

# Measures to Augment the Resources of Panchayats Empirical Assessment 2018-19

*Report*

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Indian Institute of Public Administration  
New Delhi

November 2019

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*by*

V. N. Alok

**With inputs from**

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**November 2019**

**Indian Institute of Public Administration  
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DEPARTMENT OF CHEMISTRY

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## Acknowledgments

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Finally, heartfelt thanks are due to Shri S N Tripathi, IAS Director, IIPA for his encouragement and guidance.



V.N. Alok



**List of Abbreviations**

AAO	Assistant Accounts Officer
ACA	Additional Central Assistance
ADC	Additional Deputy Commissioner
ADC	Assistant Development Commissioner
AEO	Agriculture Extension Officer
AEO*	Additional Executive Officer
AEW	Agriculture Extension Worker
ANERT	Agency of Non-Conventional Energy and Rural Technology
APD	Additional Project Director
ARWS	Accelerated Rural Water Supply Programme
ASHA	Accredited Social Health Activist
ATR	Action Taken Report
AWW	Anganwadi Worker
BDO	Block Development Officer
BDPO	Block Development Panchayat Officer
BPL	Below Poverty Line
BP	Block Panchayat
BPS	Block Panchayat Secretary
BRGF	Backward Regions Grant Fund
CAA	Constitution Amendment Act
CSS	Centrally Sponsored Scheme
C&AG	Comptroller and Auditor General
CBO	Community Based Organizations

Accounting

Accounting	1
Accounting	2
Accounting	3
Accounting	4
Accounting	5
Accounting	6
Accounting	7
Accounting	8
Accounting	9
Accounting	10
Accounting	11
Accounting	12
Accounting	13
Accounting	14
Accounting	15
Accounting	16
Accounting	17
Accounting	18
Accounting	19
Accounting	20
Accounting	21
Accounting	22
Accounting	23
Accounting	24
Accounting	25
Accounting	26
Accounting	27
Accounting	28
Accounting	29
Accounting	30
Accounting	31
Accounting	32
Accounting	33
Accounting	34
Accounting	35
Accounting	36
Accounting	37
Accounting	38
Accounting	39
Accounting	40
Accounting	41
Accounting	42
Accounting	43
Accounting	44
Accounting	45
Accounting	46
Accounting	47
Accounting	48
Accounting	49
Accounting	50
Accounting	51
Accounting	52
Accounting	53
Accounting	54
Accounting	55
Accounting	56
Accounting	57
Accounting	58
Accounting	59
Accounting	60
Accounting	61
Accounting	62
Accounting	63
Accounting	64
Accounting	65
Accounting	66
Accounting	67
Accounting	68
Accounting	69
Accounting	70
Accounting	71
Accounting	72
Accounting	73
Accounting	74
Accounting	75
Accounting	76
Accounting	77
Accounting	78
Accounting	79
Accounting	80
Accounting	81
Accounting	82
Accounting	83
Accounting	84
Accounting	85
Accounting	86
Accounting	87
Accounting	88
Accounting	89
Accounting	90
Accounting	91
Accounting	92
Accounting	93
Accounting	94
Accounting	95
Accounting	96
Accounting	97
Accounting	98
Accounting	99
Accounting	100

CDO	Chief Development Officer
CEO	Chief Executive Officer
CIC	Chief Information Commissioner
CRSP	Central Rural Sanitation Programme
CHC	Community Health Centre
CO	Chief Officer
CPI	Consumer Price Index
CSS	Centrally Sponsored Scheme
DC	District Collector
DD	Deputy Director
DDC	District Development Commissioner
DDPO	District Development Panchayat Officer
DI	Devolution Index
DM	District Magistrate
DP	District Panchayat
DPAP	Drought Prone Area Programme
DPC	District Planning Committee
DRDA	District Rural Development Agency
DPO	District Planning Office
DPRO	District Panchayat Returning Officer
EA	Executive Assistant
EO	Extension Officer
EO*	Executive Officer
EVM	Electronic Voting Machine

1. Introduction	1
2. Literature Review	10
3. Methodology	25
4. Results and Discussion	45
5. Conclusion	65
6. References	75
7. Appendix	85
8. Bibliography	95
9. Index	105
10. Glossary	115
11. Acknowledgements	125
12. Author's Biography	135
13. Contact Information	145
14. Declaration of Interest	155
15. Statement of Originality	165
16. Certificate of Approval	175
17. Certificate of Publication	185
18. Certificate of Copyright	195
19. Certificate of Distribution	205
20. Certificate of Archiving	215
21. Certificate of Preservation	225
22. Certificate of Access	235
23. Certificate of Citation	245
24. Certificate of Impact	255
25. Certificate of Recognition	265
26. Certificate of Appreciation	275
27. Certificate of Gratitude	285
28. Certificate of Honor	295
29. Certificate of Merit	305
30. Certificate of Excellence	315
31. Certificate of Distinction	325
32. Certificate of Achievement	335
33. Certificate of Success	345
34. Certificate of Completion	355
35. Certificate of Final Review	365
36. Certificate of Final Approval	375
37. Certificate of Final Acceptance	385
38. Certificate of Final Release	395
39. Certificate of Final Distribution	405
40. Certificate of Final Archiving	415
41. Certificate of Final Preservation	425
42. Certificate of Final Access	435
43. Certificate of Final Citation	445
44. Certificate of Final Impact	455
45. Certificate of Final Recognition	465
46. Certificate of Final Appreciation	475
47. Certificate of Final Gratitude	485
48. Certificate of Final Honor	495
49. Certificate of Final Merit	505
50. Certificate of Final Excellence	515
51. Certificate of Final Distinction	525
52. Certificate of Final Achievement	535
53. Certificate of Final Success	545
54. Certificate of Final Completion	555
55. Certificate of Final Review	565
56. Certificate of Final Approval	575
57. Certificate of Final Acceptance	585
58. Certificate of Final Release	595
59. Certificate of Final Distribution	605
60. Certificate of Final Archiving	615
61. Certificate of Final Preservation	625
62. Certificate of Final Access	635
63. Certificate of Final Citation	645
64. Certificate of Final Impact	655
65. Certificate of Final Recognition	665
66. Certificate of Final Appreciation	675
67. Certificate of Final Gratitude	685
68. Certificate of Final Honor	695
69. Certificate of Final Merit	705
70. Certificate of Final Excellence	715
71. Certificate of Final Distinction	725
72. Certificate of Final Achievement	735
73. Certificate of Final Success	745
74. Certificate of Final Completion	755
75. Certificate of Final Review	765
76. Certificate of Final Approval	775
77. Certificate of Final Acceptance	785
78. Certificate of Final Release	795
79. Certificate of Final Distribution	805
80. Certificate of Final Archiving	815
81. Certificate of Final Preservation	825
82. Certificate of Final Access	835
83. Certificate of Final Citation	845
84. Certificate of Final Impact	855
85. Certificate of Final Recognition	865
86. Certificate of Final Appreciation	875
87. Certificate of Final Gratitude	885
88. Certificate of Final Honor	895
89. Certificate of Final Merit	905
90. Certificate of Final Excellence	915
91. Certificate of Final Distinction	925
92. Certificate of Final Achievement	935
93. Certificate of Final Success	945
94. Certificate of Final Completion	955
95. Certificate of Final Review	965
96. Certificate of Final Approval	975
97. Certificate of Final Acceptance	985
98. Certificate of Final Release	995
99. Certificate of Final Distribution	1005
100. Certificate of Final Archiving	1015

GDP	Gross Domestic Product
GO	Government Order
GIS	Geographical Information System
GoI	Government of India
GP	Gram Panchayat
GPEO	Gram Panchayat Extension Officer
GS	Gram Sabha



Introduction	1
Chapter I	10
Chapter II	20
Chapter III	30
Chapter IV	40
Chapter V	50
Chapter VI	60
Chapter VII	70
Chapter VIII	80
Chapter IX	90
Chapter X	100
Chapter XI	110
Chapter XII	120
Chapter XIII	130
Chapter XIV	140
Chapter XV	150
Chapter XVI	160
Chapter XVII	170
Chapter XVIII	180
Chapter XIX	190
Chapter XX	200
Chapter XXI	210
Chapter XXII	220
Chapter XXIII	230
Chapter XXIV	240
Chapter XXV	250
Chapter XXVI	260
Chapter XXVII	270
Chapter XXVIII	280
Chapter XXIX	290
Chapter XXX	300

## Contents

<i>Preface</i>	3
<i>List of Abbreviations</i>	4
Chapter 1: Introduction	10
1.1 Background	10
1.2 Objectives	15
1.3 Research Methodology	16
1.4 The Parameters	19
Chapter 2: Fiscal Decentralization to <i>Panchayats</i>	20
2.1 Decentralization	20
2.2 Decentralization: Global and Regional Trend	21
2.3 Forms of Decentralization	21
2.4 Genesis	23
2.5 Dimensions of Devolution	24
2.6 Finances	26
2.7 Functionaries	27
Chapter 3: Scope of the Study-Parameters	28
3.1 Basic Details of <i>Panchayats</i> including Constitutional Provisions	29
3.2 Constitutions and Functioning of District Planning Committee (DPC)	34
3.3 Role of <i>Panchayats</i> in Parallel Bodies	37
3.4 Autonomy to <i>Panchayats</i>	41
3.5 Functions Assigned and Actual Involvement of <i>Panchayats</i>	44
3.6 Involvement in Important Schemes	54
3.7 14 <sup>th</sup> Finance Commission Grants (Basic and Performance Grants)	57
3.8 State Finance Commission (SFC)	60
3.9 Money Transferred on Account of State Finance Commission	69
3.10 Empowerment of <i>Panchayats</i> to impose/collect revenue	74
3.11 GST Implication on <i>Panchayats</i>	92
3.12 Expenditure by <i>Panchayats</i>	104
3.13 Gram Sabha	106
3.14 <i>Gram Panchayat</i> Development Plan	108
3.15 Transparency and Anti-Corruption	110
3.16 Infrastructure of <i>Panchayats</i> (Physical & Digital)	113
3.17 Training Institutions/Activities	115
3.18 E-Connectivity and ICT Measures	117
Chapter 4: Summary and Suggestions	122
<i>References</i>	148



Page 1

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## List of Tables

Table 1.1:	Numbers of <i>Panchayats</i> in each State/UT as on 1 <sup>st</sup> November 2019	11
Table 1.2:	Constitutions of State Finance Commissions- An Status	14
Table 1.3:	List of Selected Districts, Blocks and <i>Gram Panchayats</i> for Field visits	18
Table 3.1:	Reservations for Women, SCs and STs in <i>Panchayats</i>	33
Table 3.2:	Constitutions and Functioning of District Planning Committee in Ten Select States	35
Table 3.3:	Nature of Control of <i>Panchayats</i> on Parallel Bodies	38
Table 3.4:	<i>De facto</i> Assignment of Functions of Different tiers of <i>Panchayats</i> in Ten Selected States	49
Table 3.5:	Allocation and Release of Basic and Performance Grants to select States for <i>Panchayats</i> recommended by the 14th FC(2015-2020)	58
Table 3.6:	Formula adopted by State Government for distribution of Basic Grant under 14th FC Award	59
Table 3.7:	SFC Recommendations for Share of <i>Panchayats</i> in State Resources	61
Table 3.8:	Constitution and Submission of SFC Reports and Action Taken thereon	63
Table 3.9:	Assignment of Revenues by various SFCs	68
Table 3.10:	Types of Grants Recommended by SFCs	69
Table 3.11:	Revenue Handles Assigned to <i>Panchayats</i>	75
Table 3.12:	Important/major changes in tax handles of <i>Panchayats</i> in State Pre and Post-GST	92
Table 3.13:	Revenue of <i>Panchayats</i> (Average of 2012-13 to 2017-18) of ten select states	104
Table 3.14:	Expenditure by <i>Panchayats</i> (Average of 2012-13 to 2017-18) of ten select states	105
Table 3.15:	Status of <i>Gram Sabha</i> in <i>Panchayats</i> of select States	107
Table 3.16:	Status of <i>Gram Panchayat</i> Development Plans (GPDPs) prepared in States	108
Table 3.17:	Transparency and Anti-Corruption in <i>Panchayats</i> of select States	110
Table 3.18:	Availability of Physical Infrastructure among three tiers of <i>Panchayats</i> in ten select States	113
Table 3.19:	States wise Funds released under RGPSA/CB-PSA/RGSA schemes	115
Table 3.20:	Number of Trained Elected Representatives, <i>Panchayat</i> Functionaries and other Stake holders in State	116
Table 3.21:	<i>Panchayat Enterprise Suite</i> (PES) Applications in Select States	118
Table 3.22:	State-wise Adoption status for Application – PRIA Soft	119
Table 3.23:	State-wise Adoption Status for Application –National Asset Directory	119
Table 3.24:	State-wise Adoption Status for Application – ActionSoft	120
Table 3.25:	State-wise Adoption Status for Application –National Asset	120
Table 3.26:	State-wise Adoption Status for Application – Area Profiler	121



Table 1:	Numbers of <i>Panchayats</i> in each State/UT as on 1 <sup>st</sup> November 2019	122
Table 2:	Resource Gap for <i>Panchayats</i> (Average of 2012-13 to 2017-18) of ten select states	125
Table 3:	Expenditure by <i>Panchayats</i> (Average of 2012-13 to 2017-18) of ten select states	137
Exhibit 3.1:	Classifications of Functions Listed in Eleventh Schedule	45
Annex A:	<i>Panchayat</i> Devolution Survey Questionnaire-2018-19	158



## CHAPTER 1

### Introduction<sup>1</sup>

#### 1.1 Background

Like many other federations, local governments in India are supposedly responsible for rendering essential services, including sanitation, drinking water, primary health, street lighting and roads. They are also empowered to collect certain tax and non-tax revenues. However, in most cases, considerable gap between own resources and requirements can easily be seen. The gap is more noticeable in the case of rural local governments (*Panchayats*) than their counterparts in urban areas due to their narrow resources base. Both these local governments largely depend upon the financial support from their respective State Governments.

With the passage of the 73rd Constitution Amendment Act (CAA) *Panchayats* got recognition in the statute book as institutions of self-government in India. This accelerated the process of decentralization with greater devolution and delegation of powers to rural local governments. Consequently, Part IX has been inserted in the Constitution (73rd Amendment) Act, 1991 w.e.f. 24 April 1993 for *Panchayats* and Part IXA was inserted by the Constitution (74th Amendment) Act, 1992 w.e.f. 1 June 1993 for municipalities<sup>2</sup>. The State legislature has been made responsible to assign responsibilities to *Panchayats* in the matters listed in the Eleventh Schedule to the Constitution.

Under the CAA, the state legislature is expected to devolve responsibilities, powers and authorities to the *Panchayats* to enable them to function as institutions of self-government. The legislature of a State may authorize the *Panchayats* to levy, collect and appropriate certain taxes, duties, tolls, fees, etc, and also assign to them the revenues of certain state level taxes subject to such conditions as are imposed by the state government. Further, grants-in-aid may also be provided to the *Panchayats*. Resulting from the CAA, the number of *Panchayats* in India stands at 2, 60,623 of which 2, 53,380 are village *Panchayats*, 6,613 are intermediate *Panchayats*, and 630 are district *Panchayats*. (Please see Table 1.1).

<sup>1</sup> The section is drawn upon Alok (2013).

<sup>2</sup> Earlier, in the original text, Part IX with Article 243 dealing with territories in Part D of the First Schedule was repealed by the Seventh Amendment 1956 for reorganization of the States. That is the reason all articles in Part IX and Part IXA are numbered with 243.

Table 1.1: Numbers of Panchayats in each States as on 1<sup>st</sup> November 2019

Sl. No.	State/UT	Levels of Panchayats (Numbers)				Rural Population per VP
		District <sup>3</sup>	Block <sup>2</sup>	Village <sup>1</sup>	Total	
1	Andhra Pradesh	13	660	13042	13715	2824
2	Arunachal Pradesh	23	177	1785	1985	695
3	Assam	26	191	2199	2416	13472
4	Bihar	38	534	8386	8958	11857
5	Chhattisgarh	27	146	10978	11151	1804
6	Goa	2	n.a.	191	193	3827
7	Gujarat	33	248	14292	14573	2588
8	Haryana	21	126	6197	6344	2986
9	Himachal Pradesh	12	78	3226	3316	2100
10	Jammu & Kashmir	22	306	4482	4810	2259
11	Jharkhand	24	263	4370	4657	6255
12	Karnataka	30	176	6021	6227	6563
13	Kerala	14	152	941	1107	49385
14	Madhya Pradesh	51	313	22817	23181	2311
15	Maharashtra	34	351	27869	27869	2272
16	Manipur	6	-na-	161	167	14668
17	Meghalaya(d)	-na-	-na-	-na-	0	-na-
18	Mizoram(d)	-na-	-na-	-na-	0	-na-
19	Nagaland(d)	-na-	-na-	-na-	0	-na-
20	Odisha	30	314	6798	7142	5264
21	Punjab	22	147	13271	13440	1335
22	Rajasthan	33	295	9892	10220	5127
23	Sikkim	4	-na-	185	189	2672
24	Tamilnadu	31	385	12523	12939	3159
25	Telangana	9	438	13057	13504	1726
26	Tripura	8	35	591	634	7600
27	Uttar Pradesh	75	822	58791	59688	2847
28	Uttarakhand	13	95	7762	7870	927
29	West Bengal	22	342	3340	3704	22498
<b>Union Territories</b>						
1	Andaman & Nicobar	3	9	70	82	3784
2	Chandigarh	-na-	-na-	n.a.	0	-na-
3	Dadra & Nagar Haveli	1	n.a.	20	21	-na-
4	Daman & Diu	2	n.a.	15	17	-na-
5	NCT of Delhi(e)	n.a.	n.a.	n.a.	0	-na-
6	Lakshadweep	1	n.a.	10	11	-na-
7	Puducherry	n.a.	10	98	108	4470
	<b>India</b>	<b>630</b>	<b>6613</b>	<b>253380</b>	<b>260623</b>	<b>3624</b>

Note: 1. VPs-Village Panchayats or Gram Panchayats in almost all States.

2. The nomenclature of intermediate rung differs from one State to another. It is known as Mandal Parishad in Andhra Pradesh, Anchal Samiti in Arunachal Pradesh, Anchalic Panchayat in Assam, Janpad Panchayat in Chhattisgarh and Madhya Pradesh, Taluka Panchayat in Gujarat, Taluk Panchayat in Karnataka,

*Panchayat Union in Tamilnadu, Kshetra Panchayat in Uttar Pradesh and Uttarakhand and Panchayat Samiti in many States i.e. Bihar, Haryana, Himachal Pradesh, Jharkhand, Maharashtra, Orissa, Punjab and Rajasthan.*

3. *It is also known as Zilla Panchayat/Parishad in many States.*

*d The State is outside the purview of Part IX of the Constitution under its Article 243 M.*

*e Panchayat has yet to be revived*

This accelerated the process of decentralization with greater devolution and delegation of powers to local governments and the recognition of *Panchayats* in the book of statute as institutions of self-government.

Notwithstanding, local governments both *Panchayats* and Municipalities, are not completely autonomous of the state, like they used to be once upon a time in recorded history—for which they have been praised by the scholars and thinkers. The present *Panchayats* are part of state governance structure. A fresh lease of life is breathed into them by the respective states, of course under the general direction in the Constitution. They are actually organised under the Dillon's principle, enunciated in late nineteenth century, which holds that local governments are derivative of the state. They are created by the state and they can be decimated by it. It is true that the march of history cannot be reversed easily, yet we cannot turn a blind eye to the fact that the whole structure has been evolved by the state. The local governments in India carry out the functions and responsibilities assigned to them with devolution of power and authority for the purpose. The same was the case before 73rd and 74th Amendments. The difference is that states have now constitutional obligation to keep them alive and not to relegate them to abeyance for indefinite period. Yet, it is for the states to create an enabling environment in which they can function like self-governing units.

The Constitution of India has clearly demarcated legislative areas between the Union and the states. It is within the provision of state list of the Schedule VII, under Article 246 (3) x', that local governments have to function. Despite Constitutional status being accorded to *Panchayats*, it is the state legislature which empowers *Panchayats* in any real sense. It is under the Conformity Acts<sup>3</sup> of the states that *Panchayats* are governed in the respective states and in turn they govern public affairs in their jurisdictions.

---

<sup>3</sup>The 73<sup>rd</sup> Constitutional Amendment Act is the Union Act to establish the third tier of governments and the conformity Acts are state legislations.

Under the Constitution Amendment Act (CAA), the state legislature is supposed to devolve responsibilities, powers and authorities to *Panchayats* to enable them to function as institutions of self-government. The legislature of a State may authorize the *Panchayats* to levy, collect and appropriate certain taxes, duties, tolls and fees, etc, and also assign to them the revenues of certain state level taxes subject to such conditions as are imposed by the State government. Further, grants-in-aid may also be provided to these bodies.

New fiscal arrangements necessitates every state under Article 243 I to constitute, at a regular interval of five years, a State Finance Commission (SFC), and assign it the task of reviewing the financial position of *Panchayats* and making recommendations on the sharing and assignment of various taxes, duties, tolls, fees, etc and grants-in-aid to be given to the *Panchayats* from the consolidated fund of the state. The Conformity Acts of the CAA are required to provide for the composition of the commission, the qualifications for its members and the manner of their selection. Every recommendation of the commission is to be laid before the legislature of the respective state.

It is 27 years now since Part IX was incorporated into the Constitution. During the last two and half plus decades, one could find enough reasons to cheer. Conformity Acts have been enacted in all the states. Regular elections for *Panchayats* have been conducted in all states<sup>4</sup>. All states have constituted State Finance Commission. Many states have constituted even their fifth generation SFC (see Table 1.2). Notwithstanding these positive developments, *Panchayats* in almost all states continue to be starved of finances causing major impediment in their growth and effective functioning. Seen with the expanding role and responsibilities of the *Panchayats*, the problem is getting compounded with the growing effectiveness of the CAA.

---

<sup>4</sup>Jammu and Kashmir is the last state to conduct its first election for *panchayats*.

**Table 1.2: Constitutions of State Finance Commissions- An Status**

5th SFC	4th SFC	3rd SFC	2nd SFC	1st SFC
Assam, Bihar, Haryana, Himachal Pradesh, Kerala, Madhya Pradesh, Maharashtra, Odisha, Punjab, Rajasthan, Sikkim, Tamil Nadu, Uttar Pradesh	Andhra Pradesh, Karnataka, Tripura, Uttarakhand, West Bengal	Chhattisgarh, Goa, Gujarat, Manipur	Arunachal Pradesh, Jharkhand, Nagaland	Jammu & Kashmir, Mizoram, Telangana

Source: Author's computation

Generally, the functional responsibilities are closely linked with the financial powers delegated to the local government, however, in practice there is a mismatch between the two, leading to a severe fiscal stress at the local level. Sufficient *Panchayats*' own revenues are not enough even to meet their O&M requirements; therefore, they are dependent on the higher tiers of government to finance their activities. The role of SFCs in this context becomes critical in examining not only the revenue sharing arrangements between the state governments and their *Panchayats*, but also the entire range of subjects concerning assignment of taxes, transfers of power and such other subjects for improving the financial health of the *Panchayats*.

Several schemes have since started assigning a range of responsibilities to the *Panchayats* and depend upon them for grassroots implementations. In addition, there are several important flagship programmes of the Union, which aim at provisioning basic essential services across the country through the *Panchayats*. Institutional mechanism is expected to provide centrality to the *Panchayats* in their planning and implementation.

It is pertinent to mention here that substantial funds are being transferred to the *Panchayats* through the centrally sponsored schemes (CSSs) and additional Central assistances (ACAs). For long, these CSS transfers were administered and utilized mainly by line departments. In recent years, the *Panchayats* are being increasingly recognized as implementing institutions for the Plan schemes of line ministries. The most important among these is the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA), where the *Panchayats* at the district, intermediate and village levels have been given specific roles and responsibilities as principal authorities for planning and implementation and 50 per cent of the

works in terms of funds are to be executed through *Panchayats*. For other works also they have been entrusted with some responsibilities.

Against this backdrop, the NITI Aayog entrusted a study on ‘Measures to Augment the Resources of the PRIs’ to the Indian Institute of Public Administration vide letter of approval No. O-15012/22/18- Research dated 14 August 2018 from Governance and Research Vertical of which the first installment was sanctioned vide sanction Order No. 14 dated 31 August 2018. The subsequent section deals with objectives, methodology and scope of study.

A preliminary report was submitted on 14 December 2018. We received comments from the NITI Aayog (SC&DP) vide letter No. O-15012/22/18 – Research dated 14 January 2019. Based on those comments, the report was revised, and submitted on 21 January 2019. A questionnaire was also submitted on 20 March 2019 for the approval of the NITI Aayog. We received comments/observations on the questionnaire on 1 May 2019. Accordingly, the questionnaire was curtailed and modified with lesser number of indicators. The same was submitted to NITI Aayog on 13 May 2019 for approval. The questionnaire was examined in the NITI Aayog and final approval was received on 1 July 2019 containing 18 parameters and ten States. Eight parameters proposed in our questionnaire had not been approved by the NITI Aayog. The details of the approved parameters and states are given below in this chapter. Draft letters for ten states with questionnaire were submitted to NITI Aayog on 18 July 2019 so that information from States could be elicited. Finally, the NITI Aayog elicited information from ten states vide letter dated 29 July 2019. It was followed up by the Director, IIPA vide his letter dated 6 August 2019 to Chief Secretary and Principal Secretary/Secretary in-charge of *Panchayati Raj* in ten States. This has been followed up through written reminders and phone calls.

## **1.2 Objectives**

The study intends to examine the following:

1. Power devolved to PRIs by the States including the power for own revenue generation;
2. The existing scope and mechanisms with the PRIs for augmenting resources /revenue generation;

3. The status of devolution to *Panchayati Raj* Institutions;
4. Plans/ mechanisms at village and *Panchayat* level for utilization of available resources across various programmes; and
5. To find the issues and suggest measures thereof.

### **1.3 Research Methodology**

The study proposes a robust methodology to undertake qualitative assessment of the *Panchayats*, their performances under the current regulatory environment by States and the factors that affect their performance. The methodology would encompass a democratic process of seeking inputs through discussions, & consultations involving stake holders and field work.

The Orissa methodology for the study is based on the ToRs of the study under reference and previous studies on *Panchayat* devolution conducted by the IIPA. The questionnaire has been developed based on the comments from NITI Aayog. The comments and feedbacks on previous works received from the state governments and academics were handy in developing the questionnaire. The process was taken forward through continuous consultations with States and the NITI Aayog along with the review of the government reports on various issues, review of other national and international literature on decentralization and local governance. Related State Acts, manuals, state reports, government orders etc. were also sought to make better judgments. This process culminated in the form of a structured questionnaire with few open ended questions. The same is presented in the present report.

#### **1.3.1 Approach**

The proposed approach for this study is to assess the status of devolution of finances (including the power for own revenue generations by *Panchayats*), functions, and functionaries to *Panchayats* in the spirit of Article 243G. The assessment has been done first at the level of States with reference to the themes specified in scope of the study. Then an overall thematic synthesis has been done to arrive at the status of devolution in ten states. The thrust has been on highlighting practices related to augmenting own resources/revenue generation by various rungs

of *Panchayats*, identifying gaps in the process of financial devolution, analyzing reasons thereof and providing practical recommendations to address these gaps.

### 1.3.2 Selection of Data (Primary and Secondary)

The data and information were, therefore, required from the state level. The data collected from local level intend to ensure accuracy of the information collected from various official sources of the states. This involves the following steps for analyzing quantitative information:

- i. Questionnaire
- ii. During the course of the study, the questionnaire has been redrafted based on the responses received from NITI Aayog.
- iii. Collection of data from States

The following ten States were requested vide letter from NITI Aayog dated 29 July 2019 to provide information as per the questionnaire presented in the report.

1. Andhra Pradesh
2. Bihar
3. Gujarat
4. Karnataka
5. Madhya Pradesh
6. Maharashtra
7. Odisha
8. Tamil Nadu
9. Uttar Pradesh
10. West Bengal

The following is the chart of samples of District *Panchayats*, Intermediate *Panchayats* and *Village Panchayats* for the study.

**Table 1.3: List of Selected Districts, Blocks and Gram Panchayats for Field visits**

Sl. No	States	District Panchayats	Intermediate Panchayats	Village Panchayats
1.	<b>Andhra Pradesh</b>	1. West Godavari 2. Vizianagram	1. Eluru 2. Gantyada	1. Jalipudi, 2. Kotarubelli
2.	<b>Bihar</b>	1. Patna 2. Bhojpur	1. Danapur 2. Badahara	1. Jamsaut, Jamaludin Chak 2. Saraiyan, Barahara
3.	<b>Gujarat</b>	1. Ahmedabad 2. Kheda	1. Daskroi 2. Nadiad	1. Bhat ,Vahelal 2. Yoginagar, Piplag
4.	<b>Karnataka</b>	1. Bangalore Rural 2. Ramanagara		1. Aralu Vallige 2. Bashettyhalli
5.	<b>Madhya Pradesh</b>	1. Bhopal 2. Sehore	1. Phandajanpad	1. Etkheri Sadak 2. Mehetwara
6.	<b>Maharashtra</b>	1. Raigad 2. Thane	1. Pen 2. Rampur	1. Savessai 2. Tarankshop
7.	<b>Odisha</b>	1. Khurda 2. Puri	1. Bhubaneswar	1. Kalarahanga 2. Chandanpur
8.	<b>Tamil Nadu</b>	1. Veeraganellur 2. Kancheepuram	1. Tiruttani 2. Walajabad	1. Agoor 2. Uthukkadu
9.	<b>Uttar Pradesh</b>	1. Ghaziabad 2. Lucknow	1. Loni 2. Lucknow ZP	1. Jawli 2. Dilwasi
10	<b>West Bengal</b>	1. Barasat, 2. 24 Parganas (N)	1. Rajarhat	1. Kadamagachi 2. Kamrabad

### 1.3.3 Desk review: Verification and Qualitative Aspects through Survey

Data of states have been collected/ verified from various official documents such as SFC reports, annual reports, finance accounts, audit reports, State Acts etc. The information provided by States have been verified/collected on the basis of ground verification through sample surveys. Many States including Gujarat, Karnataka, Odisha and West Bengal responded adequately for the request of data made by NITI Aayog and IIPA.

