

# Decentralisation of Finance

## A Study of Panchayat Finances in India

(Draft Version)

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# Abbreviations Used

AFS(s)	Annual Financial Statement(s)
CAG	Comptroller and Auditor General of India
CSS(s)	Centrally Sponsored Scheme(s)
DPC(s)	District Planning Committee(s)
DPIP	District Poverty Initiative Programme
DRDA	District Rural Development Agency
EFC	Eleventh Finance Commission
MFPs	Minor Forest Produces
GPs	Grama Panchayats
IAY	Indira Awas Yojna
JFM	Joint Forest Management
JRY	Jawahar Rozgar Yojna
KSSP	Kerala Shastriya Sahitya Parishad
LAD/ LFAD	Local Area Fund Auditor
MLALADS	Member of Legislative Assembly Local Area Development
Fund	
MPLADS	Member of Parliament Local Area Development Fund
PESA Act	Panchayat (Extension to Scheduled Areas) Act
PMGY	Pradhanmantri Gramodaya Yojana
PRI(s)	Panchayati Raj Institution(s)
PS	Panchayat Samiti
SCP	Special Component Plan
SFC(s)	State Finance Commission(s)
SGRY	Swarnjayanti Gram Rozgar Yojna
TFC	Tenth Finance Commission
TSP	Tribal Area Sub-Plan
ULB(s)	Urban Local Bodies
ZP	Zila Parishad

## Introduction

The Constitution (Seventy-third Amendment) Act, 1992 (Appendix I), which was passed by the parliament in April 1993, gives panchayats a constitutional status. The Constitution states that the PRIs have become the institution of “local self governance.” **What this effectively means is that the PRIs are governments at the village, intermediary and district levels, as there are state and central governments at the state and central government levels.** The state governments either amended their respective Panchayat Acts or passed new acts in conformity with the 73<sup>rd</sup> amendment of the Constitution within a year of the passing the act by the Parliament.

Direct election of Panchayat representatives by the people, ensured representation of women and the weaker sections (dalits, adivasis, and other backward castes), devolution of financial and functional power to the PRIs, and role of decentralized planning are some of the important features of the PRIs after the 73<sup>rd</sup> amendment. The Constitution 74<sup>th</sup> Amendment Act (Appendix II) provides similar status to the urban local bodies. During the last ten years after the 73<sup>rd</sup> amendment, elections have been held for Panchayats in almost all the states (Jharkhand being a notable exception). In many of the states its now second term of the Panchayats after the act was passed.

### Salient Features of the 73rd Constitutional Amendment

- **Continuity:** By providing for duration of 5 years for an elected panchayat and re-election of panchayats before expiry or within six months of their dissolution as well as non-interference by Courts in electoral matters, continuity of panchayats has been ensured by the 73rd Amendment.
- **Gram Sabhas:** All States have provided that a Sarpanch/Mukhia/Adhyaksha/Pradhan of the gram panchayat will convene a Gram Sabha, consisting of persons registered in the electoral rolls relating to a village comprised within the area of panchayat at the village level at least twice a year.  
The following matters shall be placed before it by the gram panchayat:
  - Annual Statement of accounts and audit report
  - Report on the administration of the previous year
  - Proposals for fresh taxation or for enhancement of existing taxes
  - Selection of schemes, beneficiaries and locations
- **Three-tier System:** A uniform structure of three tiers – at village, intermediate and district levels has been prescribed but the constitution and composition of panchayats has been left to preferences of States subject to all seats being filled by elected persons from the respective territorial constituencies of the panchayats.
- **Reservation of Seats:** Seats have been reserved for SC/ST in every panchayat on the basis of proportional representation and such seats may be allotted by rotation to different constituencies in a panchayat. Not less than one-third of the seats so reserved are further reserved for women belonging to SC/ST. Besides this, not less than one-third of the total number of seats in a panchayat are reserved for women and such seats may be allotted by rotation to different constituencies in a panchayat. Similar reservations for backward classes has been left to the discretion of States.

- **Powers and Authority:** It is noteworthy that the 73rd Amendment provides for States to endow the panchayats with powers and authority 'to enable them to function as institutions of self government'. However, the functions of panchayats Stated in the same Art 243G are in the nature of entrusted development functions: "(a) preparation of plans for economic development and social justice and (b) the implementation of schemes for economic development and social justice as may be entrusted to them including those in relation to matters listed in the Eleventh Schedule."

Functions that by tradition are uniquely assigned to panchayats consist of the provision and maintenance of what may be termed as 'neighborhood' public goods — of street lighting, sanitation, village commons, and water supply – as opposed to 'national' public goods like justice and national defense. The national level is also uniquely assigned the functions of income redistribution and macro-economic stabilisation, which involve cross-regional issues. There are intermediate functions like education, which cannot be classified in either local or national slots.

- **Election Commission:** Governors of States are empowered by the 73rd Amendment to appoint State Election Commissioners and stipulate by rules the tenure and conditions of their service.

- **Finance Commission:** Governors of States are also empowered to constitute State Finance Commissions to review the financial position of the panchayats and to make recommendations to the Governor as to

- The principles which should govern:
  - the distribution between the State and the panchayats of the net proceeds of the taxes, duties, tolls and fees leviable by the State, which may be divided between them under this part and the allocation between the panchayats at all levels of their respective shares of such proceeds
  - the determination of the taxes, duties, tolls and fees which may be assigned to, or appropriated by, the panchayats
  - the grants in aid to the panchayats from the Consolidated Fund of the State
- the measures needed to improve the financial position of the panchayats
- any other matter referred by the Governor in the interests of sound finance of the panchayats.

- **Audit of Accounts:** Audit of panchayats are to be provided for by the State Legislatures. We may note that only the Karnataka Panchayati Raj Act, 1993 has provided for entrusting audit of Taluk Panchayat Funds and Zila Panchayat Funds to the Comptroller & Auditor General (CAG) while the Controller of State Accounts may authorize any officer to audit Gram Panchayat accounts.

**Source:** UNDP, Decentralisation in India Challenges and Opportunities

## Finances of Panchayats

The provisions related to the financial powers vary from one state to the other, as most of the financial powers and functions to be endowed to the Panchayats were left to the discretions of the concerned state legislatures. However, it is mandatory for the states to create State Finance Commissions (SFCs) to review the financial positions of Panchayats and suggest the financial relations between the state and the PRIs. The first SFCs have given their recommendations in all the states. The financial autonomy has been given to the Panchayats, with varying degrees, in different states. Though the PRIs own income (income generated through tax and non-tax revenues) is very low, the devolution of

finances in some states has been quite high. For example, in Kerala the Left Democratic Front (LDF) headed government decided to provide 35 to 40% of the financial resources available with all the departments to the ULBs and PRIs. Madhya Pradesh government also ordered to the government departments to hand over 30% of their annual budget to be spent by the districts (through the PRIs and ULBs). The Eleventh Finance Commission (EFC) has recommended Rs. 8,000 crores to be provided to the PRIs in form of grants in aid during 2000-2005.

The Eleventh Schedule of the Constitution has listed the items/subjects, which should be transferred to the PRIs. The states have transferred these items/subjects in varying numbers to the panchayats.

## **Decentralized Planning**

The PRIs are given an important role to prepare plans at the local level. Article 243-G of the Constitution defines the powers, authorities and responsibilities of the Panchayats. These are:

(a) the preparation of plans for economic development and social justice.

and,

(b) the implementation of schemes for economic development and social justice as may be entrusted to them including in relation to the matters listed in the Eleventh Schedule.

The former is original power of the PRIs, of course, subject to the provisions in the state panchayat acts, and the later is the delegated function. Article 243-ZD directs creation of District Planning Committee (DPC) in each district "to consolidate the plans prepared by the panchayats and municipalities in the district and to prepare a draft Development Plan for the district as a whole". The draft plan so prepared and recommended by the DPC would be forwarded to the state government. However, it is not mandatory for the states to integrate the recommendations of the draft plans in the state plan/budget. Kerala, a pioneer in decentralized planning has provided for integration of the draft plans prepared by the DPCs in the state plan. Around 35 to 40% of the Ninth Plan has been envisaged to consist of schemes formulated and implemented by the local bodies, within respective areas of responsibilities (Chandrashekhar, 1999: 85).

However, there have been a lot of problems faced by the PRIs at the level of actual implementation. **The decentralization seems to take place when the state governments take interest (UNDP). The devolution of power, function and functionaries are totally on state government's discretion. The PRIs' own revenue collection is very low. During the year 1997-98 the per capita tax collected by the PRIs in country was Rs 9.38, on an average, the lowest**

**in Assam (Rs. 1.56) and highest in Kerala (Rs. 43.45). The share of Panchayats' own revenue in their total expenditure was as low as 3.23% during the same year at all India level (Gupta, 2003).** The states still follow the earlier system of accounting, conducted by Examiner/Director of the Local Funds Accounts Department (LADs) with only exception being Karnataka, where the act provides for external audit certification and transactions audit of Zila Parishad and Taluk Panchayats by CAG of India. Kerala also has a unique provision of quarterly performance audit, besides LAD audit. The bureaucracy and administration still work with the old mindset. Relationship between the three levels of PRIs is not clearly defined etc. etc.

With this background study looks mainly on the three aspects of Panchayat Finances:

1. The process of decentralized planning adopted in the state, at the different levels, people's participation in the process and the mechanism adopted to incorporate the recommendations of DPC in the state budget/plan
2. The budget making process at all three levels of PRIs, their sources of income and expenditure pattern
3. The accounting pattern adopted by the PRIs and the system of auditing.

The study looks at the Panchayat finances in the two states of the country. Kerala, which efforts of decentralization have been widely appreciated and people's participation in development planning has been given a campaign mode; and Rajasthan, which was first to introduce the modern system of panchayats in the country, have been taken for the study. Two district panchayats from each state have been taken. Two intermediary panchayats from each district panchayat and two village panchayats from each intermediary panchayat have been selected. The selection of panchayats was based on the availability of the partner organisations in the district. The details of selected panchayats are given in the chapters III and IV, where the findings of the study from two states are discussed in detail.

Here we present the report of the study. This report is organised in five chapters. In the second chapter the macro level overview of the Panchayat finance are presented. The third and fourth chapters present our findings in the states of Kerala and Rajasthan respectively. The fifth and final chapter presents the observations, conclusions and suggestions.



## **Panchayat Finance: A Macro View**

India is a federation of states and union territories. The federal structure of Indian state is very clearly outlined in our Constitution. The essence of federal form of government is that the Centre and the State Governments should be independent of each other in their respective, constitutionally demarcated spheres of action (Pandey, 2003). There is a defined set of matters where state and central governments have their say. This federalism extends to the financial matters as well. A division of responsibilities in respect of taxation and public expenditure between the state and the central governments is provided by the Constitution. It also provides for the Finance Commission, which regulates the devolution of finance from the centre to the state. Planning Commission is another institution, which advises on the distribution of plan fund to the state and the centre. The 73<sup>rd</sup> and 74<sup>th</sup> Amendments of the Indian Constitution, for the first time, provided for the fiscal devolution below the state level, to the rural and urban local bodies.

The 73<sup>rd</sup> Amendment to the Constitution of India, gives the Panchayats a constitutional status. With this amendment the PRIs become a third tier of governance in rural areas, with Centre at the first and the states at the second tiers. The XI Schedule of the constitution gives a list of 29 subjects, which may be transferred to the PRIs. Articles 243H and 243I of the Indian Constitution provide for financial devolution to the PRIs. The Constitution also makes it mandatory to set up a State Finance Commission (SFC) for all the states to make recommendations for the devolutions of funds to PRIs for a period of five years. The state governments have since amended their existing panchayat acts in conformity with the 73<sup>rd</sup> Amendment Act. The Tenth Finance Commission (TFC), though did not have any mandate, in its terms of reference to recommend the financial provisions for the local bodies, made recommendations for devolution of funds to PRIs and Urban Local Bodies (ULBs). Eleventh Finance Commission (EFC) was mandated to make recommendations for the PRIs and ULBs. We now discuss the provisions of the Constitution, various acts, and role of statutory bodies like National and State financial commissions that have aided the process of fiscal decentralisation in the India. The Financial provisions for the PRIs are discussed below:

### **Conformity Acts passed by the states**

All the states were required to legislate conformity acts (giving the PRIs the powers and functions in accordance with the 73<sup>rd</sup> Amendment Act) within a year of the 73<sup>rd</sup> Constitutional Amendment Act being passed. Since the powers and functions of the local bodies are endowed by the respective state governments through the conformity acts and other measures<sup>1</sup>, variations occur across the

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<sup>1</sup> Government orders, amendment in other state legislations etc.

states in this regard. Rajaraman et al (2000) presented a comprehensive study of the provisions related to the panchayat finances in the conformity acts passed by the states. The conformity acts have made provisions of sharing property taxes, stamp duties etc. or have given the PRIs powers to collect these taxes. Some empowered the PRIs to collect professional and entertainment taxes, collect user charges and fees for certain services offered. Surcharge and levy on certain taxes have also been allowed by some of the states. Though the provisions are not uniform across the states.

The subjects mentioned in the XI schedule of the Constitution are also transferred to the PRIs by these acts and there also variations exist across the states in the number and degree (in terms of funds, functions and functionaries) of the subjects transferred (see Appendix –III).

Some states have amended their conformity acts further e.g. Kerala based on the recommendations of the Decentralisation Commission set-up by the state government in 1996. Some state governments have also issued government orders and have made provisions, which promote the process of decentralization or in some cases the reversed the process.

### **Tenth Finance Commission (TFC)**

Tenth Finance Commission though not formally mandated to do so, recommended a grant of Rs. 100 per capita according to the rural population as per the 1971 Census. The total amount recommended by the TFC was Rs. 3481 crore for a period of four years (1996-2000) to be transferred to states for the purpose of devolution to the panchayats. The grant was explicitly not intended to cover salary and wages. The reason for taking the 1971 Census and not the 1991 was to avoid any disadvantage to those states, which performed well in controlling population.

### **State Finance Commissions (SFCs)**

In most of the states first SFCs have given their reports and second SFCs have been set-up. In some states the second SFCs have also submitted their reports. According to the information given on the Ministry of Rural Development website ([www.rural.nic.in](http://www.rural.nic.in)), about the status of the first set of SFCs, as on December 2003, out of 35 states (including three newly created states of Jharkhand, Uttaranchal and Chattisgarh) and Union Territories (UTs), 29<sup>2</sup> had set up SFCs and 27 of those gave their reports (Appendix IV). In Bihar first SFC was set up which failed to give any report and now second SFC is to give its report. In Arunachal Pradesh SFC has been set up recently and is yet to give its report. In 27 states where first set of SFCs have given their report. Following is a summary of status of the recommendations.

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<sup>2</sup> Three states (Meghalaya, Mizoram, and Nagaland) were exempted from the ambit of the 73<sup>rd</sup> Constitutional Amendment.

- 20 states accepted their recommendations.
- 2 states (Assam and Goa) partially accepted.
- Manipur accepted with some conditions and Delhi with some modifications,
- In Uttaranchal and Pondicherry the recommendations of SFCs are still under considerations.
- Among the two other newly created states, Chattisgarh has accepted the recommendations of MP SFC and Jharkhand is yet to constitute its first SFC. The delay is due to some litigation in the High Court.

Major recommendations of the SFCs are discussed below<sup>3</sup> (see also Appendix V).

#### ▪ **Sharing the State revenue**

Most of the SFCs recommended that state government share their revenue collections with the local bodies. Assam SFC recommended 2% of the state taxes and transfer of 10% of motor vehicle tax to local bodies; Tripura SFC recommended devolution of 10% of state share of central tax to Zila Panchayat (ZP), 8% to Panchayat Samiti (PS) and 2% to Gram Panchayats (GPs), 50% of the revenue earned from sales tax, additional tax, purchase tax, and luxury tax to panchayats and 32% of collection of agri-income tax to intermediate tier (2% to each); Karnataka SFC recommended 36% of non-loan gross revenue receipts to be shared with local bodies (85% to PRIs and 15% to ULBs); Panjab SFC recommended 20% net proceed of stamp duty, motor vehicle tax, electricity duty, and entertainment tax; Rajasthan SFC recommended 2.18% of the net proceed of the taxes raised by the state; UP SFC suggested 3% of revenue receipts of state government; West Bengal SFC recommended 16% of net process of all the taxes collected by the state; TN SFC recommended 8% of total states revenue collection during 1997-98 and 12% during 2001-02; MP SFC recommended 4.24% of state revenue to PRIs; Haryana SFC recommended sharing of land conversion charges, stamp duty and royalty on minor minerals with PRIs.

#### ▪ **Assigning new Taxes**

The SFCs generally did not recommend new taxes to be assigned to the panchayats. SFCs recommended house tax where it was not already levied, levies on use of pumps or tractors, highways services, telephones or cable TV, and surcharge on land revenue or on sale of lands. The reason for not recommending expansion of tax powers of the panchayats seems to be a wide spread perception that panchayats are not able to collect taxes (Rajaraman, 2002).

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<sup>3</sup> These are based on Rajaraman (2000), Oommen (1998) and Chandreshekhar (ed.) (1999)

## ▪ Grants

Many of the SFCs recommended an increase in the grants given to the PRIs. AP SFC recommended increasing the per capita grant for Gram Panchayats (GPs) from Rs. 1 to Rs. 5, for Middle Panchayat from Rs. 5 to Rs. 8, and for ZPs Rs. 2 or Rs. 4; MP SFC recommended grants to GPs for discharging basic functions, besides a lump-sum non-recurring grants; Rajasthan SFC recommended 50% matching grant and grant-in-aid to panchayats to be raised Rs. 5 to Rs. 11 per capita.

## **Eleventh Finance Commission (EFC)**

EFC was first union finance commission mandated to recommend measures to augment the finances of state governments so as “to supplement the resources of panchayats and municipalities on the basis of recommendations of the State Finance Commissions.” The EFC was constituted by the President of India on July 3, 1998. The commission gave a number of recommendations pertaining to panchayats (EFC Report, Chapter VIII). Appendix VI gives a summary of the recommendations made by the EFC. Some major recommendations are:

### **Grant:**

- Rs. 1600 crore annually for the period of five years (2001-2006)

### **Amendments suggested:**

- Amending Article 243I to synchronise the availability of SFC reports to the Finance Commission
- Deletion of words “on the basis of recommendations made by the Finance Commission of the state” from sub clauses (bb) of the Article 280(3) of the Constitution (Article 280 provides for the basis of the functioning of the Finance Commission) to give the Finance commission freedom to recommend for those states where SFCs have not been constituted or have not given their reports.
- Transfer of functions and powers in accordance with 243 G read with 11<sup>th</sup> Schedule of the Constitution specifically mentioned in the state panchayat acts as well as clear-cut demarcation of the functions of all the tiers of panchayats.
- Suitable legislations in order to improve user charges for government properties of the central as well as state governments

### **Accounts and Audit:**

- Reviewing the existing accounting heads, etc., preferably in consultation with C&AG for ensuring uniformity among the states. Vesting control and supervision over the maintenance of accounts in C&AG.
- Earmarking an amount of half percent of total expenditure by the panchayats for C&AG for audit purpose, and earmarking of Rs. 4000 per

panchayat per annum on an average to meet the expenditure on maintenance of accounts on contract basis.

Thus the Commission gave a number of recommendations ranging from devolution of financial resources to amending Constitution in order to make panchayats viable and pulsating institutions of local governance. The Commission's recommendation to give grant to the panchayats to the tune of Rs 8,000 crore for 2,40,588 gram panchayats, 5,930 intermediate panchayats and 511 zilla panchayats in 25 states of the country during 2000-05 would give immediate relief to the panchayats at least to maintain civic services. Of the total grants for local bodies, **the Commission has earmarked Rs 200 crore for development of data base on the finances of the panchayats and municipalities and Rs 98.61 crore for maintenance of accounts of the panchayats.**

The devolution of 1,600 crore annually to the panchayats for a period of five years (2000-05) for the maintenance of the core services<sup>4</sup> is the cornerstone of the entire devolution scheme of the EFC. Distribution of this grant is to be based on the five criteria suggested.

The recommendations made by EFC are favorable for the decentralization process in the country. Though there has been criticism on some recommendations. One, for the money recommended by the commission as grant to the PRIs is considered inadequate. According to a study conducted by National Institute of Rural Development (NIRD) for the EFC, **the estimated financial requirement of the panchayats is in tune of Rs. 1,42,128 crore for a period of five years for the core services identified by the commission. Compared to this the grant of Rs. 16000 crores recommended seems to be a drop in ocean, which is merely 5.63% of the estimated requirement.**

The second point is about the criteria suggested for distribution of grants between the states. One of the five criteria is index of decentralization with 20% weight, which is based on 10 parameters: (i) enactment of state panchayat legislation in conformity with the 73rd Constitution Amendment Act; (ii) intervention/restriction in the functioning of the panchayats; (iii) assignment of functions to the panchayats in the state panchayat legislation vis-a-vis the 11th Schedule; (iv) transfer of functions to the panchayats by way of rules/notifications/orders of the state governments; (v) assignment of taxation powers to the village panchayats as per state panchayat acts; (vi) levy of taxes by the village panchayats; (vii) constitution of the SFCs and submission of action taken reports; (viii) action taken on the major recommendation of the SFC; (ix) elections to the panchayats; and (x) constitution of district planning committees.

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<sup>4</sup> These core services are provision of primary education, primary health care, rural or municipal roads, safe drinking water supply and street lighting.

These parameters do not include transferring of personnel under the control of panchayats, which should be taken as an important indicator as it facilitates the functioning of the PRIs. The enactment of conformity acts is now irrelevant as the enactment process is over way back in 1994. Surprisingly the decentralisation index does not include the implementation of provisions of Panchayat (Extension in Scheduled Areas) Act, 1996, which relates to the panchayats of V scheduled areas of the country. (Mahi Pal, 2000)

The decentralisation index to rank the states according to their decentralisation efforts also raises questions. There are states like Kerala, which went much ahead in terms of transferring funds, functions and functionaries to local bodies almost with a big bang approach. The state has made far reaching institutional and legal changes to facilitate, functional, financial and administrative autonomy to the PRIs and also to the urban local bodies. The government amended as many 44 state legislations, to broaden the entitlements of local bodies, institutions like Ombudsman (with a High Court Judge as Chairman), the Appellate Tribunals, and the Audit Commission etc. The government launched a People's Planning Campaign to provide the required assistance to the PRIs in preparing the development plans as required by the constitutions. The District Planning Committees (DPCs) were given their rightful constitutional roles. Obviously **these factors have been overlooked by the EFC in constructing decentralisation index, otherwise Kerala would have not figured on the 10<sup>th</sup> place in the EFC decentralisation index. On the contrary Bihar, where elections for PRIs held just recently and still the SFC report has not been submitted has been assigned sixth place in the SFC decentralisation index.**

### **Financial Autonomy of Panchayats**

The above discussion points out that many financial powers have been devolved to the PRIs and they are becoming autonomous to some extent. However, the trend is not similar in all the states. The decentralisation process in the states is highly dependent on the government in power. The degree of financial autonomy of the panchayats also varies from one state to another. However the overall financial autonomy is also not every high. It has been suggested that the financial autonomy given to the panchayats, could be measured in term of ratio of panchayats' own income to their total income (Oommen, 2000). Measuring in this term the financial autonomy of the panchayats is quite low. As shown in the table bellow it was merely 5.6% during 1991-92, which further declined in the following years.

**Table 3.1**  
**Share of own revenue to total**  
**income of Panchayats**  
(All India, all three tiers)

Year	% of own revenue to total income
1991-92	5.6

1992-93	4.73
1993-94	3.99
1994-95	4.02
1995-96	3.99
1996-97	3.73
1997-98	3.5

Source: Calculated from the data given in the EFC Report

The decline may be attributed to the increasing grants to the panchayat bodies by the state governments. The local bodies are entitled for the grants by the higher level of governments. However, much of the grants are given in tied forms. **An alternative measure of autonomy has been suggested as the ratio of tied fund to the untied fund (Vyasulu, 2000). Considering the fact that the grants given to the PRIs are their constitutional right, this measure seems to be more appropriate, as this tells how autonomous the PRIs are in spending their rightful funds.**

However, the expansion of fiscal domain of the panchayats is still a valid demand. Rajaraman (2000) in her paper suggests that the fiscal domain of the panchayats should be expanded and new taxes should be assigned to panchayats. One untapped arena is agriculture income. States do tax the land holdings (called the land revenue) and income from agriculture in case of plantation is levied in six states. Rajaraman does list **the problems of taxing agriculture income (like accounting agriculture income is difficult, declarations made are not easy to monitor or verify as transactions are not formal etc.) but suggests that a crop wise decentralised revenue collection is possible. And “thus there is a clear opportunity here for revenue additionality, with the further advantage that it can effectively be tapped at panchayat, and only at panchayat level.”**

However, considering the fact that most of the Indian farmers are small and marginalized farmers and agriculture for them is still for their own consumption and not for commercial purposes, this suggestion does not appear appropriate. **Rajasthan first SFC’s suggestion of levying surcharge by District Panchayat on sale of agricultural produce in regulated market might be a better mechanism.** Though most of the small farmers may have to sell their produces because of economic compulsions (and purchase again in the later part of the year for consumption), but their access to regulated market is limited.

One area of expanding the income base of panchayats is their control over the local natural resources, particularly in tribal and forest areas. The PESA Act passed by the Parliament in 1996 becomes very important in this context.

## **Accounting and Auditing**

Another important issue is about the accounts and audit at the panchayat level. Presently centre and state governments follow a system of account approved by the Comptroller and Auditor General (C&AG) of India. **This is a system that arranges all items under clear heads with unambiguous codes and is uniform across the country. But this system has been defined for union and states government only. There is a lot of diversity in the forms in which panchayat accounts are kept across the states. Often it is not a system of double entry book keeping.** (Vyasalu, 2000). The EFC has given many suggestions in this regard. The government of India has accepted these recommendations in principle. The details will be worked out by the C&AG. Though everybody accepts the need of a fool proof and uniform system of maintenance of accounts and their audits, eyebrows have been raised for suggesting that this should be done under the supervision and control of the C&AG, as it will have a centralised control over the whole process (Mahi Pal, 2000). Though it is necessary to ensure consents of the states and PRIs, the involvement of the C&AG can ensure uniformity of accounting pattern across the states.

