CONCLUSION

In the recent past, the global political scenario has undergone dramatic changes with far reaching consequences: The break-up of USSR, the Gulf War, the reunification of two Germany's, the emergence of Japan as an economic super power, etc. This has resulted in the emergence of new world order, in which USA appears to be the only country which can be called a Super Power. There is a distinct trend towards poly-centricism, with number of 'Regional Power Centres' like USA, Russia, China, United Europe, Japan, India, etc emerging in the 'New World Order'.

Even though the 'Cold War Confrontation' has ended, the form of 'New World Order' which is likely to replace it has still not clearly emerged. The de-escalation of tension at the international level, has not had an apparently positive impact on the South Asian region. Today, the security situation for India has worsened, as immediate adversaries - Pakistan and China are emerging stronger. Internal situation in the Country continues to be grim, despite best efforts by Central and State Govt. Our security requirements demand greater resources.

Up to the First World War, the military matters were considered an exclusive domain of the military itself. The Second World War brought out the relevant connection between
The foreign policy of a nation is intricately linked to its military and economic strength. Military strength in turn depends upon economic strength. National strategy, technology, development and economy are closely inter-related. Defence by its very existence ensures security for the nation. Maintenance of Defence forces is a necessity which a nation cannot avoid, but at the same time Defence preparedness at optimum levels is a very costly proposition, which no nation however rich can afford. Balanced use of resources is therefore a must.

The 'Global Defence Expenditure' grew at an average rate of 10.29 per cent during the 1978-87 period. As the period between 1987-91 marked the end of cold war and intense East-West military confrontation, the global Defence expenditure dropped from $1012.66 billion in 1987 to $850.36 billion in 1991: This drop essentially resulted from the reduction of Defence expenditure by the erstwhile USSR and East European Countries, who were members of erstwhile Warsaw Treaty Organisation.
Defence budgeting is a means of considering next years plans and targets in fiscal terms and for monitoring actual results, with the a view to applying correction in time. In practice, however, the traditional defence budgeting system neither provides the information required to evaluate the various budget proposals or a satisfactory basis for evaluating the performance.

Typically, they are prepared by adjusting the rate of inflation to last years actual cost and adding the cost of new programmes and services. The base therefore remains last years spending level, usually accepted without examination. The test of a good defence budget thus becomes the test of budgeting skill rather than performance.

Expenditure on Defence provides intangible benefits, which become tangible during the internal insurrections and external aggressions. Paradox connected with Defence expenditure, is that higher the defence capability the aggression by adversaries is less likely and consequently the expenditure appears to be more infructuous.

In the recent years, Defence budget is increasingly being looked upon as a sphere of activity that needs curtailment. This change has been accentuated by the global trend towards detente and end to the cold war.
It is generally felt, that the unabated growth of the Government's non-plan expenditure has been responsible for pushing our economy into debt trap. It is in this context, that any increase in Defence expenditure, which forms a major portion of Government non-plan expenditure comes under the critical scrutiny.

In the post-independence era, the level of borrowing was kept within the limits and could be serviced from within the resilience of economy, but today due to the changed geo-political environment, India has been forced to incur heavy expenditure on armaments resulting in large quantum of long term borrowing from various International agencies. We have an external debt of $ 54 billion. The fiscal deficit has risen to eight percent of GDP (It was six percent at the beginning of 1980 and four percent in Mid 1970's).

The Defence allocations in India are declining in real terms every year. From 19 per cent of total central Government expenditure in 1970's, it has declined to 15 percent in the current decade and touched an all time low of 13 percent in 1993-94. As a percentage of GDP, it has decreased from an average of 4 percent in 1980's to 3 percent in early 1990's and an all time low of 2.5 percent in 1993-94.
The shrinking budget in real terms, the foreign exchange crunch aggravated by the 27% devaluation of rupee and the uncertainties of supply of critical spares from Russia have adversely affected the modernisation of Indian Defence forces. The problem has been further aggravated by the world wide increase in prices of 'Capital Defence Equipment'. Critical long term modernisation too has been put on the back burner. The proposal to get force multipliers and electronic warfare system to match the Pakistan's capability have been deferred. Indian Navy's programme to manufacture major warships and submarines to replace the ageing fleet has gone haywire. Indian Air Force today does not have wherewithal to buy a modern jet trainer.