The common research tools are used to elicit information, analyze data to arrive at the desired results of the study under reference.

#### 1.4 The Parameters

In the study, the following parameters have been looked upon.

1. Basic Details of *Panchayats* including Constitutional Provisions
2. Constitution and Functioning of District Planning Committee
3. Role of *Panchayats* in Parallel Bodies
4. Autonomy to *Panchayats*
5. Functions Assigned and actual involvement
6. Involvement in Important Schemes
7. 14<sup>th</sup> FC Grants (basic grants and performance grants)
8. State Finance Committee (SFC)
9. Money transferred on account of SFC
10. Empowerment of *Panchayats* to impose/collect revenue
11. GST implication
12. Expenditure
13. *Gram Sabha*
14. *Gram Panchayat* Development Plan
15. Transparency & Anti-Corruption
16. Infrastructure (Physical and Digital)
17. Training Institutions/Activities
18. E-Connectivity ICT measures.

## CHAPTER 2

### Fiscal Decentralization to *Panchayats*

#### 2.1 Decentralization

The theory of State pre-eminence over local governments was pronounced by John Forrest Dillon in a judgment in Iowa Supreme Court as early as 1868 that, to quote, *Municipal corporations owe their origin to, and derive their power and rights wholly from, the legislature. It breathes into them the breath of life; without which they cannot exist. As it creates, so it may destroy. If it may destroy, it may abridge and control.*

Dillon's rule contrasts the powers of states, which are unlimited but for restrictions imposed by the constitution, local governments have only those powers which have expressly been granted to them by their state. This strong opinion did not go unchallenged. Thomas Cooley did not agree with Dillon and in a judgment in Michigan Supreme Court in 1871 argued that 'local government is matter of absolute right' (of the people) and 'State cannot take it away'.

But the fact of the matter is that local governments are being established and treated according to Dillon's principle. Much we may talk of Gandhi and ancient *Panchayats* in India our local governments, *Panchayats* and municipalities, continue to derive not only their powers but also functions from their respective States.

More recently, economists have begun to see devolution as a way of tightening the political agency between constituents and incumbents to enhance the mechanisms of the so-called 'political agency'. It is different from formal (or legal) federalism, in that the former is a constitutional decision whilst the latter is the result of the political bargaining that takes place both before and after the constitution of a country is determined (Joan Costa Font, 2010).

Appleby (1962), made the distinction between the two phrases, i.e. 'decentralized democracy' and 'democratic decentralization'. Peter R. de Souza (1999, 2000) also made this distinction and clarified that the former is concerned with democratic practices that exist at the base whereas the latter denotes democratic practices which promote the base.

## **2.2 Decentralization: Global and Regional Trend**

Suri (2005) studied the trend of decentralization in recent years and suggested that there has been a tremendous revival of interest in decentralised government in both developed and developing countries around the globe. This was partly motivated by the new paradigms of governance, democracy and development that came to dominate much social science research in the wake of the collapse of the socialist and welfare states in Europe (Suri 2005). According to World Bank estimate in 1998, all but 12 of the 75 developing and transitional countries with populations greater than 5 million had embarked on a process of political devolution. Dellinger in 1995 conducted a survey showed that all but 12 of 75 developing countries studied had commenced decentralization (Dellinger 1994).

Bahl (1999) and Bird (1991) studied the importance of decentralization in people participation, improving service delivery and increase in the revenue mobilization. The reasons put forward for this increasing attention on decentralisation are varied. United Nations' Forum suggested "the emphasis which has been placed upon the strengthening of local level government is undoubtedly a reaction to years of frustrating experience with highly centralized national government (UN 1996). The World Bank argues that decentralisation is a means to an end, often imposed by political stability and is in response to demands for increased self-government (World Bank 2000). In contrast, arguments against decentralisation have focused on the reduced ability of central governments to implement macro-economic stabilization programs; efficiency losses due to the poor capacity of local governments to undertake the functions assigned to them; and the potential for increased corruption (Prudhomme 1995, Tanzi 1996, 2001).

## **2.3 Forms of Decentralization**

It is essential to define decentralisation before proceeding with discussion on different forms and its merits and demerits. Writers on the subjects and major international donors have defined the term differently. In fact, different authors working on decentralisation are taking about a broadly similar idea, but they use different labels in quite different ways, which do result in different interpretations of the conclusions drawn from the empirical studies (Sharma

2006). Given the varied terms used in defining. The decentralisation, Bird observed, "Decentralisation seems often to mean whatever the person using the terms wants it to mean (Bird 1993). Similarly, authors like Ostrom, Schroeder and Wynne also emphasize that a precise meaning for decentralisation does not exist (Ostrom, Schroeder & Wynne 1993).

Thus, different schools of thought understand decentralisation in different perspectives. Jean-Paul Faguet defines decentralization as the devolution by Central (i.e. national) government of specific functions, with all of the administrative, political and economic attributes that these entail, to democratic local (i.e. municipal) government which are independent of the centre within a legally delimited geographic and functional domain (Faguet 2005). According to Crook and Manor decentralisation is a general term for "transfer of powers and resources from higher to lower levels in a political system" (Crook and Manor 2000).

Burki et al define the decentralisation" as the extent to which power is held by autonomous elected sub national government capable of taking binding decisions on at least some policy areas (Burki et al 1999). 'Decentralisation' according to Rondinelli et al, 'is a transfer of responsibilities for planning, management, and resource raising and allocation from central government and its agencies to: (a) field units of central government ministers or agencies; (b) sub-ordinate units or levels of government; (c) semi-autonomous public authorities or co-operation; (d) area circle, regional or functional authorities, or (e) non-governmental private or voluntary organisations' (Rondinelli et al 1984). As there is no consensus in the definition of decentralisation, there is also no consensus among the scholars on different forms of decentralisation.

Rondinelli and Cheema (1983) have identified four different forms of decentralization-deconcentration, delegation, devolution and privatization. Deconcentration involves the redistribution of administrative responsibilities only within the central government. This does not involve any transfer of authority to lower levels of governments. Delegation is the transfer of service responsibility from central government agencies to specialized organisation with some degree of operating autonomy. Devolution is a situation where central government transfers authority to semi-autonomous local government bodies for decision-making,

resourcing, administration and delivery. Privatization is the transfer of responsibilities to non-governmental organisation (NGOs) or private enterprises independent of government.

Richard Scott-Herridge (2002) have identified three forms of decentralisation viz., deconcentration, delegation and devolution. He considers deconcentration as a weakest form of decentralisation and devolution as a strong and more radical form of decentralisation. Decentralisation, to Crook and Manor (2000), has three forms: deconcentration or administrative decentralisation, fiscal decentralisation and devolution or democratic decentralisation. Uphoff (1986) has categorized decentralisation into two forms: deconcentration and devolution. Delegation, he thinks is an additional mode of deconcentration. Besides, he further formulated three other forms of decentralisation which he described to be the "less conventional modes of devolution." These include; intermediation, philanthropization and marketization.

Smith (1985) however viewed the forms of decentralisation from different perspective. He classified decentralisation into two dimensions: territorial and functional. By the former he meant deconcentration and devolving government authority from the center to the local level. The latter includes delegation and privatization. Parker (1995) also classified decentralisation into three types: deconcentration, delegation and devolution. It thus becomes clear from the above definition and different forms, that the concept of decentralisation is broad and covers many different phenomena.

## 2.4 Genesis

Before the advent of the British rule in India, there was no advanced tradition of local self-government in the modern sense. However, a rudimentary local government system did exist in the rural areas. This was a system of village *Panchayat* (literally council of five) which performed administrative, judicial and sometimes developmental functions (Majumdar 1960, Basham 1954). In ancient India, *Panchayats* were usually elected councils with executive and judicial power (Malaviya 1956).

However, in term of representation, the *Panchayat* was only rarely representative of the village as a whole, often representing the founding-families, upper caste and large farmers

(Siddique 1992, Drummand 1931, Sand 1976). Within the feudal set-up they were functioning as instruments of domination by upper castes. Decentralisation of power was thus limited to the remote past when there was little social differentiation in the village and in the recent past to areas where the heterogeneity in social structure was weakly developed (Pathy 1980).

In *Discovery of India*, Pandit Nehru provided a fairly exhaustive idea about the working of the village *Panchayat* in ancient India. *Panchayats* had vast powers, both executive and judicial. Its members were treated with great respect by the King's courtiers and the public. Land was allotted by the *Panchayats*. They also collected taxes out of agricultural produce and paid the share of the village to the Kings (Nehru, 1964).

Kautilya's *Arthashastra*, stress on the importance of village in the governance of the country. He advised the King to constitute the units of village having 100-500 families. There could be centres of 10 villages, 200 villages, 400 villages and 800 villages. These centres would be respectively known as 'Sangrahan', 'Karvatik', 'Drona Mukh' and 'Sthaneeya' (Josh & Narwani 2002).

## 2.5 Dimensions of Devolution

Devolution is a multi-dimensional approach that organises governance and manages state power along multiple lines. It defines, distributes and constrains the use of state power along multiple lines by combining both vertical and horizontal dimensions. In essence, devolution is founded upon the concept of decentralisation and devolution of power (Javas Bigambo, 2012).

The *raison de etre* for federalism and decentralisation lies in the fact of diversity and plurality of cultures, tastes and preferences on the one hand and geography, topography and resources on the other. Yet there are reasons, history apart, that people choose to be governed by one political dispensation as distinguished from others.

Some scholars working in the area of devolution have often considered political, fiscal and administrative matters (Kearney, 1999); whereas, others have thought it fit to consider funds, functions and enabling institutions. Then there are scholars to suggest dimensions of

political, functional and financial devolutions in Indian context (Chaudhuri, 2007). Within the political dimension, Chaudhuri (2007) points to the issues of voice, autonomy and accountability and discusses representation of weaker sections, regularity of elections, etc.

Chaudhuri (2007) rates Indian States on political devolution, functional devolution and financial devolution. He accorded positive and negative marks for their achievements in various sub-dimensions within these dimensions. Four indicators included in political devolution were: regular elections, women's representations, Dalit/Adivasi representation and political autonomy. Within functional autonomy were included: transfer of functions, transfer of functionaries, district planning committee and expenditure autonomy. Within financial devolution were considered: transfer of funds, flow of funds and share of funds. The scores across States varied from (-) 10 for Bihar to (+) 8 for Kerala while indicators received score in integers.

World Bank (2000) tried to assess the status of rural decentralisation in seven selected States of India in which three dimensions of devolution, viz., political, administrative and fiscal were considered. There were 17 broad indicators and 34 specific indicators. The Eleventh Finance Commission also used an index of decentralisation, based on 10 parameters, as a criterion with 20 per cent weight for devolving its grants to states for onward transfer to *Panchayats*.

A Working Group constituted by the Government of India (2001) has compiled information in terms of number of items from Schedule XI transferred on functions, functionaries and funds along with the status of District Planning Committee. They have put emphasis on the aspects of regularity and conditionality in the devolution of powers and funds.

John and Chatukulum (2003) made an attempt to measure the level of attempt of decentralisation made in Kerala by six indicators through around 20 variables. The indicators they considered were: scope, intensity, commitment, and demand for decentralisation, effects in society and theory-practice congruity. Based on qualitative assessment and knowledge of experts they rate Kerala at 2.0 out of a maximum of 4.0. One may note that some are demand side factors and others are supply side ones. Still others look from the perspective of local

autonomy. Wolman (1990) and Wolman et al (2008) summarised the arguments for local autonomy as resting upon values of economic efficiency, political responsiveness and accountability, policy diversity and consequent innovation and learning opportunities. From the citizens' viewpoint, they indicate a political participation, civic education and leadership development.

For the sake of operationalising and measuring local autonomy, Wolman et al (2008) have considered three dimensions viz., local government importance, local government discretion, and local government capacity. For determining the level of local government importance, they have considered five variables—two within fiscal, one within economic and two related with personnel, detailing the extent to which local governments share the space of the State of which they are derivative organ. For determining the level of second dimensions (discretion) as many as eleven variables are considered. Some of them are structural home rule, functional home rule, range of municipal authority for handling key governmental services (public health, public works, public school management), legal limits on fiscal activities of local governments (property assessment limits, property tax limits, revenue/expenditure limits, state imposition on debt limits). For the third dimension of local government capacity, the factors taken into account were personnel capacity (per thousand citizens), revenue stability (proxy through measures of revenue diversity).

## **2.6 Finances**

The intermediate and district *Panchayats* are endowed with powers to collect very few taxes, whereas village *Panchayats* are given substantial taxing powers. In a number of cases, under the tax rental arrangement, the village *Panchayats* collect taxes and pass them on to the higher level of *Panchayats* (Jha 2004).

Property tax, cess on land revenue, surcharge on additional stamp duty, tolls, tax on professions, tax on advertisements, non-motor vehicle tax, octroi, user charges, and the like contribute the maximum to the small kitty of own-source revenue, which contributes only 6 to 7 per cent of the total expenditure of *Panchayats* (Alok 2006).

## 2.7 Functionaries

Another challenge before the state government has been the allocation of activities to the appropriate tier of the *Panchayat* system. Traditionally, the lowest-level *Panchayat*—the village *Panchayat*—has been the most active in almost all states. Generally, the village *Panchayats* carry out major functions, including core functions, whereas intermediate and district *Panchayats* in most states are “allotted supervisory functions or act mainly as executing agents for the state government” (Jha 2004, 3).

Mukharji and Datta, 1996 studied the deputation of state government officials to assist elected authorities of *Panchayats*, creation of positions at *Panchayats* and appointment through state-wide local government board.

Bratton and Rothchild 1992 associate good governance primarily with capacity building and the exercise of political power needed for efficient and effective management of concrete national programmes, whether the political system is democratic or not.

## CHAPTER 3

### Scope of the Study-Parameters

The study on 'measures to augment the resources of Panchayats' attempts to assess the status of devolution of finances (including the power for own revenue generations by *Panchayats*), functions, and functionaries to *Panchayats* as per the provisions contained in 73<sup>rd</sup> Constitutional Amendment Act Part IX of the Constitution. The assessment has been carried out at the level of States with reference to the terms specified in the scope of the study. The thrust has been on augmenting own resources/revenue generation by various rungs of *Panchayats*, identifying gaps in the process of financial devolution.

Hence the study assesses the enabling environment created by States for the *Panchayats* to function under. This study has analyzed the extent to which ten select states have devolved their powers and resources to *Panchayats* mandated to promote economic development and social justice in their respective jurisdictions. The study has focused on 18 parameters i.e, Basic details of *Panchayats*, Constitution and Functioning of District Planning Committee, Role of *Panchayats* in Parallel Bodies, Autonomy to *Panchayats*, Functions Assigned to *Panchayats* and Actual Involvement, *Panchayats* involvement in important schemes, Fourteenth Finance Commission Grants (basic grants and performance grants), Status of State Finance Commissions (SFCs), Money Transferred on account of SFCs to *Panchayats*, Empowerment of *Panchayats* to impose/collect revenue, GST Implications in *Panchayats*, Expenditure, Role of *Gram Sabha*, Number of Plans prepared under *Gram Panchayat* Development Plan, Transparency and Anti-Corruption, Infrastructure (Physical and Digital), Training Institutions/Activities and E-Connectivity & ICT Measures. The findings against each parameter are outline below:-

### 3.1 Basic Details of *Panchayats* Including Constitutional Provisions

The *Panchayats* in India carry out the functions and responsibilities assigned to them with devolution of power and authority for the purpose. With the passage of the 73rd Constitution Amendment Act (CAA) *Panchayats* got recognition in the statute book as institutions of self-government in India. This accelerated the process of decentralization with greater devolution and delegation of powers to rural local governments. Consequently, Part IX has been inserted in the Constitution (73rd Amendment) Act, 1991 w.e.f. 24 April 1993 for *Panchayats*.

Notwithstanding, local governments both *Panchayats* and municipalities, are not completely autonomous of the state, like they used to be once upon a time in recorded history—for which they have been praised by the scholars and thinkers. The present *Panchayats* are part of state governance structure. A fresh lease of life is breathed into them by the respective states, of course under the general direction in the Constitution. They are actually organized under the Dillon's principle, enunciated in late nineteenth century, which holds that local governments are derivative of the state. They are created by the state and they can be decimated by it. It is true that the march of history cannot be reversed easily, yet we cannot turn a blind eye to the fact that the whole structure has been evolved by the state. The local governments in India carry out the functions and responsibilities assigned to them with devolution of power and authority for the purpose. The same was the case before 73rd and 74th Amendments. The difference is that states have now constitutional obligation to keep them alive and not to relegate them to abeyance for indefinite period. Yet, it is for the states to create an enabling environment in which they can function like self-governing units.

The Constitution of India has clearly demarcated legislative areas between the Union and the states. It is within the province of state list of the Schedule VII, under Article 246, that local governments have to function. Despite Constitutional status being accorded to *Panchayats*, it is the state legislature which empowers *Panchayats* in any real sense. It is under

the Conformity Acts<sup>5</sup> of the states that *Panchayats* are governed in the respective states and in turn they govern public affairs in their jurisdictions.

Under the Constitution Amendment Act (CAA), the state legislature is supposed to devolve responsibilities, powers and authorities to *Panchayats* to enable them to function as institutions of self-government. The legislature of a State may authorize the *Panchayats* to levy, collect and appropriate certain taxes, duties, tolls and fees, etc., and also assign to them the revenues of certain state level taxes subject to such conditions as are imposed by the state government. Further, grants-in-aid may also be provided to these bodies.

New fiscal arrangements necessitates every state under Article 243 I to constitute, at a regular interval of five years, a State Finance Commission (SFC), and assign it the task of reviewing the financial position of *Panchayats* and making recommendations on the sharing and assignment of various taxes, duties, tolls, fees, etc. and grants-in-aid to be given to the panchayats from the consolidated fund of the state. The Conformity Acts of the CAA are required to provide for the composition of the commission, the qualifications for its members and the manner of their selection. Every recommendation of the commission is to be laid before the legislature of the respective state.

It is 27 years now since Part IX was incorporated into the Constitution. Since the establishment of *Panchayats*, one could find enough reasons to cheer. Conformity Acts have been enacted in all the states. Regular elections for *Panchayats* have been conducted in all ten select states. All select states have constituted State Finance Commission. Among ten select states, six states namely Bihar, Madhya Pradesh, Maharashtra, Odisha, Tamil Nadu and Uttar Pradesh have constituted their 5th State Finance Commission, and three states namely Andhra Pradesh, Karnataka and West Bengal have constituted their 4th State Finance Commission. The last one that is Gujarat among the ten select states has constituted its 3<sup>rd</sup> State Finance Commission till date.

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<sup>5</sup>The 73<sup>rd</sup> Constitutional Amendment Act is the Union Act to establish the third tier of governments and the conformity Acts are state legislations.

Generally, the functional responsibilities are closely linked with the financial powers delegated to the local government, however, in practice there is a mismatch between the two, leading to a severe fiscal stress at the local level. Sufficient *Panchayats*' own revenues are not enough even to meet their O&M requirements; therefore they are dependent on the higher tiers of government to finance their activities. The role of SFCs in this context becomes critical in examining not only the revenue sharing arrangements between the state governments and their *Panchayats*, but also the entire range of subjects concerning assignment of taxes, transfers of power and such other subjects for improving the financial health of the *Panchayats*.

No doubt the actual performance of the individual *Panchayats* differs and depends upon many other factors; these factors are specific to the state and different level of the *Panchayats*. The enabling environment is also determined by village level factors. To reiterate, the study seeks to measure the 'enabling environment' for the functioning of the *Panchayats* that state governments have been able to create.

### 3.1.1 Constitutional Provisions

With the passage of the 73<sup>rd</sup> Constitution Amendment Act (CAA) *Panchayats* got recognition in the statute book as institutions of self-government in India. This accelerated the process of decentralization with greater devolution and delegation of powers to rural local governments. Consequently, Part IX has been inserted in the Constitution for *Panchayats* and the State legislature has been made responsible to assign responsibilities to *Panchayats* in the matters listed in the Eleventh Schedule to the Constitution. The State is also expected to transfer the concomitant powers to enable the *Panchayats* to carry out the responsibilities conferred upon them.

Article 243A to Article 243O set out mandatory provisions regarding the structure, constitution, composition, election procedures, resource allocation and core functions of *Panchayats*. This includes reservation for elected positions for women, Schedule Castes, Schedule Tribes. The others, in combination, ensures their continued existence and provide safeguards against dissolution or suppressions, assure independent election by State Elections Commissions and direct allocations of resources by independent State Finance Commission-in

all, providing a secure foundation for their existence and functioning, the provisions for reservation for women, SC, ST representatives makes it even more representative of the general population than higher levels of governments have been so far.

The new fiscal arrangement necessitates every State under Article 243(I) to constitute, at regular interval of five years, a finance commission (SFC), and assign it the task of reviewing the financial position of *Panchayats* and making recommendations on the sharing and assignment of various taxes, duties, tolls, fees etc and grants-in-aid to be given to the *Panchayats* bodies from the Consolidated Fund of a State. The conformity Act of the CAA provides for the composition of the commission, the qualifications for its members and the manner of their selection. Every recommendation of the commission together with an explanatory memorandum is to be laid before the legislature of the State.

It is about 27 years since Part IX was incorporated into the Constitution. During the period, one could have found enough reasons to cheer. Conformity Acts have been enacted in all the States. Elections have been conducted in all. Women have been elected as Sarpanchs for rural local governments. All States have constituted their SFCs. Most States have received their fifth generation SFC recommendations.

### **3.1.2 Reservation of Seats**

As per the provision in article 243 D of the Constitution and Conformity Acts in States  
Reservation of seats:

(1) seats shall be reserved for

a) the Scheduled Castes; and

b) the Schedules Tribes

in every *Panchayat* and the number of seats so reserved 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 Schedules Castes and Schedules Tribes) of the total number 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 Chairperson 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, be law, provide.

It is important to note that reservation for women has seen upward movement. As many as 20 states have given 50% reservation to women at the level of *Panchayats*. Among ten select states except Uttar Pradesh all states have given 50% reservation to women in *Panchayat* at all rungs. In Table 3.1 reservations against women, SCs and STs in ten select states can be seen below.

**Table 3.1: Reservations for Women, SCs and STs in *Panchayats***

Sl. No.	States	Percentage of Elected Representatives								
		Women			Scheduled Caste (SCs)			Scheduled Tribe (STs)		
		District	Block	Village	District	Block	Village	District	Block	Village
1.	Andhra Pradesh	50.0	50.0	50.0	18.3	18.3	18.3	8.3	8.3	8.3
2.	Bihar	50.0	50.0	50.0	16.5	16.3	16.3	0.8	0.8	0.8
3.	Gujarat	50.0	50.0	50.0	7.0	7.0	7.0	14.0	14.0	14.0
4.	Karnataka	50.0	50.0	50.0	18.4	18.4	18.6	8.5	9.5	10.8
5.	Madhya Pradesh	50.0	50.0	50.0	15.0	15.0	15.0	26.1	27.8	28.7
6.	Maharashtra	50.0	50.0	50.0	11.0	11.0	11.0	13.0	13.0	15.0
7.	Odisha	50.0	50.0	50.0	16.3	16.3	16.3	22.1	22.1	22.1
8.	Tamil Nadu	50.0	50.0	50.0	23.0	23.0	23.0	1.0	1.0	1.0

9.	Uttar Pradesh	50.0	50.0	50.0	26.0	23.0	24.0	0.0	0.0	0.0
10	West Bengal	50.0	50.0	50.0	41.0	42.0	42.0	23.0	10.0	10.0

Source: State's *Panchayat Act*

### 3.2 Constitution and Functioning of District Planning Committee (DPC)

The DPC plays very important role in the district planning process by consolidating plans prepared at the local level by the villages and towns in the district and then preparing a draft development plan for the district on the basis of the inputs so received from within the district. DPC is crucial to the function of 'planning for economic and social justice', which is a mandated to *Panchayats*. It provides the vital link between rural and urban plans as well as sectoral plans.

In the Constitution, Article 243ZD, on DPC reads as follows:

Article 243 ZD of the Constitution of India envisages constitution of District Planning Committee (DPC) at district level in every state to consolidate the plans prepared by the *Panchayats* and municipalities to be integrated into a draft development plan of district as a whole. The legislature of a State may, by law, make provision, with respect to

- a) The composition of the District Planning Committee
- b) The manner in which the seats in such committee shall be filled:

Provided that not less than 4/5<sup>th</sup> of the total number of members of such Committee shall be elected by, and from amongst, the elected members of the *Panchayats* at the district level and of the Municipalities in the districts in proportion to the ratio between the population of the rural areas and of the urban areas in the districts;

- c) The functions relating to district planning which may be assigned to such Committee;
- d) The manner in which the Chairperson of such committee shall be chosen.

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

- a) Have regard to-

- i) Matters of common interest between *Panchayats* and 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 organizations as the Governor may, by order, specify.

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

The status of DPC in ten select states can be seen below:

**Table 3.2: Constitutions and Functioning of District Planning Committee in Ten Select States**

Sl. No.	State	Legislative Provisions related to DPC	DP Exists	Guideline for Dist. Plan	Functional	Chairman of DPC	Regular Meeting	Number of DPC constituted	No. of DPC submitted Plan
1	Andhra Pradesh	AP DPC Act, 2005	N.A.	Notified	N.A.	Chairperson of DP	Yes	-	-
2	Bihar	Sec. 134 of Bihar PR Act, 1993	N.A.	Notified	Not Active	Adhyaksha of DP	No	38	37
3	Gujarat	N.A	No	Notified	Not Active	Minister-in-charge of the dist.	No	N.A.	N.A.
4	Karnataka	Section 310 of PR Act	No	Notified	Active	President of DP	No	29	29
5	Madhya Pradesh	MP DPC Act, 1995	Yes	Notified	Little Active	Minister in Charge of the	Yes	50	50

						Dist.			
6	Maharashtra	Maharashtra DPC Act, 1998	Yes	Notified	Active	Dist. Guardian Minister, Ex-Officio Chairman of DPC	Yes	35	33+2 Rural + Urban
7	Odisha	Orissa DPC Act, 1998	Yes	Notified	Little Active	A Minister of the State Council of Minister	No	30	30
8	Tamil Nadu	Sec 241 of TN Panchayats Act 1994	Yes	Notified	Little Active	Chairman of DP	Yes	28	28
9	Uttar Pradesh	UP DPC Act, 1999; DPC Rules 2008	No	Notified	Not Active	Minister Nominated by Government	No	75	75
10	West Bengal	Sec 3 of WB DPC Act, 1994	Yes	Notified	Active	President of DP-ex-officio Chairpersons	Yes	17	17

### 3.3 Role of *Panchayats* in Parallel Bodies

The *Panchayat* Act of all the ten select states envisages the functioning of the District *Panchayat*, Intermediate *Panchayat* and *Village Panchayats*. Apart from these three tiers of *Panchayats*, parallel bodies are created at every level of *Panchayats* to discharge certain responsibilities in parallel. While the constitutionally created *Panchayats* are in position, in the same geographical area, to discharge the same set of responsibilities, these bodies create confusion and concurrency in the functioning.

Parallel bodies have a separate system of decision making, resource allocation and execution of projects, which is independent of *Panchayat* bodies. They have been brought to provide professional support, often multi-disciplinary and of supra departmental nature for implementation of a programme. They also facilitate easy and accountable fund management through receiving of funds directly from the State Government. They enable tracking of utilization of funds through implementing agencies, enabling proper account keeping, providing utilization details and meeting other financial management information requirements<sup>6</sup>. Overall they provide a flexible organizational system for quick decision making and easy procurement of goods and services. Examples of parallel bodies are; District Rural Development Agencies (DRDAs), Forest Development Agencies (FDAs), District Watershed Development Societies, the District Health Mission, District Education Mission, District Horticultural Missions and District Project Management Units of Externally-assisted Projects.

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<sup>6</sup> Rural Local Bodies Core Functions and Finances: A Study of Fourteenth Finance Commission, First Report, May 2014, CPR, New Delhi.

