits of labour charges could go to the families of police personnel.

D) TREASURY MANAGEMENT: -

Following are the Punjab Police Rules with respect to treasuring management.

- 1) All money received shall be kept in the police cash chest, provided that permanent advances may remain in the hands of officers to whom they are distributed and sums received for immediate disbursement on account of duly authorized order for payment may be kept in the custody of the disbursing officers (Koshy, 1998)
- 2) Police cash chest shall be marked as such and shall be kept in the single lock room of the treasury. They are intended for the safe custody of the cash box, which may under the authority of the Superintendent be removed on working days from the treasury to the police office and if so removed, shall be returned to the treasury before business for the day is closed. Both the cash chest and cash box shall have two outside locks, the keys of one lock is to be kept by the Accountant and of the other by the Superintendent or in his absence by the officer delegated with authority.
- 3) Money received on behalf of Government from individuals or other officers on holidays or after closing of the treasury for business shall be deposited in the lines safe and entered in the receipt side of the general cash book.
- 4) Treasury officers shall ensure that all expenditure is booked correctly under the appropriate SOE and that the running total of expenditure is correctly & legibly recorded on each bill with a view to ensure that each DDO is allowed to incur expenditure only up to the limit set by his department.
- 5) A Treasury officer may correct an arithmetical inaccuracy or an obvious mistake in any bill presented to him for payment and shall intimate to the drawing officer any such correction he makes (Singh, 2003).

E) TAX ADMINISTRATION: -

The following rules are prescribed regarding taxation in the Punjab Police department: -

- (a) Police officers are not exempted from taxation in their individual capacities, but taxes other than income tax shall not be collected departmentally on behalf of the taxation authorities. All reasonable information required by such authorities from an officer regarding himself and his subordinates shall be supplied.
- (b) All pay, allowances, pensions, gratuity, fees, commission and perquisites are liable to income tax with the following exemptions.
 - (i) Travelling Allowance.
 - (ii) Conveyance or Horse Allowance.
 - (iii) General Provident Fund or other similar fund & Life Insurance provided that such deducted sums should not exceed one sixth of the salary.
 - (iv) Advances of pay and other advances made by Government to its officers.
 - (v) Allowances attached to :-
 - Military Cross,
 - The Order of British India,
 - The Indian Order of Merit,
 - The Kings Police Medal,
 - The Indian Police Medal,
 - (vi) Extraordinary gratuities granted by government to officers (or to their widows, children or other representatives, as the case may be) who are injured or killed in the execution of their duties or who suffer injury or death owing to devotion to duty.
 - (vii) Motor vehicles owned by government and kept for use by the Police department are exempt from liability to pay tax under the Punjab vehicles taxation rules 1925.

(viii) The local government has directed that professional taxes shall be levied by local bodies in accordance with rates fixed by them subject to the confirmation of the deputy commissioner (Koshy, 1998).

F) AUDITING: -

The term “audit” refers to the act of verifying something independently. A fundamental tenet of a democratic society holds that Government and agencies entrusted with public resources and the authority for applying them have a responsibility to render a full accounting of their activities. This Governmental accountability should identify not only the object for which the public resources have been devoted but also the manner & effect of their application.

Auditors look for:-

- (a) Unauthorized transfers of funds between accounts.
- (b) Failure to compile and submit financial reports punctually.
- (c) Year-end accounting manipulations.
- (d) Improper computations.
- (e) The disbursements of funds without adequate documentation.
- (f) Expenditure in excess of appropriations.

A special post of Auditor is sanctioned in the office of each range Deputy Inspection General. These auditors are required to carry out a thorough audit inspection of the whole of the accounts, including those of the police deposit fund and general police fund, in each district of the state. They shall carry out similar audit inspection of police offices not attached to ranges, as may be ordered by the Inspector General or Deputy Inspector General.

