

Financial Management of Grama Panchayats in India**Dr.C.Pratheep, Hon. Secretary,****Gandhi Media Foundation, Thiruvananthapuram****ABSTRACT:**

73rd Constitutional amendment and conformity acts in States provided constitutional provisions to have adequate functions, functionaries and funds to panchayatiraj institutions to convert into as Local Self Governments. Revenues and expenditures of Grama Panchayats have increased many fold. Own sources of revenue of the Grama Panchayats is very low and dependence on Central Government and State Governments is high. The important items of expenditure the panchayats are on management, education, social welfare, public works, lighting, panchayat properties, plan expenditure etc. Existing administrative machinery is not at all capable to spend fully the available resources at Grama Panchayat level. Low resources generation efforts, inadequate data sources, inadequate training, over dependence on higher levels of government are some of the financial problems facing GramaPanchayats in India.

Key words: Grama Panchayats, fiscal decentralization, self reliance of Grama Panchayats, financial management

Financial Management of Grama Panchayats in India

Efforts of decentralization have got momentum all over the world since 1990. Dissatisfaction with the centralized system of working, low service delivery of Central institutions, deepening democratic principles, thrust for more accountability, increasing need to recognize social, economic and political diversities in different regions within the countries are some of the pivotal factors prompted for the increasing trend in decentralization. Decentralization and strengthening of local Self Governments have been put forward for achieving inclusive development in the development paradigm of various nations including India .

Local Self Government have been playing very important role in the political, social and economic spheres in India for a long period of time. 73rd Constitutional amendment and conformity acts in States provided constitutional provisions to have adequate functions, functionaries and funds to panchayatiraj institutions to convert into as Local Self Governments. During the last 21 years of concerted efforts, many functions, functionaries and funds were devolved to PRIs by State Governments in different magnitudes. Panchayats have been established at three levels, the district, block and cluster of villages (Village Panchayat). The number of Village Panchayats in the country as on 31st March 2012 was 2,40,345; of the Intermediate Panchayats 6357 and of the District Panchayats 585.

Table no.1. Devolution Index of states - 2014

Ranks	States	Framework (D1)	Functions (D2)	Finances (D3)	Functionaries (D4)	Capacity Building (D5)	Accountability (D6)	PDI (D)
1	Maharashtra	74.01	63.26	59.03	78.91	78.24	80.24	70.21
2	Kerala	72.65	61.61	68.37	71.09	60.70	74.77	68.00
3	Karnataka	70.08	63.14	61.32	65.43	70.15	70.25	65.75
4	Tamil Nadu	66.14	53.71	56.88	55.63	60.06	65.99	58.98
5	Chhattisgarh	69.12	48.24	48.81	53.44	55.24	67.15	55.16
6	Rajasthan	66.82	51.99	45.41	40.23	69.15	64.82	54.23
7	West Bengal	62.96	54.67	39.09	38.82	79.24	54.42	52.09
8	Madhya Pradesh	62.93	50.22	41.43	46.01	57.15	62.77	51.14

9	Haryana	76.90	34.47	41.53	54.41	45.70	52.91	48.27
10	Gujarat	54.12	40.24	28.43	56.50	51.15	43.26	42.61
11	Andhra Pradesh	50.53	11.44	31.97	50.38	62.70	49.11	40.69
12	Assam	51.77	42.83	26.69	30.86	62.06	44.76	40.26
13	Odisha	58.74	51.46	42.03	35.43	13.97	42.26	39.95
14	Uttarakhand	54.87	41.47	21.05	31.07	42.55	58.72	37.87
15	Himachal Pradesh	50.26	21.58	30.89	38.97	39.09	51.49	36.96
16	Punjab	60.58	28.08	23.80	30.31	38.76	50.09	35.28
17	Uttar Pradesh	55.20	41.04	35.74	18.68	29.67	29.73	34.11
18	Jammu & Kashmir	29.67	19.29	34.53	22.00	56.36	33.16	32.95
19	Jharkhand	56.61	20.36	12.30	36.40	44.91	31.97	29.40
20	Bihar	48.21	39.49	16.82	24.45	41.88	22.74	29.15
21	Goa	44.21	17.78	18.21	43.06	10.30	27.94	24.75
North Eastern States								
1	Tripura	57.37	47.49	32.53	47.69	45.52	52.53	44.48
2	Sikkim	63.97	45.72	44.87	36.19	36.82	41.90	43.95
3	Manipur	52.73	14.17	17.64	22.59	39.24	39.34	27.87
4	Arunachal Pradesh	46.09	29.21	16.71	22.09	38.97	25.79	27.03
Union Territories								
1	Lakshadweep	38.36	20.79	6.87	19.95	14.24	25.14	17.91
2	Chandigarh	28.53	6.11	19.75	18.93	12.73	19.02	17.30
3	Dadra & Nagar	34.52	1.67	1.07	40.30	16.12	29.94	16.98
4	Daman & Diu	49.02	3.43	5.58	20.29	3.64	24.78	14.40
	National Average	55.41	35.34	32.05	39.66	44.01	46.10	39.92