Meanwhile, some of the states have introduced additional documents in their budget, which provide information on the grants provided to the PRIs. For example, Appendix IV to the Kerala budget (GoK, 2003) and three parts document on 'financial assistance to the PRIs' (GoMP, 2003) in Madhya Pradesh budget give the details of the fund to be devolved to the PRIs. The Appendix IV to the Kerala budget gives details of devolution both Major Head wise as well the fund expected to be received by each PRI. The information in MP documents is given as Major Head wise and district wise. The Document No. 22 of the MP budget gives detailed budget of Panchayati Raj and Rural Development Department and details of financial assistance received for the rural development programmes.

### **Decentralised Planning: Planning from Below**

The 73<sup>rd</sup> constitutional amendment act gives this responsibility to the panchayats (at all three levels) to prepare the "plan for economic development and social justice" (Article 243G). Article 243ZD of the 74<sup>th</sup> Amendment provides for constitution of a District Planning Committee which will consolidate the plan prepared by the panchayats and municipalities and draft a Development Plan for the district as a whole. Though many state governments have constituted the DPCs (Appendix VII), barring a few states this important constitutional function is not being discharged.

Bandyopadhyay (2000) points out two contradictions in the constitutional provisions related to the planning by the panchayat bodies. The plans prepared by the panchayats under article 243G should be considered as final but when they get consolidated as a district plan this become a 'draft'. Another contradiction is the 'draft' Development Plans prepared by the DPCs are sent to



the state governments. But the state governments are not bound to integrate those draft plans into the state plan/budget. Theoretically the state plans could be prepared independently totally ignoring the district draft plans. In that case it would be an ungainly caricature of planning from below (Bandypadhyay, 2000).

It has been suggested that Planning Commission can resolve these contradictions by providing a “clear policy and operative on this issue” (Bandypadhyay 2000). As for the integration of district plans in the state plans the First Five Year Plan itself has suggested that the “programmes undertaken by local bodies should be carefully integrated with the state programmes.” (Quoted in Bandypadhyay 2000) However, the Ninth FYP, which was prepared after the 73rd and 74th Amendment, is silent on this issue.

Related to the decentralised planning, there is also the issue of the subjects transferred by the states to the panchayats. The transfer of the subjects listed in the XI Schedule of the Constitution is a state prerogative. And all the states have not been very generous in endowing these responsibilities to the panchayats. In many cases the subjects are transferred to the local bodies but related funds and personnel are still in the control of the line departments. This poses a problem for panchayats for preparing the plans, as they are not aware of the funds and functionaries available. Awareness of responsibilities and available resources (both financial and personnel) is necessary to prepare any meaningful plan. In fact, this ambiguity has been considered as a problem in regard of assigning tax powers to the panchayats as well. It has been suggested that there should a separate local list in the Constitution, as there are centre, state and concurrent lists – one entirely for the centre, second entirely for the state, and third for state and centre concurrent (Mahi Pal, 2000).

The above discussion points to an important fact about the decentralisation process, in the country. **All the provisions related to the finances of panchayats as well as the subjects to be transferred to the PRIs are left to the will and whim of the state governments and in most of the cases the state governments have not been very generous.** The Constitutional Amendment passed by the parliament gives the states an upper hand as far as decentralisation process is concerned. The political economy of the supremacy of the state government in this regard is quite simple. The states have their due space in the federal system during the last 20 years. With rise of regional political parties and the coalition governments at the centre becoming an order of the day, the balance of power in the Indian federal system has apparently shifted in favour of states, which was not so during the first three decades after the independence.

However, the empowerment of the states seems to have gone against the decentralisation process, initiated a decade ago. The states are not ready to share their new found spaces in the federal structure, with their immediate lower level of governance, the PRIs and ULBs. However, there are excellent

exceptions of this trend, like Kerala or West Bengal and others, where the state governments have taken far-reaching steps to empower the local bodies.

## Kerala

Kerala has taken far-reaching initiatives in the direction of democratic decentralisation. The state government passed the conformity act in 1994 and the People's Planning Campaign was launched in 1996. The government decided to share about 35% of the total Plan resources with the local bodies. Again the Kerala Panchayat Raj Act and the Kerala Municipality Act were amended in 1999, according to the recommendations made by the Committee on Decentralisation appointed by the Kerala government and as much as 35 state Acts, having relevance to local government functioning, were amended the next year.

The milestones in Kerala's decentralisation initiatives are indicated below:

April/May 1994	Enactment of Kerala Panchayat Raj Act and the Kerala Municipality Act
October 1995	Transfer of powers and functions to local governments; along with institutions, offices and functionaries
February 1996	Introduction of a Special Budget Document for local government allocations.
August 1996	Launching of People's Plan Campaign for decentralized planning and announcement of earmarking of about 35% plan resources to local governments.
March 1999	Restructuring of the Kerala Panchayat Raj Act and the Kerala Municipality Act.
March 2000	Amendments to 35 Acts having relevance to local government functioning.
July 2000	Transfer of district level offices and staff to District Panchayat.
January 2002	Decision to redeploy surplus staff especially engineers to local governments.
January 2002	Decision to fix share of untied plan grants as one-third of the total plan size of the State.
2003	Redeployment of Surplus clerical staff to local governments completed. Redeployment of engineering staff is underway.

Source: GoK, 2003

Prior to 1994 Act, Kerala had only village level panchayats. The district panchayats and block panchayats were created with enactment of the new act. After the enactment of the new act, the elected bodies assumed office on September 30, 1995. The powers and functions were transferred to the PRIs in October 1995. The state government constituted its first State Finance

Commission (SFC) in 1994, which gave its report in February 1996. The second SFC, constituted in May 1999 also submitted its report in January 2001.

**Box-1**

**Sources of Income for Local Bodies in Kerala**

**A. Traditional Sources of Income**

1. Tax Revenue

a. Own Taxes

- i) Property Tax
- ii) Profession Tax
- iii) Entertainment Tax
- iv) Advertisement Tax
- v) Service Tax
- vi) Show Tax including surcharge
- vii) Cess on conversion of land use
- viii) Tax on Animals, vessels and vehicles
- ix) Tax on Timber
- x) Surcharge

b. Assigned Taxes

- i) Basic Tax
- ii) Surcharge on Stamp Duty

c. Shared Taxes

- i) Motor Vehicle Tax

2. Non Tax Revenue

a. License Fee

b. Gate Fees

c. Income from Property – Rent

d. Income from Property other than rent

e. Permit Fees

f. Registration fees

g. Service/User Charges

h. Income from Ferries

i. Fines and Penalties

j. Sundry Items

3. Grant-in-Aid from Government

Non Plan Grant in Aid (for PRIs)

- i) Rural Pool
- ii) Level Crossing Grant in Aid (only to five Panchayats)

4. Loans

Village Panchayats can take loans from Cooperative banks, HUDCO and Cooperative Banks etc. The VPs have taken loans from Kerala State Rural Development Board (RDB) also.

**B. Government Grants-in-Aid for Transferred Responsibilities**

1. General Plan Grant-in-Aid for local development projects

2. Specific Purpose Grant in Aid for transferred responsibilities – Plan and non Plan

- i) Grant in Aid for state and centrally sponsored plan scheme
- ii) Grant in Aid for specific programme under non-plan
- iii) Non plan Grant in Aid for running/maintaining the office/institutions

- transferred to local governments  
iv) Non plan establishment grants for Block and District Panchayats

Source: Govt. of Kerala, 2003

The Kerala government has transferred all the 29 functions listed in the XI Schedule of the Constitution to the PRIs (Appendix III). The care has been taken to assign the functions to all three levels in such manner to avoid overlapping (Appendix VIII). "Unlike many other states, Kerala has attempted to define the functional areas of the different tiers of PRIs as precisely as possible." (GoK, 2003) The PRIs in Kerala enjoy fiscal autonomy to a great extent. The PRIs have been given powers to levy taxes (village panchayats), having share in state tax, and above all get a considerable share in the state plan resources (Box-1) in untied form. The information on grant allocation to the PRIs is contained in the Appendix IV (GoK, 2003a) to the state budget. Since this document is part of the state budget it is approved and passed by the Kerala Legislative Assembly. The following table gives estimate of the plan and non plan fund to be allocated to the PRIs during 2003-04.

**Table – 4.1**  
**Total Assistance to Panchayat Raj, 2003-04, Rs. lakhs**

PRIs	Plan	Non Plan	Total
Gram Panchayat	75890.05	22043.01	97933.06
Block Panchayat	21149.91	1574.33	22724.24
Zila Panchayat	19290.34	5654.21	24944.55

Source: GoK, 2003a

It is also provided by the Kerala Panchayat Raj Act that the chief secretary of state should present an Annual Financial Statement on the grants due and disbursed to the panchayats every year to the Governor of the state. The same should also be tabled in the state Legislative Assembly. The distribution of the government grants to the PRIs and urban local bodies is done according to a formula based on certain indicators and weightage (Table 4.2). The distribution of Special Component Plan (SCP) and Tribal Sub Plan (TSP) funds is based on schedule caste and schedule tribe population respectively in the PRI (or urban local body) area.

**Table – 4.2**  
**Weightage for evolving Formula to distribute General sector and EFC grants**

Indicators	Weightage (percentage)			
	Gram Panchayat	Block Panchayat	District Panchayat	Municipalities/ Corporations
1. Population (excluding SC/ST)	60	60	50	70
2. Tribal Population	5	5	5	5
3. Geographical area excluding under	5	10	15	5

forest				
4. Area under paddy	5	--	--	--
5. Own income of Grama Panchayat	10	--	--	--
6. Composite Index of Agricultural Labourers, Persons engaged in Livestock, Fisheries etc. and Marginal Workers	15	25	20	--
7. Composite index of backwardness/ houses without latrine and houses without electricity	--	--	10	20
Total	100	100	100	100

### Budget Analysis at Panchayat Level

We have seen the financial provisions for the panchayats in the state in the previous section. For the purpose of the budget Analysis of the PRIs, we collected budget documents/annual financial statements of the selected PRIs in the state. Budget Analysis of the selected PRIs is presented in this section.

#### Methodology

Two District Panchayats (DPs), Kollam and Palakkad, were selected for the data collection in Kerala. The district panchayats were selected considering the presence of the partner organisations in the districts. Sahayi in Kollam and Integrated Rural Technology Centre (IRTC) helped us in identifying the panchayats and collection of data. Two Block Panchayats (BPs) in each district and two Gram Panchayats (GPs) in each BP were selected. The following table gives a list of the selected panchayat bodies.

**Table – 4.3**  
**The PRIs selected for the study**

District Panchayat	Block Panchayat	Gram Panchayat
Kollam	Oachira	Oachira
		Clappana
	Mukhathala	Mayyanad
		Thrikkovalivattam
Palakkad	Malampuzha	Malampuzha
		Akthethara
	Thrithala	Nagalassery
		Thrithala

- **Data Collection**

Both quantitative and qualitative data have been collected. Efforts were made to obtain the budget documents of last three years from all three levels of selected PRIs. The heads of the PRIs and the government official assisting them were interviewed using a structured questionnaire. To get the people's view focus group discussions (FGDs) were conducted.

- **Budget Documents**

The first learning while embarking on budget analysis at panchayat level is that the panchayat budgets are not like the state and centre levels. In case of Kerala, the panchayat bodies are required to prepare an annual budget of the income and expenditure according to the Kerala Panchayat Raj Act 1994. The act, as modified in 1999, directs the Standing Committee<sup>5</sup> of Finance of the panchayat body to prepare a budget showing the income and expenditure of the panchayat, after considering the proposals submitted by the other Standing Committees, and present it in a special meeting of the panchayat not later than the first week of March. Though the budgets are prepared in most cases, they are not easily available. The annual financial statement (AFS) for the last year (2002-03) was not prepared by the most of the panchayat bodies.

Since there is no standard format for the preparation of budget, there exists an unevenness and lack of uniformity in the presentation and structure of the budget documents available. There is a format available for the annual financial statement of the panchayat's income and expenditure and panchayats following these formats presented organised budget as compared to those who did not.

However, the problems with the available budget documents were of many kinds. Not only the same formats were not used, it seems, that same terminology were also not used by the panchayat bodies for one kind of expenditure. For instance, it seems that the terms "Kerala Development Scheme", "Kerala Model Development", "Decentralised Planning", and "Decentralised / Decentralisation Schemes" were used for the same item. In the Kollam District Panchayat Budget document the entire expenditure on "Kerala Development Scheme" is shown as plan income and under plan expenditure (which seems to be correct approach) during 2002-03 but as plan income and non-plan expenditure during 2003-04.

### **Analysis of Income and Expenditure of Selected PRIs**

- **Grama Panchayats**

The budget documents of two GPs Thrikkovilvattam (Kollam DP) and Naggalassery (Palakkad DP) and AFS of Oachira GP (Kollam DP) are available. Here we analyse the income and expenditure patterns of the three GPs.

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<sup>5</sup> The act provides for three Standing Committees at Grama Panchayat and Block Panchayat levels (Finance, Development and Welfare), and five Standing Committees at District Panchayat level (Finance, Development, Public Works, Health and Education, and Welfare), consisting of the elected members of the panchayat. The members of the each Standing Committee, except for the Standing Committee on Finance, elect their chairman. The vice president of the panchayat is an ex-officio member and chairman of the Standing Committee on finance. [Section 162 of the Kerala Panchayat Raj Act]

## Income Sources

In Kerala only Gram Panchayats (GPs) have the rights to collect taxes and not the Block and District Panchayats. In the following table presents the income pattern of three GPs:

**Table – 4.4**  
Income of GPs from various sources ( in Rs. 1000)

		Ochira GP		Thrikkovilvattam				Naggalassery			
		2002-03	Percent to total	2001-02 BE	Percent to total	2002-03 BE	Percent to total	2000-01	Percent to total	2003-04	Percent to total
1	Panchayat Taxes and Rate	2116.7	52.4	3341.3	12.3	1995.2	9.3	1510.6	46.7	2675	100.0
2	Realisation under sp Acts	55.3	1.4	197.0	0.7	42.0	0.2	128.9	4.0	699	2.6
3	Revenue derived from Panchayat Property	176.6	4.4	1555.0	5.7	1205.0	5.6	421.3	13.0	680	2.5
4	Panchayat Fees	614.5	15.2	371.5	1.4	96.8	0.4	50.0	1.5	164	0.6
5	Govt grants and contribution	742.1	18.4	1556.0	5.7	1172.0	5.4	20.2	0.6	3500	12.7
6	Grants for the Inst. Transferred to GPs	0.0	0.0	7379.9	27.2	4107.7	19.0	0.0	0.0	12266.6	46.1
7	Capital Account	0.0	0.0	12500.0	46.1	12500.0	58.0	400.0	12.4	375	1.4
8	Miscl. Revenue	139.4	3.5	61.0	0.2	332.4	1.5	48.8	1.5	0	0.0
9	Debt Account	194.9	4.8	160.0	0.6	116.4	0.5	653.1	20.2	420	1.5
10	Total	4039.4	100.0	27121.7	100.0	21567.4	100.0	3232.8	100.0	20779.6	100.0

The first four items are **panchayats' own income**. As we can see in the table the ratio of own income as well as the total own income varies a lot. The percentage share of total own income in the total income of Oachira panchayat (2002-03) is 73.4%; 20.1% (2001-02) and 15.3% (2002-03) in Thrikkovilvattam; and 65.1% (2000-01) and 20.4% (2003-04) in Naggalassery. The major share of panchayats' own income comes from the taxes collected by the panchayats. In two cases, where we have data for two different years we see that the share of the total own income as well as taxes collected by the panchayats have declined. The decline is quite sharp in case of Nagalassery panchayat. However, in absolute terms it declined only in case of Thrikkovilvattam.

The **share of government grants** is shown as item numbers 5, 6 and 7 in the above table. We can see that the share of grants have increased for both the panchayats for which we have data for two different years. In case of Thrikkovilvattam it increased from 79% in 2001-02 to 82.4% in 2002-03 and for Naggalassery it increased from 14.5% in 2000-01 to 77.6% in 2003-04. For Oachira GP it was 18.4% during the year 2002-03. There are different types of grants available for the panchayats from the state government (Box 4.1). B Capital account (item 7) in the above table includes the untied plan fund being provided by the Kerala government to the PRIs as well as the grant for Centrally



Sponsored Schemes (CSSs) and specific purpose grant provided by the state government. We see that Thrikkovilvattam has expected to receive Rs. 12500 thousand during both the years for which data available, under this. In case of Naggalessary this has declined, though the other two grants increased. It was a general complaint that there was cut in plan fund devolved to panchayats. The state government of Kerala admits that the grants earmarked for the local bodies have been curtailed due the fiscal crisis in the state.<sup>6</sup>

It is surprising that Oachira did not receive any grant under the item 'Capital Account'. May be all the grants are shown in government grants and contributions (item no. 5 in the table). As we see below, Ochira panchayat has not shown any expenditure also under the items indicating decentralised planning.

Total income of the Thrikkovilovattam declined from Rs. 27121.7thousand in the year 2001-02 to Rs. 21567.4thousand in 2002-03, a 20% decline to from the previous year. The decline is mainly attributed to decline in panchayat's own tax collection. There is also marginal decline in government grants to the GP. In case of Naggalessary it increased dramatically from Rs. 3232.8 thousand in 2001-02 to Rs. 20779.6 thousand in 2002-03, a more than six fold increase, which is largely due to the grants for the institutions transferred to the panchayats. The receipt under this grant was zero during 2001-02, and this contributed 59% during the next year.

#### ▪ Expenditure Pattern

Now lets have a look at the expenditure pattern of the three GPs. The tables (4.9, 4.10 and 4.11) given in the end of the chapter present the expenditure incurred by the three GPs on various items.

As, evident from the tables, the GPs have spent on all the functions entrusted to them. However, the major share is taken by the public works (roads, bridges etc.). In case of Thrivokkvilivattam 20.35 in 2001-02 and 12% in 200-03 was spent on public works. This does not include the share of public works which might have been spent under Decentralised Plan category, as break-up of the same are not provided in the budget. It is important to note that about 40% during 2001-02 and 50% during 2002-03 were to be incurred on the decentralised

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<sup>6</sup> The Economic Review by the Planning & Economic Affairs Department of the state government, available on the government website, states: "The fiscal crisis of the State has had its impact on decentralization. The plan allocations to local governments were limited to three-fourth of the originally planned outlay in the last two years. Even for the amounts sanctioned ways and means restrictions have delayed payments at the local level. Delay in payments to beneficiary committees and contractors executing the public works have the potential of offsetting the cost advantage which the local governments have shown in the execution of public works as they have been hitherto prompt in making payments. Similarly, delays in payment to individual beneficiaries has affected the credibility of local governments as development institutions." It can be accessed on [http://www.kerala.gov.in/dept\\_planning/economicrvw\\_12.htm](http://www.kerala.gov.in/dept_planning/economicrvw_12.htm)

planning, which is provided to the panchayat by the state government from the plan fund. Water supply and drainage, public health, social welfare, pension for agriculture labourers, unemployment allowance, and pension for handicapped, old age and others are some of the other items the panchayat allocated its money on.

Another important note from the **Table – 4.9** is the total expenditure of GP Thrikovallivattam has declined in absolute term during the period of two years. So did the expenditure on most of the functions mentioned. The total income of the panchayat also declined, as we have seen above. The total expenditure of the panchayat declined from Rs. 40370.6 thousand to Rs. 21092 thousand during the period. Expenditure on public works declined from Rs. Rs. 8200 thousand to Rs. 2537 thousand and that on agriculture from Rs. 825.7 thousand to Rs. 68.8 thousand.

In Nagalessary (**Table – 4.10**) 24% (18.4%+5.6%) of total panchayat expenditure is to be spent to public work during 2003-04. This was meagre 2.6% during 2000-01. Major expenditure was made on management and collection (honorarium for president and members, salary of secretary, travel allowance to the members and president and other office expenses). Half of the money was spent on endowments. The total expenditure of the panchayat increased more than five times during the period, which is in conformity with the increase in panchayat's income.

In case of Oachira GP (**Table – 4.11**), we have data only for the year 2002-03. About 73% of the total expenditure was incurred on management and collection during the year. Two other major items, on which panchayats major allocations were made, are Public Health (10.4%) and (street) Lighting (10.4%).

- **Block Panchayats**

Block Panchayats (BPs) are intermediary panchayats between Grama Panchayat (GP) and District Panchayats (DP). We have budget copies for two BPs: Malampuzha (Palakkad) and Oachira (Kollam) for the year 2003-04. Here we analyse the income and expenditure pattern of two BPs.

- **Income Sources**

**Table – 4.5** below presents the income from various sources as given in the budget copies provided by the respective BP offices. As shown in the table the major income for both the BPs comes from government grant (54% and 19% respectively), including share in assigned taxes, and from Centrally Sponsored Schemes (CSSs) (36% and 70%). Other incomes include grant for the institutions transferred to the panchayats (8.8%, in case of Oachira) and salary for the transferred staff (8.3%, in case of Malampuzha).

**Table – 4.5**  
**Income for BPs budget 2003-04 (in Rs. 1000)**

	Malampuzha	Percent to Total	Oachira	Percent to Total
Govt grants and contribution	17533.8	53.9	10200	19.0
Miscl Revenue*	408.6	1.3		
Salary from Government	2700.0	8.3		
CSS	11712.0	36.0	38000	70.6
SC/ST Dev	204.0	0.6		
Institutions transferred to panchayats**			4725	8.8
Miscl Income***			330	0.6
Debt Head			550	1.0
	32558.4	100.0	53805	100.0

\* Includes SC developments, health, agriculture and other schemes.

\*\* Includes income from BP assets, income from deposits and others.

\*\*\* Includes Youth Development, BP share, Social Welfare, Higher Education, Health and Fertilizer.

#### ▪ Expenditure Pattern

As far as expenditure by the BPs is concerned, here again the public works gets priority and more than half of the Oachira BP expenditure during 2003-04 is to be incurred on public works. However, in case of Malampuzha it is 10.8%. Malampuzha BP has budgeted to spend 36% on social security schemes (including poverty alleviation and housing) and 18% on SC/ST welfare (which include housing, water supply, entrepreneurship training etc.). SC welfare schemes get about 15% of Oachira budget expenditure.

**Table – 4.6**  
**Expenditure pattern of BPs 2003-04 (in Rs. 1000)**

Items	Oachira	Percent to total	Malampuzha	Percent to total
Establishment	606	1.1	50	0.2
Salary			2700	8.3
Education	515	1.0	125	0.4
Water Supply and drainage			550	1.7
Public health	950	1.8	539	1.7
Sanitation	750	1.4		0.0
Agriculture	4500	8.4	1025	3.1
Industry	1250	2.3	1615.6	5.0
Public works	28325	52.7	3500	10.8
Social welfare			100	0.3

Anganwadi	1225	2.3		
Soc Security Schemes	5700	10.6	11712	36.0
Electricity and Conventional energy			350	1.1
			90.3	0.3
SC/ST welfare			5916	18.2
Women welfare	1500	2.8	2581.6	7.9
SC welfare	7870	14.6	204	0.6
Debt Account	550	1.0		0.0
MiscI			1500	4.6
Total	53741	100.0	32558.5	100.0

- **District Panchayat**

Budget document of Kollam DP for the year 2003-04 and AFS of Palakkad DP for the year 2002-03 (providing data for the three years) are available. Here we present an analysis of income and expenditure of the two DPs.

- **Income Sources**

We have data for both Kollam and Pallakad District Panchayats (DPs). The income of the DPs from different sources are presented in the tables below. In Kerala, like the Block Panchayats, District Panchayats (DPs) also do not have any tax income. DPs do get share in assigned taxes from the state government, details of which are not available in case of Kollam (Table 4.8). In Pallakad, however, we have break-up of different kind of grants provided by the state government (Table 4.7) for three years: 1999-00, 2001-02 and 2002-03. As evident from the table, the share of basic taxes was just 1.4% during 1999-00 and 2001-02, in the district, which declined to 0.9% during 2002-03. The DP had negligible non-tax receipts during all these years. Rest of the income came from plan and non-plan grants provided by the state government. Share of grant provided for decentralised planning from the state plan fund is quite high (73.5%, 80.5% and 85.4% during the three years respectively) during all the years and has shown an increasing trend.

**Table – 4.7**  
**Palakkad Zila Panchayat Budget 2002-03, Income (in Rs. 1000)**

Sources of Income	1999-00	Percent to total	2001-02	Percent to total	2002-03	Percent to total
<b>Assigned Taxes</b>						
2. Basic Taxes	1482.5	1.4	1515.7	1.4	1515.7	0.9
<b>Non Tax Revenue</b>		0.0		0.0		0.0
Miscellaneous Receipts	159.7	0.2	303	0.3	683.8	0.4
<b>Non-Plan Non-Statutory Grant</b>	1692	1.6	1730	1.5	1500	0.9
<b>Other Grants in Aid</b>		0.0		0.0		0.0
<b>Non-Plan Grants for maintenance of transferred institutions</b>		0.0		0.0		0.0

Agriculture	256	0.2	243.4	0.2	239.7	0.1
Animal husbandry	5026.8	4.9	2089	1.9	186.4	0.1
Diary Development		0.0		0.0		0.0
Fisheries	250	0.2	100	0.1		0.0
Industries	2	0.0	140	0.1	39	0.0
Public Works	5116.3	5.0	4198	3.8	7825	4.5
Water Supply and Drainage / Literacy mission	144.3	0.1		0.0		0.0
Health		0.0		0.0		0.0
Allopathic	398	0.4	708	0.6	550	0.3
Ayurveda		0.0		0.0	274	0.2
Education	5103.6	5.0	4666.7	4.2	11016.4	6.4
Housing	550	0.5		0.0		0.0
Labour and Employment	1.3	0.0		0.0		0.0
Social Welfare	1803	1.8	2170	1.9	929	0.5
Youth Welfare	50	0.0	100	0.1		0.0
SC/ST Development	120	0.1	330	0.3	455	0.3
Rural Development		0.0		0.0		0.0
A Cooperatives	200	0.2		0.0		0.0
B Minor Irrigation	4900	4.8	3500	3.1		0.0
Plan Grants for Decentralised Planning	75649.5	73.5	90151.5	80.5	146942.3	85.4
Debt Head Account		0.0		0.0		0.0
<b>Grand Total</b>	<b>102905.01</b>	<b>100.0</b>	<b>111945.3</b>	<b>100.0</b>	<b>172156.3</b>	<b>100.0</b>

The income data of Kollam DP is available for the two years: 2002-03 and 2003-04. In Kollam district, the major share (about 87%) of grants comes from the grant for the functions of different departments during both the years. 11.4% during 2002-03 and 12.2% during 2003-04 has come under the "Kerala Development Scheme". The total income of the DP has increased by 4.6% in 2003-04 over the previous year.