The various guidelines followed after the audit of the police department are: -

- (a) The earliest attention should be given to all objections received from the audit office, whether direct or through the treasury officer. Original objection received through the treasury officer should be returned with explanation called for on the day of receipt or following day.
- (b) Recovery should ordinarily be effected from officers, of the any overpayment made to them, if the Audit office raises objection within twelve months period. Account officers are required not to demand recovery of payments made unless the amount has been challenged within twelve months.
- (c) Original objections and retrenchment order and their replies, or copies be attached.

ISSUES BEFORE THE PUNJAB POLICE IN CONTEXT TO FINANCIAL ADMINISTRATION

(a) Punjab Police system has all along suffered owing to allocation for inadequate funds to turn it into a true instrument of service to the people at large. Perpetuation of the Raj being their primary objective, the British Government never intended to modernize the police force. Even after independence, the image of the police has remained more or less the same. Unfortunately, the most important factors like training and modernization have lost sight of and no adequate funds for this purpose have been placed at the disposal of the police.

(b) A negligible percentage of total budgets of a state are spent on police and the bulk of it is expended on routine expenditure i.e. pay and allowance of policemen etc. A very little amount of this total percentage of funds is utilized for training, modernization and equipment, scientific aids, wireless equipment and motor transport.

(c) Whenever the people talk about police, they invariably associate it with civil police, the district police and particularly the police posted at police stations. Of late, there has been considerable increase in the strength of armed police and as such a fairly neat sum of police budget is spent on these armed battalions. Failure to show expenditure separately on civil police, armed police, equipment, training, modernization, etc. militates against the police performance vis-a-vis expenditure. Total expenditure on police is shown in a single normal budget and as such it tends to distort the picture of performance of the police engaged in service to community.

Therefore, people do not appreciate the performance of the police in relation to expenditure thereon.

(d) Inadequate allocations of funds for the police to a considerable extent is due to the distinction introduced in financial administration between plan and non-plan expenditure. Expenditure on police comes under the latter category. It generates an inescapable pressure in the financial policy of states towards increasing plan expenditure to qualify for matching grants from the Central Government and as it does in relegating to the background departments and services like the police (Banerjee, 1997).

(e) The fundamental principle of finance is that the existing services should not be sacrificed at the altar of new ones. The police is a welfare service and one of the most essential services. The responsibilities of the police can be compared only with those of the defence department. While the latter is responsible for external defence of the country, the former in a broad-sense is responsible for internal defence. One of the foremost duties of the State is to ensure that the people in society live in peace and good order, which it does through the police. Moreover, efficient and effective policing is essential for the success of all developmental activities. Indeed, the need of the day is that the police administration should be associated in its new role, with social defence planning and other developmental activities.

(f) The system adopted in the U.K. is far more superior to the one in our country. The heads of police forces in the United Kingdom calculate the financial requirement for effective policing and the local authorities concerned are required by an Act of Parliament to find the amount so worked out. Half the sum of this money is contributed by the central Government and the other half is raised by what is termed as Police Rate-local Tax on residential property. Moreover, there are no lapses of funds from year to year. This model may not, in its entirety, be suitable to Indian conditions but we can borrow its good points.

(g) When it is not possible for the Finance department to sanction all the funds asked for, they should not make cuts in various items by themselves but instead indicate to the I.G.P. the total fund they can provide leaving there by an option for him to apply cuts and adjust priorities.

(h) There is further scrutiny by the Finance department even after the sanction of budget appropriation by the Legislature causing thereby considerable delay in placing the funds at the disposal of the police. This practice should be given up except in cases in which the cost of the original proposal has substantially increased due to certain factors like rise in prices etc.

(i) District Superintendents of Police are not authorized to hire transport on their own. It creates serious problems for them particularly in emergencies and grave law and order situations when the transportation of force is imperative to effectively deal with such situations. Surprisingly enough, a Superintendent of Police is saddled with the responsibility of ensuring the maintenance of public order but he has not been given the authority to hire vehicles for the very purpose of doing so. In Tamilnadu alone, Superintendents of Police are authorized to hire transport on occasions of large festivals, visits of high dignitaries, elections and also when required for maintaining order in disturbed localities or for mobilization of District Armed Reserves. In Bihar, the I.G.P. can authorize hiring of transport upto Rs.2500. West Bengal has appreciated the need for mobility of the force and I.G.P. has been given full powers with no monetary limit to incur expenditure with regard to hiring of transport. The Government of other states should follow the example of these states.