Source: Annual Report 2014-15 Ministry of Panchayati Raj, Govt. of India, New Delhi

Financial devolution to Grama Panchayats

Financial sources of Grama Panchayats are own sources of revenue, ie, tax and non tax revenues, State Government sponsored schemes and projects implementing through Grama Panchayats, Devolution from the State Finance Commission as per the Article 243 I, Untied State Government grants and funds, Central Government sponsored schemes and projects, Devolution from Central Government as per Article 280 of the Constitution, Centrals grants and assistance External assistance and borrowings. This article is an attempt to analyse the financial data of the grama panchayats to study sources of revenue, self reliance, percentage of fund utilization, management practices in the grama panchayats of India.

Earlier studies

An understanding of the effectiveness of local governments is incomplete without an insight into its financial arrangement and practices (Abhijit Datta,1992). Sarada A. (2003) observed in her study on Financial Management for Decentralised Governance that rural local bodies that financial administration was also very poor. Rural local bodies or Panchayati Raj institutions lack expertise in handling cash and in attending to financial properties. Quality and quantity of the staffs, method of revenue collection, accounting, budgeting, expenditure formalities, preparation and keeping of local finance data, training the employees etc. are to be studied to know the financial administration of the panchayats. Raveendran Nair K.V.(2005) reveals in his study that Panchayats have enough administrative powers and funds to function. But if the panchayats were not able to use the powers and resources scientifically the panchayats would not be able to facilitate development. The Panchayats are now trying to spend the allotted money to the maximum without considering the benefits, from that and this will tend to the waste of precious resources. Venkataraman K. (1965) studied the financial aspects of the local bodies in India. He studied the income and expenditure items of the local bodies and opined that the resources available at the local level were inadequate. The items of resources allotted to the local bodies were inelastic and few. According to him "The development of local finance has been in the direction of centralization of revenues and decentralisation of expenditures". According to Subrahmanya K.N. and Sreekantaradhy B.S. (1983), there are many reasons for the low tax level in India. The important reasons for the low tax level are low per capita income, existence of non-monetarised agricultural sector, employment of people in pre-dominantly small establishments, widespread tax evasions, under taxation of agricultural sector and inefficiency in tax administration. Karunakaran Pillai (1986) studied the financial aspects of the panchayats in Kerala in the seventies. He

was of the opinion that building tax calculations were not scientific. He identified the main factors that influence revenue collection in the panchayats and they are per capita income, proportion of non-agricultural income to total income, factory density per given population size, proportion of workers and employees, percentage of urban population and degree of literacy. Thampi Mathew (1995) opined that the poor state of finance is a severe handicap to responsible local government. Vittal C.P. (1997) studied the financial situation of the panchayats in India before and after the constitutional amendments. According to him the crux of the problems of the local bodies is finance. According to him, "One of the problems concerning Panchayat raj institutions is lack of adequate resources. Their efforts to mobilise funds are deplorably low". A.C. Jena (1998) was of the opinion that one of the problem areas of Panchayati raj was inadequate resources. Panchayats cannot deliver the goods without adequate resources. Satish Chandra (1998) studied the panchayati raj finance in Maharashtra after the 73rd constitutional amendment. The major recommendations of the study were the following. The Zilla parishad should be given adequate powers to collect taxes. Panchayat *samities* may be involved in the planning and implementation of the plan. The existing taxes on houses and hotels, mills etc. need to be revised. Prompt taxpayers may be given some kind of rebate. Audit may be conducted every year. The provision for grants to all Blocks may be made available without any restriction.

