**Financial Administration**

Financial Administration means the management of the finances of a state or a public authority. It involves planning, organizing, directing and controlling the financial activities such as procurement and utilization of funds. In general terms, financial administration implies administration relating to the management of collecting revenues and expenditure for running the public administration.

**Significance of Financial Administration**

Financial administration is an integral aspect of public administration as the running or management of administration is impossible without money or finance. The public administration (government) collects revenues through various ways, such as levying taxes, borrowing money from the public and financial institutions, collection of money for development works etc. Also, the executive organ cannot push for more taxes from the citizens beyond a limit. Moreover, the executive is bound to give an explanation to the legislature for the money collected and spent. Thus, the existence of sound financial management is vital to the success of any organization, and as such financial administration forms an integral part of any public or private administration.

At times, where national governments are always at resource crunch, efficiency and economy become extremely important for public finance. With the revenue derived from the hard-earned income of the citizens, it is incumbent upon the government that they spend the money efficiently. Also, the executive is legally incumbent to explain and justify the amount, source and the purpose of the funds spent, that it collects from the citizens. If public finances suffer from imprudent management, the citizenry becomes alienated from the government, which might disrupt the government’s tenure in power and also destroy the prospects of democracy itself (Basu, 2012:322).

Hence, planning is required for collecting money and spending it for various purposes. Financial administration takes into concern that both the income and expenditure are guided by plans or certain definite rules and regulations. Thus, financial administration includes both the collection of money and expenditure of the collected money.

The significance of financial administration has increased manifold in modern times because of the unprecedented increase in government expenditure. With increasing expenditure, it becomes necessary for the government to evolve and employ sound principles, tools and techniques of financial administration. Financial administration involves the activities of the executive, legislature, the Finance ministry, and the Auditor general. The executive is the organ which needs and spends the funds; the legislature grants the funds and appropriates them to particular ministries and departments; the Finance Ministry controls the expenditure, and the Auditor General enquires and judges the way in which the funds have been spent. Hence, financial administration is essential for raising, spending and accounting for the funds needed for public expenditure (Basu, 2012:322).

**Objectives of Financial Administration**

Financial administration has vast objectives in developing countries where governments have assumed the role of a facilitator of development. In these countries, fiscal policies and administration are aimed at achieving stability, development, self-reliance, reduction of inequalities in income and wealth as well as balanced regional development. Although political ideologies or economic doctrines hugely influence the management of the affairs of the state, there are specific fundamental objectives of financial administration which transcend politico-economic compulsions and are common to all. These areas as follows:

1. Management of the finances of public household
2. Implementation of projects and programmes
3. Provision for public goods and social services
4. Growth, Employment and Price Stability
5. Capital formation
6. Productive deployment of national funds
7. Facilitating the smooth flow of parliamentary processes
8. Achieving equity and equality.

Thus, the objectives of financial administration are to bring stability, equity and growth, wherein the effect of these objectives play a crucial role in the socio-economic transformation of a nation. The central part of financial administration is the preparation of budget —a logical estimate of income and expenditure during a financial year. The preparation of the budget is the first and most important aspect of financial administration.

**Concept of Budget**

A budget is a statement containing a forecast of revenues and expenditures for a period of time, usually a year. It is a comprehensive plan of action designed to achieve the policy objectives set by the government for the coming year. The word ‘budget’ originally meant a bag, pouch or pocket attached to a person. In public administration, budget refers to a financial document which is annually placed before the legislature, by the executive, giving a complete statement regarding the government revenues and expenditure of the past financial year and an estimate of the same for the next financial year (Basu, 2012: 323).

The term ‘budget’ has been defined differently by different authors. However, most agree that the budget is the keystone of financial administration. It is a financial report or statement and proposals which are periodically placed before the legislature for its approval and sanction. It is a report of the entire financial operations of the government of the past (for a given period) and gives us a glimpse into future government fiscal policy. According to Willoughby, “the real significance of budget lies in providing for the orderly administration of the financial affairs of a government.

**Types of Budget**

1. *Balanced budget*: If the estimated government expenditure is equal to expected government receipts in a particular financial year, then the budget is called a balanced budget. A balanced budget is based on the principle of “living within means.” which emphasizes that the government’s expenditure should not exceed their revenue. However, it is easier to balance the estimated expenditure and anticipated revenues in theory, than in practical reality. Thus, a balanced budget is hard to achieve and is not a prevalent mode of the budget adopted by nations.
2. *Surplus budget*: If the expected government revenues exceed the estimated government expenditure in a particular financial year, then the budget is said to be a surplus budget. In this type of budget, the government’s earnings from taxes levied are higher than the amount spent by the government on public welfare. A surplus budget which usually denotes the financial affluence of a country is tough to achieve. However, such a budget can be implemented at times of inflation to reduce aggregate demand.
3. *Deficit budget:* If the estimated government expenditure exceeds the expected government revenue in a particular financial year, then the budget is said to be a deficit budget. This type of budget is mostly adopted in developing economies, such as India. A deficit budget helps to generate additional demand and boost the rate of economic growth. In this budget, the government incurs the excessive expenditure to improve the employment rate, resulting in an increase in demand for goods and services, thereby helping in reviving the economy.

**References**

Basu, Rumki (2012), “*Public Administration: Concepts and Theories*”, Sterling Publishers Pvt Ltd, New Delhi.

Pal, Kripesh Chandra , Nayak, Pratul Chandra & Sarmah, Jayanta Krishna (2018), “Lok Prashashan”, Arun Prakaxan, Guwahati.

Premchand A, (1983), “Government Budgeting and Expenditure Control: Theory and Practice”, JMF: Washington DC.

<http://egyankosh.ac.in/bitstream/123456789/19295/1/Unit-2.pdf>