PUBLIC EXPENDITURE ON POLICE SERVICES IN PUNJAB

Police is a governmental department charged with multifarious duties and responsibilities of maintenance of law and order, regulating traffic, prevention and detection of crime, VIP security, combating terrorism etc. The police functions are known to have taken birth with the advent of civilization as the history of crime dates back to the birth of mankind. The pressure of population, urbanization, industrialization and scarcity of resources, give rise to criminality and criminal tendencies, particularly among the younger lots, which has made the job of policemen even more arduous over the years. By the initiation of eighties, some extremist organizations raised their head in Punjab State and tried to overthrow the economic, political and social system through the barrel of the gun. It led to inhuman violence, mass murders,

kidnapping, extortion, bombing etc. This period also met with two massive anti-militant operations in Golden Temple, Amritsar (the holiest place of the Sikhs). These operations were conducted jointly by Indian Army and Central Paramilitary Forces (C.R.P.F., B.S.F., C.I.S.F. etc). Punjab Government realized that the central forces were deployed for temporary phase and so they could not be dependent on them for long. Hence a need was felt to develop a special force equipped with sophisticated weapons and modern gadgets to counter the new scourge of terrorism and restore normalcy. The Punjab Police lived up to this challenge, and a strong, systematic and effective action was taken to stem the tide of terrorists. Large-scale recruitment was done and new training centers with latest infrastructure facilities for running advance courses were established. Heavy investments were made in acquiring modern gadgetry, fast moving and secure motor vehicles, latest weaponry etc. Efforts made to professionalise and modernize the Punjab Police force contributed to huge costs and a burden on Government Treasury. Every penny spent on police has to be justified by way of direct and indirect benefit occurring to the society. This necessitated the need to make an explicit study on Punjab Police Expenditure under various heads for a period of twenty years (1984-2004). It is thus clear from table 1 that total police expenditure in Punjab at constant prices has increased by 4.9 times during the period of 20 years (1984-2004) from Rs.120 crores (aprox) to Rs.590 crores (aprox) at CGR. of 8.50% The average annual CGR of terrorism period (1984-1994) was higher (16.49%) as compared to the CGR. of post terrorism period (1994-2004) as 5.55%. In the year 1992-93, the police department experienced highest annual growth rate of 126.75% owing to huge expenditure under the head of "Other Charges" which includes payment out of discretionary grants, compensation, awards and prizes etc. Any other expenditure, which cannot be classified under any of the specified heads, is included under this head. In the year 1992-93 all outstanding previous years payments to the extent of Rs.319 crore at constant prices to Central Paramilitary forces (i.e. C.R.P.F., B.S.F., C.I.S.F., I.T.B.P. etc) for their deployment in Punjab state was cleared and this huge expenditure figured under the head other charges. Total police expenditure includes expenditure done under 23 different heads. The year 1986-87, 1993-94, 1995-96, 1999-2000, 2000-01, 2003-04 experienced negative growth rates in total police expenditure.

Table 1 : Year-wise Expenditure on Punjab Police, 1984-2004

Year	Total Police Expenditure (At Constant Price) (Rs. Crore)	Growth Rate (%)
1984-85	120.27	—
1985-86	164.19	36.51
1986-87	155.13	(-)5.52
1987-88	160.69	3.58
1988-89	186.11	15.82
1989-90	211.96	13.89
1990-91	274.92	29.70
1991-92	303.32	10.33
1992-93	687.78	126.75
1993-94	368.15	(-)46.47
1994-95	369.99	0.50
1995-96	368.81	(-)0.32
1996-97	418.45	13.46
1997-98	464.01	10.89
1998-99	536.78	15.68
1999-2000	521.69	(-)2.81
2000-01	517.21	(-)0.86
2001-02	519.70	0.48
2002-03	593.99	14.29
2003-04	589.83	(-)0.70

Source: Director General Office, Punjab Police Headquarters, Chandigarh.