Financial situation of the Grama Panchayats

Financial data of grama panchayats shows that average revenue of grama panchayat is Rs.620. During the period from 2009-10 to 2013-14 average per capita revenue of grama panchayats shows that 69.37 percent (60.96 plus 8.41) of the revenue was from Central government as Central Government sponsored assistance and Central Finance Commission devolution. State Government provided 18.72 percent (12.31 plus 6.41) and own tax was only 9.49 percent of the total revenue. This shows that grama panchayats are heavily depended upon Central Government and State Governments for their resources. During 1998-99 to 2002-03 mean revenue from own tax was Rs. 760.12 , non tax revenue was Rs.637.88, Assignment and Devolution was Rs.6216.01, grants in aid was 12735.52, other income was 1509.42 and the total income was Rs.21856.95. This shows that own revenue was 6.38 percent, assignment and devolution was 28.4 percent, grants in aid was 58.3 percent and other income was 7 percent of the total. Self reliance of grama panchayats depends upon own sources of revenue. It is very annoying fact that own sources of revenue continues to be at the bottom level in most of the States.

Table.No.2

Financial situation of the Grama Panchayats in India

Source	2009-10		2010-11		2011-12		2012-13		Average	
	Average Percapita Revenue	%	Average Percapita Revenue	%	Average Percapita Revenue	%	Average Percapita Revenue	%	Average Percapita Revenue	%
Own Revenue	46.6	8.44	54.7	10.40	61.3	10.20	72.6	11.30	58.8	9.49
Transfers from Centre	420.6	69.90	348.9	66.60	369.4	60.60	372.1	60.70	377.75	60.96
Central Finance Commission	37.6	5.82	34.2	5.60	64.4	9.00	72.4	8.50	52.15	8.41
Assigned and devolved funds from States	60.8	8.40	56.1	8.20	89.8	11.50	98.7	11.60	76.35	12.31
Grants in aid from State	36.7	4.76	39.9	5.70	40.3	5.30	42.1	4.70	39.75	6.41
Other receipts	14.7	2.68	13.8	3.40	17.4	3.40	141	3.20	15	2.42
Total revenue	617.0	100	547.6	100	642.6	100	672.0	100	619.8	100.00

Source: Study report for the 14th Finance Commission by Centre for Policy Research, New Delhi, 2014

Interstate variation in Own revenue

Per capita revenue of the grama panchayats shows there are wide variations in the own revenue efforts and capacity of mobilization. Maharashtra was able to mobilize 32.01 percent of the total revenue where as Uttarakhand, Uttarpradesh, Tripura and Rajasthan was able to mobilize less than one percent of the total revenue as own revenue.

Table No.3

Interstate variation in Own revenue

States	Average Own revenue	Average Total revenue	% of Own revenue
Andhra Pradesh	119.25	683	17.46
Telangana	29.81	63.33	47.07
Assam	4.25	441.5	1.00
Chattisgarh	6.75	171	3.95
Goa	128.25	447	28.69
Gujarat	83	307.75	26.97
Himachal Pradesh	54.5	1538.25	3.54
Jammu and Kashmir	0	302.75	0
Karnataka	251.5	1083.75	23.21
Kerala	175.5	1220	14.38
Maharashtra	105	328	32.01
Manipur	0	1372	0
Orissa	14	343	4.08
Rajasthan	8.25	1104.5	0.74
Sikkim	2	957.25	0.21
Tamil Nadu	242.75	1249.5	19.43
Tripura	6.5	2562	0.25
Uttar Pradesh	0.43	338.25	0.13
Uttarakhand	1	166.75	0.60
West Bengal	25.75	488.25	5.27
All States	58.8	619.8	9.48

Source: Study report for the 14th Finance Commission by Centre for Policy Research, New Delhi, 2014

 Expenditure

Panchayat raj act delegated many items of expenditure to the panchayats. The important items of expenditure the panchayats are on management, education, social welfare, public works, lighting, panchayat properties, plan expenditure etc. The panchayats have different priorities in the development expenditure. In some panchayats, productive sectors are more, in some panchayats management expenditures are more, in some panchayats plan expenditures are more than that of the other panchayats. Per capita expenditure also varies from panchayat to panchayat. Percentage composition of various expenditures also differs from panchayat to panchayat.