Table 3.3: Nature of Control of *Panchayats* on Parallel Bodies

Sl. No	Status/Parallel Bodies	AP	BI R	GUJ	KAR	MAH	MP	ODI	TN	UP	WB
1.	Parallel body merged with the <i>Panchayat</i> Institution	Edu, W, HAS, AC, ITDA	--	W, HAS	DRD A Edu, W, HAS, AC, ITDA	W, HAS	DRD A	E, HAS	--	--	DRD A, W, HAS
2.	Parallel body made an unit of the <i>Panchayat</i> Institution	--	--	Edu, W, HAS	DRD A Edu, W, HAS, AC, ITDA	Edu, W, HAS	--	DRD A, W, HAS, AC, ITDA	DRD A, W, HAS	--	DRD A Edu, W, HAS
3.	Function of parallel body limited to Fund/accounts Management	--	--	DRD A Edu, W, HAS	DRD A Edu, W, HAS, AC, ITDA	--	DRD A Edu, W, HAS, AC, ITDA	DRD A, W, HAS, AC, ITDA	DRD A, W, HAS	--	DRD A, W, HAS
4.	Parallel body is Presided/Chaired by Elected Representatives of the <i>Panchayat</i>	DRDA	--	W, HAS	DRD A Edu, W, HAS, AC, ITDA	DRD A W, HAS	DRD A	DRD A, W, HAS, AC, ITDA	DRD A, W, HAS	DRD A	DRD A Edu, W, HAS, ITDA
5.	Elected Representatives of <i>Panchayats</i> are represented in Board of the parallel body	Edu, W, HAS, AC, ITDA	--	DRD A Edu, W, HAS, AC, ITDA	DRD A Edu, W, HAS, AC, ITDA	DRD A, Edu, W, HAS		DRD A, W, HAS, AC, ITDA	DRD A, W, HAS	--	DRD A Edu, W, HAS, ITDA
6.	Parallel Body remains separate, but	--	--	Edu, W, HAS	DRD A Edu,	--	DRD A	DRD A, W, HAS,	DRD A, W, HAS	--	Edu, ITDA

	under the control of the <i>Panchayat</i> .				W, HAS, AC, ITD A			AC, ITDA			
7.	Parallel Body remains separate and not under the control of the <i>Panchayat</i> Institution	Edu, W, HAS, AC, ITDA	--	--	--	--	DRD A Edu, W, HAS, AC, ITD A	DRD A, W, HAS, AC, ITDA	DRD A, W, HAS	W, HAS	--

**Notes:** AP: Andhra Pradesh, BIR: Bihar, Guj: Gujarat, Kar: Karnataka, Mah: Maharashtra, MP: Madhya Pradesh, Odi: Odisha, TN: Tamil Nadu, UP: Uttar Pradesh, WB: West Bengal.  
DRDA: District Rural Development Agencies, EDU: Education, W: Water, HAS: Health and Sanitation, AC: Agriculture Cooperation, ITDA: Integrated Tribal Development Agency, AO: Any Other

- In the state of Andhra Pradesh parallel bodies are merged with the *Panchayat* institutions in the sectors of Education Water, Health and Sanitation etc.
- In the state of Bihar at the level of *Panchayat*, parallel bodies exist in the form of Village, Health & Sanitation Committee, Watershed Development Committee, Joint Forest management Committee, and Village Education Committee.
- In the state of Gujarat, The *Panchayat* Act of the State envisages the functioning of the *Zila Parishads*, *Panchayat Samitis* and *Gram Panchayats* through eleven functional standing committees having elected representatives and concerned officials as members.
- In the state of Karnataka parallel bodies have been merged with DRDA and Agriculture Corporation.
- In the state of Madhya Pradesh, the parallel bodies like District Rural Development Agencies (DRDAs) works with the *Zilla Panchayats (ZP)* to implement the programmes for rural development at the District level. In Madhya Pradesh at the level of *Panchayats* some special institutions were created from bilateral and multilateral agencies funding such as MP District Poverty Initiatives Project (DPIP) and the Madhya Pradesh Rural Livelihood Programme (MPRLP). These also act as parallel bodies. At the village level, the scheme-specific committees were made with the *Sarpanch* or a ward member in the committees.

- In the state of Maharashtra parallel bodies have been merged with Water and Agriculture Corporation.
- In the state of Odisha, there is a provision by which every *Zilla Parishad* shall constitute a Standing Committee and nine Subject Committees.
- In state of Tamil Nadu, parallel bodies have been made the unit of *Panchayat* such as DRDA, Education, Water and Agriculture Cooperation.
- In the state of Uttar Pradesh, a number of parallel bodies are constituted at District level and *Gram Panchayat* levels in the State to speed up developmental activities and ensuring proper accountability. However, there is no parallel body functioning at *Kshetra Panchayat* level.
- In the state of West Bengal, in order to implement the rural development activities effectively and efficiently, there are provisions of parallel bodies at all the three tiers of *Panchayats*.

### 3.4 Autonomy to *Panchayats*

The Constitutional framework of India defines *Panchayat* as a State Subject. They empower *Panchayats* to function as institution of self-government for the preparation of plans and social justice in their respective areas of matters which includes 29 subject listed in the 11<sup>th</sup> Schedule. In contrary, the division of powers and functions enumerated in the Union List and State List, but, there is no such provisions exist between state and *Panchayats*. Hence, it is the responsibility of the State legislature to make laws regarding the devolution of powers and functions to the *Panchayats*. (Alok, 2011).

Almost all states and union territories claim that they have transferred responsibilities in varying degrees to the *Panchayats*, by enacting laws in conformity with the CAA. However, the functional domain of *Panchayats* pertains only to traditional civic functions in several states. In those states where either the intermediate *Panchayats* or the district *Panchayats* were absent for decades, the functional domain of *Panchayats* does not include adequate developmental responsibilities. States where *Panchayats* have existed for a long time, have repeated the provisions of the old statutes in their new laws with few adjustments. Moreover, many state governments have not framed relevant rules or guidelines as a follow-up measure. A few states realized that the transfer of additional functions requires the transfer of concomitant funds and functionaries to *Panchayats*, enabling them to perform the specified responsibilities. However, *Panchayats* are not very clear about the role they are expected to play in the new federal setup. Almost all of the subjects enumerated in the 11<sup>th</sup> Schedule are state concurrent, involving duplication and overlapping (Alok, 2011).

In practice, some States weakened the autonomy of *Panchayats* by making them subservient to the field level functionaries of the State administration. They have been assigned the power to dismiss the elected representative or dissolve the *Panchayat*. Ideally, such powers need to be assigned to State Assembly or State Government.

*Panchayats* in various states functions under provision of particular *Panchayat* acts passed. *Panchayats* in ten select states are governed under various provisions.

- In the state of Andhra Pradesh; Representatives, *Panchayat* Bodies, and Resolution of District *Panchayat*, Block *Panchayat* can be suspended/dismissed/dissolved by state government whereas at the *Gram Panchayat* level District collector can suspend the representatives of *Panchayats*. However, the charge sheet can be filed by state government for all the level of *Panchayats* in Andhra Pradesh
- In the state of Bihar; Representatives of District *Panchayat*, Block *Panchayat* and *Gram Panchayat* can be suspended/dismiss/dissolved by state government.
- In the state of Gujarat; Representatives, *Panchayat* Bodies, and Resolution of District *Panchayat*, Block *Panchayat* can be suspended/dismissed/dissolved by DC/DDO. There is provision of charge sheet by state government at all the level of *Panchayats* in Gujarat.
- In the state of Karnataka; Resolution of District *Panchayat*, Block *Panchayat* and *Gram Panchayat* can be suspended/dismissed/superseded/dissolved by state government, *Zilla Panchayat* and Block *Panchayat* respectively. There is provision of charge sheet by state government at all the level of *Panchayats* in Karnataka
- In the state of Madhya Pradesh; Representatives and Resolution of District *Panchayat*, Block *Panchayat* and *Gram Panchayat* can be suspended by Divisional Commissioner, Collector, and S.D.O.(R) respectively. There is provision of charge sheet by state government at all the level of *Panchayats* in Madhya Pradesh.
- In the state of Maharashtra; Representatives, *Panchayat* Bodies, and Resolution of District *Panchayat*, Block *Panchayat* and *Gram Panchayat* can be suspended dismissed/superseded/dissolved by State government in the case of district and block *Panchayat* and Divisional Commissioner in case of *Gram Panchayat*. There is provision of charge sheet by state government at all the level of *Panchayats* in Maharashtra.
- In the state of Odisha; Representatives, *Panchayat* Bodies, and Resolution of District *Panchayat*, Block *Panchayat* and *Gram Panchayat* can be suspended dismissed/superseded/dissolved by State government in the case of district and block *Panchayat* and District collector in case of *Gram Panchayat*.
- In the state of Tamil Nadu; Representatives, *Panchayat* Bodies, and Resolution of District *Panchayat*, Block *Panchayat* and *Gram Panchayat* can be suspended

dismissed/superseded/dissolved by State government in the case of district and block *Panchayat* and District collector in case of *Gram Panchayat*. There is no provision of charge sheet by state government at any level of *Panchayats* in Tamil Nadu.

- In the state of Uttar Pradesh; *Panchayats* autonomy data is not available.
- In the state of West Bengal; Representatives, *Panchayat* Bodies, and Resolution of District *Panchayat*, Block *Panchayat* and *Gram Panchayat* can be suspended dismissed/superseded/dissolved by Divisional Commissioner in the case of district and by District Magistrate in case of block *Panchayat* and by SDO or Addl. SDO in case of *Gram Panchayat*. There is provision of charge sheet by state government at the level of *Gram Panchayats* and District *Panchayat* in West Bengal.

### 3.5 Functions Assigned and Actual Involvement of *Panchayats*

Article 243G of the Constitution empowers *Panchayats* to function as institutions of self-government for the purposes of a) preparing plans for economic development and social justice for their respective areas and b) implementing schemes for economic development and social justice in their respective areas for various subjects including those twenty-nine functions listed in the Eleventh Schedule. However, the list is merely illustrative and indicative. Unlike the division of powers and functions, as spelled out in the Union and State List in the Constitution, no such clear demarcation exists between the State and *Panchayats*. It is for the State Legislature to make laws regarding the devolution of powers and functions upon the *Panchayats*. *Panchayats* in India have been assigned responsibilities de jure as enshrined in the Constitution. In total, there are 29 items for which state is supposed to identify the role of *Panchayats* in vertical schemes or otherwise. The challenge before the State Government has been the identification of activities to the appropriate tier of the three-tier-*Panchayat* system. Traditionally, the lowest level *Panchayat*, i.e. the village *Panchayat* (VP) has been the most active in almost all States. Generally, the VPs carry out major functions including core functions whereas intermediate and district *Panchayats* in most States are assigned supervisory functions or act mainly as executing agents for the state government. Non-assignment of responsibilities in turn, gives ways for *de-facto* responsibilities to the state.

**Exhibit 3.1****Classification of Functions Listed in Eleventh Schedule****Core Functions**

- Drinking Water.
- Roads, culverts, bridges, ferries, waterways and other means of communication.
- Rural electrification, including distribution of electricity.
- Health and sanitation, including hospitals, primary health centres and dispensaries.
- Maintenance of community assets.

**Welfare Functions**

- Rural housing.
- Non-conventional energy sources
- Poverty alleviation programme.
- Education, including primary and secondary schools.
- Technical training and vocational education.
- Adult and non-formal education.
- Libraries.
- Cultural activities.
- Family welfare.
- Women and child development.
- Social welfare, including welfare of the handicapped and mentally retarded.
- Welfare of the weaker sections, and in particular, of the Scheduled Caste and the Scheduled Tribes
- Public distribution system

**Agriculture and Allied**

- Agriculture, including agricultural extension
- Land improvement, implementation of land reforms, land consolidation and soil conservation.
- Minor irrigation, water management and watershed development.
- Animal husbandry, dairying and poultry.
- Fisheries.
- Social forestry and farm forestry.
- Minor forest produce.
- Fuel and fodder.
- Markets and fairs.

**Industries**

- Small scale industries, including food processing industries
- Khadi, village and cottage industries

Note: The Eleventh Finance Commission has given the above classifications to the functions enumerated in the 11<sup>th</sup> Schedule.

- The Andhra Pradesh *Panchayati Raj* Act, 1994 devolves number of functions to the *Gram Panchayats*, *Mandla Parishad* and *Zilla Parishad*. The maintenance of roads, culverts, bridges, ferries, waterways, land use and building regulation etc., have been assigned to *Panchayats*.
- The Bihar *Panchayati Raj* Act, 1993 devolves 22 functions to the *Gram Panchayats* under Section 22 of the Act. 30 functions have been given to the *Panchayat Samitis* under Section 45 and 25 functions to the *Zila Parishads* under Section 71. The

Government of Bihar has transferred (September 2001) 79 functions to GPs, 60 functions to PSs and 61 functions to ZPs relating to 20 departments., Agriculture, Water Resources, Industry, Energy, Arts and Culture, Labour, Animal Husbandry, Education, Food, Forest, Health, Welfare, Horticulture, Industries, Minor Irrigation, Public Health, Rural Development, etc. to the *Panchayati Raj* Institutions.

- The Gujarat *Panchayat* Act, 1993 devolves substantial powers and functions to the 3 tier *Panchayats*. The transferred subjects to *Panchayats* include agriculture, minor irrigation, animal husbandry, rural housing, drinking water, roads, culverts and bridges, poverty alleviation programmes, fuel and fodder, minor forest produce, markets and fairs, health and sanitation, family welfare, women and child development, welfare of the weaker sections and STs. Primary and secondary education, adult and non-formal education, cultural activities, social welfare and maintenance of community assets constitute the five subjects that are partially transferred.
- The Karnataka *Panchayat* Raj Act (1993) devolves functions to three tier of *Panchayats*. The functions assigned to *Panchayats* include maintain water supply works on its own or through annual contract, revise and collect taxes, rates and fees at fixed periods, remove encroachments on public streets or public places, provide sufficient number of street lights, maintain primary school buildings and provide sanction for sufficient class rooms, establishment of health centers, drawing up a plan for social forestry development in each *taluka* etc.
- In the state of Madhya Pradesh functions are devolved to PRIs through the Madhya Pradesh *Panchayat Raj Avam Gram Swaraj Adhiniyam*, 1993. *Gram Panchayats* are entrusted with the functions which are of local importance like water, local streets, public health, sanitation, maintenance of *Panchayat* property etc. *Janpad Panchayat* is entrusted with the responsibility to control and supervise the administration of community/tribal development blocks within its jurisdiction and to direct, control and supervises the programmes/schemes assigned to such block by the state government under the instructions issued from time to time. *Zilla Panchayat* was entrusted with the task of coordination between different *Panchayats* within its jurisdiction, between *Janpad Panchayat*, *Gram Panchayats*, and State Government.

- According to the Maharashtra *Zilla Parishads and Panchayat Samitis Act 1961* there are 22 functions of *Zilla Parishads* and 19 functions of *Panchayat Samitis*. As per schedule I of the Maharashtra Village *Panchayats Act*, there are 12 activities and 79 sub activities of the Village *Panchayats*. In Schedule II of Maharashtra *Zilla Parishads and Panchayat Samitis Act 1961*, there are 15 activities and 71 sub activities for the *Panchayat Samitis*. As per Schedule I of Maharashtra *Zilla Parishads and Panchayat Samitis Act 1961*, there are 16 main activities and 105 sub activities for *Zilla Parishads*.
- According to Orissa *Panchayat Samiti Act, 1959*, *Gram Panchayat Act, 1964*, and *Zilla Panchayat Act, 1991*, *Panchayats* have been assigned roads, Culverts, bridges, ferries, waterways, land use and building regulation etc.
- *Panchayats* have been assigned certain functions as per the Tamil Nadu *Panchayats Act of 1994*. Under section 110 of the Tamil Nadu *Panchayats Act 1994*, the obligatory functions of the Village *Panchayat* include Construction, repair and maintenance of all Village *Panchayat* roads; Lighting of Public roads and Public places in built up area, Cleaning the streets, removal of rubbish heaps; provision and maintenance of Public latrines. The obligatory functions of the *Panchayat Unions* are given in Sec. 112 of the Act includes Establishment and maintenance of dispensaries and the payment of subsidies to rural medical practitioners, Establishment and maintenance of maternity and child welfare centers, Opening and maintenance and expansion of Elementary Schools including payment of grants to private managements in respect of elementary schools etc. The functions envisaged under the Act for the District *Panchayat* have been given in Section 163 of the Act includes Family Welfare, Women & Child Development, Welfare of the weaker sections, and in particular, of the Scheduled Castes & the Scheduled Tribes, Libraries etc.
- The Uttar Pradesh *Panchayat Laws (Amendment) Act, 1994* has listed broad guidelines regarding the powers of the *Panchayats* as per the 29 subjects mentioned in the Eleventh Schedule of the Constitution. *Panchayats* at all level have been devolved works related to the departments of primary education, rural drinking water, non-formal education, youth affairs, social welfare, women and child development, public health, agriculture,

animal husbandry, land development, water resources, and farming and village development have been formally brought under the control of the *Panchayats*.

- The State of West Bengal has successfully devolved multiple functions among 29 subjects listed in the 11<sup>th</sup> Schedule of the Constitution. *Panchayats* are entrusted with the functions which are of at the primary sector level includes Agriculture including agricultural extension, Animal Husbandry, dairying and poultry, Fisheries, Land improvement, implementation of land reforms etc. At secondary sector level functions which have been devolved are Fuel and fodder, Khadi village and cottage industries, Non-conventional energy sources, Rural electrification etc. At Tertiary Sector level functions which have been devolved are Adult and non-formal education, Burials and burial grounds, cremations and cremation grounds, Cultural activities, Drinking water, Education including primary and secondary, Family welfare etc.

The state wise (Ten select states) functions devolved to *Panchayats* can be seen below:

Table 3.4: De facto Assignment of Functions of Different tiers of Panchayats in Ten Selected States

Sl. No.	Functions	Tier wise Assignment of Panchayats in Ten Select States (De facto)									
		AP	BR	GUJ	KAR	MAH	MP	OD	TN	UP	WB
<b>Core Functions</b>											
1.	Drinking Water, Water Supply for Domestic Purpose	V,I,D	V,I,D	V,I,D	V,I,D	V,I,D	I,D	N/A	N/A	V,I,D	V,I,D
2.	Roads	V,I,D	V,I,D	I,D	V,I,D	V,I,D	I,D	V	V,I,D	V,I,D	V,I,D
3.	Culverts	V,I,D	V,I,D	I,D	V,I,D	V,I,D	I,D	V	N/A	V,I,D	V,I,D
4.	Bridges	V,I,D	V,I,D	I,D	V,I,D	D	N/A	V	N/A	V,I,D	V,I,D
5.	Ferries	V,I,D	N/A	D	V,I,D	G,D	N/A	V	N/A	V,I,D	V,I,D
6.	Waterways	V,I,D	N/A	D	V,I,D	I,D	I,D	V	V,I,D	V,I,D	V,I,D
7.	Other means of Communication	N/A	N/A	V,I,D	V,I,D	N/A	N/A	V,I,D	V,I,D	V,I,D	V,I,D
8.	Building Control	N/A	N/A	V,I,D	V,I,D	V	I,D	V,I,D	N/A	I,D	V,I,D
9.	Land Use and Building Regulation	V	N/A	V,I,D	V,I,D	V,D	D	V,I,D	N/A	I,D	I,D
10.	Maintenance of Community Assets	V,I,D	V,I,D	V,I,D	V,I,D	V	D	V,I,D	N/A	V,I,D	V,I,D
11.	Street Lighting, Parking Lots, Bus Stops	V	V,I,D	V	V,I,D	G,D	D	V,I,D	V	N/A	V,I,D
12.	Public Conveniences	V	V,I,D	V	V,I,D	V,I,D	D	V,I,D	N/A	N/A	V,I,D

13.	Parks, Gardens, Playgrounds (Civic Amenities)	V	N/A	V,I,D	V,I,D	V,I,D	V,I,D	D	V	N/A	N/A	N/A	V,I,D
14.	Primary Health Centre/Community Health Centre	N/A	V,I	D	V,I,D	V,I,D	V,I,D	I,D	V,I,D	V	N/A	N/A	V,I,D
15.	Sanitation & Solid Waste Management	V	V,I,D	V	V,I,D	V,I,D	V,I,D	D	V,I,D	V	N/A	N/A	V,I,D
16.	Cremation & Burial	V	V,I	V,I	V,I,D	V,I,D	V,I,D	I,D	V,I,D	V	N/A	N/A	V
17.	Public Safety (Noxious Vegetation, Pests & Vermin's)	V	N/A	V,I,D	V,I,D	V	V,I,D	D	V,I,D	N/A	N/A	N/A	N/A
<b>Welfare Functions</b>													
18.	Poverty Alleviation Programmes	V	V,I,D	V,I,D	V,I,D	V,I,D	V,I,D	I,D	V,I,D	N/A	N/A	V,I,D	V,I,D
19.	Family Welfare	N/A	V,I,D	V,I,D	V,I,D	V,I,D	V,I,D	D	V,I,D	V,I,D	V,I,D	V,I,D	V,I,D
20.	Women & Child Development	N/A	V,I,D	V,I,D	V,I,D	V,I,D	V,I,D	D	V,I,D	V,I,D	V,I,D	V,I,D	V,I,D
21.	Social Welfare, Welfare of Handicapped & mentally retarded	N/A	V,I,D	D	V,I,D	V,I,D	V,I,D	D	V,I,D	V,I,D	V,I,D	V,I,D	V,I,D
22.	Welfare of the weaker sections, and in particular, of the Scheduled Castes & the Scheduled Tribes	N/A	V,I,D	V,I,D	V,I,D	V,I,D	V,I,D	D	V,I,D	V,I,D	V,I,D	V,I,D	V,I,D
23.	Public Distribution System	N/A	V,I,D	N/A	V,I,D	V,I,D	V,I,D	I,D	V,I,D	V,I,D	V,I,D	V,I,D	V,I,D
24.	Vital Statistics Including Registration of	V	V,I,D	V,I,D	V,I,D	V,I,D	V,I,D	N/A	V,I,D	N/A	N/A	N/A	V

	Births & Deaths												
25.	Elementary Education	N/A	V,I	I,D	V,I,D	V,I,D	N/A	V,I,D	I	N/A	V,I,D	N/A	V,I,D
26.	Adult & Non-Formal Education	N/A	V,I	V,I,D	V,I,D	V,I,D	I	V,I,D	V,I,D	N/A	V,I,D	N/A	V,I,D
27.	Secondary Education	N/A	I,D	I,D	V,I,D	D	I,D	V,I,D	N/A	N/A	V,I,D	N/A	V,I,D
28.	Technical Training & Vocational Education	N/A	N/A	V,I,D	V,I,D	N/A	N/A	V,I,D	N/A	N/A	N/A	N/A	N/A
29.	Libraries	V	V,I,D	N/A	V,I,D	V,I,D	I	V,I,D	V,I,D	N/A	V,I,D	N/A	V,I,D
30.	Promotion of Cultural, Educational and Aesthetic Aspects	N/A	V,I,D	V,I,D	V,I,D	V,I,D	D	V,I,D	N/A	N/A	V,I,D	N/A	V,I,D
31.	Slum Improvement & Up gradation	N/A	N/A	N/A	V,I,D	V,I,D	I,D	V,I,D	N/A	N/A	N/A	N/A	N/A
32.	Fire Services	N/A	N/A	N/A	N/A	V	N/A	V,I,D	V,I,D	N/A	V,I,D	N/A	N/A
33.	Rural Housing	N/A	V,I,D	V,I,D	V,I,D	V,I,D	V,I,D	V,I,D	V,I,D	N/A	V,I,D	N/A	V,I,D
34.	Non-conventional Energy	N/A	V,I,D	V,I,D	V,I,D	V,I,D	I,D	V,I,D	V,I,D	N/A	V,I,D	N/A	I,D
<b>Agriculture &amp; Allied Functions</b>													
35.	Watershed Development	N/A	V,I,D	V,I,D	V,I,D	V,I	I,D	V,I,D	N/A	N/A	V,I,D	N/A	V,I,D
36.	Water supply for Agriculture Purpose, Minor Irrigation, Water Management	N/A	V,I,D	V,I,D	V,I,D	V	I,D	V,I,D	N/A	N/A	V,I,D	N/A	V,I,D
37.	Agriculture & Agricultural Extension	N/A	V,I,D	I,D	V,I,D	V,I,D	I,D	V,I,D	V,I	N/A	V,I,D	N/A	V,I,D

38.	Land Improvement	N/A	V,I,D	N/A	V,I,D	V,I,D	N/A	V,I,D	D	N/A	V,I,D
39.	Implementation of Land Reforms	N/A	V,I,D	N/A	V,I,D	N/A	N/A	V,I,D	N/A	N/A	V,I
40.	Land Consolidation	N/A	V,I,D	N/A	V,I,D	N/A	N/A	V,I,D	D	N/A	V,I,D
41.	Soil Conservation	N/A	V,I,D	N/A	V,I,D	V	I,D	V,I,D	N/A	N/A	V,I,D
42.	Animal Husbandry	N/A	V,I,D	V,I,D	V,I,D	V,I,D	I,D	V,I,D	V,I,D	N/A	V,I,D
43.	Dairying	N/A	V,I,D	V,I,D	V,I,D	V,I,D	I,D	V,I,D	D	N/A	V,I,D
44.	Poultry	N/A	V,I,D	V,I,D	V,I,D	V,I,D	I,D	V,I,D	D	N/A	V,I,D
45.	Fisheries	N/A	V,I,D	N/A	V,I,D	V,I,D	I,D	V,I,D	V,I,D	N/A	V,I,D
46.	Social Forestry	N/A	V,I,D	V,I,D	V,I,D	V,D	I,D	V,I,D	N/A	N/A	V,I,D
47.	Farm Forestry	N/A	N/A	V,I,D	V,I,D	N/A	I,D	V,I,D	N/A	N/A	V,I,D
48.	Minor Forest Produce	N/A	V,I,D	V,I,D	V,I,D	V	I,D	V,I,D	N/A	N/A	V,I,D
49.	Market & Fairs	V	V,I,D	V	V,I,D	V,I,D	D	V,I,D	V,I,D	N/A	V,I,D
50.	Regulation of Slaughterhouses	V	N/A	V	V,I,D	V,I,D	N/A	V,I,D	N/A	N/A	I
51.	Prevention of Cruelty to Animals	V	V,I	V	V,I,D	V	N/A	V,I,D	N/A	N/A	N/A
<b>Industries</b>											
52.	Water supply for Commercial and Industrial Purpose	N/A	N/A	N/A	V,I,D	V,I,D	N/A	N/A	N/A	N/A	V,I
53.	Small Scale Industries	N/A	V,I,D	N/A	V,I,D	V	D	N/A	V,I,D	N/A	V,I,D
54.	Food Processing Industry	N/A	V,I,D	N/A	V,I,D	D	N/A	N/A	V,I,D	N/A	N/A
55.	Khadi, Gram & Cottage Industry	N/A	V,I,D	N/A	V,I,D	V	I,D	N/A	V,I,D	N/A	V,I,D

56.	Rural Electrification & Distribution	N/A	V,I,D	N/A	V,I,D	N/A	I,D	I	V,I,D	N/A	I,D
57.	Tourism	N/A	N/A	N/A	V,I,D	N/A	N/A	N/A	N/A	N/A	N/A
58.	Knowledge Management	N/A	N/A	N/A	V,I,D	N/A	N/A	N/A	N/A	N/A	N/A
59.	Conservation & Protection of Public	N/A	N/A	N/A	N/A	V	N/A	N/A	N/A	N/A	N/A
60.	Supervision over Gram Panchayats	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	I	N/A

Source: State(s) Panchayats Acts, data received from State(s)

### 3.6 Involvement of *Panchayats* in Important Schemes

A substantial portion of resources for the development of *Panchayats* is provided by the Union Government through various schemes. The Centrally Sponsored Schemes (CSSs). CSSs are conceived under the provision of the Article 282 of the Indian Constitution with avowed objective of tackling problems. The role of *Panchayats* varies across different CSSs of national importance. Among the major CSSs, Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA), Sarva Siksha Abhiyan (SSA), National Rural Health Mission (NRHM), *Indira Awas Yojana* (IAY), Total Sanitation Campaign, Accelerated Rural Water Supply Programme (ARWSP), National Programme of Nutritional Support to Primary Education (Mid-Day Meals), National Horticulture Mission, Macro Management of Agriculture, Micro Irrigation etc. are the schemes, which provide roles and responsibilities to *Panchayats*. The design of these programs, particularly the structure and procedures prescribed for implementation at the district level and below has important implications for the roles and functioning of *Panchayats*:

- In the state of Andhra Pradesh, *Panchayats* at District, Block and village level have been involved in the schemes like Mahatma Gandhi National Rural Employment Guarantee Programme (MGNEGP), Pradhan Mantri Krishi Sinchai Yojana (PMKSY), Swatch Bharat Mission Gramin (SBM-G), Integrated Child Development Services, National e-Governance Programme (NeGP) etc. Mission Antyodaya is also implemented through *Panchayats*.
- In the state of Bihar, *Panchayats* at District, Block and village level have been involved in the schemes like National Social Assistance Program (NSAP), Mahatma Gandhi National Rural Employment Guarantee Programme (MGNEGP), Pradhan Mantari Gram Sadak Yojana (PMGSY), Pradhan Mantri Krishi Sinchai Yojana (PMKSY), National Rural Health Mission (NRHM), National Programme of Mid-Day Meal in Schools etc.
- In the state of Gujarat, *Panchayats* at District, Block and village level have been involved in the schemes like, Mahatma Gandhi National Rural Employment Guarantee Programme (MGNEGP), Scheme(s) for Development of Scheduled Castes, Scheme(s) for Development of Scheduled Tribes, Pradhan Mantri Krishi Sinchai Yojana

(PMKSY), National Rural Health Mission (NRHM), National Programme of Mid-Day Meal in Schools etc.