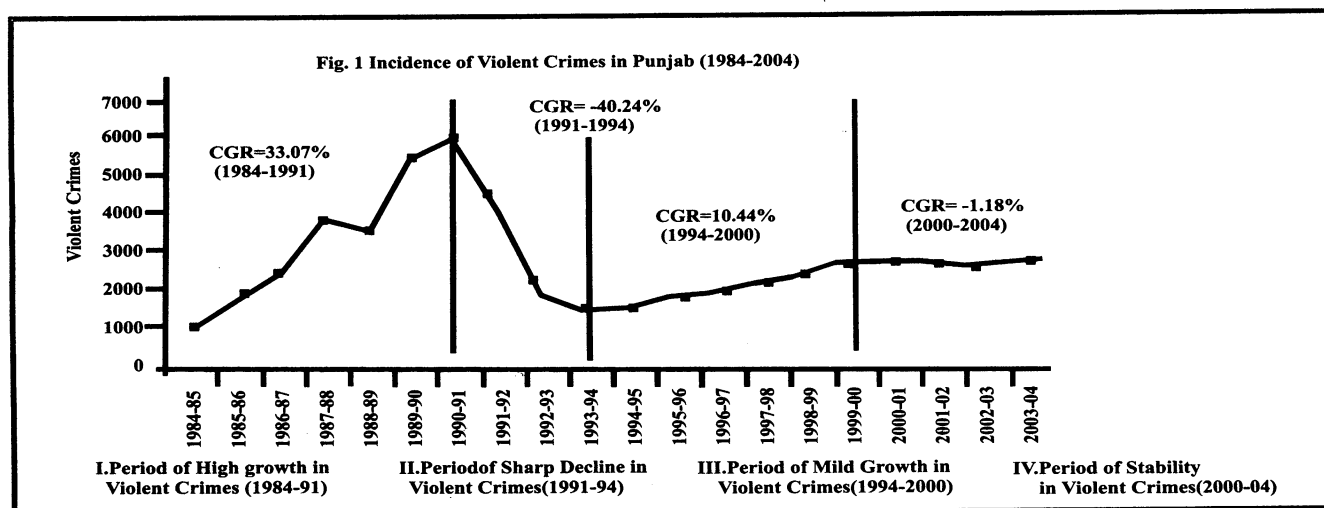
Compound Growth Rate

(1984-2004) → 8.50%

(1984-1994) → 16.49%

(1994-2004) → 5.55%

The state of Punjab suffered the brunt of severe terrorism during the period of 1984-1992 owing to large number of deaths of innocent civilians, police personnel and terrorists. This led the police department to gear itself accordingly incurring huge expenditure on improving quantity and quality of police force. Police force personnel in Punjab was 34450 in 1984 which swelled to more than its double in the two decades. Due to large recruitment, the proportion of salary and wages in total police expenditure inflated to the maximum. Heavy expenditure was also done on acquiring adequate and safe transport for quick mobility, updating control rooms, establishing internal vigilance cells, DRDO labs for systematic study and research and development, strengthening of training institutions with new training courses like Anti-Terrorist/Commando Courses, Special Interrogation Course, Detection and Investigation Course, Refresher Course For White Collar Crime Investigation, Computer Inquiry Format Course, Automatic Weapon Course, Counter Intelligence and many other Capsule Courses of short duration (Aujla, 1995). Providing welfare schemes to boost the morale of the police force and organizing star nights to win public confidence in police, rehabilitating the families of deceased police personals, constructing residential quarters also contributed heavily to the total police expenditure. The severity of terrorism in Punjab can be ascertained from the magnitude of violent crimes (It includes murder, attempt to commit murder, culpable homicide not amounting to murder, rape, kidnapping and abduction, dacoity, preparation and assembly for dacoity, robbery, riots, arson, dowry deaths etc.). The year-wise data on violent crimes in the state was obtained and presented in graphical form (i.e. Fig.1).