Table no.4

Per capita revenue , expenditure and surplus/deficit

States	Average Percapita Revenue	Average Percapita expenditure	Average Percapita Surplus/deficit
AndhraPradesh	683	461	222.25
Assam	441.5	244.5	197.25
Chattisgarh	171	201	(-) 30
Goa	422.25	355.25	67
Gujarat	308	218.25	90
Himachal Pradesh	1538	148	1390.25
Jammu and Kashmir	606.75	758.44	(-)151.69
Karnataka	981.75	818	163.75
Kerala	1221	851.75	369
Manipur	1372	862	509.75
Maharashtra	327.75	215	112.75
Orissa	343	202	141

Rajasthan	1104.5	648.75	455.75
Sikkim	957.25	557.75	399.5
Tamil Nadu	1249.5	481	768.5
Telangana	770.75	689.25	81.5
Tripura	2562	1093	1468.75
Uttarakhand	166.75	67.75	99.25
Uttar Pradesh	338.25	25.5	313
West Bengal	488.25	367.5	120.5
All States	620	351	268.75

Source: Study report for the 14th Finance Commission by Centre for Policy Research, New Delhi, 2014

The table on revenue and expenditure shows that only 56.61 percent of the funds were utilized during 2009-10 to 2012-13 in grama panchayats. The administrative mechanism is not capable to spend available funds fully at the grama panchayat level.

Issues in financial Management of Grama Panchayats in India

1. Not only financial devolution to Gram Panchayats are inadequate but also it differs from states to states. Constitution provides plethora of sources of revenue to the panchayat raj institutions in India. But many states has yet not been come forward to devolve adequate finance, functions and functionaries to the states.

2. Poor own sources of revenue has been one of the important issues of the Grama Panchayats in India. National average of own sources of revenue is less than ten percent of the total revenue sources of revenue. In most of the states the own sources of revenue is negligibly low. There are many reasons for this sorry state of affairs and they are assignment of less number of taxation and non taxation powers of the grama panchayats , low revenue rates fixed by the State Government, reluctance of the grama panchayat officials, representatives to impose taxes and non taxes to the people.

3. Low taxation capacity of the grama panchayats. Own revenue sources of the grama panchayats depends heavily on the economic situation of the grama panchayats, population, prevalence of the economic activities, urban characteristics, proximity of the urban areas etc.

4. Poor financial management of the Grama Panchayat. Managerial skills in collection of resources, recording mechanism, data storing mechanism, assessment of revenue sources, expenditure management , calculation of tax assessment, collection of arrears, door to door tax collection

mechanism, computerization of revenue assessment and collections etc. are defective in grama panchayats in many ways.

5.Data collection and storing is lacking. One among the major problems pointed out by the all the Finance Commissions at the Centre and State level is the deplorable situation of available data at the panchayat raj institutions. Grama Panchayats are nearly blind in their sources of revenue, revenue potential, revenue collection of the grama panchayats over the few years, expenditure over the last few years, institutions working in the grama panchayats area, number of labours and employees, area under cultivation, availability of various minerals, sands, rural industries, tiny occupations etc.

6.Existence of plethora of central and state government sponsored schemes and programmes in the grama panchayats. There is no doubt requirement of the such schemes, but it increased the workload of the panchayats. Staff are not adequate to cope up with the existing responsibilities. In real practice the grama panchayats are not able to spend the money allotted to them to utilize the tied sponsored programmes and schemes.

Grama Panchayats are the important constituent of the panchayatiraj institutions in India. Existence and performance depends upon the availability and utilization of availability of resources and capability of finding out new sources of revenue and financial management of the grama panchayats. Current financial management of the grama panchayats are not efficient in many manner. If the decentralization process and real democracy to success, financial management of the Grama panchayats has to be strengthened.

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