- In the state of Karnataka, *Panchayats* at District, Block and village level have been involved in the schemes like, National Social Assistance Program (NSAP), Mahatma Gandhi National Rural Employment Guarantee Programme (MGNEGP), Pradhan Mantri Krishi Sinchai Yojana (PMKSY), Green Revolution-Krishonnatti Yojana, White Revolution- Rashtriya Pashudhan Vikas Yojana, Blue Revolution(Integrated Development of Fisheries), Pradhan Mantri Awas Yojana-Gramin (PMAY-G), National Rural Health Mission (NRHM), National Programme of Mid-Day Meal in Schools etc.
- In the state of Madhya Pradesh the three rungs of *Panchayats* are entrusted with the ground-level implementation of many centrally and state-sponsored schemes. Implementing Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS), *Nirmal Bharat Abhiyan*, *Indira Aawas Yojana*, *Antodaya Anna Yojana*, *Panch Parameshwar Yojana* emerges as the most significant with *Gram Panchayats*. Mission *Antyodaya* is a framework of convergence and accountability with an objective to converge various schemes of government with *Gram Panchayats* on grassroots level for effective use of human and financial resources to ensure a sustainable livelihood.
- In the state of Maharashtra, *Panchayats* at District, Block and village level have been involved in the schemes like, Mahatma Gandhi National Rural Employment Guarantee Programme (MGNEGP), National Rural Health Mission (NRHM), *Swachh Bharat Mission-Gramin* (SBM-G), Integrated Child Development Services (ICDS), *Deendayal Antyodaya Yojana*-National Rural Livelihood Mission(DAY-NRLM), National Mission for Sustainable Agriculture(NMSA) etc.
- In the state of Odisha, *Panchayats* at District, Block and village level have been involved in the schemes like, Mahatma Gandhi National Rural Employment Guarantee Programme (MGNEGP), *Pradhan Mantri Gram Sadak Yojana* (PMGSY), National Rural Health Mission (NRHM) etc.
- In the state of Tamil Nadu, *Panchayats* at District, Block and village level have been involved in various schemes of center as well as of state. The focus of these schemes in Tamil Nadu is economic growth with social justice and improvement in the living

standards of the rural population, by providing adequate and quality services efficiently. *Panchayats* in Tamil Nadu have been involved in the schemes like, National Social Assistance Program (NSAP), Mahatma Gandhi National Rural Employment Guarantee Programme (MGNEGP), Scheme (s) for Development of Scheduled Castes, Green Revolution-Krishonnatti Yojana, White Revolution- *Rashtriya Pashudhan Vikas Yojana*, Blue Revolution (Integrated Development of Fisheries), Pradhan Mantri Awas Yojana-Gramin (PMAY-G), etc.

- In the state of Uttar Pradesh, *Panchayats* at District, Block and village level have been involved in various schemes of center as well as of state. *Panchayats* in UP are involved in National Social Assistance Program (NSAP), Mahatma Gandhi National Rural Employment Guarantee Programme (MGNEGP), Pradhan Mantri Awas Yojana-Gramin (PMAY-G), National Rural Drinking Water Mission (NRDWM), National Rural Health Mission (NRHM), Swachh Bharat Mission-Gramin(SBM-G), Deendayal Antyodaya Yojana-National Rural Livelihood Mission(DAY-NRLM) etc.
- In the state of West Bengal, *Panchayats* at District, Block and village level have been involved in various schemes of center as well as of state. *Panchayats* in West Bengal are involved in National Social Assistance Program (NSAP), Mahatma Gandhi National Rural Employment Guarantee Programme (MGNEGP), *Pradhan Mantri Awas Yojana-Gramin* (PMAY-G), National Rural Drinking Water Mission (NRDWM), National Rural Health Mission (NRHM), *Swachh Bharat Mission-Gramin*(SBM-G), National Programme of Mid-Day Meal in Schools etc.

### 3.7 14<sup>th</sup> Finance Commission Grants (Basic and Performance Grants)

The 14<sup>th</sup> Finance Commission had recommended an amount of Rs. 2,00,292.20 crores to the *Gram Panchayats* of all States in the country over a period of five years. The Grant-in aid to duly constituted *Panchayats* had been divided in two parts, namely: (i) Basic Grant and (ii) Performance Grant. In case of *Gram Panchayats*, 90% of grants are the basic grant and 10% are the Performance Grant. The 14<sup>th</sup> Finance Commission accordingly, marked Rs. 1,80,262.98 crores for Basic Grant and Rs.20029.22 crore for Performance Grant.

The grant provided by the 14<sup>th</sup> Finance Commission intended to be used *by Panchayats* to improve and deliver the basic services including maintenance of roads, maintenance of community assets, footpaths and street-lighting, and burial and cremation grounds, water supply, sanitation including sewage management, sewerage and solid waste management, storm water drainage, and any other basic service within the functions assigned to them under relevant legislations.

Mandatory criteria for disbursement of Performance Grant include the following,

- Submission of Audited Accounts that relate to year not earlier than 2 years preceding the year in which the GP seeks to claim the performance grant
- Show increase in Own Resource Revenues (OSR) over the preceding year as reflected in the audited accounts.
- Completion of *Gram Panchayat* Development Plan (GPDP) of year of PG disbursement and upload the same on PlanPlus Portal.
- Display of sector wise expenditure in FFC Dashboard of the MoPR.

State wise allocation and release of basic and performance grants of select states in 2016-17, 2017-2018 2018-19 and 2019-20 can be seen in Table 3.5.

**Table 3.5: Allocation and Release of Basic and Performance Grants to select States for Panchayats recommended by the 14<sup>th</sup> FC(2015-2020)**  
(Rs. in crore)

Sl. No.	States	2015-16		2016-17		2017-18			2018-19			2019-2020				
		Basic Grants		Total Allocation (BG & PG)	Total Release (BG & PG)	Basic Grant		Performance Grant	Total Release (BG & PG)-2017-18	Basic Grant		Performance Grant	Total Release (BG & PG)-2017-18	Basic Grant		Performance Grant
		Allocation	Release			Annual Allocation	Total Release	Annual Allocation		Released	Annual Allocation	Total Release		Annual Allocation	Released	Annual Allocation
1	#Andhra Pradesh	934	928	1463	1454	1494	1485	192	190	1729	858	218	2336	-	285	-
2	Bihar	226	2269	3554	3142	3630	3630	466	0	4199	4199	529	5674	2837	693	-
3	Gujarat	932	932	1460	1460	1491	1491	191	191	1725	1725	217	2331	1165	284	-
4	#Karnataka	100	972	1570	1547	1604	1580	206	204	1856	1841	234	2507	1251	306	-
5	Madhya Pradesh	146	1463	2292	2292	2341	2341	300	296	2708	2708	341	3660	1830	447	-
6	Maharashtra	162	1623	2542	2542	2597	2597	333	0	3004	3004	378	4059	2029	496	-
7	Odisha	955	955	1496	1496	1528	1528	196	196	1768	1768	223	2389	1194	292	-
8	Tamil Nadu	947	947	1484	1484	1516	1516	194	0	1753	1753	221	2369	-	289	-
9	#Uttar Pradesh	386	3852	6050	6034	6179	6179	793	0	7148	7148	901	9659	4829	1180	-
10	#West Bengal	153	1470	2399	2319	2451	2369	314	0	2835	2740	357	3831	1851	468	-

Source: Data Provided by State Governments.

# released on pro-rata basis as information provided by the State Government.  
Performance Grant-2015-16-NA;

The state governments transfer the resources to *Panchayats* not only according to 14<sup>th</sup> FC (2015-20) but also based on recommendations of State finance commissions. In Table 3.6 we can see the formula adopted by select states for distribution of basic grants.

**Table 3.6: Formula adopted by State Government for distribution of Basic Grant under 14<sup>th</sup> FC Award**

Sl. No.	States	Formula adopted by state for distribution of 14 <sup>th</sup> FC Basic Grant
1	Andhra Pradesh	FFC
2	Bihar	SFC
3	Gujarat	FFC
4	Karnataka	FFC
5	Madhya Pradesh	FFC
6	Maharashtra	FFC
7	Odisha	SFC
8	Tamil Nadu	SFC
9	Uttar Pradesh	SFC
10	West Bengal	FFC

### 3.8 State Finance Commission (SFC)

Generally, proceeds from own sources contributes abysmal share to the local pool. Local governments generally rely more on fiscal transfers from State government in the form of shared taxes and grants. State taxes are shared as per the recommendations of SFC. The SFC created, under articles 243-I, is viewed as the sub-national equivalent of the Union Finance Commission formed under article 280 of the Constitution. The legal provisions for the SFC are, therefore, similar to that of the Union Finance Commission except the wordings of the first paragraph of article 243-I that provides for the constitution of the SFC '*at the expiry of every fifth year,*' This is not akin to the provision exists under article 280 constituting Union finance commission '*at the expiry of every fifth year or earlier*'. The missing part '*or earlier*' disallows the constitution of a new SFC before the completion of the five-year-period. The article mandates SFC to review the financial position of the *Panchayats* and make recommendations to the Governor on the principles that 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, and their *inter se* distribution between the *Panchayats* at all levels for 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 *Panchayats* from the consolidated fund of the State;
- iv. The measures needed to improve the financial position of the *Panchayats*
- v. Any other matter in the interest of sound finance of the *Panchayats* and Municipalities.

Own revenues of local governments are generally adequate to meet only a part of their operation and maintenance (O&M) requirements. Therefore, they are dependent on the higher level of governments to finance their activities. The SFCs are responsible to examine not only the revenue-sharing arrangements between the State governments and the local governments, both rural and urban, but also the entire range of subjects concerning assignment of taxes, transfers of power and such other subjects for improving the financial health of local governments. In this case, the CAA does not draw any distinction between the plan and non-

plan financial requirements of the local governments. Therefore, SFCs are not confined only to the assessment of non-plan expenditure of the local governments for recommending the devolution of funds and

All ten select States have constituted their SFC. Most States have received their fourth-generation SFC recommendations and six of them namely Bihar, Madhya Pradesh, Maharashtra, Odisha, Tamil Nadu and Uttar Pradesh have constituted their 5<sup>th</sup> SFC.

The first SFC of Andhra Pradesh, have included the share of Union taxes in the state taxes and non-tax revenue to form the divisible pool. However, the first SFCs of Madhya Pradesh, and the second SFCs of Orissa have not included the share of union taxes and included only the state tax and non-tax revenues. The first SFCs of Tamil Nadu, Uttar Pradesh and West Bengal have gone a step further and recommended that only the tax revenues of the State form the divisible pool. As an exception, the Karnataka SFCs have adopted a different mechanism by using the phrase “Non loan gross own revenue receipts” in defining the divisible pool.

The following table contains information as to the constitution of SFC, submission of SFC report, submission of Action Taken Report and certain important recommendations.

**Table 3.7: SFC Recommendations for Share of Panchayats in State Resources**

SFC of	%	Share of Panchayats and Municipalities	Basis of Distribution
<i>Total Revenue of State</i>			
Andhra Pradesh (I)	39.24	70% and 30%	Development criteria
Andhra Pradesh (III)	6.7%	72.25% and 27.25%	
Madhya Pradesh (I)	NA	2.91% and 8.66%	
Madhya Pradesh (III)	5%	4% and 1%	
<i>Own Revenue of State</i>			
Andhra Pradesh(II)*	10.39*	65% and 35%	Development Criteria
Karnataka (III)	30.0	70% and 30 %	Not Mentioned
Madhya Pradesh(I)	11.57	25.13 % and 74.87%	Population, area, tax efforts.
Odisha (II)	10.0	80% and 20 %	Population, density, number of holdings, revenue efforts
Uttar Pradesh (I)	10.0	30% and 70 %	Population (80%); Area (20%).
Uttar Pradesh (II)	12.5	40% and 60 %	Population and area.
Uttar Pradesh (IV)	15.0	N.A.	Population , SC/ST Population, area, Per Capita Index, Establishment comfort

			backwardness Index, integrated development backwardness Index,
<i>Non- Loan Gross Own Revenue</i>			
Karnataka (I)	36.0	85%and 15 %	For <i>Panchayats</i> , population, area, index of decentralization and for ULBs population 67% and illiteracy rate 33%[kar II has followed it]
Karnataka (II)	40.0	80% and 20 %	
Orissa (I)	10%	60% and 40%	
State Own Taxes			
Bihar	7.5		
Madhya Pradesh (II)	4.0	77.33% and 26.67%	Population
	40.0	80% and 20%	Distance from Highest Per Capita Income District, Backwardness, Population, Area, Proportion of Agricultural Income in Total Income of the District, Inverse Primary Income.
Odisha(III)	15.0	75% and 25%	Expected Population 25.8 % and 29.17 % respectively.
Odisha(IV)	3.0	75% and 25%	N.A
Tamil Nadu(I)\$	8.0	60 % and 40 %	Population
Tamil Nadu (II)	10.0	58% and 42 %	Population, SCs and STs, Per capita own revenue, area, asset maintenance, resource gap.
Tamil Nadu (III)	10.0	58% and 42%	Population, resources, potential, needs
Tamil Nadu (IV)	10.0	56 % and 44%	Population SC/ST Population, Area
West Bengal (I)	16.0	Breakup as per population, district wise	Population and % of SC/ST, non-literates
West Bengal(II)	16.0	Breakup as per population , district wise	Population 50 % and 7% to other variables, population density, SC/ST, non-literates, IMR, rural population per capita income
West Bengal (III)	2.0	Not Mentioned	Not Mentioned
Maharashtra (III)^	7.8%	NA	

Source: Updated from Alok (2014)

**Notes:** \$ In Tamil Nadu, the divisible pool called pool B consists of sales tax, motor vehicle tax, state excise revenue and other state taxes. The other pool A consists of levies, which rightly belong to local governments i.e. surcharge on stamp duties, local cess and local cess surcharge and entertainment tax. The entire proceeds of pool A at taxes are recommended to be distributed to the local governments.

\* Second SFC of Andhra Pradesh recommended 10.39% share as additional devolution over and above the existing annual devolution.

# 25 (Twenty-five) per cent of the total State Tax revenue of the year 2003-04 may be transferred to Local Self Governments (LSGs) during the year 2006-07. During each of the four subsequent years' amounts derived by applying annual growth of 10 (ten) percent (which would accommodate reasonable rates of inflation and real growth) may be so transferred.

@ It has excluded Entry tax and Land revenue

^ Total Additional Transfer

Article 243 I stipulates that succeeding SFC needs to be constituted "at the expiration of every fifth year". The following table gives a broad picture of the constitution of SFCs as on November 01, 2019.

**Table 3.8: Constitution and Submission of SFC Reports and Action Taken thereon**

S.N.	State	Date of Constitution of SFC	Date of Submission of SFC Report	Date of Submission of ATR	Period Covered by SFC
<b>Fifth State Finance Commission</b>					
1.	Andhra Pradesh	Not Constituted	-		
2.	Bihar	Dec 13	Jan 2016	Feb 2016	2015-16 to 2020-21
3.	Gujarat	Not Constituted	-		
4.	Karnataka	Not Constituted	-		
5.	Madhya Pradesh	March 17			
6.	Maharashtra	March 18			
7.	Odisha	May 18	Aug 2019	-	2020-21 to 2025-26
8.	Tamil Nadu	Dec 09	Dec 16	Mar 17	2017-18 to 2022-23
9.	Uttar Pradesh	2015	Oct 18	-	2016-17 to 2021-22
10.	West Bengal	Not Constituted			
<b>Fourth State Finance Commission</b>					
1	Andhra	Constituted (No data available)		-	-

	Pradesh				
2	Bihar	Jun-07	Jun-10	2010	2010-11 to 2014-15
3	Gujarat	Not Constituted			
4	Karnataka	Dec 2015	Oct 2017	Dec 2018	2016-17 to 2021-22
5	Madhya Pradesh	Jan-12	Jan 2017	July 2017	2015-16 to 2020-21
6	Maharashtra	Feb-11	-	-	2010-11 to 2015-16
7	Odisha	Oct-13	Sep-14	Feb-15	2015-2020
8	Tamil Nadu	Dec-09	Sep-11	May-13	2011-12 to 2016-17
9	Uttar Pradesh	Dec-11	Dec-14	Mar-15	2011-12 to 2015-16
10	West Bengal	Apr-13	Apr-14	-	2013-14 to 2017-18
<b>Third State Finance Commission</b>					
1	Andhra Pradesh	Dec-04	Jan-08	Jan-14	2005-06 to 2009-10
2	Bihar	Jul-04	Nov-07	Mar-07	2003-04 to 2007-08
3	Gujarat	Feb-11	Feb-14	-	2010-11 to 2013-14
4	Karnataka	Aug-06	Dec-08	Oct-11	2011-12 to 2015-16
5	Madhya Pradesh	Jul-05	Jan-08	Feb 2010	2006-07 to 2015-16
6	Maharashtra	Jan-05	Jun-06	Dec-13	2006-07 to 2010-11

7	Odisha	Sep-08	Jan-10	-	2010-11 to 2014-15
8	Tamil Nadu	Dec-04	Sep-06	May-07	2007-08 to 2011-12
9	Uttar Pradesh	Dec-04	Aug-08	Feb-10	2006-07 to 2010-11
10	West Bengal	Feb-06	Oct-08	Jul-09	2008-09 to 2012-13
<b>Second State Finance Commissions</b>					
1	Andhra Pradesh	Dec-98	Aug-02	Mar-03	2000-01 to 2004-05
2	Bihar	Jun-99	-	-	1998-99 to 2002-03
3	Gujarat	Nov-03	Jun-06	-	2005-06 to 2009-10
4	Karnataka	Oct-00	Dec-02	Jun-06	2005-06 to 2010-11
5	Madhya Pradesh	Jun-99	Jul-03 (1st Report)	Mar-05	2001-02 to 2005-06
			Aug-03 (2nd Report)		
			Dec-03 (3rd Report)		
6	Maharashtra	Jun-99	Mar-02	Mar-06	1999-00 to 2001-02
7	Odisha	Jun-03	Sep-04	Aug-06	2005-06 to 2009-10
8	Tamil Nadu	Dec-99	May-01	May-02	2002-03 to 2006-07
9	Uttar Pradesh	Feb-00	Jun-02	Mar-04	2001-02 to 2005-06

10	West Bengal	Jul-00	Feb-02	Jul-05	2001-02 to 2005-06
<b>First State Finance Commissions</b>					
1	Andhra Pradesh	Jun-94	May-97	Nov-97	1997-98 to 1999-2000
2	Bihar	Apr-94	-	-	-
3	Gujarat	Sep-94	RLBs- July 1998	Aug-01	1996-97 to 2000-01
4	Karnataka	Jun-94	RLBs- July 1996	Mar-97	1996-97 to 2000-01
5	Madhya Pradesh	Feb-95	Jul-96	Mar-97	1996-97 to 2000-01
6	Maharashtra	Apr-94	Jan-97	Mar-99	1994-95 to 1996-97#
7	Odisha	Nov 1996/Aug 1998*	Dec-98	Jul-99	1997-98 to 2004-05
8	Tamil Nadu	Apr-94	Nov-96	Apr-97	1997-98 to 2001-02
9	Uttar Pradesh	Oct-94	Dec-96	Jan-98	1997-98 to 2000-01
10	West Bengal	May-94	Nov-95	Jul-96	1996-97 to 2000-01

As per the practice followed in a number of developed and developing countries, the property tax has been assigned to the Municipalities and *Panchayats* in almost all the States and it remains the major source of own tax revenue for most local governments. Octroi was another tax that was previously assigned to the Municipalities only to abolish in later stage in most

States. However, it continues to be levied in Maharashtra<sup>7</sup> and considered to be the most buoyant source of revenue.

Water Tax, Lighting Tax, Animal and Vehicle Tax, Trade and Callings Tax, Boat Tax, Toll Tax are the other taxes which have been assigned to the Municipalities and Panchayats in most States.

Many SFCs have tried to rationalize the local tax structure by suggesting reforms in assessment and administration of taxes besides assigning powers to local governments. SFC of Karnataka, Tamil Nadu and Uttar Pradesh for example, have recommended reform in property taxes and have suggested the 'area based' or 'site valuation' system for assessment of property tax. SFC of Uttar Pradesh recommended even vacant land tax.

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<sup>7</sup> Only Municipal Corporations levy Octroi which has been changed to local body [LB] tax in Maharashtra about a year ago

Table 3.9: Assignment of Revenues by various SFCs

Assignment of Revenues	I SFC of:	II SFC of:	III SFC of:	IV SFC of:	V SFC of:
Entertainment Tax	Guj, WB,	M P	MP, TN WB	---	Bih
Surcharge on various State taxes	Guj				
Advertisement Tax (Other than News paper)				Odi	Bih
Profession tax		Odi	WB		
Re-imposition of Octroi by the Municipalities.	Guj	MP			
Vehicle Tax	Guj		AP		
Vacant Land Tax				TN	Bih
Municipalities may levy property tax and service charges on the properties of the central and State government undertakings.				Odi	
Property Tax/ A surcharge of 50% on the property tax by Local Governments.				TN	Bih
State entry tax.				Odi	
House Tax				TN	
Congestion Tax					Bih
Betterment tax					Bih

### 3.9 Money Transferred on Account of SFC

State Finance Commissions are constituted in the State every five years since 1994 to recommend the ways and means to increase the tax base of *Panchayats* and allocations of State net tax receipts to and among the *Panchayats*.

Grants-in-aid are provided to fill the gap of the local governments – both *Panchayat* and municipalities - so that they can meet the expenditure on local public goods. These can be (a) general purpose grants or block grants based on some criteria or formula meant for additional resources with no conditions attached; and (b) conditional or specific purpose grants, e.g. some schemes or projects. This can be further classified into matching or incentive grants and non-matching grants. From another perspective, grants can also be either statutory or non-statutory. Statutory grants are compulsory transfers that may be in lieu of abolition or withdrawal of certain taxes such as octroi.

SFCs of all generations have recommended various types of Grants. These grants vary from state to state. Even the definitions and connotations are diverse across states over time.

**Table 3.10: Types of Grants Recommended by SFCs**

First Generation SFCs	
SFC of:	Types of Grants
Andhra Pradesh	<p>Special Purpose<sup>8</sup></p> <ul style="list-style-type: none"> <li>▪ Water supply schemes in municipal areas</li> <li>▪ A special grant to newly formed GPs for purchasing of furniture, forms and registers.</li> <li>▪ Newly formed Gram Panchayat converted into Municipality.</li> </ul> <p>Maintenance<sup>9</sup></p> <ul style="list-style-type: none"> <li>▪ Maintenance of rural roads</li> <li>▪ Maintenance of minor irrigation sources</li> <li>▪ Maintenance of family planning staff quarters.</li> <li>▪ Maintenance of school buildings.</li> </ul> <p>Block Grant<sup>10</sup></p> <ul style="list-style-type: none"> <li>▪ To each Municipal Corporation. (Hyderabad, Vishakhapatnam and Vijayawada)</li> <li>▪ To each of the remaining Municipal Corporations as block grants to be utilized for felt needs.</li> <li>▪ Increment in Per capita grant</li> </ul>

<sup>8</sup> This grant is also implied as conditional or tied grant.

<sup>9</sup> These grants are recommended to meet the operation and maintenance and establishment costs of panchayats.

<sup>10</sup> Block grant is given by the upper level of government for general areas of social welfare rather than a specific programme. General-purpose transfers are termed block transfers when they are used to provide broad support in a general area of the lower level of government expenditures (such as education) while allowing recipient's discretion in allocating the funds among specific uses.

Gujarat	Per Capita Basic Grant Incentive Grant to municipalities <ul style="list-style-type: none"> <li>▪ For revenue mobilization</li> </ul>
Madhya Pradesh	<ul style="list-style-type: none"> <li>▪ General purpose grant<sup>11</sup></li> </ul> Given to Janpad/District Panchayats @ Rs. 14.65 crores and rs. 1.50 crores respectively for 1995-96.
Maharashtra	General Purpose <ul style="list-style-type: none"> <li>▪ The irrigation cess grant equal to 66.67% of the demand should be given to the Zila Parishads as advance grant.</li> </ul> Block Grant <sup>12</sup> <ul style="list-style-type: none"> <li>▪ The primary education grant</li> </ul>
Odisha	General Purpose Grant <ul style="list-style-type: none"> <li>▪ Fixed amount of Rs. 2 crores would be assigned to PSs and GPs of Tribal Sub-Plan (TSP) areas and inter-se distribution be made on the basis of population.</li> <li>▪ Allocation of funds to among ZPs instead of District Planning Units for the utilisation on creation of capital assets in deficient areas.</li> </ul> Special Purpose <ul style="list-style-type: none"> <li>▪ For organizing training programmes for the officials and elected representatives of all three tiers of <i>Panchayats</i> in their respective jurisdictions.</li> </ul>
Tamil Nadu	Specific Purpose <ul style="list-style-type: none"> <li>▪ lighting grants, water-supply grant, drainage grants,</li> </ul> Maintenance <ul style="list-style-type: none"> <li>▪ Road maintenance grant,</li> <li>▪ Maintenance of maternity centers and dispensaries</li> </ul> General Purpose (Revenue) matching grants (House Tax)
Uttar Pradesh	Fund Equalization <ul style="list-style-type: none"> <li>▪ Loans for integrated development and of small and medium towns, as on 31st March 1994 with interest thereon are to be converted into grant.</li> </ul>
West Bengal	General Purpose Matching <ul style="list-style-type: none"> <li>▪ A large number of Centrally Sponsored Programmes such as JRY, IRDP, ARWSP etc. are now in operation in which the Central releases have to be matched by proportionate State releases.</li> <li>▪ Covering of non-Plan expenditures will also be grants.</li> <li>▪ D.A. liabilities of approved staff should be available as grants.</li> </ul>

<sup>11</sup> General-purpose transfers are provided as general budget support, with no strings attached. These transfers are typically mandated by law, but occasionally they may be of an ad-hoc or discretionary nature. Such transfers are intended to preserve local autonomy and enhance inter-jurisdictional equity.

<sup>12</sup> Shoup C. S. (1969)<sup>12</sup> distinguished two types of per capita grants for general purposes, i.e. uniform and non-uniform. Uniform per capita grant is the most generalized form of general purpose grant where the money is distributed on per capita basis. The population of the receiving government is the most implicit index of need for the grant. No index of effort is involved here. Whereas non-uniform per capita grant gives more weight to distributive factors. It takes into consideration the ability to raise revenue. Poor jurisdictions get higher level of per capita grant in comparison to rich jurisdictions. This type of grant is differentiated according to the relative resources and relative effort (Shoup 1969).

**Second Generation SFCs**

SFC of:	Types of Grants
Andhra Pradesh	Special Purpose <ul style="list-style-type: none"> <li>▪ To meet the demand of the salaries bill of teaching employees.</li> <li>▪ To provide drinking water in schools.</li> <li>▪ For construction of Panchayat building</li> </ul> Incentive <ul style="list-style-type: none"> <li>▪ To establish Solid Waste Management Plants</li> </ul>
Gujarat	Incentive Compensatory (in lieu of Octroi) Maintenance General purpose (Ad hoc)
Madhya Pradesh	General purpose <ul style="list-style-type: none"> <li>▪ Rs. 50 crores to GPs, Rs. 14.65 crores to Janpad Panchayats and Rs. 2 crores to ZPs</li> </ul> Special Purpose <ul style="list-style-type: none"> <li>▪ (Establishment grant) for the payment of honorarium and other payments to the staff working in the 3- tier Panchayats,</li> <li>▪ For organizing training programmes at the district level for the elected representatives Panchayats in their respective jurisdictions.</li> </ul>
Maharashtra	Special Purpose <ul style="list-style-type: none"> <li>▪ For VPs to eliminate backlog in the districts of Marathwada, Vidarbha, Konkan and the rest of Maharashtra where backlog regarding development exists</li> </ul> Incentive (Tax Recovery) <ul style="list-style-type: none"> <li>▪ All VPs shall be given Tax Recovery Incentive Grant on the basis of recovery of all the previous financial year</li> </ul>
Odisha	General Purpose Special Purpose <ul style="list-style-type: none"> <li>▪ Plantation Purpose</li> <li>▪ Grant to each ZPs, each year, to be spent on Medical Plant/ Agro-foetry Project in one GP each year.</li> </ul>
Tamil Nadu	Specific Purpose <ul style="list-style-type: none"> <li>▪ Reserve fund</li> <li>▪ Equalization Fund</li> <li>▪ Incentive Fund</li> </ul>
Uttar Pradesh	Block Grant (A one-time non-recurring grant) <ul style="list-style-type: none"> <li>▪ For IT equipment and MIS needs of the Directorate of Local Bodies and the Task Forces to be set up in all districts.</li> </ul>
West Bengal	General Purpose Incentive Fund

**Third Generation SFCs**

SFC of:	Types of Grants
Andhra Pradesh	Per Capita Special <ul style="list-style-type: none"> <li>▪ For construction of GP office building</li> <li>▪ For providing basic civic amenities</li> <li>▪ For the Rural Water Supply Schemes</li> <li>▪ For Rural Sanitation.</li> </ul>

	<ul style="list-style-type: none"> <li>▪ For the construction of Rural Roads and released to Panchayats</li> <li>▪ For providing drinking water facilities in the schools for the Panchayats</li> <li>▪ For maintenance of Mandal Office Buildings.</li> <li>▪ for maintenance of Municipal Buildings</li> <li>▪ Towards payments of arrears. (Deficit Grant)</li> <li>▪ Towards increase of half yearly D.A. and revision of pay scale of Municipal Staff.</li> </ul>
Karnataka	<p>Special Purpose</p> <ul style="list-style-type: none"> <li>▪ to organize programmes at village level covering sanitation, health checkup, cultural and folk sports</li> <li>▪ construction of youth association buildings</li> <li>▪ For conducting folk arts training programmes.</li> <li>▪ To take up youth development programmes at village, hobli, taluk and district levels.</li> </ul> <p>Statutory Development Fund Equalization (Additional Grant)<sup>13</sup> Incentive Block Untied Grant</p>
Madhya Pradesh	<p>Performance Based<sup>14</sup></p> <ul style="list-style-type: none"> <li>▪ To those Gram Panchayats which levy and collect the taxes on time.</li> </ul> <p>General Purpose Establishment Maintenance Compensatory Conditional Matching Grant</p>
Maharashtra	<p>Matching (Scheme Specific, Cost Sharing)</p> <ul style="list-style-type: none"> <li>▪ For maintaining water supply schemes</li> <li>▪ To initiate a programme of low cost sewage disposal scheme in large size villages.</li> </ul> <p>Maintenance</p> <ul style="list-style-type: none"> <li>▪ for repair and maintenance of School rooms</li> <li>▪ for repair and maintenance of health service to ZPs.</li> </ul> <p>Fund Equalization (One Time Grant)</p> <ul style="list-style-type: none"> <li>▪ To meet 50% of the remaining outstanding amount of arrears of Maharashtra Jeevan Pradhikaran by GPs.</li> </ul>
Odisha	<p>Special purpose</p> <ul style="list-style-type: none"> <li>▪ Kendu Leaf Grant</li> <li>▪ Sairat Grant</li> <li>▪ Cess on Land Revenue Grant</li> <li>▪ Incentive Grant</li> </ul>
Tamil Nadu	<p>Special Purpose General Purpose</p>
Uttar Pradesh	<p>Special Purpose</p>

<sup>13</sup> Fiscal equalization transfers program corrects distortions that may cause fiscally induced migration by equalizing net fiscal benefits across states

<sup>14</sup> Output-based or performance grant establish a link between the funds provided through grant and the performance associated with the conditions of the grant.