The visible distinction of total period (1984-2004) was made into four parts depending upon the growth of violent crimes (Table 2).

Table 2 : Split up of Police Expenditure in periods

Period	Total Violent Crime in Punjab(Compound Growth Rate %)	Total Police Expenditure (At Constant Prices) (Rs. Crore)	Average Annual Police Expenditure (Rs.Crore)	Average Annual Compound Growth Rate(%)
I Period of High Growth in Violent Crime (1984-91)	25572 (30.07)	1273.27	181.89	12.00
II Period of Sharp Decline in Violent Crime (1991-94)	7972 (-40.24)	1359.26	453.08	10.17
III Period of Mild Growth in Violent Crime (1994-2000)	13144 (10.44)	2679.73	446.62	8.78
IV Period of Stability in Violent Crime (2000-2004)	11298 (-1.18)	2220.74	555.18	5.42

Source: Director General Office, Punjab Police Headquarters, Chandigarh.

Note:- For analytical purposes, the period of 20 years (1984-2004) is divided into four parts based on the trend followed by violent crimes in Punjab.

As presented in table 2 the period of high growth in violent crimes (1984-91) experienced an average annual police expenditure (AAPE) to the tune of Rs.182 crore at constant prices with CGR.of 12%. It was a period of rise in killings in Punjab in general and in particular met with two massive anti-militant operations in Golden Temple, Amritsar, in which both sides suffered heavy casualties. Police force was engineered to meet the uprising law and order situation and need was felt to augment manpower with appropriate logistical support.

The police force equipped with sophisticated weapons were also given bullet proof tractors to flush out extremists taking shelter in sugarcane fields in Punjab. After that, that fields were no longer safe 'Hideouts' for the militants to operate against the security forces (Aujla, 1995).It was followed by a period of sharp decline in violent crimes (1991-94).During this period the AAPE was Rs.453 crore (aprox.) with 10.17% CGR.. Huge expenditure done in 1992-93 under the head of "Other Charges" to the tune of Rs.319 crore at constant prices was a significant contributory in enhancing AAPE during this period.

The establishment of three new training institutions (Commando Training Centre, Bahadurgarh with 800 seats, PAP Training Centre, Jalandhar with 2500 and RTC Ladda Kothi, Sangrur with 500 seats) enhanced the required manpower and it caused a longtime burden on total revenue expenditure of police in Punjab on account of salaries, wages, cost of ration, travelling expenses etc. Capital expenditure also increased on account of meeting the infrastructure need (i.e. clothing, machinery and equipment, motor vehicles, arms and ammunition, residential and official buildings) for enhanced man power.Next was the period of mild growth in violent crimes (1994-2000) when AAPE though decreased as compared to earlier period yet high to the extent of Rs.447 crore (aprox.) at constant prices with 8.78% CGR. During this period high proportion of salary and wages in total police expenditure (i.e. about 80%) is the main cause of maintaining high police expenditure. During this period capital expenditure, i.e. expenditure on clothing, arms and ammunition, motor vehicles and modernization fell drastically as the menace of terrorism was almost over and the state of Punjab was heading towards normalcy.

Moreover huge capital expenditure incurred during the times of militancy catered to the needs in post-militancy period and so its proportion in total police expenditure fell below than even what it had been during pre-militancy period. During the phase of militancy, fighting terrorism was the top priority areas of police work. As a result, some aspects of traditional policing was relegated to the background. Steps were taken to improve the day to day functioning of police to bring about objectivity in performance analysis and to exercise better control over the police force. For optimal utilization of available manpower, many new courses were incorporated at training institutions for various ranks of officers and N.G.Os. to acquaint them with routine office and investigation work and in general develop professionalism in police force. Punjab Police took an extensive programme for developing good relations with the public, and community leaders. Operation 'Healing Touch' was also launched to assuage the feelings of family members of those, who got killed in violence (Aujla, 1999).Lastly during the period of stability in violent crimes (2000-04) the AAPE increased to Rs.555 crore (aprox.) at constant prices with a CGR. of 5.42%. The rise in white collar crime, cyber crime etc further necessitated to modernization of police force coupled with huge police force recruited at the time of militancy continued to put burden on Punjab's economy in general and total police expenditure in particular. Minimal capital expenditure was done which was essential to meet the requirements and maintenance of already existing large police force.