Due to steady growth of GDP, Pakistan has been spending quite heavily on Defence. In addition, aid from USA, China and other countries has contributed very significantly towards her military preparedness. In terms of per capita spending on defence, in 1992-93 Pakistan spent US$ 27.74, whereas India spent only US$ 7.61. This was inspite of poor state of Pakistan's economy which has practically run into a debt trap. It is felt that financial constraints are not likely to come in the way for further modernisation of Pakistan's Defence forces. Defence expenditure in India has generally followed the ups and downs of the national economy, as also the pace of build-up of Defence forces by Paki-
It is apparent from the trends in Military expenditure by China during the last four years, that she will be spending substantial amount on modernisation of her Defence forces during the coming years. The growth rate of 10 per-cent in military expenditure is likely to continue. China will be able to afford this expenditure, because of the phenomenal progress being made by her in the economic sphere.

During the past five years, Defence expenditure of most of the Asian countries has increased substantially. Small neighbouring countries by themselves pose no tangible threat to India, but the danger lies in their being subverted and exploited for ulterior motives by China and Pakistan.

As a result of in-depth study of various aspects of the issue it emerges that the existing input oriented budgeting systems suffers from the following major weaknesses :
(a) Resources utilised by particulars establishment/unit are not identifiable, thus cost of services provided can not be ascertained.
(b) No linkage between resources utilised and performance achieved.
(c) No incentive for establishment/unit to manage resources in a better way.

(d) No incentive for better utilisation of resources as cost of obtaining results is ignored.

(e) The financial impact of elimination of an activity or reducing its level can not be clearly seen.

(f) Does not offer decision makers with adequate information in alternate choices and substitution.

Above weaknesses can be overcome by adopting following measures :-

(a) Adequate financial powers for authorities at different levels on the basis of functional needs. This would warrant considerable enhancement of existing financial powers of all functionaries.

(b) Methods to reduce procedural bottlenecks so that more effective and time saving procedures are evolved to obviate time and cost over runs.

(c) Institution of concept of Authority and Responsibility Centre (ARC).

(d) Institution of Integrated Finance at all levels of command.

The above measures will result in `Better Value for Money' for running costs based on `Closer Alignment of Financial Accountability with Line Management'.
Salient features of the above suggested measures would be:-
(a) Full cost annual budget will be developed for each Authority and Responsibility Centre.
(b) Performance parameters and output targets will be related to budget allocation.
(c) Commanding Officers would be delegated authority to switch resources from one activity to another, within prescribed ceilings.
(d) Dependence on central inputs/services will remain for quite some time.
(e) Periodic review of performance and cash outgo will need to be undertaken.

Analysis of the study leads to following recommendations :-
(a) A very sincere effort is required at the diplomatic level to bring about a reconciliation and reduction in tension between India and her neighbours.
(b) The relations between Pak and India have remained strained ever since independence. All efforts in this regard have failed to yield any positive results. Unless the two nations can come to some agreement and a mutually acceptable solutions is found to all the problems, the tension is not likely to ease. Hence the strength of Defence forces and expenditure on defence should not be reduced.
(c) The relations with the neighbouring countries, namely Bangladesh, Sri Lanka, Burma, Nepal, Bhutan etc, have been cordial and don't have any bearing on our defence expenditure. However, there is need to maintain these at least at the present level.