**Table 4.8**  
**Kollam DP – Income (in Rs. 1000)**

	2002-03			2003-04			Increase over the last year (%)
	Plan	Non Plan	Total	Plan	Non Plan	Total	
General		9900	9900		7000	7000	-29.3
Share in Total			0.7			0.4	
For Different Dept	1237652 (94.4)	73749 (5.6)	1311401	1243855 (91.2)	119556 (8.8)	1363411	3.8
Share in Total			87.9			87.4	
KDS	170000		170000	190000		190000	11.8
Share in Total			11.4			12.2	

Total	1407746 (94.4)	83654.6 (5.6)	1491389	1433946 (91.9)	126564.8 (8.1)	1560498	4.6
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### ▪ Expenditure Pattern

The expenditure patterns in the two districts are quite different (Tables 4.12 and 4.13 at the end of the chapter). Where in Kollam most of the expenditure is on water supply (27.2% and 26% respectively in 2002-03 and 2003-04) and housing (44% and 42% respectively in 2002-03 and 2003-04), in Palakkad, it has been mostly spent on productive sector.<sup>7</sup> “Kerala Development Scheme” gets 11.4% in 2002-03 and 12.18% in 2003-04 in Kollam DP.

Looking at the income and expenditure pattern of the PRIs at all three levels two important observations are made here:

**One**, it has been suggested by some academics that ratio of own income of panchayat bodies to their total income can be taken as an index for financial autonomy of the PRIs. Considering this, the financial autonomy of Nagalessary and Oachira gram panchayats was quite high during 2000-01 and 2002-03 respectively and it is quite low in case of Thrikovilvattam. The ratio declined in the case of Naggalessary during 2003-04 as the share of government grant increased. However, another view is, the ratio of tied fund to the untied fund could be a better indicator (Vyasulu, 2000). We are unable to gauge the level of autonomy of the pancahayat bodies using this parameter, as we have no segregated data on tied and untied grants available to the panchayats. However, in case of Kerala this certainly would be a better parameter as at block and district levels the panchayat bodies have no own income. Since, in case of Kerala, most of the plan fund devolved to the panchayat bodies is in form of untied fund, one can safely say that the PRIs in Kerala could be in better position in regard to financial autonomy, according to this parameter as well.

**Two**, taking the expenditure side of the budgets of the above pancahyats, it can be noted that most of the expenditure has gone to the public works (road, bridges etc.) specially in case of GPs and BPs. The core services like primary education and health have got less amount. Some other services like water supply and street lighting have got more compared to health and education in some cases. However, in Kollam DP budget water supply has got the second highest allocation after housing. The services like education and health have got very tiny share at district levels too.

<sup>7</sup> According to the guideline issued by Planning and Economic Affairs department (GoK, 2003), the local bodies have to follow certain norms regarding the share of different sectors in the plan. In case of DP minimum 25% of the plan should go to the Productive Sector, which includes projects relating to agriculture, animal husbandry, dairy development, fisheries, watershed management, SSIs, non-conventional energy etc. Other two sectors are: Service Sector (includes Education, Health, Sanitation, Drinking Water, Soc Welfare, Nutrition, Housing, Culture) and Infrastructure (includes Roads, Bridges, energy, buildings for general administration).

## **Decentralised Planning**

The most important feature of the Kerala decentralization process is the involvement of people in the development planning of area. The Kerala Panchayat Raj Act provides for preparation of development plan by every panchayat every level, in respect for the functions vested in it, for the respective panchayat area. The Act directs the Village Panchayats (GPs) to prepare the development plan having regard the plan proposals submitted by the Gram Sabha. Besides the annual and a five-year development plan, the panchayats are also expected to prepare a perspective plan for-seeing a period of fifteen years.

**The People's Planning Campaign launched by the government in August 1996 was a massive effort to mobilise people, elected representatives, retired officials and professionals, voluntary organizations etc. to take part in the process of planning being done by the panchayats in their respective areas.** The Panchayats at all three levels prepared annual development plan for the last four years of the Ninth Five Year Plan period (1997-2002). In the beginning of the Tenth Five Year Plan it was decided by the government that panchayats should prepare a five year plan for the 10<sup>th</sup> Plan period (2002-07). Though the People's Planning Campaign is over now but the PRIs have prepared the Five Year Plans. All the panchayat offices we visited had their development plans printed in Malayalam. The District Planning Committees have prepared a consolidated draft plan of the district. The State Government has issued guidelines for the planning to be done by the panchayats (one for example, and the latest is GoK, 2002) and the PRIs prepared their plans according to the guidelines. The decentralised planning in Kerala has some very interesting features. Many researchers and scholars have written in detail about this.<sup>8</sup>

## **Accounting and Auditing**

The Kerala Panchayat Raj Act provides for constitution of Village Fund (at GP level), Block Panchayat Fund (at BP level and District Panchayat Fund at DP level. All the money received by the panchayat shall be consisted in the panchayat fund of the respective panchayat. All the expenditure of the panchayat shall come from its panchayat fund.

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<sup>8</sup> The decentralised planning process adopted in Kerala is one of the much discussed (and admired) issues. Isaac, 2000 provides a detailed study and an insider view of the decentralised planning and the people's planning campaign. Some others are: Mohankumar, 2002 and 2003; Raghuram, 2000; Chathukulam and John, 2002 etc.

The accounts of receipt and expenditure of every panchayat are maintained in the cash register. The Examiner of Local Fund Accounts (LFAD) is the auditor of the Panchayat, which conducts annual auditing of the panchayat's accounts.

- **Performance Audit**

Besides LFAD audit, there is provision of "performance cum corrective" audit for the panchayats in the state. It aims at the quarterly review of the administrative measures. By means of performance audit, irregularities can be detected and it also gives chances to avoid such irregularities and remedy the avoidable errors.

The performance audit teams have been organized by deploying employees from the Secretariat and Panchayat/Municipal Departments. The Government have decided to appoint an official not below the rank of a Deputy Account General as the State Performance Auditor.

The performance audit teams visit the panchayat offices on a prescheduled date. A notice informing the date of visit of the performance audit team is put on the panchayat notice board. Any person from the panchayat area, if wants, can go to the panchayat office and make complaint about any misconduct, if any in regarding the panchayat's finances to the audit team.

- **Social Audit**

The Gram Sabha discusses the issues related to budget and planning. It has a right to know about the budgetary provisions, the details of plan outlay, item wise allocation of funds and details estimates and costs of materials of works executed or proposed to be executed within the area of Gram Panchayat. The Audit report or the performance audit report is placed for the consideration of the Gram Sabha and is discussed in the meeting and its views recommendations and suggestions are communicated to the concerned GP.

### **People's Perception**

To understand the people's view about the whole process of decentralisation and the panchayat finances we conducted interviews with elected representatives (generally the president of the panchayat and also some members in few cases) and the staff (generally panchayat secretary or, in some cases, clerks) with a kind of semi structured schedule. Also focus group discussions were organised with village people in two panchayats. A summary of what was gathered is presented below:

- **Elected Representatives and Panchayat Staff:**

Generally the awareness decentralisation process, functions and duties of panchayats is quite high in the state. It is quite natural, considering that it is the



seventh year of decentralisation planning in the state. The state has also seen the extensive campaign for people's planning. Generally the panchayat representatives and staff were satisfied with the decentralisation process. However, there are some changes introduced recently with which these people are not very comfortable. Some of the issues raised during the interviews are summarised below:

- The **changing rules** have created problem. Some of the subjects/functions given under the control of has been taken away. For example, earlier the president of the DP was Chairperson of District Tourism Corporation. Now this has gone back to the district collector and DP president is just a member. From 2001-2002 onwards the Plan Fund for ST / SC welfare is decided to be administered through SC/ST Welfare Department. Some officials/staff have also been taken away from the control of the panchayats and then again transferred back.
- **Cut in grants** for decentralised planning provided by the state government was also mentioned by both the elected representatives and staff/officials. It was generally complained that the projects sanctioned by the DPC had to be dropped because of this. Availability of cash and non-encashment of cheques issued from the treasury were also mentioned. It is unavailability of liquid money which is creating problem. One BDO (secretary to the Block Panchayat) said, the fiscal crisis of the state government is becoming a problem for the PRIs and decentralised planning. As we have seen above, the state government admits this problem in one of its documents.
- The PRIs have prepared plans for a period of five years (2002-07), which has been approved by the DPCs. The annual plans are taken from the five year plan document. There is a provision of diverting from the plans, not more than, 15% in a year. This poses problem for some PRIs, which want to take up some other work, which is not part of the plan. It was mentioned that some work may have to be done because of natural calamities or need of some equipment (like photo copy machine) may arise in the office.
- Some representatives (and NGO activists also) felt that bureaucrats are now having greater say in the planning process. The **bureaucratisation of the decentralised planning process** has been observed by some scholar/activists as well.<sup>9</sup>
- It was also mentioned that the assistance provided under Indira Awas Yojna (which is under the GPs control, in terms of deciding beneficiary) is Rs. 35000 only but the assistance provided by the line department of SC/ST Welfare (which is now, not under the panchayats' control and is dealt by the BDO office) for house construction only is Rs. 70000. This is a clear example of **undermining the panchayat bodies**, according to an elected representative.
- The **introduction of beneficiary contribution** in some of the programmes has created problems. According the elected representatives

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<sup>9</sup> See for example, Mohankumar, 2002 and 2003.

- as well as the staff/officials, the poor families do not have money to make contributions and some programmes, especially related to agriculture and irrigation, remain unimplemented.
- Earlier, there was provision of beneficiary committees for the implementation of the projects, which is now replaced by the **contract system**. This has scaled down people's interest and their level of participation, felt some representatives and staff as well.
  - It was also felt that there was a need to provide **training to the newly elected representatives**, particularly to those elected for the first time. The training being provided now is not sufficient according to them. They felt that the people's planning campaign should have been continued for some more time.

- **Common People: Findings of FGDs**

In Kerala, we had chances to discuss with two women groups. One in Clappana Gram Panchayat in Oachira Block of Kollam District and the other in Akthethara Gram Panchayat in Malampuzha Block Panchayat in Palakkad DP. In the discussions we focussed on Gram Sabha, the kind of issues raised in the Gram Sabhas, their participation level in the planning and the space for women issues in the discussions and planning process.

- **Participation in Gram Sabha and the issues raised**

Most of the women have had participated in the Gram Sabhas. Women told that they talk about roads, canal, electricity, drinking water etc. in the meetings. Canal for draining the water from the fields was needed in Clappna villages, as the seawater would make their fields saline. In Akththara, the main concern was irrigation. They take water from Malampuzha dam to irrigate their lands, but now there was less water in the dam itself (Pallakad is one of the districts declared as drought hit by the state government this year. The other important issue was lack of employment and income sources.

- **Planning process**

Women were generally aware of the planning process. On asking, they said that they had raised these issues in the Gram Sabhas, when the planning process was going on. They felt that anganwadis and Self Help Groups (SHGs) were the issues related to women lives and they did discuss it in the Gram Sabha. They generally felt that issues related to women are discussed in the gram sabhas but some women did feel these issues get sidelined somehow. About the issue of women's health, women said that its important but generally it is addressed in the (Primary Health Centres (PHCs). They get medicine and immunisation in the PHCs. Drinking water is available in the Clappna villages but Akthethara women mentioned it as a problem. They had to walk to some other street to fetch water.

- **Special efforts for women**

Women felt that the expansion and diversion of SHGs<sup>10</sup> may be a good step. The Akhthethra women were planning to start a rice business and Clappna women had just bought a piece of land to shift their coir making machines to. One more group in a near by village was running an embroidery workshop and a spice-grinding business. Women felt that this can generate employment and income to some extent.

Women were generally satisfied with the overall performance of the panchayats, but they were not much aware about budget and auditing. Old women felt that panchayats were now working in much better ways than earlier (about 10-15 years ago). Earlier the panchayats would only intervene when there was a quarrel between two families or individuals, and collected taxes now panchayats do so much of work, said the women.

*To sum it up, the PRIs in Kerala, have been given functional and financial autonomy to a large extent. The percentage of own income in the GPs total income is quite high and also the grants devolved to the PRIs is largely untied grant. The participation of people in the planning process has been ensured through the ward sabhas and gram sabhas. But the women we interacted generally were not aware about the accounts and audit procedures or the budget making processes. The provisions like ombudsman and performance audits are some unique provisions in Kerala panchayat raj act. However the introduction of user charges and availability of less plan fund are some of the problems that panchayats are facing lately.*

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<sup>10</sup> The SHGs are being run all over the state under a government programme called "Kutumbshree", meaning neighbourhood groups, with the help of Panchayats.

**Table – 4.9**  
**Expenditure pattern – Thrikkovilvattam (in Rs. 1000)**

EXPENDITURE	2001-02 BE	Percent to Total	2002-03 BE	Percent to Total
A. GENERAL ACCOUNT				
I Management and Collection	2878.5	7.1	1828.9	8.7
II Public Works	8200	20.3	2537.0	12.0
III Education	222	0.5	51.4	0.2
IV water Supply and Drainage	1175	2.9		0.0
V Public Health	998.5	2.5	42.7	0.2
VI Lighting	650	1.6	509.9	2.4
VII Agriculture	135	0.3	14.4	0.1
X Panchayat properties	325	0.8		0.0
Grants for transferred institutions - Non-Plan		0.0		0.0
1 Agriculture	690.7	1.7	54.4	0.3
2 Animal Husbandry	309.0	0.8		0.0
3	75.4	0.2		0.0
4 Industry	2.921	0.0		0.0
5 Social Welfare	2500.5	6.2		0.0
6 Health	10.1	0.0	9.6	0.0
7 Ayurveda	18.6	0.0		0.0
8 Homeopathy	15	0.0		0.0
9 Education	92.0	0.2	73.8	0.3
10 Employment		0.0		0.0
a Pension for Agricultural Workers	800	2.0	572.0	2.7
b Unemployment Allowance	1300	3.2	2841.8	13.5
11 SC/ST welfare	6.7	0.0		0.0
12 Minor Irrigation	78.4	0.2		0.0
13 Social Welfare Pension		0.0		0.0
A I ..... Pension	500	1.2	680.52	3.2
II Pension to handicapped	400	1.0	439.3	2.1
III loan for marriage of widows' daughters	100	0.2	40	0.2
B National security scheme		0.0		0.0
I Old age pension	600	1.5	438.407	2.1
II National Mothers scheme	200	0.5		0.0
Housing	140	0.3		0.0
B Capital Account	1600	4.0		0.0
Decentralised Plan	16187.3	40.1	10808.16	51.2
C DEBT HEAD ACCOUNT	160	0.4	149.701	0.7
Total	40370.6	100.0	21092.0	100.0

**Table – 4.10**  
**Expenditure Pattern - Nagalassery GP (in Rs. 1000)**

	2000-01	Percent to total	2003-04	Percent to total
<b>A. GENERAL ACCOUNT</b>				
I Management and Collection	1409.6	36.3	2931.5	14.3
II Public Works	12.4	0.3	3765	18.4
III Education	19.8	0.5	386	1.9
IV water Supply and Drainage	26.7	0.7	1300	6.3
V Public Health	34.3	0.9	567	2.8
VI Lighting	69.9	1.8	660	3.2
VII Agriculture	106.4	2.7	250	1.2
VIII Animal husbandry		0.0	100	0.5
IX Social Welfare	17.1	0.4	1682	8.2
Fishery		0.0		0.0
Forestry		0.0	500	2.4
SSIs		0.0	500	2.4
Housing		0.0	250	1.2
Electricity and conven energy		0.0		0.0
Poverty all and rural dev		0.0	100	0.5
		0.0	50	0.2
		0.0	10	0.0
SC/ST Dev		0.0	3042.6	14.8
Misc		0.0	1000	4.9
Contribution of govt. to pay		0.0		0.0
X Panchayat properties	28.8	0.7	845	4.1
<b>B Capital Account</b>				0.0
Mangemnet			500	2.4
Public Work - Plan				0.0
Public Work -Non Plan	90.3	2.3	1150	5.6
Education	9.6	0.2	100	0.5
Water Supply and Drainage			200	1.0
Public Health	37.8	1.0	130	0.6
Lighting Account Street Light instalation	1.3	0.0	50	0.2
Endowment	1953.4	50.3	10	0.0
<b>C DEBT HEAD ACCOUNT</b>	64.1	1.7	420	2.0
<b>Total</b>	<b>3881.7</b>	<b>100.0</b>	<b>20499.1</b>	<b>100.0</b>

**Table – 4.11**  
**Expenditure Pattern – Oachira 2002-03 (in Rs. 1000)**

A. GENERAL ACCOUNT	Amount	Percent to Total
I Management and Collection	2152.7	72.9
II Public Works	38.7	1.3
III Education	73.0	2.5
IV water Supply and Drainage	0.2	0.0

V Public Health	332.4	11.3
VI Lighting	305.9	10.4
VII Agriculture		
VIII Animal husbandry	4.2	0.1
IX Social Welfare	34.4	1.2
X Panchayat properties		
B Capital Account		
C DEBT HEAD ACCOUNT	12.7	0.4
Total	2954.1	100.0

**Table – 4.12**  
**Zila Panchayat Palakkad, Expenditure (in Rs. 1000)**

	1999-00	Percent to total	2001-02	Percent to total	2002-03	Percent to total
<b>Revenue Expenditure</b>						
<b>General Account (Own Fund)</b>	3219.4	2.1	2835.3	2.3	2854.8	1.7
<b>Transferred Subjects (Non Plan)</b>						
<b>Social Services</b>						
General Education	4189.9	2.7	3772.8	3.0	8214.3	5.0
Technical Education	146.4	0.1	29.2	0.0	194.9	0.1
Medical and Public Health	10.0	0.0	1028.4	0.8	883.1	0.5
Labour and Employment	2412.8	1.6				
Social Security and Welfare	3022.3	2.0	2020.6	1.6	1373.4	0.8
Welfare of SC / ST	101.5	0.1	93.1	0.1	239.7	0.1
<b>Economic Services</b>						
Crop Husbandry	990.9	0.6	2576.5	2.1	175.6	0.1
Animal Husbandry	8842.5	5.7	2962.3	2.4	1878.5	1.1
Fisheries	497.5	0.3	356.5	0.3	187.4	0.1
Cooperation	252.6	0.2	149.5	0.1	53.7	0.0
Soil Conservation	112.5	0.1	18.6	0.0	31.6	0.0
Minor Irrigation		0.0	8444.9	6.7		0.0
Other Rural Development Prog	1250.0	0.8	550.0	0.4		0.0
Roads and Bridges	3628.4	2.4	8164.0	6.5	9286.3	5.6
Village and Small Scale Industries	23.1	0.0	140.0	0.1	60.5	0.0
<b>Capital Expenditure</b>						
<b>Plan Fund Expenditure of Transferred Subjects</b>						
<b>Social Services</b>						
Arts/Culture/Sports/Youth Welfare	50.0	0.0	50.0	0.0		0.0
Medical and Public Health					189.9	0.1
<b>Economic Services</b>						
Village and Small Scale Industries			400.0	0.3		
<b>Plan Expenditure under Decentralised Planning</b>						
Productive Sector	124822.4	81.1	91660.3	73.2	138878.01	84.4
Infrastructure Sector						
Service Sector	355.6	0.2		0.0		0.0
Debt Head Expenditure	51.4	0.0	25.0	0.0	62.0	0.0

Total	153979.18	100.0	125277	100.0	164563.8	100.0
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**Table – 4.13**  
**Zila Panchayat Kollam, Expenditure (in Rs. 1000)**

	2002-03	Percent to total	2003-04	Percent to Total
<b>General Expenditure</b>	9921	0.7	7500	0.5
<b>Different Dept.</b>		0.0	0	0.00
Public Works	23500	1.6	26000	1.7
General Education	12800	0.9	42000	2.7
Technical Education	1875	0.1	1875	0.1
Art / Sports/ Literature	6250	0.4	4250	0.3
Water Supply	405400	27.2	405400	26.0
Housing	650000	43.7	650000	41.7
Labour	1100	0.1	1100	0.1
Social Welfare	3200	0.2	3500	0.2
Women Welfare	5500	0.4	2500	0.2
Cooperation	3250	0.2	3000	0.2
Welfare of SC/ST and OBC	8100	0.5	8600	0.5
Crop Husbandary	3800	0.3	2600	0.2
Soil Conservation	2650	0.2	2650	0.2
Minor Irrigation	12100	0.8	12100	0.8
Food storage/supply/market	500	0.0	600	0.0
Animal Husbandry	9270	0.6	9400	0.6
Fisheries	1950	0.1	1400	0.1
Rural Development	38060	2.6	42500	2.7
SSIs - Vilege Level	7820	0.5	11000	0.7
Electricity/Conventional energy	100	0.0	55	0.0
Other Development Prog.	10250	0.7	10250	0.7
Debt Account	125	0.0	125	0.0
Health	11500	0.8	13600	0.9
Sanitation	85000	5.7	85000	5.4
Income Sources from the Dept. under DP	0	0.0	5000	0.3
Local Self Govt. Contribution	5000	0.3	15000	1.0
DP Modification/renovation			2500	0.2
<b>Plan Fund</b>				
Kerala Dev.				
1. Health	10000	0.7	11000	0.7
2. Sanitation	5000	0.3	13000	0.8
3. Environment Protection	500	0.0	550	0.0
4. Tourism	5000	0.3	5000	0.3
5. Agriculture and allied activities	21000	1.4	22600	1.4
6. Water Supply and Flood Control	10000	0.7	22800	1.5
7. Business	15000	1.0	16600	1.0
8. Education	15000	1.0	6000	0.4
8. SSA	0	0.0	10000	0.6

9. Housing	50000	3.4	20000	1.3
10. Social Welfare	2500	0.2	10050	0.6
11. Public Finance	1000	0.1	1000	0.7
12. Energy	10000	0.7	13500	0.9
13. Transport	20000	1.3	32900	2.1
14. Other buildings	5000	0.3	5000	0.3
	1489021	100.0	1559505	100.0



## Rajasthan

Rajasthan was the first state in the country to adopt the three tier system of Panchayats formally, on October 2, 1959. Following the Balwant Rai Mehta Committee report the Rajasthan Panchayat Samitis and Zila Parishads Act was enacted in 1959 and the Rajasthan Panchayati Raj Act 1953 was amended. These acts made provisions of including women and SCs/STs in these elected bodies (Unnati, 2000). Prior to the 73<sup>rd</sup> Amendment Act PRIs in Rajasthan were governed by these two acts. After the 73<sup>rd</sup> Amendment to the Indian Constitution the Rajasthan Panchayati Raj Act 1994 was enacted on April 23, repealing the 1953 and 1959 Acts. The 1994 Act provides for a three tier system of panchayats, Gram Panchayats at village level, Panchayat Samitis at block level and Zila Parishads at district levels. The members and heads of panchayat bodies at all three levels are elected by direct elections. Zila Parishads also have the MLAs and MPs in from the district boundaries as member, besides the elected representatives. Sarpanch, Pradhan and Pramukh are the heads of Gram Panchayats, Panchayat Samitis and Zila Parishads respectively. The functions and powers of PRIs at various levels are described in the sections 50 to 52 of the Act. Three schedules in the Act list the functions and powers of the PRIs at three levels (Appendix IX).

For conduct of fair elections of the panchayat bodies, the Rajasthan Panchayat Raj (Elections) Rules 1994 were framed. The rules pertaining to the Rajasthan Panchayati Raj Act 1994, known as the Rajasthan Panchayati Raj Act 1996 were framed in 1996. Central government passed Panchayat (Extensions to the Scheduled Areas) Act (PESA Act) in 1996, which gave further autonomy to the PRIs in the V Scheduled areas. Rajasthan government passed an act in this regard 1999, known as Rajasthan Panchayat Raj (Extension to Scheduled Areas) Act, 1999.

### Finances of Panchayat: Important Provisions in Rajasthan

The government has transferred 16 functions to the PRIs (Appendices III and IX). The Rajasthan Panchayat Raj Act 1994 provides for various financial powers of PRIs in the state. Sections 65 to 69 of the act contain the provisions related to the taxes, which the PRIs in the state can impose. The table below provides a list of the various taxes, which can be imposed by the panchayat bodies at all three levels:

**Table – 5.1**

#### **Provisions of Taxes by the PRIs According to the Rajasthan Panchayati Raj Act 1994**

<b>Gram Panchayat</b>	<b>Panchayat Samiti</b>	<b>Zila Parishad</b>
<ul style="list-style-type: none"><li>○ Building Tax</li><li>○ Octroi on animals or goods</li></ul>	<ul style="list-style-type: none"><li>○ Tax on the rent payable for use or occupation of agricultural land</li></ul>	<ul style="list-style-type: none"><li>○ Fee for licence for a fair or mela</li><li>○ Water rate, where supply</li></ul>

<ul style="list-style-type: none"> <li>○ Vehicle tax except for those which used for cultivation</li> <li>○ Pilgrim tax</li> <li>○ Tax for arranging drinking water</li> <li>○ Tax on commercial crops (chillies, cotton, mustered, sugarcane, zeera, ground nut)</li> <li>○ Special tax on adult members for any public work</li> <li>○ Licence fees</li> </ul>	<ul style="list-style-type: none"> <li>○ Tax on trades, callings, professions and industries as may be prescribed</li> <li>○ Primary education cess</li> <li>○ Panchayat Samiti fairs</li> </ul>	<ul style="list-style-type: none"> <li>○ of drinking or irrigation water is being made by the Zila Parishad</li> <li>○ Surcharge up to five percent on stamp duty on sale of property in rural areas</li> <li>○ Surcharge up to half percent on the market fee on agriculture produces</li> </ul>
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Source: Second State Finance Commission Report, GoR

The Panchayat Raj Rules, 1996 outlines for the rules for the limits, rates and the collection of taxes. Patwari (the staff who maintains land records and collects land revenue) is responsible for maintaining the records of demand recovery and balance of taxes at Gram Panchayat level. The patwari is paid 5% as collection charges. Surcharge on stamp duty shall be collected by sub registrar for properties transferred in rural areas and deposited with Zila Parishad. Recovery of surcharge on agriculture produce is to be done by the Secretary Mandi Committee.