SUGGESTIONS AND POLICY IMPLICATIONS

It must be noted that financial administration can be only as efficient as the total administration. Some police executives view financial management as an unattractive responsibility. It should be realized that money is the fuel on which police programs operate and the unwillingness to invest in financial resources pre-establishes the conditions for mediocre or worse performance by the police department. Some of the suggestions that can be implemented by the Punjab Police for supplementing their budget are discussed here and the department can employ these tactics to reduce the cost of delivering service. Various strategies for supplementing the police budget can be as follows.

- 1) Obtaining grants from government: - Grants from the government may be obtained for variety of endeavours like purchase of vehicles, anti-riot equipment, for training and to develop special efforts in areas such as crime prevention alcohol safety-accident, prevention narcotics related crime etc.
- 2) Donation Programs: - Police force can obtain funds for a particular purpose or in general by establishing a foundation which is a non profit independent tax-exempt organization with the following goals:-
 - Enhancement of police community relations.
 - Improvement of police services.
 - Funding of police projects
 - Combating of police corruption.
- 3) Forfeiture Laws: - Forfeiture laws should act in two ways: -
 - Criminals should not be allowed to profit financially from their illegal acts.
 - The assets of criminals that are subject to seizure can be put to work against them by funding additional law enforcement initiatives. Forfeited property can be handled in one of the following manner.
 - All benefits from the forfeiture can go to the government general fund.
 - The police may keep all property and it is later sold. The proceeds of the sale go to the government's general fund.
- 4) Another technique that can be incorporated by the Punjab Police department is Zero Base Budgeting (ZBB). ZBB is a technique, which complements and likes the existing planning, budgeting, and review processes. It identifies alternative and efficient methods of utilizing limited resources in the effective attainment of selected benefits. It is a flexible management approach which provides a credible rationale for reallocating resources by focusing on the systematic review and justification of the funding and performance levels of current programmes or activities (Phyrs, 1998).
- 5) Wider Financial Powers to Heads of Department:- Yet another direction wherein reform is necessary is that which concerns the financial powers of the I.G.P., controlling officers and other heads of district offices. Modern administration requires greater delegation of financial powers. Under the existing financial rules the heads of departments prepare their budgets on the basis of expenditure incurred by them during the last three years (Banerjee, 2000). But the fluctuations in the cost of items proposed in the budget are so varied and unpredictable that it becomes almost impossible for the head of the department to adjust his expenditure to meet the fluctuations as and when they occur in the absence of appropriate financial powers rendering thereby the very basis of budget unrealistic. The head of department should have full powers of reappropriation within different main heads of allotment. This will prevent lapses of budget allotments during the closing period of financial year.
- 6) Police should be given greater control over implementation of their housing programme. A board should be constituted consisting of Finance Secretary, the I.G.P. and Chief Engineer, P.W.D., to consider budget proposals in respect of major and minor works and to determine the total allocation of funds for this purpose and the priorities between different subjects. Administrative and financial sanctions of plans and estimates could thereafter be issued by the I.G.P. Separate P.W.D. divisions should be created to look after police works. Creation of P.W.D. divisions for these specific works will help complete the housing schemes without any loss of time and thereby obviating the likely fluctuations in the cost of materials.
- 7) Between 1984 to 1991 when terrorism was on its ascendancy, Punjab Police was geared up for fighting terrorism. It was the top priority areas of police work. As a result, some aspects of traditional policing were relegated to the background. It is necessary to utilize the high energy created in the Punjab Police for useful work.
- 8) Total revenue expenditure consumes almost whole of the funds allotted to Punjab Police department leaving behind very meager amount for maintenance and creation of capital assets. The proportion of capital expenditure in total police expenditure must be increased to match the requirements of the large

size of Punjab Police force and its modernization to curb uprising technical crimes like cyber crime, monetary scandals etc.