	<ul style="list-style-type: none"> <li>▪ To fulfill the basic infrastructural needs.</li> <li>▪ for the needs based on social justice</li> </ul> Conditional <sup>15</sup> <ul style="list-style-type: none"> <li>▪ One time grant and annual recurring grant for the construction of libraries and information centers.</li> </ul> Matching (Scheme Specific) <ul style="list-style-type: none"> <li>▪ To assist Mid-Day Meal Scheme.</li> </ul>
West Bengal	Deficit Grant (Pension Grant) <ul style="list-style-type: none"> <li>▪ A special fund named as a 'Pension Fund' to be granted to the Municipalities constituting of the amount received on account of arrear Property Tax and the Service Charges.</li> </ul> General Purpose

#### Fourth Generation SFCs

SFC of:	Types of Grants
Bihar	General Purpose (Untied) Special Purpose <ul style="list-style-type: none"> <li>▪ Retirement Benefits of the Municipal Employees:</li> </ul>
Odisha	Special Purpose <ul style="list-style-type: none"> <li>▪ Odisha Kendu Leaves Grants should be either shared with the pluckers instead of Panchayats or it should be withdrawn completely.</li> <li>▪ The Commission does not consider the continuance of Sirat Grants and MFP worthwhile and recommends that it should be stopped.</li> <li>▪ An additional amount of 20% to the <i>Panchayats</i> under TSP areas out of the total devolution and some specific grants for <i>Panchayats</i>.</li> </ul>
Tamil Nadu	General Purpose (Lump Sum)
Uttar Pradesh	No. Recommendation

#### Fifth Generation SFCs

SFC of	Types of Grants
Bihar	Capacity Building <sup>16</sup> Performance
Tamil Nadu	Capital Fund Grant Minimum Lump sum Grant

<sup>15</sup> Conditional matching grants, or cost-sharing programs, require the recipient or local governments to match or contribute the funds partially on explicit purposes on which the grants are approved.

<sup>16</sup> The grant intends to enhance the capacity of both panchayats and municipalities in terms of administration and organization. The objective behind capacity-enhancement grants is to strengthen the institutions so that they could be fully equipped to perform their mandated functions

### 3.10 Empowerment of *Panchayats* to Impose/Collect Revenue

Powers to impose taxes by the local governments was considered imperative to be enshrined in the Constitution under Article 243H to impart certainty, continuity and strength to the *Panchayats*. The Union Minister of State for Rural Development, G Venkat Swamy said while moving the Constitution (73rd Amendment) Bill in Parliament, “*Constitution (Seventy-third) Amendment cast a duty on the centre as well as the states to establish and nourish the village Panchayats so as to make them effective self-governing institutions.... We feel that unless the Panchayats are provided with adequate financial strength, it will be impossible for them to grow in stature*”.. Devolution of taxes to local governments can easily be linked with the activities assigned to them, which vary from State to State. From the long list of Eleventh Schedule, certain basic functions could be said to be in the exclusive domain of *Panchayats*. Even these essential services require huge funds.

Table 3.11 reveals that a variety of taxes have been devolved at different levels of *Panchayats*. The relative importance of these taxes varies from State to State. The intermediate and district *Panchayats* are endowed with very few taxes whereas village *Panchayats* are given substantial taxing powers. From the list, property tax, land cess, surcharge on additional stamp duty, tolls, profession tax, advertisement tax, non-motor vehicle tax, octroi, user charges, etc. contribute the maximum to the small kitty of own revenue, which contributes only six to seven percent in the total expenditure of *Panchayats*. In most States, property tax contributes the maximum revenue. However, this remains an inelastic tax due to inefficient administration in its collection. Its assessment is based on annual rental value of taxation with its associated evil, *i.e.* under-declaration of rentals. However, some progressive States have reformed the tax structure and use unit area method in the determination of the tax base. The property tax has been assigned to local governments including *Panchayats* in the states of Andhra Pradesh, Karnataka, Madhya Pradesh, Tamil Nadu, Uttar Pradesh and West Bengal among all ten select States. It is important to note that it remains the major source of own tax revenue for most *Panchayats*.

The Entertainment Tax stands assigned to the *Panchayats* in Andhra Pradesh, Tamil Nadu and West Bengal. Most States have also authorized the *Panchayats* to collect Land

cess/Land tax. *Panchayats* in a number of States including Andhra Pradesh, Bihar, Gujarat, Karnataka, Odisha, Tamil Nadu and Uttar Pradesh also collect Vehicle tax.

Tax on bicycles and on vehicles drawn by animals, Trade and Callings Tax, Toll Tax are the other taxes which have been assigned to the *Panchayats* in most States.

The following table shows assignment of tax handles to *Panchayats* at different rungs in ten sample states. The information has been assimilated from the State *Panchayat* Acts and their subsidiary Acts.

**Table 3.11: Revenue Handles Assigned to *Panchayats***

Sl. No.	States	Revenue Handles Assigned to <i>Panchayats</i>									
		Tax Revenue Receipts					Non- Tax Revenue Receipts				
		Taxes	Levi ed/ Coll ecte d	Appro priate d	Depo sited	Provis ions	Non- Taxes	Levi ed Coll ecte d	Appro priate d	Depo site d	Provis ions
1.	Andhra Pradesh (Gram Panchayat -V, Mandal Parishad-I, Zilla Parishad-D)	House tax	V,I	V,I,D	GF	S/60, S/61, S/74	Surcharge on seigniorage Fee <sup>17</sup>	V	V	GF	S/60, S/74
		Kolagaram, or Katarusum <sup>18</sup>	V	V	GF	S/60, S/74	Fees for the occupation of building (chavadies and sarais)	V	V	GF	S/60(3) (v)
		Vehicle tax (optional)	V,D	D	SF	S/70	Fees for use of porambo kes or commun	V	V	GF	S/60, S/74

<sup>17</sup> collected by the Government on materials other than minerals and minor minerals quarried in the village

<sup>18</sup> Tax on the village produce sold in the village by weight, measurement or number subject to such rules as may be prescribed

<ul style="list-style-type: none"> <li>• Andhra Pradesh Panchayat Act, 1994</li> </ul>						al lands					
	Tax on agricultural land	V				S/60,	Income from Mandal Parishad market	VI	V,I	IF	S/112, S/74
	Duty on Transfer of Property (Indian Stamp Act, 1899)	V,I, D	V,I,D	GF, IF, DF		S/60, S/69	Fees for the temporary occupation of village sites, roads and other similar public	V	V	GF	S/74
	Ferry Tax	V,I D	V,I,D	-		S/57	Income from endowments and trusts	V	V	GF	S/74
	Tolls and taxes (Public Health)	V				Sections 117 and 118 (Andhra Area) Public Health Act, 1939 (Act III of 1939)	Payments from Market Committee	I	V,I	GF	S/11, Andhra Pradesh (Andhra Area) Commercial Crops Markets Act, 1933
	Entertainment tax	V	V	GF		S/13, Andhra Pradesh Entertainment Tax Act, 1939.	Income from fisheries	V	V	GF	S/74

		Educational Tax (Local Authority-I+D, under A.P Education Act, 1971)	V	V,I,D	SF (Local authority compensated for expenses incurred)	S/37, Andhra Pradesh education act, 1971	Water Rate	S, I,D	-	ST	Andhra Pradesh Water Tax Act, 1988
		Land Cess	V,I, D	V,I,D	DF	S/78, S/92 Andhra Pradesh District Boards Act, 1920	Inam Assessment	S, V (Quit rent, Jodi, kattubadi)	-	GF, ST	Andhra Pradesh (Andhra Area) Inams Assessment Act, 1995

2

	Taxes	Levied/ Collected	Appropriated	Deposited	Provisions	Non-Taxes	Levied/ Collected	Appropriated	Deposited	Provisions	
<b>Bihar</b> (Gram Panchayat-V, Panchayat Samiti-I, Zilla Parishad- D)  Bihar Panchayat Raj Act, 2006.	Tax on Occupants of holdings	V	V	GF	S/27(1)(a)	Fees on registration of boats & vehicles	V,I,D	-	-	S/27(2)(a) S/55(1)(b)(i) S/82(1)(b)(i)	
	Tax on Profession trades, callings and employment	V	V	GF	S/27(1)(b)	Fee(Sanitary Arrangements @Pilgrimage, Fairs)	V,I,D	V,I,D	GF, IF, DF	S/27(2)(b) S/55(1)(b)(ii) S/82(b)(i)	
						Fee for license haat or market	I	I	IF	S/55(1)(b)(iii)	
	Tolls (Ferry)	I,D	-	-	S/55(1)(a), S/82(1)(a)	Water rate	V,I,D	V,I,D	GF, IF, DF	S/27(2)(c) S/55(1)(a)(iv) S/82(1)(b)(v)	
							Lightning Fee	V,I,D	-	GF, IF, DF	S/27(2)(d) S/55(1)(a)(v) S/82(1)(b)(iv)
							Fee for license of fair or mela	D	D	DF	S/82(1)(b)(iii)
Conservancy rate							V	V	GF	S/27(2)(e)	

3

	Taxes	Levied Collect ed	Appropriated	De posite d	Provis ions	Non-Taxes	Levi ed Coll ected	Ap propri ate d	De pos ite d	Provisions
<b>Gujarat</b> (Gram Panchayat[pop ulation<10,000 ]-V, Nagar Panchayat[pop ulation>10,000 < 30,000]- N, Taluka	Tax on building and lands	V,N	V,N	GF	S/178(i)	Fee levied for institution of Suits and cases	V	V	GF	S/244- Fee levied S/99-Gram Fund
	Net	S	V,N	GF	S/181	Sums to				S/234& S/235

4	Karnataka	Taxes	Levi ed Colle	Appropri ated	De pos ite	Provisio ns	Non- Taxes	Levi ed Coll	Appro priate d	Depos ited	Provisi ons
Panchayat- I, District Panchayat-D)  Gujarat Panchayat Act, 1961.  [S/178- taxation by GP & NP;	proceed of cess						be paid as compensa tion	-	V	GF	
	Net proceed of stamp duty	I	I	IF	S/184	Ferry rate	D	D	DF	Bombay Ferries and Inland Vessels Act, 1868	
	Conversio n Tax <sup>19</sup>	S	V,N	ST	S/65 Land Reven ue code, 1 879	Rent/Pena lty(crimin al case)	V	-	GF	S/120(h)-Talu fund	
	Tax on motor vehicles (other than tolls on trailers)	V,N	-	ST	S/20 Bomba y motor vehicle s tax act, 19 58	Water rate	S	I	I	Bombay irrigation Act, 1879	
	Pilgrim Tax	V,N	-	GF	S/178( iii)	Tolls on roads and bridges	S	V, N,I	GF	Tolls on roads and bridges act 1875	
	Tax on fairs, festivals and other entertainm ents	V,N,D	-	GF	S/178( iv)	Fee on markets and weekly bazaars	V,N D	-	GF	S/178(x)	
	Tax on bicycles and on vehicles drawn by animals	VND	VND	GF, .DF	S/178( v)	Fee on cart stands and tonga stands	VND	VN D	GF, DF	S/178(xi)	
	Tax on trade, profession s, callings	VND	VND	GF, DF	S/178	District Developm ent Fund (10% of income)	VND	VN	DF	S/103-DDF Inter- Governmenta aid(V+N→DF)	
						Sanitary Cess	VND	VN	GF	S/178(xv)	

Karnataka Panchayat Raj Act, 1994	(Gram Panchayats-V; Taluka Panchayat-I; Zilla		cted		d			Ecte d			
	Tax on lands and buildings	V	V	GF	S/199(1)	Pilgrim fee	V	V	GF	S/199(3)(d)	
	Tax on entertainment other than cinematograph shows	V	V	GF	S/199(3)(a)	Water rate	V	V	GF	S/199(2)	
						Market Fee	V	V	GF	S/199(3)(e)	
	Tax on vehicles, other than motor vehicles	V	V	GF	S/199(3)(b)	Fee on the registration of cattle brought for sale in any market place	V	V	GF	S/199(3)(f)	
	Local cess	S	V	GF	S/204 (Karnataka Land Revenue act, 1964)	Fee on buses and taxies and auto-stands	V	V	GF	S/199(3)(g)	
Duty on transfer of property	S	D	DF	S/205 (Karnataka Stamp Act, 1957)	Fee on grazing cattle in the grazing lands	V	V	GF	S/199(3)(h)		
5	<b>Madhya Pradesh</b>	<b>Taxes</b>	<b>Levi ed Colle cted</b>	<b>App ropri ated</b>	<b>De pos ited</b>	<b>Provisions</b>	<b>Non- Taxes</b>	<b>Levi ed Coll Ecte d</b>	<b>Ap pro pri ate d</b>	<b>De pos ite d</b>	<b>Provisions</b>
(Gram Panchayat-V; Janpad Panchayat-I; Zilla Panchayat-D)	Cess on land	V	I	GF	S/74	Market fees	V	-	GF	Schedule-I[S/77(f)]	
Madhya Pradesh Panchayat Raj Adhiniyam, 1993	Duty on transfer of Property	S(Indian Stamp act	V,I	ST	S/75	Fees on the registration of cattle sold	V	-	GF	Schedule-I[S/77(f)]	
	Developm ent tax on agricultur e	I	V,I	IF, GF	M.P. Janpad Panchayat (Imposition	Light tax	V(Gr am Sabh a)	-	GF	Schedule I-A[S/77A] (3)	

<p>Schedule I- (S/77(f))- Obligatory Taxes to be imposed by G.P)</p> <p>B.Tax imposed by B.P</p> <p>Schedule I-A (S/77A) Obligatory taxes to be imposed by Gram Sabha)</p> <p>Schedule II[S/77(2)] Optional taxes imposed by G.P</p> <p>B. Optional taxes by B.P</p> <p>Schedule IIA[S/77A] Optional taxes by Gram Sabha</p> <p>Schedule III- Lease of collection of fess by G.P</p>	A.					of Development Tax on Agriculture Land) Rules, 1999	Water rate	V		GF	Schedule II[S/77(2)]
	Development Tax	D	V,I	GF, DF	S/74(3) S/77(3) District Panchayat fund rules, 1998	Fees payable by the owners of the vehicles other than motor-vehicle	V	-	GF	Schedule II[S/77(2)]	
	Theatre Tax	I	V,I	IF, GF	Schedule-I(B)	Drainage Fee	V	-	GF	Schedule II[S/77(2)]	
	Tax on private latrines	V(Gram Sabha)	-	GF	Schedule I-A(2)	License fee (Lands under Janpad)	I	-	IF	Schedule II[S/77(2)]B	
	Tax on Profession, trades and callings)	V(Gram Sabha)	-	GF	Schedule I-A[S/77A] (4)	Fees for the use of sarais, dharamshalas, rest houses, slaughter houses and encampin g ground	V(Gram Sabha)	-	GF	Schedule II-A [S/77(A)]	
	Tax on the bullock-carts, bicycles, rickshaws used for hire	V	-	GF	Schedule II[S/77(2)]	Fee for bullock-cart stand or tonga stand	V	-	GF	Schedule III(S/80)	
	Tax on animals used for riding,	V(Gram Sabha)	-	GF	Schedule II-A [S/77(A)]	fee for grazing cattle	V	-	GF	Schedule III(S/80)	

		driving, drought or burden or on dogs or pigs					Fees for temporary structure or any projection over any public place	V	-	GF	Schedule II-A [S/77(A)]
		Temporary tax <sup>20</sup>	V(Gram Sabha)	-	GF	Schedule II-A [S/77(A)]					
		Property tax	V(Gram Sabha)	-	GF	Schedule I-A (1)					
6	<b>Maharashtra</b>	<b>Taxes</b>	<b>Levied Collected</b>	<b>Appropriated</b>	<b>Deposited</b>	<b>Provisions</b>	<b>Non-Taxes</b>	<b>Levied Collected</b>	<b>Appropriated</b>	<b>Deposited</b>	<b>Provisions</b>
	(Village Panchayat- V; Panchayat Samiti/Taluka Panchayat-I; Zilla Parishad-D) Bombay Village Panchayat Act, 1968	Cess on land	V	-	GF	S/127	fee on markets and weekly bazars	V	-	GF	S/124(1)(x)
	Maharashtra Zilla Parishad and Panchayat Samiti Act, 1961	Tax on land and buildings	V	-	GF	S/124(1)(i)	fee on cart stand and tong stands	V	-	GF	S/124(1)(x)
		Betterment tax <sup>21</sup>	V	-	GF	S/124(1)(i-a)	fee for the supply of water from wells and tanks	-	-	-	S/124(1)(xii)
		Local Panchayats Tax	V	-	GF	S/124(1)(i-b)	Equalization Grant	-	-	GF	S/132A
		Pilgrim tax	V	-	GF	S/124(1)(iii)	village water supply fund	-	-	GF	S/132B

<sup>20</sup> for special works of public utility

<sup>21</sup> Lands benefitted from scheme or projects undertaken by a Panchayat from the village fund

		Tax on fairs, festivals and other entertainments	V	-	GF	S/124(1)(IV)	District Development Fund	-	-	GF	S/133
		Tax on bicycles and on vehicles drawn by animals	V	-	GF	S/124(1)(v)	Fee for temporary erection on, or putting up projection over, or temporary occupation of, any public street or place	V	-	GF	S/124(1)(xiv)
		Lightning Tax	V	-	GF	S/124(1)(vi i)	Fee for cleaning a cess pool constructed on land	V	-	GF	S/124(1)(vi)
		Sanitary Cess	V	-	GF	S/124(1)(vi i)	Loans from zilla Parishad		-	GF	S/132
		Water Rate	V	-	GF	S/124(1)(vi ii)	Fee for grazing cattle or grazing lands	V	-	GF	S/124(1)(xvii)
		Tax under S/2 of Bombay Motor Vehicles Tax Act, 1958	V	-	GF	S/124(1)(ix)	Fee on the registration of animals sold	V	-	GF	S/124(1)(xviii)
		Tax on trade, calling or employment	V	-	GF	S/124(1)(vi)			-		
7.	<b>Odisha</b>	<b>Taxes</b>	<b>Levied</b>	<b>Appropriated</b>	<b>Deposited</b>	<b>Provisions</b>	<b>Non-Taxes</b>	<b>Levied</b>	<b>Appropriated</b>	<b>Deposited</b>	<b>Provisions</b>

	Collected	iated	ited			Collected	private	ited		
(Gram Panchayat-V; Panchayat samiti-I; Zilla Parishad-D)  •Orissa Gram Panchayat Act, 1964  S/83- Taxation by G.P S/93- Gram Fund  •Orissa Panchayat Samiti Act, 1999  S/29- Sources of income for Panchayat samiti  •Orissa Zilla Parishad Act, 1994  S/15-Sources of income for zilla parishad.	Vehicle tax	V	V	GF	S/83, S/86	Income from endowments, trusts	I, D	-	IF, DF	S/29(iii) Orissa Panchayat Samiti Act, 1999
	Conservancy tax	V	V	GF	S/83	Power to levy fees under S/55 <sup>22</sup> & S/56 <sup>23</sup>				S/57
	Drainage tax	V	V	GF	S/83	Ferry rate	V	V	GF	S/72- Appropriation of income of ferries
	Land cess	V	V, D	GF, DF	S/93(V) S/15(D)	Water rate	V	-	GF	S/83(d)
						Lightning rate	V	-	GF	S/83(e)
						Fee on private markets, cart-stands and slaughter houses within gram	V		GF	S/83(g)
						Fee on animals brought for sale into or sold in a public market(Gram)	V		GF	S/83(h)
						Rent from dealers <sup>24</sup>	V	V	GF	S/83(l)
						License	V	V	GF	S/83(m)

<sup>22</sup> S/56, Orissa Gram Panchayat act, 1964 Industries and factories including dangerous and offensive trades

<sup>23</sup> S/57, Orissa Gram Panchayat act, 1964 Control over

<sup>24</sup> "Dealers", who are temporarily occupying open grounds or any structure belonging to G.P.

							fees for brokers, commission agents, weighmen and measures				
							Fee for use of any infrastructure in market.	V	VI	GF	S/83(j) S/58(2)(b) <sup>25</sup>
							Income from property, Institution, undertaking.	-	-	GF	S/93(e)
							Fee for regulating the movement of cattle (protection of crops)	V	-	GF	S/83(i)
8	<b>Tamil Nadu</b>	<b>Taxes</b>	<b>Levied Collected</b>	<b>Appropriated</b>	<b>Deposited</b>	<b>Provisions</b>	<b>Non-Taxes</b>	<b>Levied Collected</b>	<b>Appropriated</b>	<b>Deposited</b>	<b>Provisions</b>
	(Village Panchayat-V; Panchayat Union Councils-I; District	Local cess <sup>26</sup>	V,I, D	I(10%proceeds) <sup>27</sup> ,	GF, IF, DF	S/167 (Tamil Nadu Revenue	Local education grant	-	-	IF	S/179

<sup>25</sup> S/58(2)(b) Markets

<sup>26</sup> S/167, Tamil Nadu Panchayats Act (I) There shall be levied in every Panchayat development block, a local cess at the rate of one rupee on every rupee of land revenue payable to the Government in respect of any land for every fasli..

*Explanation.-* In this section and in section 168, 'land revenue' means public revenue due on land and includes water cess payable to the Government for water supplied or used for the irrigation of land, royalty, lease amount or other sum payable to the Government in respect of land held direct from the Government on lease or licence, but does not include any other cess or the surcharge payable under section 168, provided that land revenue remitted shall not be deemed to be land revenue payable for the purpose of this section.

<sup>27</sup> shall be credited to the Panchayat Union (Education) Fund(S/167(4))

<i>Panchayats-D)</i>			D		Recovery Act, 1864)					
Tamil Nadu <i>Panchayats</i> Act, 1994	Duty on transfer of property	V	-	GF	S/171 S/175	Local Roads grant	-	-	IF	S/182
-S/171- Taxes leviable by village <i>Panchayats</i>	House tax	V	-	GF	S/171 S/172	Local Cess Surcharge Matching Grant	-	-	IF	S/180
-S/186- <i>Panchayat</i> Union (General) Fund	Vehicle tax <sup>28</sup>	V	-	GF	S/171 S/173	Fees on licences and permissions by <i>Panchayat</i> union	I	-	IF	S/186(e)
-S/188-Village <i>Panchayat</i> Fund	Entertainment tax	I	-	IF	<b>S/13, Tamil Nadu Entertainment tax act, 1939</b>	Fee levied in public markets	I	I,V	IF, GF	<b>S/186(f)</b>
	<b>Professional tax</b>	V	V	GF	S/188;  [Tamil Nadu Tax on Professions, Trades, Callings and Employments Act, 1992]	Fee for use of choultries	I	-	IF	S/186(i)
						Income from ferries and fisheries	-	-	IF, GF	S/186(o) S/188(n) S/188(o)
	Taxes and tolls levied in the village	V	V	GF	S/188;  S/ 117 and 118, Tamil Nadu Public Health Act, 1939	Income from endowments and trusts	I	-	IF, GF	S/186(k) S/188(k)

<sup>28</sup> *Explanation.*- In this section, "vehicle" means a conveyance suitable for use on roads and includes any kind of tram-car, carriage, cart, wagon, bicycle, tricycle and rickshaw, but does not include a motor vehicle as defined in the Motor Vehicles Act, 1988

							Sale proceeds of tools, plants, stores, avenue produce	-	-	IF	S/186(n)
							Income derived from porambokes	-	-	GF	S/188(r)
							Income from leases of Government property	-	-	GF	S/188(t)
							Fee for temporary occupation of roads	I	-	IF, GF	S/186(h) S/188(i)
9	Uttar Pradesh	<b>Taxes</b>	<b>Levied Collected</b>	<b>Appropriated</b>	<b>Deposited</b>	<b>Provisions</b>	<b>Non-Taxes</b>	<b>Levied Collected</b>	<b>Deposited</b>	<b>Provisions</b>	
	(Gram Panchayat-V; Kshetra Panchayats-I; Zilla Panchayats-D)	Land Tax <sup>29</sup>	V,D	-	GF, DF	S/37(a) U.P. Zilla Panchayats (Recovery of Arrears of Tax and Rent on Land) Rules, 1975	Fees on the registration of animals sold in any market	V	-	GF	S/37(f)
	*Uttar Pradesh Panchayat Act, 1947	Tax on land revenue	V	-	GF	S/37(b)	Fees for the use of slaughter-houses and	V	-	GF	S/37(g)
	S/32- Gaon Fund										

<sup>29</sup> In areas where the right, title and interest of intermediaries have been acquired under the Zamindari Abolition and Land Reforms Act, 1950 (U.P. Act No. 1 of 1952), the Jaunsar Bawar Zamindari Abolition and Land Reforms Act, 1956 (U.P. Act XI of 1956) or the Kumaun and Uttarakhand Zamindari Abolition and Land Reforms Act, 1960 (U.P. Act XVII of 1960) a tax on land [not less than twenty-five paise by not exceeding fifty paise] in a rupee on the amount of land revenue payable or deemed to be payable therefor;

S/37- Imposition of taxes and fees						encampin g ground				
	tax on theater, cinema or similar entertain ment	V	-	GF	S/37(c)	Water rate	V,I	-	GF, IF	S/37(h) S/131A (a)
S/39- Expenses of nayaya <i>Panchayat</i> to be charge on Goan fund						Irrigation rate	V	-	GF	S/37(k)
	Tax on animals and vehicles	V	-	GF	S/37(d)	Electricity tax	I	-	IF	S/131A(b)
*Uttar Pradesh Kshetra <i>Panchayats</i> and zilla <i>Panchayats</i> Adhiniyam, 1961	Tax on person exposing goods for sale in markets, hats, or melas	V	-	GF	S/37(e)					
S/99-Zila Nidhi and <i>Kshetra nidhi</i> (Fund)	Tax for cleaning and lighting of streets and sanitation;	V	-	GF	S/37(j)					
S/119-Taxes imposed by <i>Zila Panchayat</i>	Tax for cleaning private latrines and drains	V	-	GF	S/37(i)					

		Tax on circumstances and property	D V(S/ 122- Colle ction of tax)	-	DF	S/119, U.P Kshetra and zilla Panchayat Adhiniyam, 1961  United Provinces District Boards Act, 1922						
10	West Bengal	Taxes	Levi ed	Ap pro pri ate d	De po sited	Provisions	Non- Taxes	Levi ed	Ap pro pri ate d	De po sited	Provisions	
	(Gram Panchayat-V;  Panchayat Samiti-I;  Zilla Parishad- D)  West Bengal Panchayat Raj Act, 1973  S/47- Levy of rates and fees(Gram Panchayat)  S/133- Levy of tolls and fees by Panchayat Samiti  S/181- Levy of tolls, fees, rates by Zilla Panchayat	Tax on land and building	V	-	GF	S/46(1)	fees on the registratio n of vehicles	V,I, D	-	GF, IF, DF	S/47(i) S/133(i) S/181(1)(c)(i)	
		Duty on transfer of property	V	-	GF	S/46(4)(a)	fees on plaints and petitions and other processes in suits and cases	V	-	GF	S/47(ii)	
		Duty on entertain ment	V	-	GF	S/46(5)	Sanitary Fee	V,I, D	-	GF, IF	S/47(iii) S/133(ii) S/181(1) (c)(ii)	
		Road Cess	D	-	DF	S/180 (Cess Act, 1880)	water rate	V,I, D	-	GF, IF	S/47(iv) S/133(v) S/181(1)(c)(iv)	
		Public work cess	D	-	DF	S/180	lighting rate	V,D	-	GF	S/47(v) S/181(1)(c)(v)	
							conservan cy rate	V	-	GF	S/47(vi)	
							Ferry rate	V,I, D	-	GF, IF, DF	S/47(ix) S/133(b) S/181(1)(b)	
							Drainage rate	V	-	GF	S/47(xii)	

		Fees for use of burning <i>ghat</i>	V	-	GF	S/47(xiv)
		Fees on license on dogs and birds and other domestic pet animal	V	-	GF	S/47(x)
		Fees on registration for [shallow or deep tube-wells] fitted with motor-driven pump sets and installed for irrigation for commercial purposes,	V	-	GF	S/47(xv)
		Tolls on persons, vehicles or animals(Roads and bridges)	V,I, D	-	GF, IF, DF	S/47(viii) S/133(1) (a) S/181(1) (a)
		Fee on running dangerous trade	I	-	IF	S/116 S/133(iii)
		Fee for license for a <i>hat</i> or market	I	-	IF	S/117 S/133(iv)

			fees on registration] for running trade, wholesale or retail,	V	-	GF	S/47(vii)
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### 3.11 GST Implications on Panchayats

In the wake of the 101<sup>st</sup> Constitutional Amendment Act, 2016 which formed the basis of new GST regime, has affected the tax base of local governments including *Panchayats*. The Amendment Act has subsumed some taxes that formed base of own source revenue for *Panchayats*. These taxes were Octroi<sup>30</sup> Tax on advertisement<sup>31</sup> and fee collected on sale and purchase of agricultural produce.<sup>32</sup> Also *Panchayats/ Municipality/Regional council/District council* are authorized to collect taxes on entertainments and amusements.<sup>33</sup>

**Table 3.12: Important/major changes in tax handles of Panchayats in State Pre and Post-GST**

SI No	Selected Sample States	Important/major changes in tax handles of Panchayats in State			
		Pre-GST	Post- GST		(As per the State GST Act)
A	Central Region	Taxes	Subsumed	Status	
1.	<b>Madhya Pradesh</b>				<b>S/51 (1) (b)</b> -The Government may mandate local authority to deduct tax at source or TDS at the rate of <b>1 per cent</b> from the payment made to the supplier /deductee of taxable goods & services ,where the total value of such supply > <b>INR 2,50,000/-</b>
	<u>Acts/Amendments</u>	<b>Development Tax</b>	✓	Considered as supply of service under Schedule II (5), Section-7, M.P. SGST Act, 2017.	
	Madhya Pradesh <i>Panchayat Raj Adhiniyam</i> , 1993				
	Madhya Pradesh State GST Act, 2017	<b>Tax on Profession, trades and callings</b>	-	Rates revised for Dealer registered or not registered under M.P Vat Act, 2002 or M.P GST Act, 2017.	<b>S/52 (1)</b> - Collection of tax at source /TCS
	<b>Madhya Pradesh Vritti Kar (Sanshodhan) Adhiniyam, 2017</b>			a) Does not exceed rupees 20	<b>S/173(Repealed Acts)</b>
	<b>Madhya Pradesh</b>				<b>Madhya Pradesh Sthaniya Kshetra Me Mal ke pravesh par kar Adhiniyam, 1976(Act No.52 of 1976)</b>

<sup>30</sup> Entry 52, omitted by the constitution (One Hundred and First amendment) Act, 2016, sec.17(b) (i) (w.e.f 16-9-2016, vide, S.O. 2986(E), dated 16<sup>th</sup> September, 2016). Entry 52, before omission, stood as under:

“52. Taxes on the entry of goods into local areas for consumption, use or sale therein.”