However, the Second State Finance Commission of the state observed “the PRIs have not utilised their powers of taxation and recovering non-tax revenues to the desirable extent due to their proximity to the voters, as also due to the fact that imposition of taxes and recovery of fees for the services rendered is not obligatory under the Rajasthan Panchayati Raj Act/Rules.” The commission has also cited examples of the Sub-Registrar and Secretary, Mandi Committees not implementing the levy of surcharge on stamp duty and agriculture produces passed by some Zila Parishads. The Panchayati Raj Department also informed to the Commission that the Sub-Registrar and the Secretary, Mandi Committees want instructions from their own departments in this regard. The second SFC calls for sorting out this anomalous situation at the state level with the intervention of the Finance Department.

The ratio of own income of the PRIs to their total income is very low. The table below gives the share of own income in the total revenue of the PRIs in the state:

**Table - 5.2**  
**Share of Own Income in Total Revenue of Panchayats (%)**

PRIs	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00
Zila Parishad	4.9	1.8	10.8	9.8	4.2	2.4
Panchayat Samiti	1.0	1.1	1.2	1.2	0.9	0.9
Gram Panchayat	5.1	6.5	5.8	6.1	5.1	5.6
All PRIs	2.1	2.4	2.5	2.6	2.1	2.2

Source: Second State Finance Commission, Rajasthan

The major share in the total revenue of the Panchayats comes from the grants from the state government. Share of the PRI's income from the state government is given in the table below:

**Table – 5.3**  
**Share of Receipts from State in Total Revenue of Panchayats (%)**

PRIs	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00
Zila Parishad	93.1	95.4	84.4	77.2	89.3	35.0
Panchayat Samiti	65.6	67.5	69.5	70.3	74.0	80.0
Gram Panchayat	13.2	13.5	22.1	19.4	27.8	34.7
All PRIs	54.4	56.6	58.9	57.2	62.2	65.5

Source: Second State Finance Commission, Rajasthan

**However, for the Grama Panchayats the state share is quite low compared to other levels of the panchayats, and has shown a gradual increase during 1994-95 to 1999-2000.** As shown in the table below, the major income of Gram Panchayats has come from “other income” which includes the District Rural Development Agency (DRDA) programmes, including most of the Centrally Sponsored Schemes (CSSs).

**Table – 5.4**  
**Share of Other income (DRDA) in Total Revenue of Panchayats (%)**

PRI	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00
Zila Parishad	2.0	2.8	4.8	12.6	6.5	62.6
Panchayat Samiti	33.4	31.4	29.3	28.5	25.1	19.1
Gram Panchayat	81.6	80.0	72.1	74.6	67.1	59.8
All PRIs	43.5	41.0	38.5	40.1	35.7	32.3

Source: Second State Finance Commission, Rajasthan

The trend emerging from the above tables shows that the share of income of all PRIs from state government has shown an increase during the period and the DRDA share has declined. The reason for this may be the increased resource transfer from the state to the PRIs, following the recommendations of first SFC.

- **First State Finance Commission: Major Recommendations**

Rajasthan government set up its first SFC on April 23, 1994 and it presented its report on December 31, 1995. The first SFC was asked to make its recommendations for the period of 1995-2000. Following is a summary of the major recommendations:

- **Share in state tax:** 2.18% of total net tax revenue to be transferred to the local bodies (both urban and rural). For PRIs the recommended devolution

was 1.68%. The actual devolution to the PRIs was less than 1.68% except for the years 1998-99 and 1999-00.

- **Other Grants:** The first SFC also recommended some other grants, like maintenance grants (Rs. 5,000 per annum to every GP, Rs. 10,000 to every PS, and Rs. 20,000 to every ZP), general purpose annual grant (to be raised from Rs. 5 per capita to 11, for GPs with a 10% annual increase, from Rs. 0.50 to Rs. 1.25 for PSs, and Rs. Rs. 30,000 per block for ZPs), incentive grants for best performing PRIs, and a start-up grant of Rs. 5,000 to the newly created gram panchayats. The Commission also recommended arranging Rs. 61.30 crore as matching grants so that the PRIs could utilise the TFC grants. The state government, in the action taken report, informed the second SFC that most of the amounts recommended have been devolved to the PRIs.
- The first SFC also recommended constitution of a Financial Corporation for PRIs to provide loans for development purposes. The state government was required to provide a sum of Rs. 15 crore for this purpose. The government accepted this recommendation but no action was taken in this regard.

- **Second State Finance Commission**

The Second State Finance Commission was set up on May 7, 1999 and the Commission submitted its report in August 2001. The Commission made its recommendations for the period of 2000-05. Summary of the major recommendations of the Commission are following:

- 2.20% of the net tax revenue (excluding entertainment tax) is to be transferred to the local bodies.
- An incentive amount of 0.05% of net tax proceeds (excluding entertainment tax) to the Gram Panchayats.
- 1% of net receipts of the mineral royalty to the Gram Panchayats.

The distribution among the urban and local bodies is to be made on the basis of rural urban population (76.6% and 23.4% respectively). This works out to be a projected amount of Rs. 594.61 crore for the PRIs during the period of five years. The Commission has estimated the PRIs would need an additional amount of Rs. 608 crores during the five year period for which the recommendations have been made, for proper discharge of their various functions. So there is a gap of Rs. 13.56 crore and the Commission expects the PRIs to raise this amount on their own to fill the resource-gap. (It has also suggested some incentives for resources mobilisation from the untapped sources.)

The distribution of the amount among the various districts is to be done on the basis of criteria suggested by the Commission. The Commission suggested a weighted formula based on population (80%), geographical area (10%), poverty, represented by number of families below poverty line (5%) and level of literacy (5%). For the distribution among the three tiers of PRIs, the Commission recommended that 85% of total share should go to the Gram Panchayats, 12% to the Panchayat Samitis, and 3% to the Zila Parishads. This way the total projected devolution to the PRIs at the three levels come to be at Rs. 511.63 crores for the GPs, Rs. 66.38 crores for the PSs and Rs. 16.60 crores for the ZPs. Some other recommendations of the second SFC are given below.

- The second SFC suggested that the same criteria should also be followed while distributing the grants made by the Eleventh Finance Commission (EFC) among the PRIs in the state.
- An incentive grant of Rs. 12.57 crore for the panchayats is to be deposited with the Zila Parishads. The release of the incentive amount equal to tax and non tax revenue raised by the GPs from the untapped sources will be done by the Chief Executive Officer of the Zila Parishad.
- The second SFC also recommended continuation of existing per person general purpose grant on a regular basis to the PRIs and the urban bodies, according to the 2001 census.
- Amendment of Rajasthan Panchayati Raj Act/Rules to make recovery of certain taxes and fees obligatory for the PRIs.
- The Commission also recommended that the Finance Department should lay down the procedure for recovery of surcharge on stamp duty and mandi tax.

#### ● **Recent Developments**

The departments of the state government, following the Chief Secretary's order, issued notifications, which enable the PRIs to perform the 16 functions (V), transferred to them so far, more smoothly. These orders have some very important provisions:

- The DRDAs have been merged with Zila Parishads
- Department of Rural Development and Department of Panchayati Raj have been merged into one department.
- PRIs have been given full right to use their own income.
- PRIs will have rights over all the incomes from minor forest produces (MFPs) and fodder from forest and non forest lands. However, the income from the tendu leaves will be transferred to the PRIs by the state government after deducting the administrative costs.

The above provisions are mentioned in the order issued by the Department of Panchayati Raj [Sl. No.: F 4 (66) panchraj/pc/2002/565], dated June 19, 2003, which is issued on the basis of the report of a sub committee of ministers. These

provisions are very important for the decentralisation process. The merger of DRDAs with Zila Parshads has been recommended by the second SFC as well. The income from the small forest produces will add the financial resources available for the PRIs. The second SFC has looked into the income from MFPs and on basis of the information provided by the Forest Department, regarding the Joint Forest Management (JFM) initiative by the department, recommended against the transfer of income from MFPs to the PRIs. **So its very positive step that the state government has decided to transfer the income from MFPs to the PRIs<sup>11</sup>**. However, the order issued by the forest department did not mention this and only gives directions to transfer the social forestry programme under the JFM to the PRIs. (IGIPR&RD. 2003)

### Budget Analysis at Panchayat Level

We have seen the financial provisions for the panchayats in the state in the previous section. For the purpose of the budget Analysis of the PRIs, we collected budget documents/annual financial statements of the selected PRIs in the state. Budget Analysis of the selected PRIs is presented in this section.

#### Methodology

Two Zila Parishads (ZPs), Udaipur and Jodhpur, were selected for the data collection in Kerala. Selection of the Zila Parishads (district panchayats) in Rajasthan also was based on the presence of the partner organisations. Astha and their partners in Udaipur and UNNATI in Jodhpur helped in identifying the panchayats and collection of data. Two Panchayat Samitis (PSs) in each ZP and two Gram Panchayats (GPs) in each PS were selected. The following table gives a list of the selected panchayat bodies.

**Table – 5.5**  
**The PRIs selected for the study**

Udaipur	Badgaon	Bedla
		Sukher
	Jhadol-Girva	Amod
		Makdadev
Jodhpur	Mandor	Nande Kalan
		Banad
	Luni	Lolawas
		Luni

- **Data Collection**

<sup>11</sup> The right over the income from MFPs can raise the panchayats' own income, however, one has to also see that the tribal communities living in and around the forest have been collecting MFPs for generations and their life depends on these forest produces to a great extent. This move can undermine their interests.

Both quantitative and qualitative data have been collected. Efforts were made to obtain the budget documents of last three years from all three levels of selected PRIs. The heads of the PRIs and the government official assisting them were interviewed using a structured questionnaire. To get the people's view focus group discussions (FGDs) were also conducted.

- **Budget Documents**

In Rajasthan PRIs do not prepare their annual budget and hence we have used the annual financial statements (AFSs) of the PRIs for our analysis. Some PRIs prepared a budget only for the own income and the salary part of the staff employed with them. The AFSs collected from the PRIs in Rajasthan do not have similar pattern. The Udaipur Zila Parishad and Panchayat Samiti Badgaon (Udaipur) have presented their accounts systematically, giving the incomes and expenditures major head wise. Under every major head there are various sub-heads (or items) for which numbers are given few. However, the Zila Parishad Jodhpur and Panchayat Samitis Jhadol (Udaipur) and Mandor (Jodhpur) present the incomes and expenditures sub-head wise and the sub-heads are not grouped major head wise as systematically as in the earlier case. At Gram Panchayat level, we have AFSs of only two GPs: Nanda Kalan and Banad from Mandor Panchayat Samiti of Jodhpur Zila Parishad. The accounts of GP are presented programme wise e.g. SJGRY, IAY etc. and name of the actual projects (road, school building ect.) are mentioned under the programme. At ZP and PS level for every item five entries are given: 1. opening balance, 2. income, during the year, 3. total income, 4. expenditure, during the year and 5. balance. It should be noticed that in many cases PRIs do not spend the money during the year of sanction and it is spent the next year. That is why it is helpful for the PRIs to present their income and expenditure in this manner. However, for the purpose of our analysis, we have taken only the income and expenditure during the year of analysis.

### **Analysis of Income and Expenditure of Selected PRIs**

- **Zila Parishad**

Income from various sources and expenditure pattern of the Zila Parishads Udaipur and Jodhpur are presented in this section.

- **Zila Parishad, Udaipur**

The AFSs of the Zila Parishad Udaipur are presented in very systematic manner, showing income and expenditure under each Major Head. The details of income and expenditure under each Major Head or category are also shown. Here we analyse the income and expenditure of the ZP during the last three years.

▪ **Income Analysis**

The following table presents income of Udaipur ZP from various sources during the last three years:

**Table – 5.6**

**Zila Parishad Udaipur Income from Different Sources (in Rs. 1000)**

Item/Major Head	2002-03		2001-02		2000-01	
	Rs. 1000	Percent to Total	Rs. 1000	Percent to Total	Rs. 1000	Percent to Total
Income from State Govt.						
2202 General Education	7704.3	3.79	8132	4.6	12436.4	9.2
2215 Rural Development	131432.5	64.68	129060.5	73.1	68283.2	50.4
2216 Housing	3370.1	1.66	841.7	0.5	2711.3	2
2210 Ayurveda					17677	13.1
Schemes Transferred from DRDA	44611.9	21.95	33480.2	19	29392.4	21.7
<b>Total Grant</b>	<b>187118.8</b>	<b>92.08</b>	<b>171514.4</b>	<b>97.2</b>	<b>130500.2</b>	<b>96.4</b>
Loan, Advances etc.						
Loan	15763.2	7.76	4061.4	2.3	4130.3	3.1
Advance	142.1	0.07	212.9	0.1	338.9	0.3
<b>Own Income</b>	<b>181.2</b>	<b>0.09</b>	<b>714.1</b>	<b>0.4</b>	<b>436.8</b>	<b>0.3</b>
<b>Grand Total</b>	<b>203205.2</b>	<b>100</b>	<b>176502.8</b>	<b>100</b>	<b>135406.2</b>	<b>100</b>

During 2000-01 to 2002-03 the income of ZP has increased substantially due to the increase in the grants received, which make the major share of its total income. This has seen an almost 1.5 times increase during the period. Major head Rural Development (2215) and the schemes transferred from the DRDA receive a major share of the grants. The share of Education has declined from 9.2% in 2000-01 to 3.79% in 2002-03. Share of own income in ZP's total income is less than 0.5% and have declined during the period. ZP's own income declined in absolute terms as well during the period and came down to less than 0.1% of its total income during 2002-03.

Zila Parishad's own income is very low. The table (5.7) below shows the total own income of the ZP. The ZP has no income from any kind of tax. The main source of ZP's own income is the interest earned by it on its Personal Deposit account.

**Table – 5.7**  
**ZPs Own Income (in Rs. 1000)**

	2002-03		2001-02		2000-01	
	Rs. 1000	Percent to Total	Rs. 1000	Percent to Total	Rs. 1000	Percent to Total
<b>Own Income</b>	<b>181.2</b>		<b>714.1</b>		<b>436.8</b>	



Auction					21.746	5
UNICEF					61.995	14.2
Nutrition-transport					118.705	27.17
Advance for vehicle			440.1	61.6		
Interest	179.442	99	247.3	34.6	184.951	42.35

Under the advances and loans, the major income comes from PPF (public provident fund), insurance deposit, National Nutrition Programme, Balika Samridhi Yojna, Annapurna Yojna etc.

### ▪ Expenditure Pattern

Lets have a look at the expenditure pattern of the ZP. The following table presents the expenditure incurred on various items by the ZP.

**Table – 5.8**  
**Zila Parishad Udaipur Expenditure Pattern (in Rs. 1000)**

	2002-03		2001-02		2000-01	
	Rs. 1000	Percent to Total	Rs. 1000	Percent to Total	Rs. 1000	Percent to Total
<b>1. Income from State Govt.</b>						
2202-General Education	7705.068	3.30	9260.425	13.74	13463.95	14.99
2515-Rural Development	177127.78	75.90	13500.03	20.03	11927	13.28
2216-Housing	2550.669	1.09	1709.2	2.54	8735.168	9.72
2810-Nonconventional energy			130	0.19	107.496	0.12
4402 Education sports and culture					245.268	0.27
2210-Ayurveda	1622.083	0.70			16054.92	17.87
DRDA Schemes	34560.08	14.81	36147.53	53.64	33685.15	37.50
<b>2. Loan, Advance etc</b>						
1. Loan	9335.876	4.00	5585.109	8.29	4442.895	4.95
2. Advance	116.05	0.05	162	0.24	180.598	0.20
<b>3. Own Income</b>	340.134	0.15	891.047	1.32	982.154	1.09
<b>Total</b>	<b>233357.74</b>	<b>100.00</b>	<b>67385.34</b>	<b>100.00</b>	<b>89824.59</b>	<b>100.00</b>

Most of the expenditure by the ZP has been made under the major heads for which it has received grants like Rural Development and the DRDA schemes. The expenditure on education declined during the period and most of the expenditure has been made under salary for teachers and honorarium to the instructors. Under the Rural Development and the DRDA schemes most of the expenditure is made on construction works. Following tables give details of expenditure under Rural Development and DRDA schemes.

**Table – 5.8**  
**2515 - Rural Development, Expenditure Pattern (in Rs. 1000)**

	Items	2002-03		2001-02		2000-01	
		Rs. 1000	Percent to Total	Rs. 1000	Percent to Total	Rs. 1000	Percent to Total
1	Salary	1826.6	1.0	1753.1	13.0	2017.0	16.9
2	TA	43.3	0.0	42.9	0.3	50.9	0.4
3	Medical	37.4	0.0	44.8	0.3	27.0	0.2
4	Other	302.9	0.2	92.6	0.7		
5	Pramukh's Hon	254.5	0.1	48	0.4	38.9	0.3
6	Zila Parishad Bld. Construction	56.3	0.0	8.3	0.1		
7	Zila Parishad maintnence			65	0.5		
8	Award for best work to PS			2700	20.0		
98	Award for best work to ZP			2000	14.8		
10	Award for best work to GPs			700	5.2		
11	Nutrition (mid day meal)	41576.7	23.5	5950	44.1		
12	Amount allocated to ZP	164.3	0.1	95.3	0.7	402.2	3.4
13	TFC amount					9391.0	78.7
14	EFC amount	80479.8	45.4				
15	SFC amount	52386	29.6				
	Total	177127.78	100.0	13500.0	100.0	11927.0	100.0

As the above table (5.8) shows, very small share of the expenditure under 2515 Rural Development is incurred on salary and allowances (the first 5 items). During the year 2000-01, expenditure of Rs. 9391,000 was made from the grants received under TFC recommendations. However, on this, no further detail is available. In the year 2002-03, expenditure was made from the incomes received under EFC and SFC grants. While in 2001-02 no amount was spent under any of the grants. The Annual Progress Report by the Zila Parishad for the year 2002-03 provides information stating that Rs. 804.8 lakhs (as shown in the table) from the total EFC grant received by the ZP during the last three years have been distributed among the Gram Panchayats in the district according to the population. From the grants received under SFC recommendations, Rs. 528.86 lakhs has been distributed among the Gram Panchayats in the district. The report also states that the amount received under both EFC and SFC grant have been dovetailed with drought relief work.

**Table – 5.9**  
**Schemes Transferred from DRDA, Expenditure Pattern (in Rs. 1000)**

Items	2002-03		2001-02		2000-01	
	Rs. 1000	Percent to Total	Rs. 1000	Percent to Total	Rs. 1000	Percent to Total
Battis Zila Battis Kaam			827	2.3	2629.0	7.8
Untied fund			671.743	1.9	291.9	0.9

Rural Growth Centre Scheme			362	1.0		
Vanprastha Yojna					98.8	0.3
Rajiv Gandhi Traditional Drinking Water Source	16326.3	47.2	12491.7	34.6	6870.1	20.4
Bonded Rehabilitation	7	0.0				
Bio-gas scheme	260	0.8			147.1	0.4
Apna Gaon Apna kaam			702	1.9	2740.3	8.1
EGS			20826.0	57.6	6817.1	20.2
SGRY 20%	17931.9	51.9				
MLA Fund	34.8	0.1	267.1	0.7	14090.9	41.8
Total	34560.1	100.0	36147.5	100.0	33685.1	100.0

Under the DRDA schemes the major expenditure has been made under Rajiv Gandhi Traditional Drinking Water Source. Its share in total DRDA schemes was 20% in 2000-01, which increased to 47% during 2002-03. According the Annual Progress Report major expenditure has been on deepening of public wells in the villages. Employment Grantee Scheme (EGS) accounts for 57.6% of total expenditure during 2001-02. In 2000-01 MLA fund accounted for about 41.8% of total expenditure.

The major expenditure from the own income sources has been made on office expenditure, travel allowance to Zila Parishad members, repairing of building, phone, audit fee, refreshment etc. Other major expenses are repayment of advance taken for vehicle, conducting exams for the recruitment of Gram Sevaks, writ petition etc.

o **Zila Parishad, Jodhpur**

The table below gives details of income and expenditure incurred by Zila Parishad Jodhpur during the year 2002-03. The Zila Parishad Jodhpur financial statement is not as systematically arranged as of the Udaipur's. Different sources of income and items of expenditure have been grouped in accordance with the AFSs of Zila Parishad Udaipur and presented in the table below.

**Table – 5.10**  
**Zila Parishad, Jodhpur, Income and Expenditure 2002-03 (in Rs. 1000)**

Item	Income	Percent to Total	Expenditure	Percent to Total
2515 salary	1700	1.17	1753.92	0.9
2515 off exp	765	0.53	93.98	0.1
2515 TA	97	0.07	30.68	0.0
2515 Medical	75	0.05	5.56	0.0
2515 Pramukh's hon	36	0.02	36	0.0
2515 Other Rur Dev EFC	27821	19.12	66583.36	35.8
2515 Other Rur Dev SFC-II	36300	24.94	42040.13	22.6
SFC-II			743.82	0.4

National Nutrition	38994	26.79	37195.21	20.0
Apna Gaon Apna Kam			466.42	0.3
Rajiv Gandhi Traditional water sources	7387.11	5.08	6274.28	3.4
battis zila battis kam	5503.68	3.78	3500.6	1.9
Untied	1812.28	1.25	4960.6	2.7
Bonded labour rehabilitation	0	0.00	12.2	0.0
SGRY 20%	12877.8	8.85	12875.53	6.9
Gram sevak prashikshan kendra mandor	1500	1.03	1500	0.8
National nutrition	0	0	1.57	0.0
2216 HUDCO (Janta Awas)			1776.80	1.0
Parivarik Labh NFBS	2824	1.94	1645	0.9
Matritva Labh (maternity benefit)	450	0.31	470	0.3
Old age pension	628	0.43	1635.71	0.9
Interest on amount	44.87	0.03		
Balika Samridhi Yojna			848.39	0.5
Operation black board			3.23	0.0
Own income	148.37	0.10	194.33	0.1
2202 GE balance amount	5197.65	3.57		
8338 PD account deposit	1382.42	0.95	1382.42	0.7
	145544.18	100	186029.75	100.0

**The major income has come from grants provided to the Zila Parishad under SFC and EFC recommendations and for National Nutrition Programme (mid day meal). And most of the expenditure has also been incurred towards these programmes only.** As we have seen in case of Udaipur the income from SFC and EFC has been made on Rural Development programmes. ZPs own income is just 0.1% during both the years. Education has not been mentioned except for the Operation Black Board.

### • Panchayat Samitis

Panchayat Samitis, at block level, are middle level panchayat bodies between Gram Panchayat at village level and Zila Parishads at district level. In Rajasthan, Panchayat Samitis are nodal agencies, identified for rural development programmes assigned to PRIs. As government agencies PSs are looking after the distribution of funds to the Gram Panchayats for developmental activities. In this section we look into the income sources and the expenditure pattern of three Panchayat Samitis: Badgaon and Jhadol-Girva (Udaipur) and Jodhpur Mandor (Jodhpur).

#### ○ Panchayat Samiti Badgaon (Udaipur)

The data on income and expenditure of Badgaon PS for the years 2002-03 and 2001-02 is presented in the Table – 5.17 given in the end of the chapter.

**Looking at Badgaon Panchayat Samiti’s annual financial statement (AFS), it is seen that major income sources for the PS are grants received from the government and the DRDA schemes, which include centrally sponsored schemes (CSSs) like JRY, SGSY, IAY, SGRY etc. and schemes like MPLADS and MLA funds as well.** Total income of PS has declined in 2002-03 compared to the earlier year. This may be attributed to no receipt at all under major head 2202 Education, decline in money for 2215-Drinking water and for DRDA programmes.

Rural Development (2515) contributed half the income in 2002-03 and just 15% in 2001-02, possibly due to increased grant under EFC recommendation in 2002-03, which was not there in 2001-02. Share of own income in the total income of PS is very low 1.3% in 2002-03 and 0.2% in 2001-02. In absolute term, the own income has increased about five times from Rs. 61.1 thousand in 2002-03 to Rs. 293.5 thousand in the previous year. The following table gives details of PS’ own income:

**Table – 5.11**  
**Sources of own income of Panchayat Samiti, Badgaon (in Rs. 1000)**

	2002-03	2001-02
Cess on education	20.42	
Income from property (shop-rent)	11.25	3.40
Bone contract 2001-02	12.50	10
Pond lease		2.85
Interest on deposits	1.8	2.85
Bone contract 2002-03	2.5	30
Permanent amant	219.27	
Other	25.8	11.96
Total	293.55	61.07

The increase in the own income in 2002-03 is due to the increase in income under permanent *amanat*. Income from other source has not shown any increase, except for the income from bone contract, which increased from Rs. 2,500 to Rs. 30,000.