9) The proportion of civil police in total Punjab Police should increase as more forces are required to meet day to day law and order situations, investigation work, traffic regulation, VIP security duties etc. It signifies that police personnel should be shifted from Punjab Armed Police, Punjab Police Commandos, Indian Reserve Police to Punjab Civil Police.

CONCLUSION

It can be concluded that in Punjab Police force financial control is exercised through several tools. Powers are delegated to the different functionaries for incurring expenditure up to certain limits as per budgetary provisions. The spending authorities of the department follow certain financial propriety norms. The police department has to take into consideration the basic philosophy that public sector sources of supply should be patronized and that checks have to be exercised over wastage, misuse, negligence and so on. The process of financial control and management is incomplete without administrative inspections and audit by the Accountant General. The amending authorities take into account the irregularities, deficiencies or incomplete documentation with a view to rectify them. Since most of the expenditure in Punjab Police department is on salaries, it is more or less the same every month, except the purchases of uniforms, boots, ammunition and maintenance of vehicles which may be abnormal during particular years. Reports are sent by each Drawing and Disbursement officer (DDO) to the next higher authority, giving details of expenditure control at his level. There has been large-scale expansion of organization in the Punjab Police force over the years, which effected the financial discipline. Factors like inadequately trained personnel, incomplete orders, delayed amendments, non-availability of codes and manuals for ready reference have eroded financial control management to some extent. The accounting system needs to be updated and modernized. The Punjab Police department will be able to get a financial edge if it has the power to develop realistic and accurate budgets, control expenditure and achieve a high level of accountability. It is also clear from the above discussion that over the years (1984-2004) total police expenditure in Punjab has increased on account of increased police force. The increase in police force was essential as there was growth in population, urbanization, industrialization and above all to counter the scourge of terrorism in the border state of Punjab. It led to long term burden on Punjab Government treasury. Moreover it should be kept in mind that the police department has a distinct nature where magnitude of human resources (constabulary in particular) forms an integral part of basic infrastructure. The presence of a large police force no doubt acts as a deterrent to sponsored crime, and assists in the existence of business friendly peaceful environment congenial for self sustained, self generating economic development. But in case of Punjab maintaining large police force was a temporary solution. In the subsequent years, the incidence of crimes increased to the extent that the rate of crime (total cognizable crimes per lakh of people) rose higher than what it was at the time of militancy. It may be concluded that existence of large police force is not the ultimate solution to control crime. Conscious efforts must be made on the part of governments at Central & State levels to resolve amicably various economic, social, religious & political issues.

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to invest in the institutional capacity building of each SHG or which imposes on them a standard pattern of savings, lending and repayment undermines the basic structure of an SHG. Unless this investment in SHGs is made, one may achieve a limited degree of financial inclusion, but 'social inclusion' and 'market inclusion' will still remain elusive (Fernandez 2007). The mechanisms of the financial system replicate the exclusivity of the market. To expect a financial system to be inclusive, therefore, is unrealistic. Other factors need to be brought into play-policies, supportive implementing systems and pressure from below. Policies are relatively easier to put in place. Hence for policies to be implemented even partially it requires pressure from below – this the empowered SHGs can provide. However, to enable the SHGs to perform their multifaceted, empowerment role, it is necessary that they are operationally and financially managed towards financial inclusion. MFIs should not set high growth targets since it is against the spirit of corporate social responsibility and it excludes the poor who can not respond fast enough. Their business should include the poor, distressed, disadvantaged, resource less. Then only it can be justified a micro finance programme with greater emphasis of 'inclusive financing'.

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