<sup>31</sup> Entry 55, omitted by the constitution (One Hundred and First amendment) Act, 2016, sec.17(b) (iii) (w.e.f 16-9-2016, vide, S.O. 2986(E), dated 16<sup>th</sup> September, 2016). Entry 55, before omission, stood as under:

“55. Taxes on advertisements other than advertisements published in the newspapers and advertisements broadcast by radio or television.

<sup>32</sup> Entry 54, omitted by the constitution (One Hundred and First amendment) Act, 2016, sec.17(b) (iii) (w.e.f 16-9-2016, vide, S.O. 2986(E), dated 16<sup>th</sup> September, 2016).Entry 54, before substitution by the (One Hundred and First amendment) Act, 2016, stood as under:

“54. Taxes on the sale or purchase of goods other than newspapers subject to the provisions of entry 92A of List I.”

<sup>33</sup> Entry 62, omitted by the constitution (One Hundred and First amendment) Act, 2016, sec.17(b) (i) (w.e.f 16-9-2016, vide, S.O. 2986(E), dated 16<sup>th</sup> September, 2016). Entry 62, before omission, stood as under:

“62. Taxes on luxuries, including taxes on entertainments, amusements, betting and gambling.”

	<b>Municipal (Entertainment and Amusement) Tax Rules, 2018</b>			lacs(Nil) b) Exceed rupees 20 lacs(2500) <sup>34</sup>	<b>Madhya Pradesh vilasta, manorajan, Amod evam vigyapan kar adhiniyam,,2011</b> (Act No. 11 of 2011)
		<b>Tax on luxury</b>	✓	Repealed Madhya Pradesh vilasta, manorajan, Amod evam vigyapan kar adhiniyam,,2011	
		<b>Advertisement Duty<sup>35</sup></b>	✓	Repealed Madhya Pradesh vilasta, manorajan, Amod evam vigyapan kar adhiniyam,,2011	
		<b>Entertainment Duty<sup>36</sup></b>	-	Given to Municipal authorities for levy and collection under <b>Madhya Pradesh Municipal (Entertainment and Amusement) Tax Rules, 2018</b>	
<b>B</b>	<b>Eastern Region</b>				
<b>Sl No</b>	<b>Selected Sample States</b>	<b>Important/major changes in tax handles of Panchayats in State</b>			
		<b>Pre-GST</b>	<b>Post- GST</b>		<b>(As per the State GST Act)</b>
		<b>Taxes</b>	<b>Subsumed</b>	<b>Status</b>	

<sup>34</sup> Madhya Pradesh Vritti Kar (Sanshodhan) Adhiniyam, 2017

<sup>35</sup> M.P Entertainment duty and advertisement tax act, 1936; Madhya Pradesh vilasta, manorajan, Amod evam vigyapan kar adhiniyam,,2011

<sup>36</sup> Ibid9

2.	West Bengal  W.B Panchayat Act,1993 [WBPA,1993]  West Bengal State GST Act, 2017 [WBSGST,2017]  The Bengal Amusements Tax Act, 1922  West Bengal Entertainment-Cum-Amusement Tax Act, 1982  Bengal Entertainments and Luxuries (Hotels and Restaurants) Tax Act, 1972  West Bengal Entertainment-Cum-Amusement Tax Act, 1982 &	Advertisement Fee	✓	Repealed S/47(xvii) of W.B PA,1993	S/173 of WB SGST Act – (i)The Bengal Amusements Tax Act, 1922;  (ii) the West Bengal Entertainments and Luxuries (Hotels and Restaurants) Tax Act, 1972;  (iii) West Bengal Entertainment-Cum-Amusement Tax Act, 1982 &  (iv) The West Bengal Tax on Entry of Goods into Local Areas Act, 2012,are hereby repealed.  S/51 C/1(b)-Tax deduction at Source or TDS by Local Authority/Panchayats S/51 Tax Collection at Source or TCS  Schedule III S/3 C/a-Exemption of functions performed by M.P/MLA/Panchayat members from both Goods & Services Category
		Amusement Tax	✓	Repealed The Bengal Amusements Tax Act, 1922;  West Bengal Entertainment-Cum-Amusement Tax Act, 1982 &	
		Fees on registration] for running trade, wholesale or retail,	✓	Subsumed under W.B SGST Act	
		Duty on entertainment	✓	Repealed Bengal Entertainments and Luxuries (Hotels and Restaurants) Tax Act, 1972  West Bengal Entertainment-Cum-Amusement Tax Act, 1982 &	
Sl No	Selected Sample States	Important/major changes in tax handles of Panchayats in State			(As per the State GST Act)
		Pre-GST	Post- GST		
		Taxes	Subsumed	Status	

3.	<b>Odisha</b> <ul style="list-style-type: none"> <li>• Orissa Gram Panchayat Act, 1964</li> <li>• Orissa Panchayat Samiti Act, 1999</li> <li>• Orissa Zilla Parishad Act, 1994</li> <li>• Orissa State GST Act, 2017</li> <li>• Odisha Entertainment Tax Act, 2005,</li> <li>• Odisha Entertainment Tax Act, 2005,</li> </ul>	<b>Entertainment Tax</b>	✓	<b>Repealed Odisha Entertainment Tax Act, 2005,</b>	<p><b>S/51 C/1 (b) – TDS-</b> The Government may mandate local authority to deduct tax at source or <b>TDS</b> at the rate of <b>1 per cent</b> from the payment made to the supplier /deductee of taxable goods &amp; services ,where the total value of such supply &gt; <b>INR 2,50,000/-</b></p> <p><b>S/52 C/1 -</b>Collection of Tax at source</p> <p><b>S/174 C/1-</b>Repeal of following taxes namely-  <b>a)Odisha Value Added Tax Act, 2004</b> so far as it relates to the goods other than the goods appearing in Entry 54 of List-II of the Seventh Schedule to the Constitution,  <b>b)Odisha Entry Tax Act, 1999,</b>  <b>c)Odisha Entertainment Tax Act, 2005,</b>  <b>d) Odisha Luxury Tax Act, 1995.</b>  <b>Schedule III S/3 C/a-</b>  Exemption of functions performed by M.P/MLA/<i>Panchayat</i> members from both Goods &amp; Services Category</p>
		<b>Tax on Profession, trades and callings</b>	-	<b>Rates revised for Dealer registered or not registered under Orissa Vat Act, 2002 or Orissa GST Act, 2017.</b> i)Does not exceed rupees 20 lacs(Nil) ii)Exceed rupees 20 lacs(2500) <sup>37</sup>	
<b>C</b>	<b>Northern Region</b>				
SI No	Selected Sample States	<b>Important/major changes in tax handles of Panchayats in State</b>			
		Pre-GST Taxes	Post- GST Subsumed	Status	(As per the State GST Act)
4.	<b>Uttar Pradesh(UP)</b>  Uttar Pradesh Panchayat Act, 1947  Uttar Pradesh <i>Kshetra Panchayats</i> and <i>zilla</i>	<b>Tax on theater, cinema or similar entertainment</b>	✓	<b>Repealed</b>  The UP Entertainment and Betting Tax Act ,1979,	<b>S/51 (1) (b) – TDS-</b> The Government may mandate local authority to deduct tax at source or <b>TDS</b> at the rate of <b>1 per cent</b> from the payment made to the supplier /deductee of taxable goods & services, where

<sup>37</sup> Odisha state tax on Professions, trade and calling, employment amendment act 2018.

	<p><i>Panchayats Adhiniyam, 1961</i></p> <p>The UP Entertainment and Betting Tax Act, 1979</p> <p>The UP Advertisements Tax Act, 1981</p>	<p><b>Tax on Profession, trades and callings</b></p>	-	<p>Rates revised for Dealer registered or not registered under Orissa Vat Act, 2002 or Orissa GST Act, 2017.</p> <p>c) Does not exceed rupees 20 lacs(Nil)</p> <p>d) Exceed rupees 20 lacs(2500)<sup>38</sup></p>	<p>the total value of such supply &gt; INR 2,50,000/-</p> <p><b>S/52 (1)</b> -Collection of Tax at source</p> <p><b>S/174-</b> Repeal of following acts namely-</p> <p>i)The UP value Added Tax Act, 2008, except in respect of goods included in the Entry 54 of the State list of the Seventh Schedule of the Constitution,</p> <p>ii)The UP Tax on Entry of goods into local areas act, 2007,</p> <p>ii)The UP Advertisements Tax Act, 1981,</p> <p>iii)The UP Entertainment and Betting Tax Act, 1979,</p> <p>iv)The United Provinces Sales of Motor Spirit ,Diesel Oil &amp; Alcohol Taxation Act,1939, The UP Sugarcane (Purchase Tax) Act,1961</p> <p><b>Inclusion of taxes on following handles under purview of GST- Schedule II-</b></p> <p>S/2- Land &amp; building, S/5-Supply of services say renting of immovable property , construction of building/structure</p>
		<p><b>Advertisement tax</b></p>	✓	<p><b>Repealed</b></p> <p>The UP Advertisements Tax Act, 1981</p>	
<b>Sl No</b>	<b>Selected Sample States</b>	<b>Important/major changes in tax handles of Panchayats in State</b>			<b>(As per the State GST Act)</b>
		<b>Pre-GST Taxes</b>	<b>Post- GST</b>		
			<b>Subsumed</b>	<b>Status</b>	
5.	<p><b>Bihar</b></p> <p>Bihar Panchayat Raj Act, 2006.</p>	<p><b>Entertainment tax</b></p>	✓	<p><b>Repealed</b></p> <p>The Bihar Entertainment Tax Act, 1948</p>	<p><b>S/7 (2)(b)</b> - Such activities or transactions under taken by the Central Government, a State Government or any local authority in which they are</p>

<sup>38</sup> Uttar Pradesh state tax on Professions, trade and calling, employment amendment act 2018.

	Bihar Entertainment Tax Act, 194; and  The Bihar Advertisement Tax Act, 2007.	<b>Tax on Profession trades, callings and employment</b>	-	Rates revised for Dealer registered or not registered under Bihar Vat Act, 2002 or Bihar GST Act, 2017. e) Does not exceed rupees 20 lacs(Nil) Exceed rupees 20 lacs(2500)	engaged as public authorities, as may be notified by the Government on the recommendations of the Council, shall be treated neither as a supply of goods nor a supply of services. <b>S/51 (1)(b)</b> – Tax deduction at source/TDS- The Government may mandate local authority to deduct tax at source or TDS at the rate of <b>1 per cent</b> from the payment made to the supplier /deductee of taxable goods & services, where the total value of such supply > INR 2,50,000/-  <b>S/52-</b> Collection of tax at source <b>S/173 – Repeal</b> of following acts namely- (a)The <b>Bihar Value Added Tax Act, 2005</b> , except in respect of goods included in the Entry 54 of the State List of the Seventh Schedule to the Constitution; (b) the <b>Bihar Tax on Entry of Goods into Local Areas for Consumption, Use or Sale There in Act,1993</b> ; (c) the <b>Bihar Taxation on Luxuries in Hotels Act,1988</b> ; (d) the <b>Bihar Entertainment Tax Act, 1948</b> ; and (e) <b>The Bihar Advertisement Tax Act, 2007</b> .
		<b>Advertisement tax</b>	✓	Repealed The Bihar Advertisement Tax Act, 2007.	
<b>D</b>	<b>Western Region</b>				
<b>Sl. No</b>	<b>Selected Sample States</b>	<b>Important/major changes in tax handles of Panchayats in State</b>			<b>(As per the State GST Act)</b>
		<b>Pre-GST Taxes</b>	<b>Post- GST(Status)</b>	<b>Status</b>	
6.	<b>Maharashtra</b>  Maharashtra <i>Village Panchayat</i> Act, 1959	<b>Tax on fairs, festivals and other entertainments</b>	✓	Repealed	<b>Schedule III S/3 (a)</b> -Exemption of functions performed by M.P/MLA/ <i>Panchayat</i> members from both Goods & Services Category.

	Maharashtra <i>Zilla Parishad and Panchayat Samiti</i> Act, 1961	<b>Tax under S/2 of Bombay Motor Vehicles Tax Act, 1958</b>	✓	Repealed The Maharashtra Tax on Entry of Motor Vehicles into Local Areas Act, 1987	<p><b>S/51 C/1 (b)</b> – Tax deduction at source/TDS- The Government may mandate local authority to deduct tax at source or TDS at the rate of <b>1 per cent</b> from the payment made to the supplier /deductee of taxable goods &amp; services ,where the total value of such supply &gt; <b>INR 2,50,000/-</b></p> <p><b>S/52-</b> Collection of tax at source</p> <p><b>S/173 – Repealed</b> Acts namely –</p> <p>(a)The Maharashtra Betting Tax Act, 1925, (b) The Maharashtra Purchase Tax on Sugarcane Act, 1962, (c)The Maharashtra Advertisements Tax Act, 1967. (d) The Maharashtra Forest Development (Tax on sale of Forest Produce by Government or Forest Development Corporation) Act, 1983. (e) The Maharashtra Tax on Luxuries Act, 1987. (f) The Maharashtra Tax on Entry of Motor Vehicles into Local Areas Act, 1987. (g) The Maharashtra Tax on the Entry of Goods into Local Areas Act, 2002. (h) The Maharashtra Tax on Lotteries Act, 2006</p>
	Maharashtra state GST act, 2017	<b>Advertisement tax</b>	-	Repealed The Maharashtra Advertisements Tax Act, 1967	
		<b>Tax on trade, professions, callings</b>	-	Rates revised for Dealer registered or not registered under Gujarat Vat Act, 2002 or Gujarat GST Act, 2017. -Does not exceed rupees 20 lacs(Nil) -Exceed rupees 20 lacs(2500)	
Sl. No	Selected Sample States	Important/major changes in tax handles of <i>Panchayats</i> in State			(As per the St +3. +.....ate GST Act)
		Pre-GST Taxes	Post- GST Subsumed	Status	
7.	Gujarat  Gujarat <i>Panchayat</i> Act, 1961  The Gujarat Entertainments Tax Act,	<b>Tax on fairs, festivals and other entertainments</b> S/178(iv)	✓	Repealed The Gujarat Entertainments Tax Act, 1977	<b>Schedule III S/3 (a)</b> Exemption of functions performed by M.P/MLA/ <i>Panchayat</i> members from both Goods & Services

1977	<b>Conversion Tax<sup>39</sup></b>	✓	Considered as supply of service under Schedule II (5), Section-7, Gujarat SGST Act, 2017.	<p>Category.</p> <p><b>S/51 (1) (b)</b> – Tax deduction at source/TDS- The Government may mandate local authority to deduct tax at source or <b>TDS</b> at the rate of <b>1 per cent</b> from the payment made to the supplier /deductee of taxable goods &amp; services ,where the total value of such supply &gt; <b>INR 2,50,000/-</b></p> <p><b>S/52-</b> Collection of tax at source</p> <p><b>S/173-</b> List of Repealed Acts namely            (i) The Gujarat Tax on Entry of Specified Goods into Local Areas Act, 2001;            (ii) The Gujarat Tax on Luxuries (Hotels and Lodging Houses) Act, 1977; and            (iii) The Gujarat Entertainments Tax Act, 1977</p>	
	<b>Tax on trade, professions, callings</b>	-	Rates revised for Dealer registered or not registered under Gujarat Vat Act, 2002 or Gujarat GST Act, 2017. -Does not exceed rupees 20 lacs(Nil) -Exceed rupees 20 lacs(2500)		
E	<b>Southern Region</b>				
Sl. No	Selected Sample States	Important/major changes in tax handles of Panchayats in State			(As per the State GST Act)
		Pre-GST	Post- GST		
		Taxes	Subsumed	Status	
8.	<b>Karnataka</b>  Karnataka Panchayat Raj Act, 1994  The Karnataka Entertainments Tax Act  Karnataka State GST Act,2017	<b>Tax on entertainment other than cinematograph shows</b> [S/199(3)(a)]  <b>Tax on lands and buildings</b> [S/199(1)] (Any addition or construction)	✓	<b>Repealed</b> Karnataka Panchayat Raj Act, 1994  The Karnataka Entertainments Tax Act, 1958  Considered as supply of service under Schedule II (5), Section-7, Gujarat SGST Act, 2017.	<b>S/51 C/1 (b)</b> – Tax deduction at source/TDS- The Government may mandate local authority to deduct tax at source or <b>TDS</b> at the rate of <b>1 per cent</b> from the payment made to the supplier /deductee of taxable goods & services ,where the total value of such supply > <b>INR 2,50,000/-</b> <b>S/52-</b> Collection of tax at source <b>S/173-</b> Repeals (i) The Mysore Betting Tax Act, 1932 (Mysore Act IX of 1932), (ii) The Karnataka

<sup>39</sup> S/65, Land Revenue code, 1879



		<b>House Tax</b> <i>Certain provisions regarding construction or reconstruction</i>	-	Considered as supply of service under Schedule II (5), Section-7, Andhra Pradesh SGST Act, 2017.	(iv) the Andhra Pradesh Tax on Entry of Goods into Local Areas Act, 2001; (v) the Andhra Pradesh Tax on Luxuries Act, 1987; (vi) the Andhra Pradesh (Telangana Area) Horse Racing and Betting Tax Regulations, 1358 Fasli (Adaptation and Amendment) Act, 2015; (vii) the Andhra Pradesh Rural Development Act, 1996
		<b>Tax on trade, professions, callings</b>	-	Rates revised for Dealer registered or not registered under Andhra Pradesh Vat Act, Andhra Pradesh or Gujarat GST Act, 2017. -Does not exceed rupees 20 lacs(Nil) -Exceed rupees 20 lacs(2500)	<b>Schedule III S/3 (a)</b> Exemption of functions performed by M.P/MLA/ <i>Panchayat</i> members from both Goods & Services Categes
		<b>Fee on entry of motor-vehicle into local areas</b>	✓	Repealed the Andhra Pradesh Tax on Entry of Motor Vehicles into Local Areas Act, 1996;	
<b>SI No</b>	<b>Selected Sample States</b>	<b>Important/major changes in tax handles of Panchayats in State</b>			<b>(As per the State GST Act)</b>
		<b>Pre-GST Taxes</b>	<b>Post- GST Subsumed Status</b>		

10.	<p><b>Tamil Nadu</b></p> <p>Tamil Nadu <i>Panchayat</i> Act, 1994 [TNPA, 1994]</p> <p>Tamil Nadu State GST Act, 2017</p> <p>Tamil Nadu Tax on Entry of Motor Vehicles into Local Areas Act, 1990</p> <p>Tamil Nadu Entertainments Tax Act, 1939;</p>	<p><b>House tax</b> [S/172(c), TNPA, 1994]</p>	✓	<p>Considered as supply of service under Schedule II (5), Section-7, Tamil Nadu SGST Act, 2017</p>	<p><b>S/51 (1) (b)</b> – Tax deduction at source/TDS- The Government may mandate local authority to deduct tax at source or TDS at the rate of <b>1 per cent</b> from the payment made to the supplier /deductee of taxable goods &amp; services ,where the total value of such supply &gt; <b>INR 2,50,000/-</b></p> <p><b>S/52-</b> Collection of tax at source</p> <p><b>S/173</b> Tamil Nadu <i>Panchayats</i> Act, 1994,— (a) section 172-A shall be omitted; (b) in section 172-B, the expression “after the levy of the tax under section 172-A as determined by the collector” shall be omitted; (c) in section 174, for the expression “sections 171, 172 and 172-A”, the expression “sections 171 and 172” shall be substituted; (d) Section 175-A shall be omitted. 174.(1)</p> <p><b>Repeals</b> (i) the Tamil Nadu Value Added Tax Act, 2006 except in respect of goods included in Entry 54 of the State List of the Seventh Schedule to the Constitution;  (ii) The Tamil Nadu Betting Tax Act, 1935;  (iii) The Tamil Nadu Entertainments Tax Act, 1939;</p>
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		<b>Fee on entry of motor-vehicle into local areas</b>	✓	<b>Repealed</b> The Tamil Nadu Tax on Entry of Motor Vehicles into Local Areas Act, 1990	(iv) The Tamil Nadu Tax on Luxuries Act, 1981; (v) The Tamil Nadu Advertisement Tax Act, 1983;  (vi) The Tamil Nadu Tax on Entry of Motor Vehicles into Local Areas Act, 1990;
		<b>Entertainment Tax</b>	✓	<b>Repealed</b> Tamil Nadu Entertainments Tax Act, 1939; Section 175-A shall be omitted.	(vii) The Tamil Nadu Tax on Entry of Goods into Local Areas Act, 2001; (hereafter referred to as the repealed Acts) are hereby repealed.
		<b>Advertisement tax</b>	✓	<b>Repealed</b> section 172-A and 172B shall be omitted;	<b>Schedule III S/3 (a)</b> Exemption of functions performed by M.P/MLA/ <i>Panchayat</i> members from both Goods & Services Category.

### 3.12 Expenditure by Panchayats

It is general perception that *Panchayats* are financially and technically under equipped to perform even the core functions, much less than welfare functions and other economic functions related to various subjects enshrined in the constitution under Part IX. Many core functions that traditionally belonged to *Panchayats* i.e., drinking water, rural roads, street lighting, sanitation, primary health and forth-have not been transferred fully in some states; they are performed by the parallel bodies created by the state governments. As a result, per capita total expenditure of *Panchayats* remains low in states of Bihar, Madhya Pradesh, Odisha, Uttar Pradesh and West Bengal whereas Andhra Pradesh, Gujarat, Karnataka, Maharashtra and Tamil Nadu spend high.

The revenue and expenditure by *Panchayats* (Average of 2012-13 to 2017-18) of ten select states in comparison to total expenditure by states can be seen below.

**Table 3.13: Revenue of Panchayats (Average of 2012-13 to 2017-18) of ten select states (Rs. in crore)**

Sl. No.	State	Revenue collection by Panchayats				Rural Population 01/04/2018 (in number)	Per-capita Revenue
		District	Block	Village	Total		
	<i>General Category States</i>						
1	Andhra Pradesh	61.7	18.3	326.0	406.0	36829377	110.3
2	Bihar	0.0	0.0	0.0	0.0	99432883	0.0
3	Gujarat	709.1	68.0	312.6	1089.6	36989065	294.6
4	Karnataka	0.0	0.0	454.2	454.2	39514500	114.9
5	Madhya Pradesh	0.0	0.0	0.0	0.0	52719953	0.0
6	Maharashtra	6192.1	148.1	1205.9	7546.1	63317990	1191.8
7	Odisha	0.0	0.0	29.2	29.2	35787108	8.2
8	Tamil Nadu	1.1	183.8	642.7	827.6	39555747	209.2
9	Uttar Pradesh	1226.9	0.0	12.4	1239.3	167351926	74.1
10	West Bengal	400.6	54.1	178.1	632.7	75141830	84.2

Source: Office of the 15<sup>th</sup> FC & MoDWS- Gol for population data

**Table 3.14: The Expenditure by Panchayats (Average of 2012-13 to 2017-18) of ten select states  
(Rs. in crore)**

Sl. No.	State	Expenditure by Panchayats				Expenditure by State <sup>#</sup>	Share of Panchayats in Total Expenditure (in %)	Per-capita Expenditure in Panchayats
		District	Block	Village	Total			
<i>General Category States</i>								
1.	Andhra Pradesh	309	5211	465	5977	140036	4.27	1623
2.	Bihar	100	181	723	1005	109476	0.91	101
3.	Gujarat	6532	8601	1305	16438	126753	12.97	4444
4.	Karnataka	9238	11864	5164	26267	139755	18.79	6647
5.	Madhya Pradesh	275	1252	2644	4171	122778	3.39	791
6.	Maharashtra	32550	273	3773	36596	222823	16.42	5780
7.	Odisha	284	819	2810	3913	73840	5.30	1093
8.	Tamil Nadu	233	1384	3499	5117	165071	3.10	1293
9.	Uttar Pradesh	1096	379	3690	5166	265990	1.94	309
10.	West Bengal	2226	3688	7583	13497	135811	9.94	1796

Source: Respective State Government

Note: <sup>#</sup> Handbook of Statistics on States by Reserve Bank of India

### 3.13 *Gram Sabha*

The year of 2009-10 were marked as 'The Year of the Gram Sabha'. The *Gram Sabha* is explained in the context of *Panchayati Raj* as a body of all adult members of a village who has the right to vote. The *Gram Sabha* enables each and every voter of the village to participate in decision making at the local level. It is important to note that the participation of people at level of *Panchayat* helps us to reduce development cost, increase perceived and actual benefits and increase awareness among the people and help in the mobilization of local resources, facilitates smooth and easy project implementation. It further enables people to have access and control over the resources and ensures that the benefits reach to the legitimate claimants. It also creates sustainability aspect and gradually empowers the socially and economically disadvantaged people.

*Gram Sabha* in political context conceptualized as a forum of village people to meet and discuss their common problems, and consequently, understands the needs and aspirations of the community and ensures the accountability of the elected representatives at the village level and has been recommended to act as a watchdog on the working of *Gram Panchayats*. The strengthening of *Gram Sabha* becomes pertinent for deepening democracy, economic empowerment and for bringing social justice. By an estimate in every fifth year, about 3.4 million representatives are elected by the people through democratic process, out of whom one million are women who head about 175 district *Panchayats*, more than 2,000 block *Panchayats* and about 85,000 *Gram Panchayats*. The situation in ten select states is not different<sup>40</sup>.