Looking at expenditure part, a little less than one-fifth of total expenditure has gone towards education in both the years. It important to note that primary education (up to class fifth) is with the Panchayat Samitis since 1959. After the 73<sup>rd</sup> Amendment Act primary education up to class VIII has been, along with 15 other subjects, has been transferred to the PSs. The PSs have also been collecting an education cess, which is part of their own income. The break up of this expenditure is provided in the AFSs shows, in 2001-02 and 2002-03 also

most of the money is spent on salary and allowances part except a small amount. But, most of the expenditure under Rural Development (2515) has gone construction works, and very less is spent on salary. Another important point is, in both the years a good amount of grant received by the PS is for Gram Panchayats, which it must have transferred to their account. Under the 'programmes from Zila Parishad' the major expenditure in 2002-03 has been made on mid day meal.

- **Panchayat Samiti Jhadol-Falasia (Udaipur)**

The annual financial statement of Jhadol-Falasia PS is not presented in any systematic manner. We have taken the items under which the PS has received any income or on which it has made expenditure during the year 2002-03 and have grouped them according to the grouping done in the AFSs of Badgaon PS. The data on income and expenditure in 2002-03 is presented in the table (5.18) in the end of this chapter.

Most of the income of the PS has come from the grants recommended by the EFC and SFC. These grants contribute 32% of total PS income. Money received for mid day meal under National Nutrition Programme is also a major contribution to PS's income. Income under major head 2202 Education makes 15.8% of total income. Share of PS's own income is merely 1.4%, for which no details are available.

Looking at the expenditure side, its very surprising that on education the PS spent just Rs. 8.14 thousand that also only on travel allowance. Major expenses were made from the grants received under EFC recommendations (16.5%). It should be noted that the EFC grant could be spent on five basic services identified by the EFC. Expenditure from the salary component under the SFC grant was about 12% of total expenditure. The mid day meal scheme was given 12.7% of total PS's expenditure during the year. Other major expenditures were made on MPLADS (4.7%), MLALADS (6.7%), Water Supply (4.7%) etc.

- **Panchayat Samiti Jodhpur Mandor (Jodhpur)**

In the AFS 2002-03 of PS Jodhpur, the grouping of the income sources and expenditure pattern is done systematically but it is a bit different from the Badgaon PS. Table 5.19 in the end of the chapter presents the income and expenditure of the PF for the year 2002-03.

**The major income sources for the Panchayat Samiti are again the grants received as EFC and SFCs recommendations, forming one third of total income.** National Nutrition Programme (mid day meal) contributes the most among centrally sponsored programmes. Other CSSs like SGRY, JRY, PMGY also contribute to the PS's income. PS's own income is merely 1.1% of its total income. A break-up of own income of the PS are given below:

**Table – 5.12**  
**Sources of PS's Own Income, 2002-03 (in Rs. 1000)**

Source/item	Rs. 1000	Percent to Total
No objection certificate	1.68	0.59
Rent	13.3	4.65
Bone contract	50	17.49
Ag. Tax	6.45	2.26
Duplicate card fee	0.11	0.04
Bank interest	45.73	16
3604-land revenue grant	167.89	58.74
Women Panch training	0.14	0.05
Bidding fee	0.5	0.17
Total	285.8	100

**Its important that about 60% of PS's own income has come from its share in the land revenue collected by the state government. Giving the right to collect the bones of dead animals in the Panchayat Samiti area is also a significant source of income.** The PS has also imposed some kind of agriculture tax. But surprisingly it has not collected the education cess like other Panchayat Samitis in the state.

Looking at expenditure side of the PS Jodhpur Mandor, major expenditure has been made on non-plan salary under major head 2515, and from the grants received under EFC and SFC recommendations. National Nutrition Programme (8.6%) and non-formal education (9%) have also taken significant share of the total expenditure. The high expenditure on non-formal education might be a result of the projects like Lok Jumbish, and Shiksha Karmi and DPIIP, which have been introduced in the state. CSSs like SGRY, JRY, IAY and PMGY have also been given share in the PS's expenditure.

The expenditure from the own income of the PS has mostly gone on office expences, telephone, travel allowances to the PS members, repairing, vehicle, advertising for contracts and bids, legal fee etc.

- **Gram Panchayats**

We have data for two Gram Panchayats: Banad and Nadra Kalan, both from the Panchayat Samiti Jodhpur Mandor, in the Jodhpur district, for three consecutive years – 2000-01 to 2002-03. Bellow we have analysed the income sources and expenditure pattern of both the panchayats.

- **Gram Panchayat Banad, Jodhpur Mandor (Jodhpur)**

The following table presents the income of the panchayat from different sources:

**Table – 5.13**  
**Gram Panchayat Banad, Income (in Rs. 1000)**

Items	2002-03		2001-02		2000-01	
	Rs. 1000	Percent to Total	Rs. 1000	Percent to Total	Rs. 1000	Percent to Total
Grant, CSSs etc.	2358.27	96.76	2125.08	98.69	849.32	99.62
<b>Own Income</b>						
Recovery					0.407	
Photo copy					0.26	
Rent from shops	3.475	0.14	2.7	0.13	2.525	
Education cess					0.075	
App fee			0.06	0.00		
Bank interest	2.146	0.09	1.53	0.07		
House building permission	2.98	0.12	0.2	0.01		
Bid form fee	0.4	0.02	0.85	0.04		
Dharohar rashi	12	0.49				
Land revenue grant	57.93	2.38	22.77	1.06		
Total-Own Income	78.93	3.24	28.11	1.31	3.26	0.38
<b>Total</b>	<b>2437.2</b>	<b>100.00</b>	<b>2153.19</b>	<b>100.00</b>	<b>852.58</b>	<b>100.00</b>

As can be seen in the table most of the income of the panchayat comes from grant and other fund transferred from the government. Panchayats own income is very low, but has shown an increasing trend. It has increased from just 0.4 % in 2000-01 to 1.3% in 2001-02 and 3.24% in 2002-03. The increase can largely be attributed to the income from the share in government taxes (shown as share in land revenue in the AFSs of the panchayat).<sup>12</sup>

Now lets take a look at the expenditure pattern of the GP. The expenditure are shown in as actual projects/works in the AFS. For the purpose of analysis, various expenditure are categorised under three heads: development work, office expenditure and honorarium, salary etc. (table 5.14).

**Table – 5.14**  
**Gram Panchayat Banad, Expenditure Pattern (in Rs. 1000)**

Item	2002-03		2001-02		2000-01	
	Rs. 1000	Percent to Total	Rs. 1000	Percent to Total	Rs. 1000	Percent to Total
Development Work	2357.71	98.95	2205.45	98.39	730.7	94.57
Office, Establishment Honorarium etc.	25.19	1.06	36	1.61	41.93	5.43
Total	2382.9	100.01	2241.45	100.00	772.63	100.00

<sup>12</sup> However, it should be noted that in the AFSs of the higher levels PRIs, presented above this income is not shown as own income. In the panchayat's AFS any classification of income has not been made. While doing the classification we thought it appropriate to put this income into 'own income' category.



Looking the expenditure side, most of the expenditure of the panchayat has gone towards the development activities. Most of the development expenditure is made on construction work like roads, bridges, schools etc. Some expenditure is also made on individual assistance e.g. house under IAY etc. The share of office expenses, honerarium etc. has been less than 2% during 2002-03. However, it was 5.4% in 2000-01 (table below).

o **Nandra Kalan, Jodhpur Mandor (Jodhpur)**

The following table presents income of the panchayat from various sources. The income for year 2002-03 is also presented as various grant/programme wise. The programmes include both centrally sponsored schemes and the state government programme (apna gaon apna kaam, AGAK).

**Table – 5.15**  
**Nandra Kalan Mandor Income Sources (in Rs. 1000)**

	2002-03		2001-02	
	Rs. 1000	Percent to Total	Rs. 1000	Percent to Total
EFC	84.05	12.65		
SFC-II	95.91	14.44		
TFC	13.57	2.04		
AGAK	120	18.07		
RGTWS	25	3.76		
SGRY	50.57	7.61		
NNP	115.63	17.41		
IAY	70	10.54		
<b>Total – Govt. grants etc.</b>	<b>574.73</b>	<b>86.53</b>	<b>789.57</b>	<b>94.22</b>
Recovery	0.94			
Residential land sell	0.1			
Court and inspection			0.06	
Income tax			3.39	
Bank interest	2.636		2.90	
House building permission	17.8		18.4	
Bid form fee	0.06		0.53	
Dharohar rashi	9			
Land revenue grant	58.91		23.16	
<b>Total Own Income</b>	<b>89.46</b>	<b>13.47</b>	<b>48.43</b>	<b>5.78</b>
<b>G. Total</b>	<b>664.18</b>	<b>100</b>	<b>838.00</b>	<b>100</b>

Like Banad panchayat, this panchayat also receives most of its income in form of government grants. But the share of own income for this panchayat is quite high in 2002-03 (table 5.15). **The panchayat received 13.5% from its own sources this year. During the previous year also the share was quite high at 5.78%. The major share in this has been of the income from the share in revenue.** For the year 2002-03 we also have break up according the various types of

grants and for the different schemes/programmes of the central and state government. The grants received by the panchayat under EFC (12.65%), SFC-II (14.44%) and TFC (2.04%) recommended grants make 29.13% of the panchayat's income. The share of CSSs (which include SGRY, IAY, NNP and RGTWS) makes for 39.32% and state government scheme called apna gaon apna kaam (AGAK) 18.07%.

**Table – 5.16**  
**Nandra Kalan Mandor Expenditure Pattern (in Rs. 1000)**

	2002-03		2001-02	
	Rs. 1000	Percent to Total	Rs. 1000	Percent to Total
Expenditure				
Development Work	656.5	93.15	1839.97	96.52
Office exp. Establishment etc.	48.31	6.85	66.52	3.48
Total	704.81	100	1906.49	100

Looking at the expenditure side, this panchayat has also spent most of its income on the development work. The share of office expenditure etc. was less than 4% during 2001-02, which increased to 6.85% in 2002-03 (table 5.16).

### **Accounts and Auditing**

The Rajasthan Panchayati Raj Act 1994 contains the provisions related to accounts and audits of PRIs in the section 75 of the Act. In the rules framed by the state government under Panchayati Raj act, rules 245 to 252 relates to accounts and audit of PRIs. According to the Rajasthan Panchayati Raj Act/Rules the PRIs should prepare a quarterly statement of account of income and expenditure in a prescribed form (No. XXXV). And send it to the next higher authority. At the end of the year, the GPs and PSs are required to prepare an abstract of the accounts in form XXXVI, showing income and expenditure under each head of the budget and send it to the state government and the Zila Parishad by the first of May every year. This should be accompanied by a statement of grant-in-aid received from the state government, supported by the utilisation certificate.

Each Panchayat Samiti is also required to submit a statement of loans and amount outstanding in a prescribed form.

Zila Parishads are also required to submit an annual statement of income and expenditure and send it to the state government by 15<sup>th</sup> of May.

The audit of the accounts of PRIs are governed by the Rajasthan Local Fund Audit Act, 1954. A test audit of account may also be carried out on behalf of the C&AG, according the Panchayati Raj Act. PRIs should prepare the financial statement prescribed by the Rajasthan Local Fund Audit Rules and should make arrangements for the audits. The auditors (Director, Local Fund Audit) send a

copy of the audit report to the PRI and to the concerned immediate higher level PRI as well.

Though there are detailed provisions related to accounts and audits of the PRIs, they do not seem to be implementing the same. Annual Financial Statements are prepared by the PRIs in different ways. The accountants in PS and ZP offices did not have any idea about any prescribed forms. There is no similarity in the AFSs prepared by the PRIs. However, the financial statements prepared by Zila Parishad Udaipur, Panchayat Samiti Badgaon and Panchayat samiti Mandor were quite systematic giving accounts of grants, loans and advances, and own income on separate sheets.

At GP level the secretary (Gram Sevak) is the only staff. He (all of them are men) maintains the accounts and prepares the financial statements, which they call '*goshwara*'. These are prepared only on the panchayat register. **At GP level two separate statements – one for SGRY accounts and the other for all other income and expenditure – are prepared.**

The only prescribed format we could see was a budget performa for the GPs (Appendix X), which is rarely used. Most of the secretaries said they do not use it. It is used to prepare budget only in one panchayat, Amod, but the secretary was not ready to give us the copies of the same.

The account staff at PS and ZP levels generally said that there was no guideline for preparing the accounts. The accountant in Jhadol-Falasia PS office told that a booklet on accounting was sent by the government sometime ago, but was unaware where it was now.

As discussed earlier, **there is no uniformity in the AFSs prepared by the PRIs. Major Head 2515 (which is the code for 'Other Rural Development programmes') is Other Rural Development in some statements, and CD (community development?) in some other.** Community Development is one minor head (102) under this major head according to the list. Item Battis Zila Battis Kaam (BZBK) is shown in 'programmes from Zila Parishad' in the statement of Badgaon PS and under the 'DRDA programmes' in Jodhpur-Mondor PS. In the Jodhpur-Mandor PS' statement some items are shown under 'from Gram Panchayat' which include SFC, EFC grants, and all the centrally sponsored schemes. Most of these items are shown under 'from DRDA' in the PS Jhadol- Falasiya statement.

**Auditing is done by LFAD every year and AG audit is also conducted once in two years. We met the LFAD officer at Udaipur, who told that auditing of the accounts was done according to the Local Fund Audit Act. They have audit teams, which visit the PRIs and prepare audit reports.**

The elected representatives and the government employees also told about 'Social Audit' by the gram sabha. The accounts of the GPs must be discussed in and approved by the gram sabha. However, this exercise is just a formality. The men and women we talked in the villages generally knew only one thing about the gram sabhas that they can give proposals (prastav) for development work and can suggest the name of the beneficiaries of for the programmes like IAY.

## **Planning**

The PRIs in Rajasthan do not prepare any plan as such. The proposals gathered in the gram sabhas and ward sabhas are put together by the sarpanch and secretary (panchayat members also give suggestions) and sent to the PS. An action plan is prepared at all level of PRIs for the work to be done under the SGRY programme (the GP:SP:ZP ratio in this programme is 50%:30%:20%). The GPs give a list of works to be done under this programme, worth 125% of the last year's expenditure, and send it to the PS for 'approval'. We have copy of the SGRY-50% action plan prepared by GP Sapetiya for the years 2003-04 and 2002-03. Five works have been proposed both the year and estimated cost is also given for each work. The estimated work also includes labour contribution by the community in the works proposed in 2003-04. For other grants, the work from the proposals gathered in the gram sabhas are done after the approval of the PS. Secretary in one of the GPs told that for the money received under EFC and SFC also we need approval from PS and sometime the leaders (members) in the PS and ZP may influence the decision regarding which work to be done where. About IAY, the beneficiaries are generally decided by the GP according to the proposals in gram sabhas.

**The District Planning Committees (DPCs) are constituted in Rajsthan. The Zila Parisahd Pramukh is chairperson of the DPC and District Planning Officer is secretary of the DPC. We met DPOs in both the districts.** A subordinate of the DPO in Jodhpur district told about the work done by the district panning office. It prepares a plan document for the district every year giving department wise plan and non-plan expenditure based on the estimates provided by the line departments in the district. This is prepared every year and generally it is ready by the end of the year (in the month of December it was being prepared for the current year 2003-04). The estimates are made by increasing the last year's expenditure by 10-15% as the instruction may be. The DPC approves this plan document.

**But what about the plan to be prepared by the PRIs, which should be consolidated by the DPC? The person in the district panning office had no idea.** The DPO in Udaipur district was aware of the concept but said this is not happening. He said he was a member of a committee appointed by the state government to look into the decentralised planning. This committee has given its report to the government and he was hopeful that this should start soon.

## People's Perception

To understand the people's view about the whole process of decentralisation and the panchayat finances we conducted interviews with elected representatives (generally the president of the panchayat and also some members in few cases) and the staff (generally panchayat secretary or, in some cases, clerks) with a kind of semi structured schedule. Also focus group discussions were organised with village people in two panchayats. A summary of what was gathered is presented below:

- **Elected Representatives and Panchayat Staff:**

**Most of the elected representatives were vaguely aware of the provisions related to the budget and finance and planning.** They had no detailed or minute knowledge. Generally the sarpanchs, pradhans and pramukhs, were aware that budget (for own income and staff-salary and allowances only) is to be prepared and financial statements should be made and sent to the immediate higher PRIs.

**Accounts** are maintained through the cash register. The core work in this regard is done by the secretary at GP level and account staff at PS and ZP levels. Auditing is done by LFAD. Besides there is AG audit and 'Social Audit' at GP level.

About the **planning**, action plan for SGRY is prepared from the proposals received in the gram sabhas at GP level. At PS level also the action plan is prepared for SGRY (30%) from the proposals received from all the GPs. Most of the elected representatives and government employees at PS and ZP level were aware of the DPC but at GP level awareness was quite low. About SFC and EFC they said that we receive SFC and EFC grants.

The **awareness level of sarpanchs** in the two districts was even lower. For all finance, accounts and budget related matters they would refer to their secretaries. Women sarpanchs were even less aware and less active, represented by their husband. In one case (in Jodhpur) we could not meet the sarpanch. Her husband was introduced as sarpanch. The other lady, in Udaipur, was a literate young woman but here also the husband was the one who took decisions.

**Udaipur Zila pramukh expressed his unhappiness about the declaring 29 GPs as TSP GPs. He said some of them have no tribal population. Zila pramukh also felt that MLAs and MPs do not want PRI leaders to get empowered. He said unless fund and functionary comes with the function, PRIs could not work well.** A number of staff is now under PRIs. He said the bureaucrats transfer the staff from district offices or DRDA to ZP without

consulting us. He also feels that bureaucrats do not listen to the elected representatives of the PRIs.

**He also seemed to be unhappy with the PRIs representatives. According to him, earlier they were closer to people. Now, as a lot of money has come to panchayats, they have gone far from people.**

- **Common People: Findings of FGDs**

The focus group discussions were conducted in Makradev (Jhadol, Udaipur) (with 15 women and 4 men), Amod (Jhadol, Udaipur) (8 men) and Lolawas (Luni, Jodhpur) (12 men). In Makradev, we met the women in the Adivasi Mahila Jagriti Samiti (an organisation of local tribal women) office. These women were from different villages of Makradev GP. One woman among them was a member of PS Jhadol. One worker from Astha (Udaipur) was also with us.

- **Participation in Gram Sabha and the issues raised**

The women in the Makradev meeting said that they participate in the gram sabhas and ward sabhas. However, none of the men participants had ever attended any ward sabha or gram sabha. They said that they **put their proposals (prastava)** in the ward sabha and gram sabha. Roads, water (deepening of wells, both personal and public), house, etc. are the issues raised by the women in the ward sabhas and gram sabhas. **But the general feeling was that proposals are not passed. One woman told that six times she has asked for a house, but has not got yet. In one of the villages, there is an aganwadi kendra, but no building for the same.** They said they asked for it in the gram sabhas and ward sabhas many times. But it has not made yet. On asking about the work done by the panchayat, they said two works, one road and another water related work are completed.

They do not discuss anything about budget or planning in the gram sabha or ward sabha. Neither the accounts of the panchayat are presented in the gram sabha, according to them. One woman told that they do bring the registers but do not read it out. Women also said that they are not able to go to all the ward sabhas and gram sabhas. They often do not get information about the same. The PS member participating in the meeting was a tribal woman and an activist of AMJS. She also said that in the PS general meetings also the budget and finances are rarely discussed. **About what should be the priority areas for panchayats, water (both drinking and for irrigation), house and employment were the main concerns for these women.**

The participants in Amod meeting also expressed the same views. Interestingly most of the participants of the Amod meeting were members of a panchayat awareness committee initiated by a network of NGOs in Udaipur district. Some of them said they have never participated in any ward sabha or gram sabha. The

president of the committee, a local youth, said we would now raise the questions related to planning and budget in the gram sabha.

The participants of Lolawas meeting, all of them were dalits and do wage work for the livelihood, said they do not participate in ward sabha or gram sabha. They said that no body cares for us. They faced acute shortage of water. Drinking water was the most important problem for them. **They had no idea about the special component plan (SCP), according to which 22.5% of the expenditure should be incurred on the prograames benefiting SC communities. The sarpanch's husband, who was introduced as sarpanch, did mention about this and said that about one-fourth of the amount is spent dalit *tolas* development work.**

- **Ward Sabhas and Gram Sabhas were being organised**

Another round of ward sabhas and then gram sabhas were to be organised in the villages during the coming week. In Makradev meeting, the Astha worker told women that this ward sabha and gram sabha are to finalise the BPL lists. The state government has conducted a survey for identifying the families below the poverty line and on the basis of the survey the families have been given numbers for various indicators as, land, house, other assets etc. In the ward sabha and gram sabha this list and numbers given to each family for each of the indicator is to be read out and if anybody have any objection, he or she could ask for a change. Then the numbers given will be finalised and a cut-off line will be announced, below which the families would be declared BPL family.

In Jodhpur, one ward sabha in Band gram panchayat was attended. There were 15 people in the primary school of the village. Secretary was reading out the name of the family head and was telling the numbers given to the family by the surveyors. Generally people agreed with the results. In few cases they said it was wrong and asked the secretary to make the changes. In a ward of 250 families, only 15 people decided the list.

### ***Observations:***

The PRIs in Rajasthan are working under many impediments. This is their second term after the 73<sup>rd</sup> Amendment Act was passed. The PRIs, whose income and expenditure have been analysed above, have very less own income. The second SFC report has come and devolution according to the recommendations of the same is being made. **The PRIs also have grants according to the first SFC and the EFC recommendations. But there is a need to give the panchayats a practical autonomy over the grants being devolved and introduce the concept of planning, instead of just taking proposals in every meeting of ward sabha and gram sabha.** The proposals gathered in the ward sabha and gram sabha are not prioritised in the open meetings and the elected representatives and panchayat secretaries only decide

upon which project/work to take up. The DPCs are constituted but have no role in any kind of planning as such, because planning is not done by any level of PRIs. The bureaucracy is still considered the 'real government' even by the elected representatives. The elected representatives lack the awareness, skill, capacity and motivations to work as the members of institutions of self-governance. The gram panchayats only have a secretary as staff. Some of the secretaries look after more than one GP.

Participation level in the ward sabhas and gram sabhas are very low, and these meetings are considered just a platform to gather the proposals very few of which are to be actually implemented. The NGOs and people's organisations are making their efforts to increase the participation levels in the meetings of ward sabha and gram sabha. Though, the increase in participation people is certainly a very important, but it will also increase the expectations of people from the PRIs, which may not be fulfilled given their present financial situation.

The state government, recently, has taken some very important decisions, which certainly will promote the process of democratic decentralisation in the state. But it has also initiated the programmes like DPIIP, with the assistance from the World Bank. The work done under the programmes comes under the functional domain of the PRIs but the PRIs have no role in planning or implementation of the programme.