(d) India has the know-how to produce a nuclear bomb. To be of any deterrent value a sizeable arsenal will have to be built-up. This will neither be cost effective nor advisable in the prevailing financial conditions facing the nation. Of her neighbours, only China possesses nuclear arsenal of some deterrent value. In view of the likely adverse effect on the economy of the country, it is not advisable to adopt this option.

(e) Re-organisation of Defence has been suggested with a view to realistically identify national security objectives so as to ensure optimal utilisation of budgetary allocations. Involvement of service officers at various stages of planning at appropriate levels has been suggested to ensure 'speedy' and 'to the point' decisions being taken.

(f) Under the prevailing conditions of financial constraints, there is a need for greater reliance on 'System Analysis'. Systems approach in the process of proper analysis of various options vis-a-vis the objectives to be achieved within the budgetary constraints, will have to be adopted to cut costs wherever
possible.

(g) Ideally 'Aid to Civil Authorities' task should, as a matter of routine, be handled by the police and other para military organisations, placed at the disposal of the affected state government. However, there will be instances where the Army may be called out to assist the civil authorities in maintaining law and order or tackling a national calamity. Since the budgetary allocations to the Army do not make provisions for any such tasks, the employment of the Army for such tasks only reduces the fund availability for its routine maintenance. It is only proper, that the Army budget is suitably augmented as and when Defence forces are called out in aid of civil authorities.

(h) Reduction in colour service from the present fifteen years to seven years can help reduce expenditure on pay and allowances, as well as pension liability.

(j) The production capacity in different fields have increased manifold since independence, hence, it is now possible to maintain smaller inventories and feed the services by adopting various Operational Research techniques.

It is felt, that adhoc annual cut in India's Defence expenditure are bound to affect modernisation, training and overall Defence preparedness in a very adverse manner. It
is of paramount importance, that the integrity and sovereignty of the country is not jeopardised by restricting resources for National security. To keep pace with our adversaries and to keep the armed forces well equipped with the State of the art equipment, it is imperative that the Defence allocations are substantially hiked. India has to prepare herself to deal with increased number and sources of threat to her security, even though there is an acute shortage of Defence resources. If India wants to maintain or improve the pace of development, it must ensure national security from internal as well as external threat. Any arbitrary reduction in Defence expenditure is likely to have very serious implications on national security. An amicable balance between 'Defence and Development' needs to be struck, for which an intellectual and rational assessment needs to be made. As the further wars will be fought with most sophisticated weapons, there is a requirement to equip the Defence forces with the most modern equipment and weapons.

Undoubtedly, the improved relations between India and her neighbouring countries call for restriction of Defence expenditure and diversion of resources for development purposes, but India cannot afford to reduce the Defence expenditure, as the adversaries may change their intentions in a short time, whereas building of Defence capability
requires a long lead time.

As a result of in-depth study of various aspects of the issue, following recommendations are made:-

A very sincere effort is required at the diplomatic level to bring about a reconciliation and reduction in tension between India and its neighbours.

The relations between Pakistan and India have remained strained ever since Independence. All efforts in this regard have failed to yield any positive results. Unless the two nations can come to some agreement and a mutually acceptable solution is found to all the problems, the tension is not likely to ease. Hence the strength of Defence forces and expenditure on Defence should not be reduced.

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Re-organisation of Defence has been suggested with a view to realistically identify national security objectives, so as to ensure optimal utilisation of budgetary allocations. Involvement of service officers at various stages of planning at appropriate levels has been suggested to ensure 'speedy' and 'to the point' decisions being taken.

Under the prevailing conditions of financial constraints, there is a need for greater reliance on 'System Analysis'. Systems approach in the process of proper analysis of various options vis-a-vis the objectives to be achieved within the budgetary constraints will have to be adopted to cut costs where ever possible.

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Reduction in colour service from the present fifteen years to seven years can help reduce expenditure on pay and allowances as well as pension liability.

The production capacity in different fields have increased manyfold since independence, Hence, it is now possible to maintain smaller inventories and feed the services by adopting various operational research techniques.