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<sup>40</sup> Empowering Gram Sabha, Kurukshetra, A Journal of Rural Development, Vol.61, No. 7, May 2013, pp. 2-8

Table 3.15: Status of *Gram Sabha* in *Panchayats* of select States

Sl. No.	State	Nomenclature for <i>Gram Sabha</i>	Is there any minimum number of <i>Gram Sabha</i> meetings mandated?	Quorum Prescribed for <i>Gram Sabha</i>	Recommended for <i>Gaurav Gram Sabha</i>
1	Andhra Pradesh	<i>Gram Panchayat</i>	Yes	Not Specified in Act	Yes
2	Bihar	<i>Gram Sabha</i>	Yes	one-twentieth	Yes
3	Gujarat	N.A	Yes	one-twentieth	N.A
4	Karnataka	<i>Grama Sabha</i>	Yes	one-tenth	Yes
5	Madhya Pradesh	<i>Gram Sabha</i>	Yes	one-tenth	Yes
6	Maharashtra	<i>Gram Sabha</i>	Yes	one-seventh	Yes
7	Odisha	<i>Gram Sabha</i>	Yes	one-tenth	Yes
8	Tamil Nadu	<i>Grama Sabha</i>	Yes	one-tenth	Yes
9	Uttar Pradesh	<i>Gram Sabha</i>	Yes	one-fifth	No
10	West Bengal	<i>Gram Sabha</i>	Yes	one-tenth	Yes

### 3.14 Gram Panchayat Development Plan (GPDP)

Ministry of *Panchayati Raj* has supported States to develop State specific guidelines for *Gram Panchayat Development Plans (GPDP)* which converge all the resources over which the *Panchayats* have command including 14<sup>th</sup> FC funds, MGNREGS funds, Swachh Bharat funds, etc. The GPDP also provides an opportunity for the community to be engaged in setting *Panchayat* level agenda and finding local solutions to development issues. The GPDP planning process has to be comprehensive and based on participatory process which involves the full convergence with schemes of all related Central Ministries / Line Departments related to 29 subjects enlisted in the Eleventh Schedule of the Constitution. *Panchayats* have a significant role to play in the effective and efficient implementation of flagship schemes on subjects of National Importance for transformation of rural India. The focus of GPDP expected to encompass all the Sustainable Development Goals (SDG) so that they are achieved in timely manner. The focus of GPDPs has been mainly in the areas like roads, health, drinking water, etc.

It is important to note that to make GPDP more productive a People's Plan Campaign (PPC) was launched on 2<sup>nd</sup> October 2018 by MoPR for preparing GPDP for 2019-20 known as *Sabki Yojana Sabka Vikas*. The PPC is an intensive and structured exercise for planning at *Gram Sabha* through convergence between *Panchayati Raj* Institutions (PRIs) and concerned Line Departments of the State.

This campaign expected to bring intensive and structured exercise for planning at *Gram Sabha*. Status of GPDP in 10 select states is presented in following table:

**Table 3.16: Status of Gram Panchayat Development Plans (GPDPs) prepared in States**

Sl. No.	State	Number of Plans Prepared				
		2015-16	2016-17	2017-18	2018-19	2019-20
1	Andhra Pradesh	12920	12920	12920	12893	12905
2	Bihar	8391	8391	10066	4008	6042
3	Gujarat	14029	14029	14250	14268	14253
4	Karnataka	6021	6021	6022	5715	2427
5	Madhya Pradesh	22824	22816	22598	68	22748
6	Maharashtra	1002	27824	27813	26669	26497
7	Odisha	6212	6284	6793	5985	120
8	Tamil Nadu	12524	12524	12513	10240	1747

9	Uttar Pradesh	143	59013	58892	59300	49543
10	West Bengal	3237	3230	3228	3235	3030
	<b>Total</b>	<b>87,303</b>	<b>1,73,052</b>	<b>1,75,095</b>	<b>1,42,381</b>	<b>1,39,312</b>

### 3.15 Transparency and Anti-Corruption

Accountability of *Panchayats* to its residents is the most important aspect for the existence of *Panchayat*- a local self-government. It is important to note that mostly select states have adopted either *Lokayukta* or Ombudsman in *Panchayats* (Please see Table 3.17). The *Lokayukta* entertains the complaint related to any issue of *Panchayats*. Apart from this, citizens are also empowered to seek information at the level of *Panchayat* under Right to Information Act 2005. Citizen Charter at the level of *Panchayats* exist in the states of Andhra Pradesh, Karnataka, Maharashtra, Madhya Pradesh, Odisha, Tamil Nadu, Uttar Pradesh and Uttar Pradesh. In Bihar and West Bengal, Citizen Charter does not exist at the level of *Panchayats*. It is important to note that among ten select states State of Andhra Pradesh, Bihar, Karnataka, Maharashtra, Madhya Pradesh, Odisha, Tamil Nadu, Uttar Pradesh and West Bengal have made provisions for either *Lokayukta* or Ombudsman in *Panchayats*. In Gujarat, it is *Lokayukta* or Govt. Agency which undertakes the complaints of *Panchayats*. In Uttar Pradesh, government agency undertakes the complaints of *Panchayats*

**Table 3.17: Transparency and Anti-Corruption in *Panchayats* of select States**

S l. N o.	State	Citi zen Cha rter	Institutions undertaking/ Complaints of <i>Panchayats</i>	Information Officer under RTI			I Appellate Authority Under RTI			II Appellate Authority under RTI		
				VP	IP	DP	VP	IP	D P	VP	IP	DP
1	Andhr a Prades h	Yes	<i>Lokayukta</i>	EO	Supdt, MPDO	Dy.C EO., (DP)	MPD O	MPD O	C E O, D P	SIC	SIC	SIC
2	Bihar	No	Ombudsman	PS	Block PR Officer	DPR O	BDO	BDO	D D C	SDO	SD O	DM

3	Gujarat	Yes	Lokayukta and Government Agency	Talati cum Mantri	TDO	Dy. DDO	TDO	Dy. DDO	DDO	Dy. DDO	SIC	SIC
4	Karnataka	Yes	Ombudsman and Lokayukta	GP Secy	Manager of BP	Dy. Secy of DP	PDO of GP	EO of BP	CEO of DP	Cpm snr, KIS	Cpmsnr, KIS	Cpmsnr, KIS
5	Maharashtra	Yes	Ombudsman	GS	SO	SO	EO of <i>Panchayat</i>	BDO	Head of DP	SIC	SIC	SIC
6	Madhya Pradesh	Yes	Ombudsman and Lokayukta	GP Sachiv	P & SEO	Project Officer	P & SEO	CEO, BP	CEO, DP	SIC	SIC	SIC
7	Odisha	Yes	Ombudsman	PE Officer	APD	GPEO	BDO	PD	SIC	SIC	SIC	NA
8	Tamil Nadu	Yes	Ombudsman	Dy BDO	Dy. BDO (Admin)	Supdt, DP	BDO (GP)	BDO (BP)	Secy, DP	SIC	SIC	SIC

9	Uttar Pradesh	Yes	Government Agency	DP RO	DPRO	Upper Mukhya Adhikari	DD, <i>Panchayat</i>	DD, <i>Panchayat</i>	CDO	NA	NA	NA
10	West Bengal	No	Ombudsman and <i>Lokayukta</i>	EA	JEO	Secy	Pradhan	EO	AEEO	SIC	SIC	SIC

Source: Information submitted by State Governments,

Note: NA – data not available in given source

n.a- not applicable

**Expanded term of Officials:** AEO: Additional Executive Officer; APD: Additional Project Director; BDO: Block Development Officer;; CEO: Chief Executive Officer; CO: Chief Officer; Comsr: Commissioner; CDO: Chief Development Officer; Dy. CEO: Deputy Chief Executive Officer; DC: District Collector; DD: Deputy Director; DDC: District Development Commissioner; DM: District Magistrate; DPO\*: District Planning Officer; DPRO: District *Panchayat* Returning Officer; EO: Extension Officer; EO\*: Executive Officer; GPEO: *Gram Panchayat* Extension Officer; GS: Gram Sevak; JD: Joint Director; KIC: Karnataka Information Commissioner; MPDO: Mandal Parishad Development Officer; PD: Project Director, PDO: *Panchayat* Development Officer; and PEO: *Panchayat* Executive Officer.

### 3.16 Infrastructure of *Panchayats* (Physical & Digital)

Infrastructure-both physical and digital are the most fundamental attributes for the smooth functioning of *Panchayats* which functions for social and economic development at the grass root level. The provision of *Pucca ghar* together with the basic infrastructure exists for the working of *Panchayats* at the level of *Gram Panchayat*, *Block Panchayat* and *District Panchayat* in all ten states. In terms of infrastructure at the level of *Panchayat* in select states Uttar Pradesh has largest number of *Pucca Ghar* at the level of *Gram Panchayat* (33414), *Block* and *District Panchayat* (72) followed by in the state of Maharashtra. On the other hand, in Bihar at the level of *Panchayat* there are only 5624, 531 and 38 *Pucca Ghar* at the level of *Gram Panchayat*, *Block Panchayat* and *District Panchayat* respectively. In *Panchayats* of Maharashtra there is highest number of computers, Printers, Scanners & Other Peripherals among select states followed by in the state of Gujarat. In Maharashtra highest number of Telephone connection is available at the level of *Gram Panchayats* that is 22000 followed by in Gujarat 14192. It is in Maharashtra highest number of Internet connection available at the level of *Gram Panchayats* that is 26528 followed by in Gujarat that is 14192. There are several components of infrastructure. Among them, Table 3.18 represents availability of physical infrastructure among three tiers of *Panchayats* in ten select states.

**Table 3.18: Availability of Physical Infrastructure among three tiers of Panchayats in ten select States**

Sl. No.	State	How many Panchayats have Panchayat 'Ghar' (Pucca building)?			How many Panchayats have computers, Printers, Scanners & Other Peripherals			How many Panchayats have Telephone?			How many Panchayats have Internet?		
		GP	BP	DP	GP	BP	DP	GP	BP	DP	GP	BP	DP
1	Andhra Pradesh	12918	660	13	NA	660	13	NA	660	13	NA	660	13
2	Bihar	5624	531	38	NIL	531	38	8442	531	38	NIL	531	38
3	Gujarat	14192	248	33	14192	248	33	14192	248	33	14192	248	33
4	Karnataka	5919	176	30	6021	176	30	6021	176	30	6021	176	30
5	Madhya Pradesh	19338	313	48	1260	313	50	1260	313	50	2600	313	50
6	Maharashtra	23160	351	33	27892	351	33	22000	351	33	26528	351	33
7	Odisha	5978	314	30	6232	314	30	6232	314	30	-	-	-
8	Tamil Nadu	12620	385	31	12524	385	31	12524	385	31	9345	385	31
9	Uttar Pradesh	33414	-	72	-	-	72	-	821	72	-	-	72
10	West Bengal	3303	334	21	3341	334	21	3341	334	21	3341	334	21

**Note:** GP: Gram Panchayat, BP: Block Panchayat, DP: District Panchayat

### 3.17 Training Institutions/Activities

Capacity building and training to the elected representatives of *Panchayats* and other stakeholders is important for the holistic development of the *Panchayats*. The programme called Rajiv Gandhi *Panchayat Sashaktikaran Abhiyaan* (RGPSA) renamed as *Rashtriya Gram Swaraj Abhiyan* (RGSA) had been implemented during the year 2012-13. It continued till 2015-16 and attempted strengthening of *Panchayati Raj* System across the country. The programme also addresses the critical gaps that constrain the functioning of *Panchayats*, through devolution of powers, facilitating democratic decision making through People's participation, accountability in *Panchayats*, strengthening the institutional structure for knowledge creation and capacity building of *Panchayats* etc. Further, during 2016-17 and 2017-18, pending restructuring of the scheme, Ministry provided financial support to States under Capacity Building-*Panchayat Sashaktikaran Abhiyan* (CB-PSA) for Capacity Building & Training (CB&T) with focus on *Gram Panchayat* Development Plan (GPDP) so as to enable them to discharge their mandated functions effectively. Under these schemes, funds were released to the States/UTs towards capacity building and training. Table 3.19 and 3.20 represents the funds released and number of people trained in ten select states.

**Table 3.19: States wise Funds released under RGPSA/CB-PSA/RGSA schemes**

(Rs. in Crore)						
Sl. No.	States	2014-15	2015-16	2016-17	2017-18	2018-19
1	Andhra Pradesh	24.19	12.50	91.61	81.35	67.69
2	Bihar	63.67	0.00	0.00	0.00	4.25
3	Gujarat	1.06	0.00	33.38	0.00	--
4	Karnataka	46.80	32.71	15.08	41.08	-
5	Madhya Pradesh	37.46	10.80	55.45	30.25	62.79
6	Maharashtra	34.76	4.50	21.17	44.53	11.54
7	Odisha	32.92	0.00	25.06	32.90	-
8	Tamil Nadu	20.16	8.96	27.32	36.83	57.60
9	Uttar Pradesh	0.00	11.00	39.87	84.07	57.14
10	West Bengal	27.71	9.91	21.86	48.44	54.94
	<b>Total</b>	<b>481.45</b>	<b>168.47</b>	<b>586.39</b>	<b>621.72</b>	<b>548.65</b>

**Table 3.20: Number of Trained Elected Representatives, Panchayat Functionaries and other Stake holders in State**

Sl. No.	States	(No. of people Trained)				
		2014-15	2015-16	2016-17	2017-18	2018-19
1	Andhra Pradesh	43684	195566	174240	1083659	405500
2	Bihar	-	62568	251906	0	339950
3	Gujarat	-	1730	321206	71078	14859
4	Karnataka	-	83059	218760	252294	602280
5	Madhya Pradesh	314553	60626	236999	391155	818137
6	Maharashtra	69152	1089	652145	1204606	104004
7	Odisha	17479	23882	105494	41795	95040
8	Tamil Nadu	-	17143	481	324873	544748
9	Uttar Pradesh	-	370663	614	298895	574235
10	West Bengal	139452	132453	322114	473063	416362
	<b>Total</b>	<b>584320</b>	<b>948779</b>	<b>2283959</b>	<b>4141382</b>	<b>3915115</b>

### 3.18 E-Connectivity and ICT Measures

National e- Governance Plan (NeGP) was introduced in 2006 with the objective of transforming the governance through participation of citizens in policy making and providing easy access of information to the citizens. The accessibility to common man was the main motive behind NeGP. This aims to make all government services accessible to the common man in his/her locality, through common service delivery outlets which is mandated to ensure efficiency, transparency and reliability of such services at affordable costs to common man. e-*Panchayat* is one such Mission Mode Project (MMP) under the Digital India programme with a vision to empower and transform rural India.

ICT measures in *Panchayat* aim to transform the latter into symbols of modernity, transparency and efficiency. IT initiative introduced by the Ministry of *Panchayati Raj* (MoPR) endeavours to ensure people's participation in programme decision making, implementation and delivery. The project aims to automate the functioning of nearly 2.55 lakh elected *Panchayats*. The system of

e-Financial Management System (e-FMS) comprising PlanPlus, ActionSoft, PRIASoft and National Asset Directory (NAD) with Local Government Directory (LGD) are in action to make the functioning *Panchayats* more robust. The system adopted by select states can be seen in the following tables.

The following tables show the number of measures being implemented in select states.

Table 3.21: Panchayat Enterprise Suite (PES) Applications in Select States

State	Functionality	Application Name	URL
Andhra Pradesh	Service Delivery	Mee Seva	<a href="http://www.meeseva.gov.in">http://www.meeseva.gov.in</a>
Bihar	NA	NA	NA
Gujarat	Accounting	Gram Soft	<a href="http://www.gujaratgram.in">www.gujaratgram.in</a>
	Asset Directory	Gujarat Asset Management	<a href="http://www.gujaratgram.in/gam">www.gujaratgram.in/gam</a>
Karnataka	Accounting, Asset Directory & Panchayat Websites	Panchatantra	<a href="http://panchatantra.kar.nic.in/stat/">http://panchatantra.kar.nic.in/stat/</a>
Madhya Pradesh	Accounting	Panchayat Darpan	<a href="http://www.mppanchayatdarpan.gov.in">http://www.mppanchayatdarpan.gov.in</a>
	Decentralized Planning Application		<a href="http://164.100.196.97/spc/">http://164.100.196.97/spc/</a>
Maharashtra	Service Delivery	SangramSoft	<a href="http://www.sangram.co.in">http://www.sangram.co.in</a>
Odisha	NA	NA	NA
Tamil Nadu	Monitoring of works		<a href="http://www.tnrd.gov.in">http://www.tnrd.gov.in</a>
Uttar Pradesh	NA	NA	NA
West Bengal	Accounting (for Gram Panchayats)	Gram Panchayat Management System (GPMS)	<a href="http://www.wbprdgpmis.in">http://www.wbprdgpmis.in</a>
	(For Panchayat Samities & Zila Parishad)	Integrated Fund Monitoring and Accounting System (IFMAS)	
	Maintaining of beneficiaries for National Social Assistance Program (NSAP)	SEBA	
	Service Delivery	GPMS	<a href="http://www.wbprdgpmis.in">http://www.wbprdgpmis.in</a>

Table 3.22: State-wise Adoption status for Application – PRIA Soft<sup>41</sup>

Sl. No.	State	District Panchayat			Intermediate Panchayats			Village Panchayat		
		Total	Adopted	%	Total	Adopted	%	Total	Adopted	%
1	Andhra Pradesh	13	3	23.08	660	138	20.91	12918	12916	99.98
2	Bihar	-	-	-	-	-	-	-	-	-
3	Gujarat	33	3	9.09	248	0	0	14292	10183	71.25
4	Karnataka	30	0	0	176	0	0	6021	1092	18.14
5	Madhya Pradesh	51	0	0	313	0	0	22816	4114	18.03
6	Maharashtra	34	1	2.94	351	18	5.13	27867	27723	99.48
7	Odisha	30	28	93.33	314	311	99.04	6798	6645	97.75
8	Tamil Nadu	31	31	100	385	385	100	12524	12524	100
9	Uttar Pradesh	-	-	-	-	-	-	-	-	-
10	West Bengal	75	75	100	821	399	48.6	58808	58726	99.86

Table 3.23: State-wise Adoption Status for Application –National Asset Directory

Sl. No.	State	District Panchayat			Intermediate Panchayat			Village Panchayat		
		Total	Adopted	%	Total	Adopted	%	Total	Adopted	%
1	Andhra Pradesh	13	13	100	660	660	100	12918	12918	100
2	Bihar	38	38	100	534	534	100	8386	8386	100
3	Gujarat	33	33	100	248	248	100	14292	14292	100
4	Karnataka	30	30	100	176	176	100	6021	6021	100
5	Madhya Pradesh	51	51	100	313	313	100	22816	22816	100
6	Maharashtra	34	34	100	351	351	100	27867	27867	100
7	Odisha	30	30	100	314	314	100	6798	6798	100
8	Tamil Nadu	31	31	100	385	385	100	12524	12524	100
9	Uttar Pradesh	75	75	100	821	821	100	58808	58808	100
10	West Bengal	75	75	100	821	399	48.6	58808	58726	99.86

<sup>41</sup> It is a web based Application that captures receipt & expenditure details through voucher entries and automatically generates cash book, registers, utilization certificates, etc.

Table 3.24: State-wise Adoption Status for Application – ActionSoft<sup>42</sup>

Sl. No.	State	District Panchayat			Intermediate Panchayat			Village Panchayat		
		Total	Adopted	%	Total	Adopted	%	Total	Adopted	%
1	Andhra Pradesh	13	0	0	660	5	0.76	12918	36	0.28
2	Bihar	38	37	97.37	534	526	98.5	8386	7764	92.58
3	Gujarat	33	6	18.18	248	40	16.13	14292	2359	16.51
4	Karnataka	30	6	20	176	32	18.18	6021	1079	17.92
5	Madhya Pradesh	51	25	49.02	313	170	54.31	22816	12973	56.86
6	Maharashtra	34	11	32.35	351	54	15.38	27867	19147	68.71
7	Odisha	30	20	66.67	314	182	57.96	6798	2428	35.72
8	Tamil Nadu	31	2	6.45	385	8	2.08	12524	1	0.01
9	Uttar Pradesh	75	29	38.67	821	677	82.46	58808	58778	99.95
10	West Bengal	22	13	59.09	342	210	61.4	3340	2690	80.54

Table 3.25: State-wise Adoption Status for Application – National Asset<sup>43</sup>

Sl. No.	State	District Panchayat			Intermediate Panchayat			Village Panchayat		
		Total	Adopted	%	Total	Adopted	%	Total	Adopted	%
1	Andhra Pradesh	13	7	53.85	660	118	24.48	12918	7853	60.79
2	Bihar	38	28	73.68	534	192	35.96	8386	1220	14.55
3	Gujarat	33	0	0	248	3	1.21	14292	41	0.29
4	Karnataka	NA	NA	NA	NA	NA	NA	NA	NA	NA
5	Madhya Pradesh	NA	NA	NA	NA	NA	NA	NA	NA	NA
6	Maharashtra	34	36	105.88	351	350	99.72	27867	27139	97.39
7	Odisha	30	0	0	314	7	2.23	6798	17	0.25
8	Tamil Nadu	31	17	54.84	385	198	51.43	12524	7488	59.79
9	Uttar Pradesh	75	56	74.67	821	293	35.69	58808	7246	12.32
10	West Bengal	22	1	4.55	342	0	0	3340	2	0.06

<sup>42</sup> It aims at monitoring and keeping record of the progress of the works being undertaken as part of the finally approved plans (Action Plan) of various ULB, RLB and Line departments as available in PlanPlus. It facilitates proper recording of the Financial and Physical progress of the works.

<sup>43</sup> Captures details of assets created/maintained; helps avoid duplication of works and provides for maintenance.

Table 3.26: State-wise Adoption Status for Application – Area Profiler<sup>44</sup>

Sl. No.	State	District Panchayat			Intermediate Panchayat			Village Panchayat		
		Total	Adopted	%	Total	Adopted	%	Total	Adopted	%
1	Andhra Pradesh	13	13	100	660	659	99.85	12918	5154	39.9
2	Bihar	38	38	100	534	532	99.63	8386	8340	99.45
3	Gujarat	33	14	42.42	248	80	32.26	14292	3415	23.89
4	Karnataka	30	9	30	176	27	15.34	6021	659	10.95
5	Madhya Pradesh	51	32	62.75	313	120	38.34	22816	3708	16.25
6	Maharashtra	34	34	100	351	347	98.86	27867	27646	99.21
7	Odisha	30	29	96.67	314	275	87.58	6798	3138	46.16
8	Tamil Nadu	31	9	29.03	385	18	4.68	12524	183	1.46
9	Uttar Pradesh	75	48	64	821	100	12.18	58808	601	1.02
10	West Bengal	22	4	18.18	342	37	10.82	3340	1327	39.73

<sup>44</sup> Captures geographic, demographic, infrastructural, socio-economic and natural resources profile of a village/panchayat. Universal database for planning of all sectoral programmes and provides details of Elected Representatives & Panchayat Functionaries, Election details etc. AreaProfiler is a centralized database also providing various details of the Panchayats such as neighbouring local bodies, tourist places and lodging facilities etc. AreaProfiler.

## CHAPTER 4

### Summary and Suggestions

Like many other foreign federations, local governments in India are supposedly responsible for rendering essential services, including sanitation, drinking water, primary health, street lighting and roads. They are also empowered to collect certain tax and non-tax revenues. However, in most cases, considerable gap between own resources and requirements can easily be seen. The gap is more noticeable in the case of rural local governments (*Panchayats*) than their counterparts in urban areas due to their narrow resources base. Both these local governments largely depend upon the financial support from their respective State Governments. In this summary an attempt is made to objectively present the potential of the corrective measures that the Union Government and 15<sup>th</sup> Finance Commission (15<sup>th</sup> FC) could take for Panchayats in India.

#### The Legal Framework

With the passage of the 73<sup>rd</sup> Constitution Amendment Act (CAA) *Panchayats* got recognition in the statute book as institutions of self-government in India. This accelerated the process of decentralization with greater devolution and delegation of powers to rural local governments. Consequently, Part IX has been inserted in the Constitution for *Panchayats* and the State legislature has been made responsible to assign responsibilities to *Panchayats* in the matters listed in the Eleventh Schedule to the Constitution. The State is also expected to transfer the concomitant powers to enable the *Panchayats* to carry out the responsibilities conferred upon them.

**Table 1: Numbers of *Panchayats* in each State/UT as on 1<sup>st</sup> November 2019**

Sl. No.	State/UT	Levels of <i>Panchayats</i> (Numbers)				Rural Population per VP
		District <sup>3</sup>	Block <sup>2</sup>	Village <sup>1</sup>	Total	
1	Andhra Pradesh	13	660	13042	13715	2824
2	Arunachal Pradesh	23	177	1785	1985	695
3	Assam	26	191	2199	2416	13472
4	Bihar	38	534	8386	8958	11857
5	Chhattisgarh	27	146	10978	11151	1804
6	Goa	2	n.a.	191	193	3827
7	Gujarat	33	248	14292	14573	2588

8	Haryana	21	126	6197	6344	2986
9	Himachal Pradesh	12	78	3226	3316	2100
10	Jammu & Kashmir	22	306	4482	4810	2259
11	Jharkhand	24	263	4370	4657	6255
12	Karnataka	30	176	6021	6227	6563
13	Kerala	14	152	941	1107	49385
14	Madhya Pradesh	51	313	22817	23181	2311
15	Maharashtra	34	351	27869	27869	2272
16	Manipur	6	-na-	161	167	14668
17	Meghalaya(d)	-na-	-na-	-na-	0	-na-
18	Mizoram(d)	-na-	-na-	-na-	0	-na-
19	Nagaland(d)	-na-	-na-	-na-	0	-na-
20	Odisha	30	314	6798	7142	5264
21	Punjab	22	147	13271	13440	1335
22	Rajasthan	33	295	9892	10220	5127
23	Sikkim	4	-na-	185	189	2672
24	Tamil Nadu	31	385	12523	12939	3159
25	Telangana	9	438	13057	13504	1726
26	Tripura	8	35	591	634	7600
27	Uttar Pradesh	75	822	58791	59688	2847
28	Uttarakhand	13	95	7762	7870	927
29	West Bengal	22	342	3340	3704	22498
<b>Union Territories</b>						
1	Andaman & Nicobar	3	9	70	82	3784
2	Chandigarh	-na-	-na-	n.a.	0	-na-
3	Dadra & Nagar Haveli	1	n.a.	20	21	-na-
4	Daman & Diu	2	n.a.	15	17	-na-
5	NCT of Delhi(e)	n.a.	n.a.	n.a.	0	-na-
6	Lakshadweep	1	n.a.	10	11	-na-
7	Puducherry	n.a.	10	98	108	4470
	<b>India</b>	<b>630</b>	<b>6613</b>	<b>253380</b>	<b>260623</b>	<b>3624</b>

Source: Chapter 1 of this report

Notes: na-not available

1. VPs-Village Panchayats or Gram Panchayats in almost all States.

2. The nomenclature of intermediate rung differs from one State to another. It is known as Mandal Parishad in Andhra Pradesh, Anchal Samiti in Arunachal Pradesh, Anchalic Panchayat in Assam, Janpad Panchayat in Chhattisgarh and Madhya Pradesh, Taluka Panchayat in Gujarat, Taluk Panchayat in Karnataka, Panchayat Union in Tamilnadu, Kshetra Panchayat in Uttar Pradesh and Uttarakhand and Panchayat Samiti in many States i.e. Bihar, Haryana, Himachal Pradesh, Jharkhand, Maharashtra, Orissa, Punjab and Rajasthan.

3. It is also known as Zilla Panchayat/Parishad in many States.

d The State is outside the purview of Part IX of the Constitution under its Article 243 M.

e Panchayat has yet to be revived

Under the CAA, the state legislature is expected to devolve responsibilities, powers and authorities to the *Panchayats* to enable them to function as institutions of self-government. The legislature of a State may authorize the *Panchayats* to levy, collect and appropriate certain taxes, duties, tolls, fees, etc, and also assign to them the revenues of certain state level taxes subject to such conditions as are imposed by the state government. Further, grants-in-aid may also be provided to the *Panchayats*. Resulting from the CAA, the number of *Panchayats* in India stands at 2, 60,623 of which 2, 53,380 are village *Panchayats*, 6,613 are intermediate *Panchayats*, and 630 are district *Panchayats* (please see table 1).

The new fiscal arrangement necessitates every State under Article 243(I) to constitute, at regular interval of five years, a finance commission (SFC), and assign it the task of reviewing the financial position of *Panchayats* and making recommendations on the sharing and assignment of various taxes, duties, tolls, fees etc and grants-in-aid to be given to the *Panchayats* bodies from the Consolidated Fund of a State. The conformity Act of the CAA provides for the composition of the commission, the qualifications for its members and the manner of their selection. Every recommendation of the commission together with an explanatory memorandum is to be laid before the legislature of the State.

Generally the functional responsibilities are closely linked with the financial powers delegated to the local government, in practice the huge mismatch between these two leads to a severe fiscal stress at the local level. The own revenues of local governments are good enough to meet only a part of their operations and maintenance requirement. Therefore they are dependent on the higher levels of governments to finance even their recurring expenditure. Towards this end, the devolution of resources from the Centre to States and the States to *Panchayats* was considered a necessary requirement and clause “*measures needed to augment the Consolidated Fund of a State to supplement the resources of the panchayats and municipalities*” was inserted in article 280 (3) of the Constitution on the recommendations of the Joint Parliamentary Committee headed by K P Singh Deo, which went into the Constitution (Seventy-third Amendment) Bill, 1991. Later, it was also inserted in the Seventy-second Amendment Bill. Para 4(iii) of the Presidential Order dated November 27, 2017 regarding the constitution of the 15<sup>th</sup> FC is the verbatim reproduction of the sub-clause 280(3) (bb & c).

## Finances of the Local Governments

The shrinking fiscal space for the *Panchayats* can be noticed easily. Table 2 reveals that the total expenditure of *Panchayats* is far less than the revenue they generate. Many feel that this situation needs to be radically improved. It is argued that there is a need to have inclusive governance for inclusive growth, by restructuring the fiscal architecture to accommodate *Panchayats* in a more equitable and efficient manner. The hallmark of any self-government is the degree of financial autonomy it enjoys in formulating and implementing public policies in regard to those functional responsibilities assigned to it. The amendment to the sub-clause 280(3) is a firm affirmation of the organic link between the UFC and the State - sub-State public finances. The task of restructuring public finance substantially depends on streamlining the multiple channels of resource flow from the Centre to the rural local governments through the States.