The Rajasthan Panchayat (Extension to the Scheduled Areas) Act gives the PRIs in the scheduled areas the right to the MFPs but no rules have been framed in this regard and so the PRIs (Gram Sabhas as the Act suggests) cannot have the income from MFPs. In an order issued by the Chief Secretary, now all the PRIs have been given full right over the MFPs and fodder from forest and non-forest lands. But the corresponding order issued by the Forest Department does not incorporate the same. It's not yet clear how this provision would be implemented. **Meanwhile the previous government, which issued some very progressive orders, have been voted out of power. One also has to see that how the new government fares, as far as decentralisation process is concerned.**



Table – 5.17

## Panchayat Samiti Badgaon Income and Expenditure, Rs. 1000

Major Head / Items	2002-03				2001-02			
	Income		Expenditure		Income		Expenditure	
	Rs. 1000	Percent to Total	Rs. 1000	Percent to Total	Rs. 1000	Percent to Total	Rs. 1000	Percent to Total
2202 Education			3608.7	18.2	8959.89	25.8	6735.68	19.4
2215 drinking water	511.1	2.3	607.3	3.1	1417.63	4.1	559.85	1.6
2401 Agriculture			4.2	0.0				
2505 National employment prog 01 National Prog 702 JRY	72	0.3	0.4	0.0	126	0.4	61.47	0.2
3454 Population survey and statistics							0.3	0.0
3604 assistance to Local governance and PRIs								
Assistance to PRIs against land revenue					22.91	0.1	4.04	0.0
Grants in aid to PRIs			458.2	2.3	458.2	1.3		0.0
<b>3604 total</b>			<b>458.2</b>	<b>2.3</b>	<b>481.1</b>	<b>1.4</b>	<b>4.04</b>	<b>0.0</b>
<b>2515 other Rural Development Prog 101 PR</b>								
Assistance to Panchayat Samiti								
Assistance to Pradhan Office -non plan	2813.0	12.8	1999.2	10.1	2810	8.1	1602.21	4.6
Plan/CSS			-91.4	-0.5	1107	3.2	750.121	2.2
<b>SFC grant - staff</b>	29.9	0.1	200.8	1.0	51.55	0.1	378.80	1.1
Allowance to Pradhans (non Plan)	24	0.1	24	0.1	30	0.1	24	0.1
General assistance to PS non-plan			1.1	0.0		0.0		
Free-fund small saving award			8.0	0.0		0.0		
<b>SFC grant for construction works</b>								
<b>For Panchayat Samiti</b>								
General assistance							119.27	0.3
<b>For Gram Panchayats</b>								
General assistance (maintenance)					29.86	0.1		
Repairing			60.0	0.3			210	0.6
Matching share								
Grants - TFC			578.3	2.9	1200	3.5	4944.65	14.2
<b>2nd SFS grant for construction works</b>								
<b>For Panchayat Samiti</b>								
General grants	354.2	1.6	156.3	0.8				
<b>For Gram Panchayats</b>								
General assistance	2403.3	10.9	668.8	3.4				
Grants - EFC	4592.0	20.9	1608.8	8.1				

<b>Total Rural Development 2515</b>	<b>10216.4</b>	<b>46.5</b>	<b>5213.8</b>	<b>26.3</b>	<b>5228.4</b>	<b>15.1</b>	<b>8029.1</b>	<b>23.1</b>
<b>Grants received from other Departments</b>								
<b>From DRDA</b>								
IAY- through panchayats	60	0.3						
Article 275 (1) MADA			28.3	0.1	916.11	2.6	714.92	2.1
Drought relief 2056					1081	3.1	1081	3.1
Drought relief recovery 2057	76.9	0.3						
IRDF 6			33.5	0.2				
JRY 20%	135	0.6		0.0	80	0.2	40.40	0.1
JRY 15%					20	0.1	41.82	0.1
MPLADS	2126.1	9.7	1257.5	6.3	2604.60	7.5	1766.69	5.1
MLA fund	1905.8	8.7	2187.1	11.0	1624.37	4.7	2191.71	6.3
IEC	10	0.0	10	0.1				
SGSY	145	0.7	120	0.6	6	0.0	20	0.1
SGSY-training	10	0.0	12.3	0.1				
Shilpshala- shop construction	12	0.1	24	0.1	42	0.1	102	0.3
PMGY-infrastructure	15.4	0.1	57.8	0.3	94.5	0.3	13.34	0.0
EGS-old			254.4	1.3		0.0	439.17	1.3
EGS-new-70% 30%	194.9	0.9	446.6	2.3	4159.02	12.0	3873.48	11.1
EGS-new-30%	148.5	0.7	363.8	1.8				
SGRY-30%	1422.5	6.5	942.4	4.8				
SGRY-transport	25	0.1	23.0	0.1				
Drought relief 2059	21.9	0.1	18.2	0.1				
<b>Total DRDA</b>	<b>6309.0</b>	<b>28.7</b>	<b>5779.0</b>	<b>29.1</b>	<b>10627.6</b>	<b>30.6</b>	<b>10284.5</b>	<b>29.6</b>
<b>From Zila Parishad</b>								
National family assistance	60	0.3	90	0.5	150	0.4	12.12	0.0
National pregnancy assistance	68	0.3		0.0			49	0.1
Balika Samridhi Yojna	50	0.2	68.5	0.3				
Untied fund							19.53	0.1
Apna Gaon Apna Kaam	0.6	0.0	-11.0	-0.1			301.22	0.9
Battis Zila Battis Kaam							10	0.0
Rural Dev. Basic Yojna RGC/MRGC	57.1	0.3	82.8	0.4			90.12	0.3
National Nutrition Programme- Transport	36.8	0.2		0.0				
Bio-gas plants							2.8	0.0
National Nutrition Prog. (Mid day meal)	1962.9	8.9	2043.0	10.3	351.27	1.0	254.31	0.7
Rural housing scheme			46.8	0.2			43.68	0.1
RGSJP					594	1.7	594	1.7
RG drinking water source	229.0	1.0	50	0.3	639.95	1.8	581.75	1.7
SGRY-20%	760.1	3.5	351.0	1.8				
RCH-complicated delevery	5	0.0	5	0.0				
SFC - Zila Parishad							1200	3.4
<b>Total Zila Parishad</b>	<b>3229.4</b>	<b>14.7</b>	<b>2726.2</b>	<b>13.7</b>	<b>1735.2</b>	<b>5.0</b>	<b>3158.5</b>	<b>9.1</b>

PS Loan Advance etc.	1347.9	6.1	1350.1	6.8	6038.7	17.4	5764.7	16.6
<b>Own Income</b>	<b>293.5</b>	<b>1.3</b>	<b>85.9</b>	<b>0.4</b>	<b>61.1</b>	<b>0.2</b>	<b>188.2</b>	<b>0.5</b>
<b>Grand Total</b>	<b>21979.3</b>	<b>100.0</b>	<b>19833.8</b>	<b>100.0</b>	<b>34675.6</b>	<b>100.0</b>	<b>34786.4</b>	<b>100.0</b>

**Table – 5.18**  
**Jhadol Panchayat Samiti, Income and Expenditure Pattern, 2002-03, Rs.**  
**1000**

	Income	Percent to Total	Expenditure	Percent to Total
2202 Education	5704	15.8	8.14	0.0
Water supply	1187.18	3.3	1027.71	4.7
3604 Panchayat Asst.			735.22	3.3
2515 CD Non Plan salary	1914.75	5.3	2635.78	11.9
SFC salary			777.66	3.5
TA	46.25	0.1	85.22	0.4
Medical	17.75	0.0	17.45	0.1
Office Expenses	36.25	0.1	15.14	0.1
JRY salary	81	0.2	129.77	0.6
Pradhan hon.	24	0.1	24	0.1
TFC/SFC	70	0.2	408.42	1.8
SFC repairing			10	
SFC 2000, PS	544.413	1.5	88.48	0.4
EFC	7013.78	19.5	3649.2	16.5
SFC	3856.26	10.7	612	2.8
EFC - drought	25.86	0.1		
SGSY	1.361	0.0		
JRY 15%			99.82	0.5
JRY 20%				
JRY II Kathaodi	24	0.1	344.37	1.6
MPLADS	889.69	2.5	1031.46	4.7
MLALADS	1401.27	3.9	1481.43	6.7
IWY	24	0.1	18	0.1
SGRY	2939.98	8.2	1756.02	8.0
SGRY 20%	825	2.3	436	2.0
SGRY Transport	25	0.1		
SGRY-Training			6.03	0.0
RIDF			1.83	0.0
AGAK			27.82	0.1
EAS	277.98	0.8	1019.93	4.6
Nutrition	95.90	0.3		
Workshop	104	0.3	25.2	0.1
RGDWS	302.36	0.8	142.69	0.6

Family Asst.	250	0.7	340	1.5
Maternity benefit	32.5	0.1	28.35	0.1
Balika Samridhi	40	0.1		
TFC ZP		0.0	28.25	0.1
PMGY	78.4	0.2	12.82	0.1
Grain Bank			27.71	0.1
Reproductive & child health			5	0.0
Women representatives training			30	0.1
Mid day meal	4328.21	12.0	2797.07	12.7
TAD	540	1.5	424.93	1.9
SHG			1.89	0.0
Drought-photography	38	0.1		
TADA-Mansivakal	1200	3.3		
Drought relief	1.83	0.0		
Improved stoves	5.7	0.0	11.74	0.1
BPL Census	99.82	0.3		
Loan etc.	1460.20	4.1	1474.89	6.7
Own Income	508.32	1.4	282.88	1.3
	36015.04	100.0	22080.33	100.0

**Table – 5.19**  
**Jodhpur Mandor Panchayat Samiti**  
**Income and Expenditure Pattern, 2002-03, Rs. 1000**

<b>Grant from state govt.</b>	Income	Percent to Total	Expenditure	Percent to Total
2202 Education	3.84	0.0	22.76	0.1
Non-formal ed.			2095.15	9.0
2515 CD Non Plan salary	3200	12.1	2687.89	11.6
SFC salary				
TA	400	1.5	75.79	0.3
Medical	9.115	0.0	32.63	0.1
O.E	444	1.7	58.17	0.3
Pradhan hon.	24	0.1	24.61	0.1
PS general grant	58	0.2		
SFC/TFC	612.731	2.3	1237.6	5.3
3604 land revenue grant				
Tax share to PRIs				
PS			167.89	0.7
<b>Total 2515</b>	<b>4747.85</b>	<b>17.9</b>	<b>4284.58</b>	<b>18.4</b>
<b>Income from other Departments.</b>				
<b>Dist. Collector</b>				
<b>Ad. Collector (Dev.)</b>				
IAY-General	1135	4.3	617.5	2.7

IAY-	366.386	1.4	150	0.6
Untied	91.69	0.3	75	0.3
SGSRY-Training	15	0.1	8.30	0.0
Tools to rural artisan	9.88	0.0		
JSY			89.39	0.4
EAS	63.899	0.2	214.08	0.9
MPLADS	28.528	0.1	30	0.1
JRY 20% 15%			505.44	2.2
dharohar	71	0.3	57	0.2
SCDC workshop	335	1.3	216	0.9
BZBK	978.15	3.7	194.41	0.8
Rural growth scheme	150.7	0.6	40.11	0.2
PS Luni	5.5	0.0		
MLA fund	76.8	0.3		
<b>Total</b>	<b>3327.53</b>	<b>12.6</b>	<b>2197.33</b>	<b>9.5</b>
<b>Collector Assistance, Jodhpur</b>				
Drought relief 2052-56 POL			32.87	0.1
Anganbadi - drought	371.38	1.4	412.07	1.8
<b>Total</b>	<b>371.38</b>	<b>1.4</b>	<b>444.94</b>	<b>1.9</b>
<b>Zila Parishad</b>				
Drought relief 2059			17.72	0.1
Improved stoves	15.2	0.1		
Maternity assistance	52.8	0.2	14	0.1
Family assistance	81.8	0.3	80	0.3
balika samridhi yojna	72	0.3	24.5	0.1
Nutrition-bidding fee	1.2	0.0	5.71	0.0
National nutrition programme-transport			252.87	1.1
RG Pathshala- honorarium			4.8	0.0
Traditional water sources	1120.90	4.2	978.47	4.2
RGPathshala-building	1.3	0.0		
<b>Total</b>	<b>1345.2</b>	<b>5.1</b>	<b>1378.01</b>	<b>5.9</b>
<b>Income from GPs</b>				
apna gaon apna kam	308.54	1.2	517.48	2.2
Audit fees	154.2	0.6	272.6	1.2
Shikshakarmi	288.82	1.1		
Literacy	32.42	0.1		
PMGY-General	210	0.8	105	0.5
PMGY-	65	0.2	30	0.1
IEC	1.01	0.0		
Income tax	10.60	0.0	10.60	0.0
8674-security deposited by govt.	203.55	0.8	239.74	1.0
SGRY	300	1.1	260.58	1.1
Women panch training			25	0.1
EFC	5358.31	20.3	3257.1	14.0
2nd SFC GP	3043.12	11.5	2317.72	10.0
2nd SFC PS	418.25	1.6	24.916	0.1

National nutrition programme-Ghughury	2879.40	10.9	2000.87	8.6
Food for work-transport	49.46	0.2	184.22	0.8
Small saving	240	0.9	240	1.0
SGRY 30%	1620.88	6.1	1301.2	5.6
SGRY-Training			6.18	0.0
SGRY POL	10	0.0	10	0.0
SGRY Awareness	10	0.0	4.11	0.0
SGRY 20%	488.5	1.8	456	2.0
Fodder grant	10.3	0.0	367.08	1.6
<b>Total</b>	<b>15702.43</b>	<b>59.4</b>	<b>11631.3</b>	<b>50</b>
<b>Loan Advances etc</b>	634.02	2.4	756.9	3.3
<b>Own Income</b>	285.79	1.1	457.31	2.0
<b>G. Total</b>	<b>26418.05</b>	100.0	<b>23267.75</b>	<b>100.0</b>

## Concluding Remarks

The study was conducted with a view to understand the system of panchayat finances in the country, taking Kerala and Rajasthan as case studies. The provisions related to the finances of Panchayati Raj Institutions (PRIs) as well as the degree of decentralisation, including fiscal processes, present differing pictures in the two states.

In Kerala the PRIs enjoy a greater level of functional and financial autonomy. Their annual budget is much higher (though the size of gram panchayats are also higher in the state) and the gram panchayats have significant share of own income in their total income. The plan grant provided to the PRIs by the state is much higher and almost all of it is untied grant. The District Planning Committee is the final body, which approves the projects and PRIs, are independent in terms of planning and implementing the projects. The People's Planning Campaign initiated in the state ensured greater participation in the whole planning process.

In Rajasthan, on the other hand, the PRIs lack funds and have no financial autonomy. The PRIs seem to be handicapped because of bureaucratic procedures in the states. The District Planning Committees are constituted but PRIs do not prepare any plan as such. Attendance in the gram sabhas and ward sabhas is low and most of the people do not participate in the discussions there.

Apart from the efforts made by the state government towards the decentralisation process, Kerala with hundred percent literacy and better social indicators, probably, has a conducive environment for ensuring greater participation. The excellent trend of social and political movements in state has certainly been a factor behind the success of the People's Planning Campaign. Isaac (2000: 53-77) provides a survey of such campaigns and local level micro experiments, which provided the background for a successful decentralisation campaign. Group farming started in the late 1980s, *bidi* cooperative (Dinesh Bidi) started in 1969, several mass education programmes led by KSSP and a successful total literacy campaign are but some of the examples of mass movements which provided the base for the People's Planning Campaign.

On the other hand in Rajasthan, a feudal society and higher level of poverty pose a challenge for participation. The drought situation during last five years in the state, when the PRIs started their work after the 73<sup>rd</sup> Amendment, is also responsible for less participation in gram sabhas (Singh, 2003). But the most important difference observed was that in Rajasthan, no body, neither the elected representatives nor the government officials at district level and below, nor the people, had confidence that the PRIs could indeed work. This reflects the way the whole system has been functioning. This lack of confidence is certainly a result of the way the whole system has been working so far.

In Kerala also there was dissatisfaction expressed with PRIs and their functioning. But this discontent was result of an enhanced expectation of people from the panchayats.

### **Budget Analysis**

The PRIs budget has been studied in detail to understand the income and expenditure patterns. An action research methodology is suitable to study and analyse budget at PRI level. There are no budget documents available at the PRI levels in Rajasthan. Elected representatives and panchayat staffs were very apprehensive about sharing budget documents or Annual Financial Statements. Annual financial Statements do not provide sufficient data to map the budgeting process. Inconsistency of documents and data, lack of regular format / pattern etc. hinder comparison from year to year.

In Kerala the panchayats do prepare their annual budgets, but the AFSs were not ready in some cases. The budget documents / AFSs of the PRIs in Kerala also have same kind of problems, as there is no standard format for the PRI budget in Kerala either. However, the elected representatives and panchayat staff in the state were very cooperative and willing to share all the documents related to budget and accounts.

The **findings of the analysis of the selected panchayats' budgets** are as follow:

- The **panchayats' own income** is very low (0 - 4%) in Rajasthan. The gram panchayats in Kerala have a significant share of own income in their total income, though it is also on decline, as the grants from the state government had increased. Most of the own income of GPs is tax income. The block and district panchayats have no tax income in Kerala.
- The **share of grants** received from the state government is quite high in Kerala. However, in the last two years the state government has curtailed the grants to panchayats due to the fiscal crisis.
- On the **expenditure side**, much of the expenditure has gone towards construction works in both Kerala and Rajasthan. The share of administrative and office expenditure is quite low in both the states particularly in Kerala.
- The **share of untied fund**, on which the panchayat body has full autonomy, is higher in Kerala, as much of the grants the PRIs received from the state government are in form of untied fund.



- The **auditing** is done by the LFAD. In Kerala, a quarterly 'performance auditing' is a unique provision. The social auditing by the gram sabha is done in both the states. However, with low participation and less awareness, this may not turn out to be very effective.
- Kerala PRIs follow the **decentralised planning** to a great extent. While in Rajasthan, this is still an alien concept. Though issue of bureaucratisation of planning process, curtailing the plan fund to PRIs and introduction of user charges etc. need to be addressed in Kerala.

### **Recommendations:**

- The PRIs should be given full autonomy on the resources available with them, regardless of the sources of the fund.
- The PRIs should be asked to plan and implement the works to be done from the funds available under Centrally Sponsored Schemes and other schemes like MPLADS and MLA fund.
- The funds and functionary must be transferred to the PRIs along with each and every function transferred to them.
- There is a need to prepare a separate list for the PRIs in the Constitution of the subjects coming under the PRIs' domain. The inter-tier distribution of the subjects (or sub-subjects) can be left to the states.
- PRIs' own income should be increased. However, it should not become an excuse to impose extra tax burden on the rural population and / or agriculture sector. Some of the taxes being collected by the state governments can be transferred to the PRIs. While assigning the new taxes to the PRIs, the elected representatives of panchayats should also be involved. This will ensure the proper taxation as well as better collection.
- There should be a mechanism to consult and take advises from the elected panchayat representatives before introducing new taxes, user charges or beneficiary contributions. In Kerala there are associations of panchayat presidents of all three levels. Consultation with these associations before introducing new taxes or user charges/beneficiary contributions could be a way out.
- Capacity building/training of the PRIs staff and elected representatives, particularly on the themes like, accounting, micro planning, technical appraisals etc., is necessary. Facilities and support to PRIs is necessary at each district, as regards such training.

- It should be mandatory for the PRIs to prepare their annual budget and annual plans. The preparation of an integrated plan for the district by the DPC should also be mandatory.
- The amount of estimated money to be devolved to the PRIs, through various provisions should be told to the PRIs in advance (say in the month of January every year) so that they could plan for the next year according to the available resources.
- There should be a provision at the state level to incorporate the district plans prepared by the DPCs in the state plans. This can be done by the agencies like state planning boards or the planning departments of the state government.
- In Kerala, the DPCs are responsible for final approval of the plans and the projects prepared by the PRIs. The district planning officer (DPO) acts as secretary to the DPC and the secretariat has sufficient staff to undertake the job of evaluation and appraisal of the project proposals. This seems to be a fairly good provision. Other states could adopt this pattern.
- The accounting system of the PRIs needs to be upgraded and aligned with the accounting pattern at state and central levels. It is necessary to have symmetry in accounting pattern across the states. The involvement of C&AG becomes a necessity in this regard and this could be done with appropriate consent of the state governments.
- There is no problem with the provision of the auditing of the PRIs accounts by the LFADs. The focus is not on the auditing agency, but the process and manner that audit is done. LFADs are state level organisations and thus can do the job better. To function effectively, LFADs need sufficient staff and infrastructure. This is specially a concern in Rajasthan.

The study highlights the fact that it is not sufficient to have the 73<sup>rd</sup> Amendment Act that is giving political decentralisation, but decentralisation of finance is also equally important for effective governance mechanisms. This is particularly visible when we compare the situations in Kerala and Rajasthan. The Kerala PRIs have been able to act as the institutions of self-governance and deliver the services better because of the financial and functional autonomy given to them by the state government. Rajasthan presents a very different picture with low financial autonomy, resource strain and bureaucratic procedures hampering the functioning of PRIs. This along with low people's participation further impedes the system.

This only serves to strengthen the point that unless fiscal and political decentralisation go hand in hand, self governance at the Panchayat Institutions level, in its true sense, will remain more of a concept.

## APPENDICES

### Appendix I

#### Article 243 of The Constitution PART IX<sup>13</sup> THE PANCHAYATS

##### Article 243. Definitions.-

In this Part, unless the context otherwise requires,-

- (a) "district" means a district in a State;
- (b) "Gram Sabha" means a body consisting of persons registered in the electoral rolls relating to a village comprised within the area of Panchayat at the village level;
- (c) "intermediate level" means a level between the village and district levels specified by the Governor of a State by public notification to be the intermediate level for the purposes of this Part;
- (d) "Panchayat" means an institution (by whatever name called) of self-government constituted under article 243B, for the rural areas;
- (e) "Panchayat area" means the territorial area of a Panchayat;
- (f) "population" means the population as ascertained at the last preceding census of which the relevant figures have been published;
- (g) "village" means a village specified by the Governor by public notification to be a village for the purposes of this Part and includes a group of villages so specified.

##### 243A. Gram Sabha.-

A Gram Sabha may exercise such powers and perform such functions at the village level as the Legislature of a State may, by law, provide.

##### 243B. Constitution of Panchayats.-

- (1) There shall be constituted in every State, Panchayats at the village, intermediate and district levels in accordance with the provisions of this Part.
- (2) Notwithstanding anything in clause (1), Panchayats at the intermediate level may not be constituted in a State having a population not exceeding twenty lakhs.

##### 243C. Composition of Panchayats.-

- (1) Subject to the provisions of this Part, the Legislature of a State may, by law, make provisions with respect to the composition of Panchayats:  
Provided that the ratio between the population of the territorial area of a Panchayat at any level and the number of seats in such Panchayat to be filled by election shall, so far as practicable, be the same throughout the State.
- (2) All the seats in a Panchayat shall be filled by persons chosen by direct election from territorial constituencies in the Panchayat area and, for this purpose, each Panchayat area shall be divided into territorial constituencies in such manner that the ratio between the population of each constituency and the number of seats allotted to it shall, so far as practicable, be the same throughout the Panchayat area.
- (3) The Legislature of a State may, by law, provide for the representation-

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<sup>13</sup> Inserted by the Constitution (Seventy-third Amendment) Act, 1992, s. 2 (w.e.f. 24-4-1993).

- (a) of the Chairpersons of the Panchayats at the village level, in the Panchayats at the intermediate level or, in the case of a State not having Panchayats at the intermediate level, in the Panchayats at the district level;
- (b) of the Chairpersons of the Panchayats at the intermediate level, in the Panchayats at the district level;
- (c) of the members of the House of the People and the members of the Legislative Assembly of the State representing constituencies which comprise wholly or partly a Panchayat area at a level other than the village level, in such Panchayat;
- (d) of the members of the Council of States and the members of the Legislative Council of the State, where they are registered as electors within-
  - (i) a Panchayat area at the intermediate level, in Panchayat at the intermediate level;
  - (ii) a Panchayat area at the district level, in Panchayat at the district level.
- (4) The Chairperson of a Panchayat and other members of a Panchayat whether or not chosen by direct election from territorial constituencies in the Panchayat area shall have the right to vote in the meetings of the Panchayats.
- (5) The Chairperson of-
  - (a) a Panchayat at the village level shall be elected in such manner as the Legislature of a State may, by law, provide; and
  - (b) a Panchayat at the intermediate level or district level shall be elected by, and from amongst, the elected members thereof.

#### **243D. Reservation of seats.-**

- (1) Seats shall be reserved for-
  - (a) the Scheduled Castes; and
  - (b) the Scheduled Tribes,
 in every Panchayat and the number of seats so reserved shall bear, as nearly as may be, the same proportion to the total number of seats to be filled by direct election in that Panchayat as the population of the Scheduled Castes in that Panchayat area or of the Scheduled Tribes in that Panchayat area bears to the total population of that area and such seats may be allotted by rotation to different constituencies in a Panchayat.
- (2) Not less than one-third of the total number of seats reserved under clause (1) shall be reserved for women belonging to the Scheduled Castes or, as the case may be, the Scheduled Tribes.
- (3) Not less than one-third (including the number of seats reserved for women belonging to the Scheduled Castes and the Scheduled Tribes) of the total number of seats to be filled by direct election in every Panchayat shall be reserved for women and such seats may be allotted by rotation to different constituencies in a Panchayat.
- (4) The offices of the Chairpersons in the Panchayats at the village or any other level shall be reserved for the Scheduled Castes, the Scheduled Tribes and women in such manner as the Legislature of a State may, by law, provide:
 

Provided that the number of offices of Chairpersons reserved for the Scheduled Castes and the Scheduled Tribes in the Panchayats at each level in any State shall bear, as nearly as may be, the same proportion to the total number of such offices in the Panchayats at each level as the population of the Scheduled Castes in the State or of the Scheduled Tribes in the State bears to the total population of the State:

Provided further that not less than one-third of the total number of offices of Chairpersons in the Panchayats at each level shall be reserved for women:

Provided also that the number of offices reserved under this clause shall be allotted by rotation to different Panchayats at each level.
- (5) The reservation of seats under clauses (1) and (2) and the reservation of offices of Chairpersons (other than the reservation for women) under clause (4) shall cease to have effect on the expiration of the period specified in article 334.
- (6) Nothing in this Part shall prevent the Legislature of a State from making any provision for reservation of seats in any Panchayat or offices of Chairpersons in the Panchayats at any level in favour of backward class of citizens.

#### **243E. Duration of Panchayats, etc.-**

(1) Every Panchayat, unless sooner dissolved under any law for the time being in force, shall continue for five years from the date appointed for its first meeting and no longer.

(2) No amendment of any law for the time being in force shall have the effect of causing dissolution of a Panchayat at any level, which is functioning immediately before such amendment, till the expiration of its duration specified in clause (1).

(3) An election to constitute a Panchayat shall be completed-

(a) before the expiry of its duration specified in clause (1);

(b) before the expiration of a period of six months from the date of its dissolution:

Provided that where the remainder of the period for which the dissolved Panchayat would have continued is less than six months, it shall not be necessary to hold any election under this clause for constituting the Panchayat for such period.

(4) A Panchayat constituted upon the dissolution of a Panchayat before the expiration of its duration shall continue only for the remainder of the period for which the dissolved Panchayat would have continued under clause (1) had it not been so dissolved.

#### **243F. Disqualifications for membership.-**

(1) A person shall be disqualified for being chosen as, and for being, a member of a Panchayat-  
(a) if he is so disqualified by or under any law for the time being in force for the purposes of elections to the Legislature of the State concerned:

Provided that no person shall be disqualified on the ground that he is less than twenty-five years of age, if he has attained the age of twenty-one years;

(b) if he is so disqualified by or under any law made by the Legislature of the State.

(2) If any question arises as to whether a member of a Panchayat has become subject to any of the disqualifications mentioned in clause (1), the question shall be referred for the decision of such authority and in such manner as the Legislature of a State may, by law, provide.

#### **243G. Powers, authority and responsibilities of Panchayats.-**

Subject to the provisions of this Constitution, the Legislature of a State may, by law, endow the Panchayats with such powers and authority as may be necessary to enable them to function as institutions of self-government and such law may contain provisions for the devolution of powers and responsibilities upon Panchayats at the appropriate level, subject to such conditions as may be specified therein, with respect to-

(a) the preparation of plans for economic development and social justice;

(b) the implementation of schemes for economic development and social justice as may be entrusted to them including those in relation to the matters listed in the Eleventh Schedule.

#### **243H. Powers to impose taxes by, and Funds of, the Panchayats.-**

The Legislature of a State may, by law,-

(a) authorise a Panchayat to levy, collect and appropriate such taxes, duties, tolls and fees in accordance with such procedure and subject to such limits;

(b) assign to a Panchayat such taxes, duties, tolls and fees levied and collected by the State Government for such purposes and subject to such conditions and limits;

(c) provide for making such grants-in-aid to the Panchayats from the Consolidated Fund of the State; and

(d) provide for constitution of such Funds for crediting all moneys received, respectively, by or on behalf of the Panchayats and also for the withdrawal of such moneys therefrom, as may be specified in the law.

#### **243-I. Constitution of Finance Commission to review financial position.-**

(1) The Governor of a State shall, as soon as may be within one year from the commencement of the Constitution (Seventy-third Amendment) Act, 1992, and thereafter at the expiration of every fifth year, constitute a Finance Commission to review the financial position of the Panchayats and to make recommendations to the Governor as to-

(a) the principles which should govern-

(i) the distribution between the State and the Panchayats of the net proceeds of the taxes, duties, tolls and fees leviable by the State, which may be divided between them under this Part and the allocation between the Panchayats at all levels of their respective shares of such proceeds;

(ii) the determination of the taxes, duties, tolls and fees which may be assigned to, or appropriated by, the Panchayats;

(iii) the grants-in-aid to the Panchayats from the Consolidated Fund of the State;

(b) the measures needed to improve the financial position of the Panchayats;

(c) any other matter referred to the Finance Commission by the Governor in the interests of sound finance of the Panchayats.

(2) The Legislature of a State may, by law, provide for the composition of the Commission, the qualifications which shall be requisite for appointment as members thereof and the manner in which they shall be selected.

(3) The Commission shall determine their procedure and shall have such powers in the performance of their functions as the Legislature of the State may, by law, confer on them.

(4) The Governor shall cause every recommendation made by the Commission under this article together with an explanatory memorandum as to the action taken thereon to be laid before the Legislature of the State.

#### **243J. Audit of accounts of Panchayats.-**

The Legislature of a State may, by law, make provisions with respect to the maintenance of accounts by the Panchayats and the auditing of such accounts.

#### **243K. Elections to the Panchayats.-**

(1) The superintendence, direction and control of the preparation of electoral rolls for, and the conduct of, all elections to the Panchayats shall be vested in a State Election Commission consisting of a State Election Commissioner to be appointed by the Governor.

(2) Subject to the provisions of any law made by the Legislature of a State, the conditions of service and tenure of office of the State Election Commissioner shall be such as the Governor may by rule determine:

Provided that the State Election Commissioner shall not be removed from his office except in like manner and on the like grounds as a Judge of a High Court and the conditions of service of the State Election Commissioner shall not be varied to his disadvantage after his appointment.

(3) The Governor of a State shall, when so requested by the State Election Commission, make available to the State Election Commission such staff as may be necessary for the discharge of the functions conferred on the State Election Commission by clause (1).

(4) Subject to the provisions of this Constitution, the Legislature of a State may, by law, make provision with respect to all matters relating to, or in connection with, elections to the Panchayats.

#### **243L. Application to Union territories.-**

The provisions of this Part shall apply to the Union territories and shall, in their application to a Union territory, have effect as if the references to the Governor of a State were references to the Administrator of the Union territory appointed under article 239 and references to the Legislature or the Legislative Assembly of a State were references, in relation to a Union territory having a Legislative Assembly, to that Legislative Assembly:

Provided that the President may, by public notification, direct that the provisions of this Part shall apply to any Union territory or part thereof subject to such exceptions and modifications as he may specify in the notification.

#### **243M. Part not to apply to certain areas.-**

(1) Nothing in this Part shall apply to the Scheduled Areas referred to in clause (1), and the tribal areas referred to in clause (2), of article 244.

(2) Nothing in this Part shall apply to-

(a) the States of Nagaland, Meghalaya and Mizoram;

(b) the hill areas in the State of Manipur for which District Councils exist under any law for the time being in force.

(3) Nothing in this Part-

(a) relating to Panchayats at the district level shall apply to the hill areas of the District of Darjeeling in the State of West Bengal for which Darjeeling Gorkha Hill Council exists under any law for the time being in force;

(b) shall be construed to affect the functions and powers of the Darjeeling Gorkha Hill Council constituted under such law.

[(3A) Nothing in article 243D, relating to reservation of seats for the Scheduled Castes, shall apply to the State of Arunachal Pradesh].

(4) Notwithstanding anything in this Constitution,-

(a) the Legislature of a State referred to in sub-clause (a) of clause (2) may, by law, extend this Part to that State, except the areas, if any, referred to in clause (1), if the Legislative Assembly of that State passes a resolution to that effect by a majority of the total membership of that House and by a majority of not less than two-thirds of the members of that House present and voting;

(b) Parliament may, by law, extend the provisions of this Part to the Scheduled Areas and the tribal areas referred to in clause (1) subject to such exceptions and modifications as may be specified in such law, and no such law shall be deemed to be an amendment of this Constitution for the purposes of article 368.

#### **243N. Continuance of existing laws and Panchayats.-**

Notwithstanding anything in this Part, any provision of any law relating to Panchayats in force in a State immediately before the commencement of the Constitution (Seventy-third Amendment) Act, 1992, which is inconsistent with the provisions of this Part, shall continue to be in force until amended or repealed by a competent Legislature or other competent authority or until the expiration of one year from such commencement, whichever is earlier:

Provided that all the Panchayats existing immediately before such commencement shall continue till the expiration of their duration, unless sooner dissolved by a resolution passed to that effect by the Legislative Assembly of that State or, in the case of a State having a Legislative Council, by each House of the Legislature of that State.

#### **243-O. Bar to interference by courts in electoral matters.-**

Notwithstanding anything in this Constitution,-

(a) the validity of any law relating to the delimitation of constituencies or the allotment of seats to such constituencies, made or purporting to be made under article 243K, shall not be called in question in any court;

(b) no election to any Panchayat shall be called in question except by an election petition presented to such authority and in such manner as is provided for by or under any law made by the Legislature of a State.]

## **Appendix II**

# Article 243 of The Constitution

**PART IXA<sup>14</sup>**  
**THE MUNICIPALITIES**

**243P. Definitions.-**

In this Part, unless the context otherwise requires,-

- (a) "Committee" means a Committee constituted under article 243S;
- (b) "district" means a district in a State;
- (c) "Metropolitan area" means an area having a population of ten lakhs or more, comprised in one or more districts and consisting of two or more Municipalities or Panchayats or other contiguous areas, specified by the Governor by public notification to be a Metropolitan area for the purposes of this Part;
- (d) "Municipal area" means the territorial area of a Municipality as is notified by the Governor;
- (e) "Municipality" means an institution of self-government constituted under article 243Q;
- (f) "Panchayat" means a Panchayat constituted under article 243B;
- (g) "population" means the population as ascertained at the last preceding census of which the relevant figures have been published.

**243Q. Constitution of Municipalities.-**

(1) There shall be constituted in every State,-

- (a) a Nagar Panchayat (by whatever name called) for a transitional area, that is to say, an area in transition from a rural area to an urban area;
  - (b) a Municipal Council for a smaller urban area; and
  - (c) a Municipal Corporation for a larger urban area,
- in accordance with the provisions of this Part:

Provided that a Municipality under this clause may not be constituted in such urban area or part thereof as the Governor may, having regard to the size of the area and the municipal services being provided or proposed to be provided by an industrial establishment in that area and such other factors as he may deem fit, by public notification, specify to be an industrial township.

(2) In this article, "a transitional area", "a smaller urban area" or "a larger urban area" means such area as the Governor may, having regard to the population of the area, the density of the population therein, the revenue generated for local administration, the percentage of employment in non-agricultural activities, the economic importance or such other factors as he may deem fit, specify by public notification for the purposes of this Part.

**243R. Composition of Municipalities.-**

(1) Save as provided in clause (2), all the seats in a Municipality shall be filled by persons chosen by direct election from the territorial constituencies in the Municipal area and for this purpose each Municipal area shall be divided into territorial constituencies to be known as wards.

(2) The Legislature of a State may, by law, provide-

- (a) for the representation in a Municipality of-
  - (i) persons having special knowledge or experience in Municipal administration;
  - (ii) the members of the House of the People and the members of the Legislative Assembly of the State representing constituencies which comprise wholly or partly the Municipal area;
  - (iii) the members of the Council of States and the members of the Legislative Council of the State registered as electors within the Municipal area;
  - (iv) the Chairpersons of the Committees constituted under clause (5) of article 243S:

Provided that the persons referred to in paragraph (i) shall not have the right to vote in the meetings of the Municipality;

- (b) the manner of election of the Chairperson of a Municipality.

**243S. Constitution and composition of Wards Committees, etc.-**

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<sup>14</sup> Inserted by the Constitution (Seventy-fourth Amendment) Act, 1992, s. 2 (w.e.f. 1-6-1993).



- (1) There shall be constituted Wards Committees, consisting of one or more wards, within the territorial area of a Municipality having a population of three lakhs or more.
- (2) The Legislature of a State may, by law, make provision with respect to-
  - (a) the composition and the territorial area of a Wards Committee;
  - (b) the manner in which the seats in a Wards Committee shall be filled.
- (3) A member of a Municipality representing a ward within the territorial area of the Wards Committee shall be a member of that Committee.
- (4) Where a Wards Committee consists of-
  - (a) one ward, the member representing that ward in the Municipality; or
  - (b) two or more wards, one of the members representing such wards in the Municipality elected by the members of the Wards Committee, shall be the Chairperson of that Committee.
- (5) Nothing in this article shall be deemed to prevent the Legislature of a State from making any provision for the constitution of Committees in addition to the Wards Committees.

#### **243T. Reservation of seats.-**

- (1) Seats shall be reserved for the Scheduled Castes and the Scheduled Tribes in every Municipality and the number of seats so reserved shall bear, as nearly as may be, the same proportion to the total number of seats to be filled by direct election in that Municipality as the population of the Scheduled Castes in the Municipal area or of the Scheduled Tribes in the Municipal area bears to the total population of that area and such seats may be allotted by rotation to different constituencies in a Municipality.
- (2) Not less than one-third of the total number of seats reserved under clause (1) shall be reserved for women belonging to the Scheduled Castes or, as the case may be, the Scheduled Tribes.
- (3) Not less than one-third (including the number of seats reserved for women belonging to the Scheduled Castes and the Scheduled Tribes) of the total number of seats to be filled by direct election in every Municipality shall be reserved for women and such seats may be allotted by rotation to different constituencies in a Municipality.
- (4) The offices of Chairpersons in the Municipalities shall be reserved for the Scheduled Castes, the Scheduled Tribes and women in such manner as the Legislature of a State may, by law, provide.
- (5) The reservation of seats under clauses (1) and (2) and the reservation of offices of Chairpersons (other than the reservation for women) under clause (4) shall cease to have effect on the expiration of the period specified in article 334.
- (6) Nothing in this Part shall prevent the Legislature of a State from making any provision for reservation of seats in any Municipality or offices of Chairpersons in the Municipalities in favour of ward class of citizens.

#### **243U. Duration of Municipalities, etc.-**

- (1) Every Municipality, unless sooner dissolved under any law for the time being in force, shall continue for five years from the date appointed for its first meeting and no longer: Provided that a Municipality, shall be given a reasonable opportunity of being heard before its dissolution.
- (2) No amendment of any law for the time being in force shall have the effect of causing dissolution of a Municipality at any level, which is functioning immediately before such amendment, till the expiration of its duration specified in clause (1).
- (3) An election to constitute a Municipality shall be completed,-
  - (a) before the expiry of its duration specified in clause (1);
  - (b) before the expiration of a period of six months from the date of its dissolution: Provided that where the remainder of the period for which the dissolved Municipality would have continued is less than six months, it shall not be necessary to hold any election under this clause for constituting the Municipality for such period.

(4) A Municipality constituted upon the dissolution of a Municipality before the expiration of its duration shall continue only for the remainder of the period for which the dissolved Municipality would have continued under clause (1) had it not been so dissolved.

#### **243 V. Duration of Municipalities, etc.-**

(1) Every Municipality, unless sooner dissolved under any law for the time being in force, shall continue for five years from the date appointed for its first meeting and no longer: Provided that a Municipality, shall be given a reasonable opportunity of being heard before its dissolution.

(2) No amendment of any law for the time being in force shall have the effect of causing dissolution of a Municipality at any level, which is functioning immediately before such amendment, till the expiration of its duration specified in clause (1).

(3) An election to constitute a Municipality shall be completed,-

(a) before the expiry of its duration specified in clause (1);

(b) before the expiration of a period of six months from the date of its dissolution:

Provided that where the remainder of the period for which the dissolved Municipality would have continued is less than six months, it shall not be necessary to hold any election under this clause for constituting the Municipality for such period.

(4) A Municipality constituted upon the dissolution of a Municipality before the expiration of its duration shall continue only for the remainder of the period for which the dissolved Municipality would have continued under clause (1) had it not been so dissolved.

#### **243W. Powers, authority and responsibilities of Municipalities, etc.-**

Subject to the provisions of this Constitution, the Legislature of a State may, by law, endow-  
(a) the Municipalities with such powers and authority as may be necessary to enable them to function as institutions of self-government and such law may contain provisions for the devolution of powers and responsibilities upon Municipalities, subject to such conditions as may be specified therein, with respect to-

(i) the preparation of plans for economic development and social justice;

(ii) the performance of functions and the implementation of schemes as may be entrusted to them including those in relation to the matters listed in the Twelfth Schedule;

(b) the Committees with such powers and authority as may be necessary to enable them to carry out the responsibilities conferred upon them including those in relation to the matters listed in the Twelfth Schedule,

#### **243X. Power to impose taxes by, and Funds of, the Municipalities.-**

The Legislature of a State may, by law,-

(a) authorise a Municipality to levy, collect and appropriate such taxes, duties, tolls and fees in accordance with such procedure and subject to such limits;

(b) assign to a Municipality such taxes, duties, tolls and fees levied and collected by the State Government for such purposes and subject to such conditions and limits;

(c) provide for making such grants-in-aid to the Municipalities from the Consolidated Fund of the State; and

(d) provide for constitution of such Funds for crediting all moneys received, respectively, by or on behalf of the Municipalities and also for the withdrawal of such moneys therefrom, as may be specified in the Law.

#### **243Y. Finance Commission.-**

(1) The Finance Commission constituted under article 243-I shall also review the financial position of the Municipalities and make recommendations to the Governor as to-

(a) the principles which should govern-

- (i) the distribution between the State and the Municipalities of the net proceeds of the taxes, duties, tolls and fees leviable by the State, which may be divided between them under this Part and the allocation between the Municipalities at all levels of their respective shares of such proceeds;
  - (ii) the determination of the taxes, duties, tools and fees which may be assigned to, or appropriated by, the Municipalities;
  - (iii) the grants-in-aid to the Municipalities from the Consolidated Fund of the State;
  - (b) the measures needed to improve the financial position of the Municipalities;
  - (c) any other matter referred to the Finance Commission by the Governor in the interests of sound finance of the Municipalities.
- (2) The Governor shall cause every recommendation made by the Commission under this article together with an explanatory memorandum as to the action taken thereon to be laid before the Legislature of the State.

#### **243Z. Audit of accounts of Municipalities.-**

The Legislature of a State may, by law, make provisions with respect to the maintenance of accounts by the Municipalities and the auditing of such accounts.

#### **243ZA. Elections to the Municipalities.-**

- (1) The superintendence, direction and control of the preparation of electoral rolls for, and the conduct of, all elections to the Municipalities shall be vested in the State Election Commission referred to in article 243K.
- (2) Subject to the provisions of this Constitution, the Legislature of a State may, by law, make provision with respect to all matters relating to, or in connection with, elections to the Municipalities.

#### **243ZB. Application to Union territories.-**

The provisions of this Part shall apply to the Union territories and shall, in their application to a Union territory, have effect as if the references to the Governor of a State were references to the Administrator of the Union territory appointed under article 239 and references to the Legislature or the Legislative Assembly of a State were references in relation to a Union territory having a Legislative Assembly, to that Legislative Assembly:

Provided that the President may, by public notification, direct that the provisions of this Part shall apply to any Union territory or part thereof subject to such exceptions and modifications as he may specify in the notification.

#### **243ZC. Part not to apply to certain areas.-**

- (1) Nothing in this Part shall apply to the Scheduled Areas referred to in clause (1), and the tribal areas referred to in clause (2), of article 244.
- (2) Nothing in this Part shall be construed to affect the functions and powers of the Darjeeling Gorkha Hill Council constituted under any law for the time being in force for the Hill areas of the district of Darjeeling in the State of West Bengal.
- (3) Notwithstanding anything in this Constitution, Parliament may, by law, extend the provisions of this Part to the Scheduled Areas and the tribal areas referred to in clause (1) subject to such exceptions and modifications as may be specified in such law, and no such law shall be deemed to be an amendment of this Constitution for the purposes of article 368.

#### **243ZD. Committee for district planning.-**

- (1) There shall be constituted in every State at the district level a District Planning Committee to consolidate the plans prepared by the Panchayats and the Municipalities in the district and to prepare a draft development plan for the district as a whole.

(2) The Legislature of a State may, by law, make provision with respect to-

(a) the composition of the District Planning Committees;

(b) the manner in which the seats in such Committees shall be filled:

Provided that not less than four-fifths of the total number of members of such Committee shall be elected by, and from amongst, the elected members of the Panchayat at the district level and of the Municipalities in the district in proportion to the ratio between the population of the rural areas and of the urban areas in the district;

(c) the functions relating to district planning which may be assigned to such Committees;

(d) the manner in which the Chairpersons of such Committees shall be chosen.

(3) Every District Planning Committee shall, in preparing the draft development plan,-

(a) have regard to-

(i) matters of common interest between the Panchayats and the Municipalities including spatial planning, sharing of water and other physical and natural resources, the integrated development of infrastructure and environmental conservation;

(ii) the extent and type of available resources whether financial or otherwise;

(b) consult such institutions and organisations as the Governor may, by order, specify.

(4) The Chairperson of every District Planning Committee shall forward the development plan, as recommended by such Committee, to the Government of the State.

#### **243ZE. Committee for Metropolitan planning.-**

(1) There shall be constituted in every Metropolitan area a Metropolitan Planning Committee to prepare a draft development plan for the Metropolitan area as a whole.

(2) The Legislature of a State may, by law, make provision with respect to-

(a) the composition of the Metropolitan Planning Committees;

(b) the manner in which the seats in such Committees shall be filled:

Provided that not less than two-thirds of the members of such Committee shall be elected by, and from amongst, the elected members of the Municipalities and Chairpersons of the Panchayats in the Metropolitan area in proportion to the ratio between the population of the Municipalities and of the Panchayats in that area;

(c) the representation in such Committees of the Government of India and the Government of the State and of such organisations and institutions as may be deemed necessary for carrying out the functions assigned to such Committees;

(d) the functions relating to planning and coordination for the Metropolitan area which may be assigned to such Committees;

(e) the manner in which the Chairpersons of such Committees shall be chosen.

(3) Every Metropolitan Planning Committee shall, in preparing the draft development plan,-

(a) have regard to-

(i) the plans prepared by the Municipalities and the Panchayats in the Metropolitan area;

(ii) matters of common interest between the Municipalities and the Panchayats, including coordinated spatial planning of the area, sharing of water and other physical and natural resources, the integrated development of infrastructure and environmental conservation;

(iii) the overall objectives and priorities set by the Government of India and the Government of the State;

(iv) the extent and nature of investments likely to be made in the Metropolitan area by agencies of the Government of India and of the Government of the State and other available resources whether financial or otherwise;

(b) consult such institutions and organisations as the Governor may, by order, specify.

(4) The Chairperson of every Metropolitan Planning Committee shall forward the development plan, as recommended by such Committee, to the Government of the State.

#### **243ZF. Continuance of existing laws and Municipalities.-**

Notwithstanding anything in this Part, any provision of any law relating to Municipalities in force in a State immediately before the commencement of the Constitution (Seventy-fourth Amendment) Act, 1992, which is inconsistent with the provisions of this Part, shall continue to be in force until

amended or repealed by a competent Legislature or other competent authority or until the expiration of one year from such commencement, whichever is earlier:  
 Provided that all the Municipalities existing immediately before such commencement shall continue till the expiration of their duration, unless sooner dissolved by a resolution passed to that effect by the Legislative Assembly of that State or, in the case of a State having a Legislative Council, by each House of the Legislature of that State.

**243ZG. Bar to interference by courts in electoral matters.-**

Notwithstanding anything in this Constitution,-

(a) the validity of any law relating to the delimitation of constituencies or the allotment of seats to such constituencies, made or purporting to be made under article 243ZA shall not be called in question in any court;

(b) no election to any Municipality shall be called in question except by an election petition presented to such authority and in such manner as is provided for by or under any law made by the Legislature of a State.]

### Appendix III

Status of Devolution of Departments / Subjects with Funds, Functions and Functionaries to Panchayati Raj Institutions - State wise

Sl	States/UTs	No. of Departments/Subjects Transferred to Panchayats with			No. of Departments/Subjects Yet to be Transferred to Panchayats with		
		Funds	Functions	Functionaries	Funds	Functions	Functionaries
1	Andhra Prd	05	13	02	24	16	27
2	Arunachal Prd.	-	-	-	29	29	29
3	Assam	-	-	-	29	29	29
4	Bihar	-	-	-	29	29	29
5	Jharkhand	-	-	-	29	29	29
6	Goa	-	-	-	29	29	29
7	Gujarat	-	-	-	29	29	29
8	Haryana	-	16	-	29	13	29
9	Himachal Prd.	02	23	07	27	06	22
10	Karnataka	29	29	29	-	-	-
11	Kerala	15	29	15	14	-	14
12	Madhya Prd.	10	23	09	19	06	20
13	Chattisgarh	10	23	09	19	06	20
14	Maharashtra	18	18	18	11	11	11
15	Manipur	-	22	04	29	07	25
16	Orissa	05	25	03	24	04	26
17	Punjab	-	07	-	29	22	29
18	Rajasthan	-	29	-	29	-	29

19	Sikkim	29	29	29	-	-	-
20	Tamil Nadu	-	29	-	29	-	29
21	Tripura	-	12	-	29	17	29
22	Uttar Prd.	12	13	09	17	16	20
23	Uttranchal	12	13	09	17	16	20
24	W.Bengal	12	29	12	17	-	17
25	A&N Islands	-	-	-	29	29	29
26	Chandigarh	-	-	-	29	29	29
27	D&N Haveli	-	03	03	29	26	26
28	Daman&Diu	-	29	-	29	-	29
29	NCT Delhi	Panchayati Raj System is yet to be revived					
30	Lakshadwee p	-	06	-	29	23	29
31	Pondicherry	-	-	-	29	29	29

The provisions of the 73rd Constitution Amendment Act 1992 are not applicable to the States of Jammu & Kashmir, Meghalaya, Mizoram and Nagaland

**Source: Ministry of Rural Development, Taken from Report of Working Group on Decentralised Planning & Panchayati Raj Institutions for The Tenth Five Year Plan**

## Appendix IV

### Status of Second Set of State Finance Commissions (As on December 2003)

Sl. No.	States/UTs	First State Finance Commission			Second SFC Constituted on	Remarks
		Constituted on	Report Submitted	Whether Accepted		
1.	Andhra Pradesh	22.6.1994	31.5.1997	Accepted	8.12.1998	Third SFC also set-up on 16.1.2003
2.	Arunachal Pradesh	21.5.2003	Yet to be submitted	---	---	
3.	Assam	23.6.1996	29.2.1997	Partially	Constituted	
4.	Bihar	April 1994	---	---	June 1999	The State Govt. informed that the 1 <sup>st</sup> SFC could not make any recommendation due to various reasons. The 2 <sup>nd</sup> SFC was constituted in June 1999 and

						reconstituted in Sept. 2002
5.	Chhattisgarh	Accepted recommendations of SFC of Madhya Pradesh			February 2000	
6.	Goa	22.4.1994	5.6.1999	Partially accepted		
7.	Gujarat	15.9.1994	13.7.1998	Accepted	19.11.2003	
8.	Haryana	31.5.1994	31.3.1997	Accepted	6.9.2000	
9.	Himachal Pradesh	29.4.1994	30.11.1996	Accepted	25.5.1998	
10.	Jharkhand					The State Govt. has already cleared the proposal for setting up of SFC, but due some litigation pending in the High Court, it is held up. The State Govt. has sought permission from the High Court to allow it to function properly. As soon as the permission is granted by the Court the SFC will come into existence.
11.	Jammu & Kashmir	Part IX-A is not applicable to the State				
12.	Karnataka	10.6.1994	30.7.1996	Accepted	25.10.2000	
13.	Kerala	23.4.1994	29.2.1996	Accepted	23.6.1999	
14.	Madhya Pradesh	17.6.1994	20.6.1996	Accepted	17.6.1999	
15.	Maharashtra	23.4.1994	31.6.1997	Accepted	22.6.1999	
16.	Mnipur	1996	Submitted (date not indicated)	Accepted with certain conditions	2003	The State Govt. has informed that the 2 <sup>nd</sup> SFC is preparing its report.
17.	Meghalaya	Exempted				
18.	Mizoram	Exempted				

19.	Nagaland	Exempted				73 <sup>rd</sup> Amendment Act under which SFC is to be set up, is not applicable to Nagaland. However, to implement 74 <sup>th</sup> CAA the State has enacted Nagaland Municipal Act, 2001 which is under implementation. The SFC will be set up only after the municipalities are constituted (which is likely by March 2004).
20.	Orissa	21.11.1996	30.12.1998	Accepted	5.6.2003	
21.	Punjab	22.4.1994	31.12.1995	Accepted	21.9.2000	
22.	Rajasthan	23.4.1994	30.12.1995	Accepted	7.5.1999	
23.	Sikkim	22.7.1998	16.8.1999	Accepted	---	
24.	Tamil Nadu	23.4.1994	26.11.1996	Accepted	1.12.1999	
25.	Tripura	23.4.1998	Submitted	Accepted	29.10.1999	
26.	Uttar Pradesh	22.10.1994	26.12.1996	Accepted	25.2.2000	
27.	Uttaranchal	31.3.2001	Submitted in 2002	Under consideration	---	
28.	West Bengal	30.5.1994	27.11.1995	Accepted	July 2000	
29.	A & N Islands	8.9.1995	28.8.1998	Accepted	December 2001	
30.	Chandigarh	3.4.1995	31.12.1997	---	9.1.2001	
31.	Daman & Diu	8.9.1995	28.8.1998	Accepted	December 2001	
32.	Dadra & Nagar Haveli	8.9.1995	28.8.1998	Accepted	December 2001	
33.	Delhi	April 1995	December 1998	Accepted with some modifications	9.1.2001	
34.	Lakshadweep	8.9.1995	28.8.1998	Accepted	December 2001	
35.	Pondicherry	12.3.1997	Submitted	Under consideration	Under examination	

2<sup>nd</sup> SFC has been set up:

25 States



2<sup>nd</sup> SFC not due: 2 States (AP & Uttaranchal)  
 Exempted from setting up of SFC: 3 States (J&K, Meghalaya, Mizoram & Nagaland)  
 Under examination for 2<sup>nd</sup> SFC set up: 1 (Pondicherry)  
 2<sup>nd</sup> SFC has not been set up: 3 States (Goa, Jharkhand and Sikkim)

**Source:** Taken from rural.nic.in, the Ministry of Rural Development's website.

## Appendix V Recommendations of SFCs

State	Sharing Revenue	Grants in Aids and other fiscal assistance	Assigning Taxes, fees, levies
Assam	2% of state taxes to be transferred to local bodies Transfer of 10% of motor vehicle tax to local bodies		
AP (1997-2001)	10.93% of the tax and non tax revenue of the state to panchayats	Increase in per capita grants from Rs. 1 to 4 for GPs; Rs. 5 to for MPs and Rs. 2 to 4 for DPs	Tax on telephones, Tax on all village (GPs) House tax (GPs)
Haryana	Land conversion charges, stamp duty		Royalty on minor minerals Tax on irrigated land, pump sets, tractors (DPs) House tax (GPs)
Karnataka (1996-2001)	36% of non-loan gross revenue receipts to be shared with local bodies (85% to PRIs and 15% to ULBs)	Earmarked grant	GPs: House tax, vacant land tax, tax on animal driven vehicles
Kerala (1996-2001)	25% of net collection of Motor Vehicle tax proportion of the income from sell of court fee	Devolution of plan grant to be continued as followed by the State Planning Board 1% of the state revenue assigned for general purpose grants	Various taxes to GPs Rationalisation of the existing taxes (assigned by the conformity act) of GPs No taxes to MPs or ZPs
MP (1996-2001)	4.24% of state revenue Forest Revenue	Grants to GPs to discharge basic functions; tied and untied grants; a lumpsum non recurring grant; and agency fee for providing agency function	Agriculture produce sale,
Maharashtra (1997-2001)	10 of profession tax		Tax by ZPs on non agriculture land
Orissa (1998-2003)			Surcharge on stamp duty for transfer of properties in rural areas House Tax
Punjab (1996-2001)	20% net proceed of stamp duty, motor vehicle tax, electricity duty, and entertainment tax		GPs: land revenue (However, the tax itself was repelled later); mandatory tax on professions, individuals,

	<p>10% of auction money on Punjab medium liquor vend to MPs</p> <p>20% excise duty on Indian made foreign liquor should be share of GPs and MPs</p>		<p>traders, commission and agents, and shopkeepers based on income slabs; tax on brick kilns, rice shellers, stone crushers, petrol pumps, poultry farms dairy units, stud farms, fish farms, and small and large scale industries in rural area; 2% of the value of goods sold from sellers; purchi fee from buses Rs. 5 to 10; house tax on pucca house;</p> <p>ZPs can levy a tax o on the sale of immovable properties within the district at the rate of 1% of the sale price</p>
Rajasthan (1995-2001)	2.18% of the net proceed of the taxes raised by the state	<p>50% Matching grant; Govt grant in aid to be raised from Rs. 5 to Rs. 11 per head (1995-96)</p> <p>Maintenance grant (Rs. 5000 per annum to GPs, Rs. 10,000 for MPs and Rs. 20000 for ZPs;</p> <p>Establishment grant A Financial Corporation to provide loan to PRIs (not established yet)</p>	<p>10 to 50% tax on land rent could be imposed by MPs Land revenue on barani land to ZPs which can be shared by PRIs ZPs should levy 1% surcharge on the sale of land in rural areas and 0.5% surcharge on market fee Nominal tax on havelis, big houses-not mentioned whether GP or ZP should levy this tax Tax on dhabas, hotel, automobil servicing shops, petrol/diesal pumps, on the highways in their areas</p>
Tamil Nadu (1997-2002)	8% of total states revenue collection during 1997-98 12% during 2001-02	15% of resource devolution as 'equalisation and incentive' fund	Local Cess surcharge on stamp duty to panchayats; 90% of entertainment tax; Water tax, social forestry
Tripura	<p>10% of state share of central tax to Zila Panchayat (ZP), 8% to Panchayat Samiti (PS) and 2% to Gram Panchayats (GPs)</p> <p>50% of the revenue earned from sales tax, additional tax, purchase tax, and luxury tax to panchayats</p> <p>32% of state agri-income to intermediate tier</p>		
Uttar Pradesh (1996-2001)	3% of revenue receipts of state government		Tax on pump sets, Tax on tractors
West Bengal	16% of net process of all the taxes collected by the state		Entertainment tax, Ag. Produce sale fee for DPs, Irrigation rates

Sources: **Compiled from Rajaraman (2000), Oommen (1998) and Chandreshekhar (ed.) (1999)**

Notes:

1. DPs – District Panchayat (also known as Zila Parishad or Zila panchayat)
2. MPs – Middle level Panchayat (known as Block Panchayat, Panchayat Samiti and Taluka Panchayat in various states)
3. GPs – Gram Panchayats
4. MPs have not been assigned any tax except for Rajasthan.
5. The period for which the SFCs made recommendations is mentioned in the brackets (1<sup>st</sup> column).

## **Appendix VI**

### **Major recommendations of EFC**

- (i) Amending Article 243(I) in order to synchronise the availability of the SFCs reports to the EFC, focusing on specific chapters in the SFCs reports keeping in view the terms listed in Article 243(I) and 243(Y) of the Constitution so as to make findings of the SFCs more useful to the EFC. Tabling of SFCs findings and action taken report (ATR) on the floor of the state legislature within six months.
- (ii) Deletion of words “on the basis of the recommendations made by the Finance Commission of the state appearing in sub-clauses (bb) of the Article 280(3) of the Constitution in order to provide freedom for Finance Commission to recommend financial devolution to those states where either SFCs have not been constituted or have not submitted their reports.
- (iii) Imposition of taxes on land/farm income in suitable form to strengthen the resource base of the local bodies; levy/cess on land-based taxes and other taxes/duties and devolution of the same to local bodies for augmentation of specific civic services; and imposition of professional tax either by state government or local bodies. Exploitation of full potential of property tax/house tax.
- (iv) Periodical revision of the rate structure of the user charges levied by the panchayats.
- (v) Reviewing the existing accounting heads, etc, preferably in consultation with comptroller and auditor general (C&AG) of accounts for ensuing uniformity among the states, vesting control and supervision over the maintenance of accounts in C&AG and contracting out the upkeep of accounts to outside agencies/persons where the panchayats do not have trained staff.
- (vi) Earmarking an amount of half percent of total expenditure incurred by the panchayats for C&AG for audit purpose and earmarking of Rs 4,000 per panchayat per annum on an average to meet the expenditure on maintenance of accounts on contract basis.
- (vii) Building data base on the finances of the panchayats with the help of V SAT (the satellite based information network) at district, state and central levels and involvement of C&AG at all stages.
- (viii) A total grant of Rs 1,600 crore for the panchayats for each of the year starting from the financial year 2000-01, inter se distribution of grants among the states for the panchayats based on the rural/urban population of the state (40 per cent), index of decentralisation (20 per cent), distance from the highest per capita income (20 per cent), revenue efforts of the local bodies (10 per cent) and geographical area (10 per cent).
- (ix) Transfer of functions and power in accordance with 243(G) read with XI Schedule, specifically mentioning in the state panchayat acts as well as clear-cut demarcation of the functions of all tiers of the panchayats.

- (x) In order to award panchayats functional, financial and administrative freedom in their operations and ministry of rural development should remove all impediments and take initiatives for transferring the schemes to the panchayats.
- (xi) Bringing out suitable legislations in order to improve user charges for government properties of the central as well as state governments.

## Appendix VII

### Status of District Planning Committees (Updated on December 11, 2003)

S l	States/UTs	Whether the DPC setup	If not the Status
1	Andhra Pradesh	Yes	
2	Arunachal Pradesh		The constitution of DPCs shall be after approval of Town and Country Planning Act of the State, which is under consideration.
3	Assam		Constitution of DPCs is under progress
4	Bihar		Constitution of DPCs is under progress
5	Goa	Yes	
6	Gujarat		State government has informed that the District Planning Boards set up in each district are functioning as per the requirements laid in article 243 ZD relating to DPCs
7	Haryana	Yes	
8	Himachal Pradesh	Yes	
9	J & K		State govt. has informed that there is no provision of DPCs in the State. District Development Boards in each district under single line administration has been under operation since 1976. (Not applicable)
	Jharkhand		DPCs will be formed as soon as elections of the PRIs are held.
10	Karnataka	Yes	
11	Kerala	Yes	
12	Madhya Pradesh	Yes	
13	Maharashtra	Yes	
14	Manipur	Yes	
15	Meghalaya		Not applicable
16	Mizoram		Not applicable
17	Nagaland		District Planning and Development Boards in

			function
18	Orissa	Yes	
19	Punjab		Action initiated to constitute DPCs
20	Rajasthan	Yes	
21	Sikkim		
22	Tamil Nadu	Yes	
23	Tripura		Bill for DPCs is pending in the State assembly
24	Uttar Pradesh	Yes	Yes. Ministers are Chairpersons.
25	West Bengal	Yes	
26	A&N Islands	Yes	
27	Chandigarh		Chandigarh administration has informed that they are considering the to set DPC
28	D&N Haveli	Yes	
29	Daman & Diu	Yes	--
30	NCT Delhi		Exempted
31	Lakshadweep	Yes	
32	Pondicherry		Elections not held

DPC set up	19 States/UTs
Under consideration	6 States/UTs
Not set up due to non-election Pondicherry)	2 States (Jharkhand and Pondicherry)
District Planning Boards working as DPs	2 States (Gujrat and Nagaland)

Source: Ministry of Rural Development, taken from the Ministry's website  
([www.rural.nic.in](http://www.rural.nic.in))

## Appendix VIII

### FUNCTIONS ASSIGNED TO THE PANCHAYAT RAJ INSTITUTIONS IN KERALA

#### I. Village Panchayats

##### A. Mandatory functions of Village Panchayats

1. Regulation of building construction
2. Protection of public land from encroachment
3. Protection of traditional drinking water sources.
4. Presentation of ponds and other water bodies
5. Maintenance of water-ways and canals under their charge
6. Collection and disposal of solid waste and control of liquid waste disposal
7. Storm water drainage
8. Maintenance of environmental hygiene
9. Management of markets
10. Vector control

11. Regulation of slaughtering of animals and sale of meat, fish and other perishable food items
12. Regulation of eating establishments
13. Prevention of food adulteration
14. Maintenance of roads and other public assets
15. Street lighting and their maintenance
16. Immunisation
17. Carrying into effect national and State level strategies and programmes for disease prevention and control
18. Opening and maintenance of burial and burning grounds
19. Licensing of dangerous and offensive trades
20. Registration of births and deaths
21. Provide bathing and washing ghats
22. Provide of ferries
23. Provide parking space for vehicles
24. Provide waiting-shed for travellers
25. Provide toilet facilities in public places
26. Regulate conduct of fairs and festivals
27. Licensing of pet dogs and destroying stray dogs

## **B. General Function**

1. Collection and updating of essential statistics
2. Organising voluntary labour and contribution for community works
3. Carrying out campaigns for thrift
4. Awareness building on control of social evils like drinking, consumption of narcotics, dowry and abuse of women and children
5. Ensuring maximum people's participation in all stages of development
6. Organising relief during natural calamities
7. Inculcating environmental awareness and motivating local action for environmental upgradation
8. Promoting Co-operatives
9. Enhancing communal harmony
10. Mobilising local resources in cash and in kind, including free surrender of land for developmental purposes
11. Spreading legal awareness among the weaker sections
12. Campaigning against economic crimes
13. Organising neighbourhood groups and self-help groups with focus on the poor
14. Awareness building on civic duties

## **C. Sector-wise distribution of responsibilities**

### **(i) Agriculture**

1. Bring into cultivation waste lands and marginal lands
2. Bring about an optimum utilisation of land
3. Soil conservation
4. Production of organic manure
5. Establishment of nurseries
6. Promotion of co-operative and group farming
7. Organising self-help groups among cultivators
8. Promotion of horticulture and vegetable cultivation
9. Fodder development
10. Plant protection
11. Seed production
12. Farm mechanisation

### 13. Management of Krishi Bhavans

#### **(ii) Animal Husbandry and Dairy**

1. Cattle improvement programmes
2. Dairy farming
3. Poultry farming. Bee keeping, piggery development, goat rearing, rabbit rearing
4. Running of veterinary dispensaries
5. Running of ICDP sub-centres
6. Preventive health programmes for animals
7. Prevention of cruelty to animals
8. Fertility improvement programmes
9. Control of diseases of animal origin

#### **(iii) Minor Irrigation**

All minor irrigation schemes within the area of Village Panchayat

1. All micro irrigation schemes
2. Water conservation

#### **(iv) Fisheries**

1. Development of fisheries in ponds and fresh water and brackish water fish culture, mari culture
2. Fish seed production and distribution
3. Distribution of fishing implements
4. Fish marketing assistance
5. Provision of basic services for the families of fishermen
6. Welfare schemes for fishermen

#### **(v) Social Forestry**

1. Raising of fodder, fuel and fruit trees
2. Organising campaigns for tree planting and environmental awareness
3. Afforestation of waste lands

#### **(vi) Small Scale Industries**

1. Promotion of cottage and village industries
2. Promotion of handicrafts
3. Promotion of traditional and mini industries

#### **(vii) Housing**

1. Identification of homeless people and poramboke dwellers and provide house sites and houses.
2. Implementation of rural housing programmes.
3. Implementation of shelter upgradation programmes.

#### **(viii) Water Supply**

1. Running of water supply schemes covering one village panchayat
2. Setting up of water supply schemes covering one village panchayat

#### **(ix) Electricity and Energy**

1. Street lighting
2. Promotion of Bio-gas

**(x) Education**

1. Management of Government pre-primary schools and Government primary schools
2. Literacy programmes

**(xi) Public Works**

1. Construction and maintenance of village roads within the village panchayat.
2. Construction of buildings for institutions transferred

**(xii) Public Health and Sanitation**

1. Management of dispensaries and primary health centres and sub-centres (in all systems of medicine).
2. Management of child welfare centres and maternity homes
3. Immunization and other preventive measures
4. Family Welfare
5. Sanitation

**(xiii) Social Welfare**

1. Running of anganwadies
2. Sanctioning and distribution of pensions of destitute, widows, handicapped and agricultural labourers.
3. Sanctioning and distribution of unemployment assistance.
4. Sanctioning and assistance for marriage of the daughters of widows.
5. Management of group insurance scheme for the poor.

**(xiv) Poverty Alleviation**

1. Identification of the poor
2. Self employment and group employment schemes for the poor especially women
3. Providing community assets of continuing benefit to the poor.

**(xv) Scheduled Castes and Scheduled Tribes Development**

1. Beneficiary oriented schemes under SCP and TSP.
2. Management of nursery school for Scheduled Castes and Scheduled Tribes.
3. Provision of basic amenities in Scheduled Castes and Scheduled Tribes habitats.
4. Assistance to Scheduled Castes and Scheduled Tribes students.
5. Discretionary assistance to Scheduled Castes and Scheduled Tribes in need.

**(xvi) Sports and Cultural Affairs**

1. Construction of play grounds

**(xvii) Public Distribution System**

1. Examination of complaints against the public distribution system and taking of remedial measures.
2. Organisation of campaigns against weights and measures offences.



3. General supervision and guidance of ration shops and maveli stores and other public distribution centres and if necessary starting new public distribution centres.

**(xviii) Natural Calamities Relief**

1. Management of relief centres
2. Organisation of relief works  
(Repair works to assets will be divided and carried out by the Panchayat in charge of the assets)

**(xix) Co-operatives**

1. Organisation of co-operatives within the jurisdiction of the Panchayat.
2. Payment of Government grants and subsidies within the jurisdiction.

**II. Block Panchayats**

**A. General Functions**

1. Pool technical expertise both Government and non-government at the Block level.
2. Provide technical services to Village Panchayats.
3. Prepare plans after taking into account the plans of Village Panchayat to avoid duplication and provide the backward and forward linkages.

**B. Sector-wise distribution of responsibilities**

**(i) Agriculture**

1. Framers' training for the programmes implemented at the village level.
2. Arrangements of agricultural inputs required for schemes at the village level.
3. Conduct of agricultural exhibitions.
4. Integrated watershed management in watersheds falling within Block Panchayat area.
5. Mobilise agricultural credit.
6. Sericulture.

**(ii) Animal Husbandry and Dairy**

1. Running of Veterinary Polyclinics and Regional Artificial Insemination Centres.
2. Provide speciality services in Animal Husbandry.
3. Conduct cattle and poultry shows.

**(iii) Minor Irrigation**

All lift irrigation schemes and minor irrigation schemes covering more than one village Panchayat

**(iv) Fisheries**

Development of traditional landing centres.

**(v) Small Scale Industries**

1. Setting up of minor industrial estates.
2. Promotion of industries with investment of one-third of SSI.
3. Self employment schemes in industrial sector.

**(vi) Housing**

1. Popularisation of low cost housing
2. Promotion of housing co-operative societies

**(vii) Electricity and Energy**

Promotion of non-conventional energy sources

**(viii) Education**

Management of Industrial Training Institutes

**(ix) Public Works**

1. Construction and maintenance of all village roads connecting more than one Village Panchayat and other District Roads within the Block Panchayat.
2. Construction of buildings for institutions preferred.

**(x) Public Health and Sanitation**

Management of community health centres and taluk hospitals within the Block Panchayat area in all systems of medicine

**(xi) Social Welfare**

Management of ICDS

**(xii) Poverty Alleviation**

1. Planning and implementation of Employment Assurance Schemes in co-ordination with the Village Panchayats
2. Skill upgradation of the poor for self employment and wage employment for people below poverty line

**(xiii) Scheduled Castes and Scheduled Tribes Development**

1. Management of pre-matric hostels
2. Promoting Scheduled Castes and Scheduled Tribes Co-operatives

**(xiv) Co-operatives**

1. Organisation of co-operatives within the jurisdiction of Block Panchayat
2. Payment of Government grants and subsidies within the jurisdiction

### **III. District Panchayats**

#### **A. General Functions**

1. Mobilise the technical expertise available from Government and non-government institutions
2. Provide technical service to the Block Panchayats and Village Panchayats and the Municipalities
3. Prepare plans after taking into account the plans of the Village Panchayats and Block Panchayats to avoid duplication and to provide backward and forward linkage

## **B. Sector-wise distribution of responsibilities**

### **(i) Agriculture**

1. Running of agricultural farms other than regional farms and research centres and establishment of new farms
2. Integrated watershed management in watersheds covering more than one Block Panchayat area
3. Provision of agricultural inputs
4. Soil testing
5. Pest control
6. Marketing of agricultural produce
7. Cultivation of ornamental plants
8. Promotion of agricultural co-operatives
9. Promotion of commercial crops
10. Biotechnology applications
11. Field trails and pilot projects to popularise innovation
12. Locally appropriate research and development

### **(ii) Animal Husbandry and Dairy**

1. Management of district level veterinary hospitals and laboratories
2. Management of dairy extension service units
3. Promotion of milk co-operatives
4. Management of farms other than regional farms, breeding farms and research centres
5. District level training
6. Implementation of disease prevention programmes
7. Field trails and pilot projects on innovative practices
8. Locally relevant research and development

### **(iii) Minor Irrigation**

1. Development of ground water resources
2. Construction and maintenance of minor irrigation schemes covering more than one Block Panchayat
3. Command area development

### **(iv) Fisheries**

1. Arrangements for marketing of fish
2. Management of Fish Farm Development Agency
3. Management of district level hatcheries, net making units, fish markets, feed mills, ice plants and cold storages
4. Management of fisheries schools
5. Introduction of new technologies
6. Provide inputs required for fishermen
7. Promotion of fishermen's co-operatives

### **(v) Small Scale Industries**

1. Management of District Industries Centre
2. Promotion of small scale industries
3. Setting up of industrial estates
4. Arranging exhibitions for sale of products
5. Entrepreneur development programmes
6. Marketing of products

7. Training
8. Input service and common facility centres
9. Industrial development credit planning

**(vi) Housing**

1. Housing complex and infrastructure development
2. Mobilising housing finance

**(vii) Water Supply**

1. Running of water supply schemes covering more than one Village Panchayat
2. Taking up of water supply schemes covering more than one Village Panchayat

**(viii) Electricity and Energy**

1. Taking up micro-hydel projects
2. Determining priority areas for extension of electricity

**(ix) Education**

1. Management of Government high schools (including LP section and UP section attached to high schools)
2. Management of Government higher secondary schools
3. Management of Government technical schools
4. Management of vocational training centres and polytechnics
5. Management of vocational Higher Secondary Schools
6. Management of District Institute for Education and Training
7. Co-ordinate centrally and State sponsored programmes related to education

**(x) Public Works**

1. Construction and maintenance of all district roads other than State Highways, National Highways and Major District Roads
2. Construction of buildings for institutions transferred

**(xi) Public Health and Sanitation**

1. Management of district hospital in all systems of medicine
2. Setting up of centres for care of special categories of disabled and mentally ill people
3. Co-ordination of centrally and State Sponsored programme at the district level

**(xii) Social Welfare**

1. Payment of grants to orphanages
2. Starting of welfare institutions for the disabled, destitute etc.

**(xiii) Poverty Alleviation**

Providing infrastructure for self-employed programmes

**(xiv) Scheduled Castes and Scheduled Tribes Development**

1. Management of post matric hostels
2. Management of vocational training centres for Scheduled Castes and Scheduled Tribes

**(xv) Sports and Cultural Affairs**

Construction of stadiums

**(xvi) Co-operatives**

1. Organisation of co-operatives within the jurisdiction of District Panchayats. Payment of Government grants and subsidies to co-operatives within the jurisdiction

## Appendix IX

### Functions and Powers of PRIs under the Rajasthan Panchayati Raj Act, 1994

Sections 50 to 52 of the Rajasthan Panchayati Raj Act lay down the functions and powers of the three tiers of PRIs. These sections mention that subject to such conditions as may be prescribed by the state government from time to time these institutions shall perform the functions and exercise the powers given in First, Second and the Third Schedule. Below is the list of the functions in the three Schedules:

#### The First Schedule: Functions and Powers of Gram Panchayats

- a. General Functions
- b. Administrative Functions
- c. Agriculture including Agriculture Extension
- d. Animal Husbandry, Dairying and Poltry
- e. Fisheries
- f. Social and Farm Forestry
- g. Minor Irrigation
- h. Khadi, Village and Cotton Industry
- i. Rural Housing
- j. Drinking Water
- k. Roads, Buildings, Culverts, Bridges, Ferries, Waterways, and other Means of Communications
- l. Rural Electrification including Providing for the maintenance of Lighting of Public Streets and other Places
- m. Non-Conventional Energy Sources
- n. Poverty Alleviation Programme
- o. Education (Primary)
- p. Adult and Non-Formal Education
- q. Libraries
- r. Cultural Activities
- s. Markets and Fairs
- t. Rural Sanitation
- u. Public Health and Family welfare
- v. Women and Child Development
- w. Social Welfare including Welfare of the Handicapped and Mentally Retarded
- x. Welfare of the Weaker Sections and in particular the Schedule Castes and Schedule Tribes
- y. Public Distribution System
- z. Maintenance of Community Assets
- aa. Constructions and Maintenance of Dhramshalas and similar Institutions

- bb. Construction and Maintenance of Cattle Shades, Ponds, and Cart Stands
- cc. Construction and Maintenance of Slaughter Houses
- dd. Maintenance of Public Parks, Playgrounds etc.
- ee. Regulation of Manure Pits and Public Places
- ff. Regulation of Liquor Shops
- gg. General Powers of the Panchayats

The Second Schedule: Functions and Powers of panchayat Samitis

1. General Functions
2. Agriculture including Agriculture Extension
3. Land Improvement and Soil Conservation
4. Minor Irrigation, Water Management and Watershed Development
5. Poverty Alleviation Programmes
6. Animal Husbandry, Dairying and Poultry
7. Fisheries
8. Khadi, Village and Cotton Industries
9. Rural Housing
10. Drinking Water
11. Social and farm Forestry, Fuel and Fodder
12. Roads, Buildings, Culverts, Bridges, Ferries, Waterways, and other Means of Communications
13. Non-Conventional Energy Sources
14. Education including Primary Schools
15. Technical Training and Vocational Training
16. Adult and Non-Formal Education
17. Cultural Activities
18. Markets and Fairs
19. Health and Family Welfare
20. Women and Child Development
21. Social Welfare including Welfare of the Handicapped and Mentally Retarded
22. Welfare of the Weaker Sections and in particular the Schedule Castes and Schedule Tribes
23. Maintenance of Community Assets
24. Statistics
25. Emergency Relief
26. Co-operation
27. Libraries
28. Supervision of and Guidance to the Panchayats in all their Activities and Formulation of Village and Panchayat Plans
29. Miscellaneous
30. General Powers of the Panchayat Samiti

The Third Schedule: Functions and Powers of Zila Parishads

1. General Functions
2. Agriculture
3. Minor Irrigation, Ground Water Resources and Watershed Development
4. Horticulture
5. Statistics
6. Rural Electrification
7. Soil Conservation
8. Social Forestry
9. Animal Husbandry and Dairying
10. Fisheries
11. Household and Cottage Industries
12. Rural Roads and Buildings
13. Health and Hygiene
14. Rural Housing
15. Education
16. Social Welfare and Welfare of Weaker Sections
17. Poverty Alleviation Programmes
18. Social Reform Activities
19. General Powers of the Zilla Parishad



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Annual Financial Statement 2002-03, Palakkad District Panchayat

Annual Budget 2003-04, Nagalessary Gram Panchayat

Annual Budget 2003-04, Malampuzha Block Panchayat

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#### **Annual Financial Statements**

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Jhadol Panchayat Samiti - 2002-03, 2001-02, 2000-01

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