Fiscal transfers in the form of shared revenue and grants are the mainstay of the *Panchayats'* finances even in progressive States. Revenue is shared from the divisible pool of the State following the recommendations of the respective SFC. However, wide variations are seen across States in defining the divisible pool. A few SFCs form the divisible pool by including the share of central taxes with the State tax and non-tax revenues, e.g. the SFC of Andhra Pradesh.

**Table 2: Resource Gap for *Panchayats* (Average of 2012-13 to 2017-18) of ten select states (Rs. in crore)**

Sl. No.	State	Expenditure by <i>Panchayats</i>	Own Resources of <i>Panchayats</i>	Resource Gap	Share of Own Revenue in Total Expenditure
<i>General Category States</i>					
1	Andhra Pradesh	5976.9	406.0	5570.9	6.8
2	Bihar	1005	0.0	0.0	0.0
3	Gujarat	16438.2	1089.6	15348.6	6.62
4	Karnataka	26266.7	454.2	25812.6	1.7
5	Madhya Pradesh	4171	0.0	0.0	0.0
6	Maharashtra	36595.8	7546.1	29049.7	20.6
7	Odisha	3912.8	29.2	3883.5	0.7
8	Tamil Nadu	5116.6	827.6	4289.0	16.2
9	Uttar Pradesh	5166.3	1239.3	3927.0	24.0
10	West Bengal	13496.6	632.7	12863.9	4.7

In other words, some of the States, despite the constraints on their resources, do reduce the fiscal imbalance of the local governments, though partly, through a share in Union taxes. It can be observed that the fiscal capacity of the local governments in general, is not very strong. Property tax, advertisement tax, profession tax, taxes on vehicles and animals, theatre tax, user charges on services, rental income from properties, developmental charges, fees and fines, and the like contribute the maximum to the kitty of the local governments' own-source revenue.

It may be argued that States could reduce the vertical fiscal imbalance by assigning a few buoyant revenues to *Panchayats*. But, the limited financial space open to the States and the perceived low organizational and administrative capacity of *Panchayats* has prevented the States from exercising this option. The dependence on fiscal transfers, particularly conditional and purpose specific ones is reducing the autonomy of the *Panchayats* to allocate resources according to their own priorities. It is critical to enable and empower the local governments to enhance their capacity. In order to make this happen, a mechanism of untied transfer of funds to the local governments is essential for enhancing their fiscal capacity and functional autonomy.

It is argued that the resources could also be transferred to the *Panchayats* from other channels but they are tied and hardly assist in building the fiscal capacity of the *Panchayats*. Hence, responsibility lies with the 15<sup>th</sup> FC to devolve adequate funds for this purpose to *Panchayats* under Article 280(3) (bb). Significant tied funds are being transferred to *Panchayats* through the centrally sponsored schemes (CSSs). For long, the CSS transfers were administered and utilized mainly by the line departments. In recent years, the local governments are being increasingly recognised as implementing institutions for the vertical schemes of line ministries.

Recently, many vertical schemes have started assigning a range of responsibilities to *Panchayats* and depend upon them for grassroots implementation. In addition, there are several important flagship programmes of the central government, which aim at provisioning basic essential services across the country through the local governments. The allocations to the programmes, entailing the involvement of the local governments, have shown a substantial

growth. It is a good augury that the institutional mechanisms tend to provide centrality to *Panchayats* in their planning and implementation. It is observed that today the physical and social infrastructure is growing gradually in rural areas of some States. Tomorrow, the emphasis will shift to the operation and maintenance of the assets created, the cost of which would have to be met largely through devolution and grants recommended by the UFC and SFCs. In addition, the Disaster Management Act, 2005 has also identified the role for *Panchayats* at the local level.

### **The Study**

Against the backdrop, the study on 'measures to augment the resources of *Panchayats*' attempts to assess the status of devolution of finances (including the power for own revenue generations by *Panchayats*), functions, and functionaries to *Panchayats* in the spirit of 73<sup>rd</sup> Constitutional Amendment or Part IX of the Constitution. The assessment has been carried out at the level of States with reference to the themes specified in the scope of the study. The thrust has been augmenting own resources/revenue generation by various rungs of *Panchayats*, identifying gaps in the process of financial devolution.

Hence, the study assesses the enabling environment created by States for the *Panchayats* to function under. This study has analyzed the extent to which ten select states have devolved their powers and resources to *Panchayats* mandated to promote economic development and social justice in their respective jurisdictions. The study has focused on 18 parameters i.e, Basic details of *Panchayats*, Constitution and Functioning of District Planning Committee, Role of *Panchayats* in Parallel Bodies, Autonomy to *Panchayats*, Functions Assigned to *Panchayats* and Actual Involvement, *Panchayats* involvement in important schemes, Fourteenth Finance Commission Grants (basic grants and performance grants), Status of State Finance Commissions (SFCs), Money Transferred on account of SFCs to *Panchayats*, Empowerment of *Panchayats* to impose/collect revenue, GST Implications in *Panchayats*, Expenditure, Role of *Gram Sabha*, Number of Plans prepared under *Gram Panchayat* Development Plan, Transparency and Anti-Corruption, Infrastructure (Physical and Digital), Training Institutions/Activities and E-Connectivity & ICT Measures. The summaries of findings against the parameters are outline below:-

### **Basic Details of Panchayats:**

The *Panchayats* in India carry out the functions and responsibilities assigned to them with devolution of power and authority for the purpose. With the passage of the 73rd Constitution Amendment Act (CAA), *Panchayats* got recognition in the statute book as institutions of self-government in India.

*Panchayats* in Andhra Pradesh at the level of *Gram Panchayat*, *Block Panchayat* and *District Panchayat* are known as *Gram Panchayat*, *Mandal Parishad*, and *Zilla Parishad* respectively. In Andhra Pradesh, there are total 13042 *Gram Panchayat*, 660 *Mandal Parishad* and 13 *Zilla Parishad*. On an average, each *Gram Panchayat* covers 2824 rural population. The state of Andhra Pradesh has given 50% reservation to women, 18.18% to Scheduled Castes (SCs) and 9.15% to Scheduled Tribes (STs) at the level of *Panchayats*. Election to the *Panchayats* in state for the first time conducted in 1995, followed by in 2001, 2006, 2013 and last one in 2018-19.

*Panchayats* in Bihar at the level of *Gram Panchayat*, *Block Panchayat* and *District Panchayat* are known as *Gram Panchayat*, *Panchayat Samiti*, and *Zilla Parishad* respectively. In Bihar, there are total 8386 *Gram Panchayat*, 534 *Panchayat Samiti* and 38 *Zilla Parishad*. On an average, each *Village Panchayat* covers 11857 rural populations. The state of Bihar has given 50% reservation to women, 16.31% to Scheduled Castes (SCs) and 0.77% to Scheduled Tribes (STs) at the level of *Panchayats*. Election to the *Panchayats* in state for the first time conducted in 2001, followed by in 2006, 2011 and last one in 2016.

*Panchayats* in Gujarat at the level of *Village*, *Block* and *District Panchayat* are known as *Gram Panchayat*, *Taluka Panchayat* and *Zilla Panchayat* respectively. In Gujarat, there are total 14292 *Gram Panchayat*, 248 *Taluka Panchayat* and 33 *Zilla Panchayat*. On an average, each *Gram Panchayat* covers 2588 rural population. The state of Gujarat has given 50% reservation to women, 7% to Scheduled Castes (SCs) and 14% to Scheduled Tribes (STs) at the level of *Panchayats*. Election to the *Panchayats* in state for the first time conducted in 1995, followed by 2000-01, 2005-06, 2010-11 and for the last time conducted in 2015-16.

*Panchayats* in Karnataka at the level of *Gram Panchayat*, *Block Panchayat* and *District Panchayat* are known as *Gram Panchayat*, *Taluka Panchayat*, and *Zilla Panchayat* respectively. In Karnataka there are total 6021 *Gram Panchayat*, 176 *Taluka Panchayat* and 30 *Zilla Panchayat*. On an average, each per *Gram Panchayat* covers 6563 rural population. The state of Karnataka has given 50% reservation to women, 18% to Scheduled Castes (SCs) and 7% to Scheduled Tribes (STs) at the level of *Panchayats*. Election to the *Panchayats* in state for the first time conducted in 1995, followed by in 2000, 2005, 2010 and last one in 2015.

*Panchayats* in Madhya Pradesh at the level of *Gram Panchayat*, *Block Panchayat* and *District Panchayat* is known as *Gram Panchayat*, *Janpad Panchayat*, and *Zilla Parishad* respectively. In Madhya Pradesh there are total 22817 *Gram Panchayat*, 313 *Janpad Panchayat*, and 51 *Zilla Parishad*. On an average, each *Gram Panchayat* covers 2311 rural population. The state of Madhya Pradesh has given 50% reservation to women, 15% to Scheduled Castes (SCs) and 26.1 at District, 27.8 at Intermediate and 28.7% at village to Scheduled Tribes (STs) at the level of *Panchayats*. Election to the *Panchayats* in state for the first time conducted in 1994, followed by in 1999, 2000, 2004-05, 2010 and last one in 2015.

*Panchayats* in Maharashtra at the level of *Village*, *Block* and *District Panchayat* are known as *Gram Panchayat*, *Panchayat Samiti* and *Zilla Parishad* respectively. In Maharashtra there are total 27869 *Gram Panchayat*, 351 *Panchayat Samiti* and 34 *Zilla Parishad*. On an average, each *Gram Panchayat* covers 2272 rural population. The state of Maharashtra has given 50% reservation to women, 11% to Scheduled Castes (SCs) and 13% to Scheduled Tribes (STs) at the level of *Panchayats*. Election to the *Panchayats* in state for the first time conducted in 2000, followed by in 2005, 2010, 2012 and last one in 2017.

*Panchayats* in Odisha at the level of *Gram Panchayat*, *Block Panchayat* and *District Panchayat* are known as *Gram Panchayat*, *Panchayat Samiti*, and *Zilla Parishad* respectively. In Odisha there are total 6798 *Gram Panchayat*, 314 *Panchayat Samiti* and 30 *Zilla Parishad*. On an average, each *Gram Panchayat* covers 5264 rural population. The state of Odisha has given 50% reservation to women, 16.25% to Scheduled Castes (SCs) and 22.05% to Scheduled Tribes (STs) at the level of *Panchayats*. Election to the *Panchayats* in state for the first time conducted in 1994, followed by in 1999, 2000, 2004-05, 2010 and last one in 2015.

*Panchayats* in Tamil Nadu at the level of *Gram Panchayat*, *Block Panchayat* and *District Panchayat* are known as *Village Panchayat*, *Panchayat Union*, and *District Panchayat* respectively. In Tamil Nadu there are total 12523 *Village Panchayat*, 385 *Panchayat Union* and 31 *District Panchayat*. On an average, each *Village Panchayat* covers 3159 rural population. The state of Tamil Nadu has given 50% reservation to women, 23% to Scheduled Castes (SCs) and 1% to Scheduled Tribes (STs) at the level of *Panchayats*. Election to the *Panchayats* in state for the first time conducted in 1995, followed by in 2001, 2006, 2011 and last one in 2016.

*Panchayats* in Uttar Pradesh at the level of *Gram Panchayat*, *Block Panchayat* and *District Panchayat* are known as *Gram Panchayat*, *Kshetra Panchayat/Area Panchayat*, and *Zilla Parishad* respectively. In Uttar Pradesh there are total 58791 *Gram Panchayat*, 822 *Kshetra Panchayat/Area Panchayat* and 75 *Zilla Parishad*. On an average, each *Gram Panchayat* covers 2847 rural population. The state of Uttar Pradesh has given 33% reservation to women, 27% to Scheduled Castes (SCs) and 0.6% to Scheduled Tribes (STs) at the level of *Panchayats*. Election to the *Panchayats* in state for the first time conducted in 1995, followed by in 2000, 2005, 2010 and last one in 2015-16.

*Panchayats* in West Bengal at the level of *Gram Panchayat*, *Block Panchayat* and *District Panchayat* is known as *Gram Panchayat*, *Panchayat Samiti*, and *Zilla Parishad* respectively. In West Bengal there are total 3340 *Gram Panchayat*, 342 *Panchayat Samiti* and 22 *Zilla Parishad*. On an average, each *Gram Panchayat* covers 22498 rural population. The state of West Bengal has given 50% reservation to women, 41% at District, 42% at Intermediate and 42%% at village to Scheduled Castes (SCs) and 23% at District 10% at Intermediate and village to Scheduled Tribes (STs) at the level of *Panchayats*. Election to the *Panchayats* in state for the first time conducted in 1995, followed by in 1998, 2003, 2008-09 and last one in 2018.

### **District Planning Committee'**

'District Planning Committee', a mandatory provision in the Constitution, is an important indicator in the study. The DPC plays very important role in the district planning process by consolidating plans prepared at the local level by the villages and towns in the district and then preparing a draft development plan for the district on the basis of the plans so

received from within the district. DPC is crucial to the function of 'planning for economic and social justice', which is now a mandated local function, in that it provides the vital link between rural and urban plans as well as sectoral plans.

Under this indicator, Karnataka, Madhya Pradesh, Maharashtra, and Tamil Nadu out of ten select states seem to be active in terms of establishment of District Planning Committees (DPCs), which conduct their meetings regularly and also submit district plans to the respective state governments. Since it is a mandatory provision of the Constitution all States under study have provisions related to the constitution of DPCs in their respective Acts.

#### **Role of *Panchayats* in Parallel Bodies:**

Apart from three rungs of *Panchayats*, parallel bodies are created at most levels of *Panchayats* to discharge certain responsibilities at the directions of the state government. This creates confusions and concurrency as constitutionally mandated *Panchayats* are in position, in the same geographical area, to discharge the same set of responsibilities.

The motive behind creating parallel bodies is to have speedy implementation of the schemes and accountability of the same to the state government. For example, there are parallel bodies functioning in one or other form at the level of District Rural Development Agencies (DRDA)s, Education (*Sarva Siksha Abhiyan*), Water, Health (National Rural Health Mission) and Sanitation (Swachh Bharat Mission (*Gramin*)), Agriculture Corporation, and Integrated Tribal Development Agency.

#### **Autonomy to *Panchayats*:**

*Panchayats* in various states, function under the provisions of particular *Panchayat* Acts passed in the respective Legislative Assembly. In some States among select ten states, representatives, *Panchayat* bodies, and resolution of District *Panchayat*, Block *Panchayat* and *Gram Panchayat* are suspended/dismissed/dissolved by state government/DC/SDO/Divisional Commissioner.

The State Government has the power to issue charge sheet to all the levels of *Panchayats* in the states of Andhra Pradesh, Gujarat, Karnataka, Madhya Pradesh, Maharashtra, Tamil Nadu and West Bengal. Data from other States were not available on the subject.

### **Functions Assigned and Actual Involvement**

Article 243 G envisages the involvement of *Panchayats* in various matters including those listed in the 11th Schedule of the Constitution. Over a period of time, role of the *Panchayats* has increasingly been identified in various vertical schemes of the Union government. Such direct involvement of these grassroots institutions make them participatory in the multi order federal system.

*Panchayats* are the key institutions in rural areas through which various schemes of the government can be implemented. The involvement of *Panchayats* across ten select states have been found in the schemes such as National Social Assistance Programme (NSAP), Mahatma Gandhi National Rural Employment Guarantee Programme (MGNREGP), *Swatch Bharat* Mission (*Gramin*), Integrated Child Development Schemes (ICDS), Mission *Antyodaya* etc.

### **Involvement of *Panchayats* in Important Schemes**

A substantial portion of resources for the development of *Panchayats* is provided by the Union Government through various schemes. The Centrally Sponsored Schemes (CSSs). CSSs are conceived under the provision of the Article 282 of the Indian Constitution with avowed objective of tackling problems. The role of *Panchayats* varies across different Centrally Sponsored Schemes (CSSs), which are administered by different Union Ministries.

Among the major CSSs, National Rural Employment Guarantee Programme, *Indira Awas Yojana*, Total Sanitation Campaign, Accelerated Rural Water Supply Programme, National Programme of Nutritional Support to Primary Education (Mid-Day Meals), National Horticulture Mission, Macro Management of Agriculture, Micro Irrigation etc. are the schemes, which provide for roles and responsibilities for *Panchayats*.

### **Fourteenth Finance Commission Grants**

Under article 280 (3) bb Union Finance Commission (UFC) has to suggest measures to augment the consolidated fund of states for *Panchayats*. So far, five UFC's have made their recommendations. Fourteenth Finance Commission was the last UFC which made its recommendations of Rs. 2, 00,292.20 crores to the *Gram Panchayats* in states for a period of five years i.e, 2015-20. The grants-in-aid were divided into two parts i.e. basic grants and performance grants.

The 14<sup>th</sup> FC allocated 90 percent of the total grants as basic grants and 10 percent was based on performance on select indicators including own revenue enhancement of *Panchayats*. Basic grants are extremely important for the working of *Panchayats*, as the same covers the operation and maintenance cost.

It is important to note that all the ten select states, Andhra Pradesh, Bihar, Gujarat, Karnataka, Madhya Pradesh, Maharashtra, Odisha, Tamil Nadu, Uttar Pradesh and West Bengal have released funds related to the Fourteenth Finance Commission to the *Panchayats* on time.

It is to be mentioned here that states of Gujarat, Madhya Pradesh, Maharashtra, Odisha, and Tamil Nadu have released 100% Basic and Performance Grants to *Panchayats* and overall there has been 96.57% of transfer of basic and performance grants recorded among ten select states.

### **State Finance Commission (SFC)**

Constitution of State Finance Commission (SFC) in every fifth year is the mandatory requirement of the Constitution under Article 243 I. SFC is required to recommend the principles to be applied in determining the allocation of funds to *Panchayats* and the range of taxes and non-taxes to be devolved to them.

The SFCs have a major role to ensure that the democratic decentralization envisaged under the CAA becomes operational and effective. The State Governments have the responsibility to enhance the credibility and acceptability of the SFCs. It is the State Government that has to enact a conformity act prescribing the number and qualification of members of the Commission.

Among ten select states, six states namely Bihar, Madhya Pradesh, Maharashtra, Odisha, Tamil Nadu and Uttar Pradesh have constituted their 5th State Finance Commission, and three states namely Andhra Pradesh, Karnataka and West Bengal have constituted their 4th State Finance Commission. The last one that is Gujarat among the ten select states has constituted its 3rd State Finance Commission till date.

### **Empowerment of *Panchayats* to impose/collect revenue**

Powers to impose taxes by the local governments was considered imperative to be enshrined in the Constitution under Article 243H to impart certainty, continuity and strength to the *Panchayats*. In most states, the property tax contributes maximum revenue of *Panchayats*. It is important to note that the property tax has been assigned to local governments including *Panchayats* in the states of Andhra Pradesh, Karnataka, Madhya Pradesh, Tamil Nadu, Uttar Pradesh and West Bengal among ten select States. It is important to note that it remains the major source of own tax revenue for most *Panchayats*. The Entertainment Tax stands assigned to the *Panchayats* in Andhra Pradesh, Tamil Nadu and West Bengal. Most States have also authorized the *Panchayats* to collect Land cess/Land tax. *Panchayats* in a number of States including Andhra Pradesh, Bihar, Gujarat, Karnataka, Odisha, Tamil Nadu and Uttar Pradesh also collect Vehicle tax. Tax on bicycles and on vehicles drawn by animals, Trade and Callings Tax, Toll Tax are the other taxes which have been assigned to the *Panchayats* in most States. However, all these tax handles provide abysmal revenue to *Panchayats* and they have to depend on intergovernmental fiscal transfers from the respective state government and Union government.

### **GST Implication:**

New GST regime, has affected the tax base of local governments including *Panchayats*. The Amendment Act has subsumed some taxes that formed base of own source revenue for *Panchayats*. One of such taxes is Octroi which was abolished long back and changed to entry tax in some states, Tax on advertisement and fee collected on sale and purchase of agricultural produce. Also *Panchayats*/ Municipality/Regional council/District council are authorized to collect taxes on entertainments and amusements. It is pertinent to mention here that *Panchayats*

collect very little of their own expenditure requirements and depend largely on intergovernmental fiscal transfers from upper levels of governments both Union and State. The introduction of GST subsuming few tax handles of Panchayats has not affected the tax collection of Panchayats substantially. Though Panchayats did have the resource base as per the respective State Panchayat Act but had little capacity and willingness to administer and collect those taxes for various reasons. In short, introduction of GST has little implication on the own revenue collection of Panchayats.

### **Expenditure**

In international literature on fiscal decentralization, the expenditure incurred by local governments is considered a key indicator for empowerment. The expenditure by all rungs of Panchayats as a proportion of total State public expenditure is considered a reliable indicator. Its State wise analysis is given below:

- The *Panchayats* in the State of Andhra Pradesh spends 4.27% of the total State public expenditure on *Panchayats* with per capita expenditure of Rs 1623 as per the average during the fiscal years 2012-13 to 2017-18.
- The *Panchayats* in the State of Bihar spends 0.91% of the total State public expenditure on *Panchayats* with per capita expenditure of Rs. 101 as per the average during the fiscal years 2012-13 to 2017-18.
- The *Panchayats* in the State of Gujarat spends 12.97% of the total State public expenditure on *Panchayats* with per capita expenditure of Rs. 4444 as per the average during the fiscal years 2012-13 to 2017-18.
- The *Panchayats* in the State of Karnataka spends 18.79% of the total state expenditure on *Panchayats* with per capita expenditure of Rs. 6647 as per the average during the fiscal years 2012-13 to 2017-18.
- The *Panchayats* in the state of Madhya Pradesh spends 3.39% of the total State public expenditure on *Panchayats* with per capita expenditure of Rs. 791 as per the average during the fiscal years 2012-13 to 2017-18.

- The *Panchayats* in the state of Maharashtra spends 16.42% of the total State public expenditure on *Panchayats* with per capita expenditure of Rs. 5779 as per the average during the fiscal years 2012-13 to 2017-18.
- The *Panchayats* in the state of Odisha spends 5.30% of the total State public expenditure on *Panchayats* with per capita expenditure of Rs. 1093 as per the average during the fiscal years 2012-13 to 2017-18.
- The *Panchayats* in the state of Tamil Nadu spends 3.10% of the total state expenditure on *Panchayats* with per capita expenditure of Rs. 1293 as per the average during the fiscal years 2012-13 to 2017-18.
- The *Panchayats* in the state of Uttar Pradesh spends 1.94% of the total State public expenditure on *Panchayats* with per capita expenditure of Rs. 309 as per the average during the fiscal years 2012-13 to 2017-18.
- The *Panchayats* in the state of West Bengal spends 3.10% of total State public expenditure on *Panchayats* with per capita expenditure of Rs. 1293 as per the average during the fiscal years 2012-13 to 2017-18.

**Table 3: Expenditure by Panchayats (Average of 2012-13 to 2017-18) of ten select states (Rs. in crore)**

Sl. No.	State	Expenditure by Panchayats				Expenditure by State <sup>#</sup>	Share of Panchayats in Total Expenditure (in %)	Per-capita Expenditure in Panchayats (Rs. in thousands)
		District	Block	Village	Total			
1	Andhra Pradesh	309	5211	465	5977	140036	4.27	1623
2	Bihar	100	181	723	1005	109476	0.91	101
3	Gujarat	6532	8601	1305	16438	126753	12.97	4444
4	Karnataka	9238	11864	5164	26267	139755	18.79	6647
5	Madhya Pradesh	275	1252	2644	4171	122778	3.39	791
6	Maharashtra	32550	273	3773	36596	222823	16.42	5780
7	Odisha	284	819	2810	3913	73840	5.30	1093
8	Tamil Nadu	233	1384	3499	5117	165071	3.10	1293
9	Uttar Pradesh	1096	379	3690	5166	265990	1.94	309
10	West Bengal	2226	3688	7583	13497	135811	9.94	1796

Source: Respective State Government

Note: <sup>#</sup> Handbook of Statistics on States by Reserve Bank of India

It is important to mention that average expenditure (2012-13 to 2017-18) of Panchayats in Maharashtra is highest among ten select states which is Rs. 36596 Cr. followed by Rs. 26267 Cr. in Karnataka. The lowest average expenditure (2012-13 to 2017-18) among the select states is Rs. 1001 Cr. and Rs. 3913 Cr. in Bihar and Odisha respectively.

Among ten select states, share of Panchayats in public expenditure is highest in Karnataka which spend 18.79% of total public expenditure in the state followed by Maharashtra 16.42%. The share of Panchayats is lowest in Bihar which is 0.91% of the total public expenditure followed by Uttar Pradesh which spends 1.94% of the total public expenditure by Panchayats.

### **Gram Sabha**

'Gram Sabha', a basic unit of local democracy, is deemed to safeguard the collective interests of all the residents. The Ministry of Panchayati Raj, Government of India laid huge emphasis, in the past, to energize *gram sabha* in all States and prescribed minimum four meetings of the same in a year. Quorum in the meeting was also considered important.

The quorum prescribed for the meeting of *Gram Sabha* is highest in the state of Uttar Pradesh that is one-fifth of the total population. The same is lowest in Bihar and Gujarat, i.e. one-twentieth of total population. It may be noted that, *Gram Sabha* in Maharashtra, Karnataka, West Bengal and Madhya Pradesh are assessed as strong.

### **Gram Panchayat Development Plan (GPDP)**

*Gram Panchayats* have been mandated for the preparation of *Gram Panchayat Development Plan (GPDP)* covering all the resources over which the *Panchayats* have command including 14th FC funds, MGNREGS funds, Swachh Bharat funds, etc.

The efforts of the Ministry of *Panchayati Raj* towards facilitating the *Gram Panchayats* through GPDP have enabled preparation of 1,35,590; 2,44,042; 2,44,689; 2,07,278 and 1,95,570 (1,39,312 for ten select states) GPDP plans in the country during 2015-16, 2016-17, 2017-18, 2018-19 and 2019-20 respectively. The data are also being captured in the Plan Plus portal.

### **Transparency & Anti-Corruption**

Accountability of *Panchayats* to its residents is the most important aspect for the existence of *Panchayat*. Citizen Charter at the level of *Panchayats* exist in the states of Andhra Pradesh, Karnataka, Maharashtra, Madhya Pradesh, Odisha, Tamil Nadu, Uttar Pradesh and Uttar Pradesh.

In Bihar and West Bengal, Citizen Charter does not exist at the level of *Panchayats*.

It is important to note that among ten select states, Andhra Pradesh, Bihar, Karnataka, Maharashtra, Madhya Pradesh, Odisha, Tamil Nadu, Uttar Pradesh and West Bengal have made provisions for either *Lokayukta* or Ombudsman in Panchayats.

In Gujarat, it is *Lokayukta* or Government agency which undertakes the complaints of *Panchayats*. whereas in Uttar Pradesh, only government agency undertakes the complaints of *Panchayats*.

### **Infrastructure (Physical/Digital)**

Infrastructure-both physical and digital are the most fundamental attributes for the smooth functioning of *Panchayats* which functions for social and economic development at the grass root level. The provision of *pucca ghar* together with the basic infrastructure exists for the working of *Panchayats* at the level of *Gram Panchayat*, *Block Panchayat* and *District Panchayat* in all ten states

In terms of infrastructure at the level of *Panchayat* in select states Uttar Pradesh has largest number of *Pucca Ghar* at the level of *Gram Panchayat* (33414), *Block* and *District Panchayat* (72) followed by in the state of Maharashtra. On the other hand, in Bihar at the level of *Panchayat* there are only 5624, 531 and 38 *Pucca Ghar* at the level of *Gram Panchayat*, *Block Panchayat* and *District Panchayat* respectively.

In *Panchayats* of Maharashtra, there is highest number of computers, Printers, Scanners & Other Peripherals among select states followed by in the state of Gujarat.

In Maharashtra highest number of Telephone connection is available at the level of *Gram Panchayats* that is 22000 followed by in Gujarat 14192.

Highest numbers of internet connections are available in Maharashtra, among the select ten states, at the level of *Gram Panchayats* that is 26528 followed by Gujarat that is 14192

### **Training Institutions/Activities**

*Panchayats* have criticized quite often for its low capacity to govern due to this very reason constitutionally mandated roles of *Panchayats* have been denied in many States. Hence,

capacity enhancement of elected representatives and employees is key for its sustained growth. Training institutions and their activities are important to strengthen *Panchayats* and play a critical role in the overall performance of *Panchayat*. Ministry of *Panchayati Raj* provided financial support to States under Capacity Building-*Panchayat Sashaktikaran Abhiyan* (CB-PSA) for Capacity Building & Training (CB&T) with focus on *Gram Panchayat* Development Plan (GPDP) so as to enable them to discharge their mandated functions effectively.

Under these schemes funds were released to the ten select States towards capacity building and training which amount to Rs. 481.45 Cr. in 2014-15, Rs. 168.47 cr in 2015-16, Rs. 586.39 Cr. in 2016-17, Rs. 621.72 Cr. in 2017-18 and Rs. 586.65 Cr. in 2018-19.

If we look at the number of Elected Representatives, *Panchayat* Functionaries and other Stake holders were trained in *Panchayats* we find that total number of 584320, 948779, 2283959, 4141382 and 3915115 representatives in ten select states were trained during the 2014-15, 2015-16, 2016-17, 2017-18 and 2018-19 respectively.

### **E-Connectivity & ICT Measures**

E-Connectivity and ICT measures in *Panchayat* aim to transform the latter into symbols of modernity, transparency and efficiency. E-Connectivity has been identified as one of the objective of MoPR under RGPSA which aimed at supporting all the effective use of information technology (IT) at grass root level or in all rungs of *Panchayats*.

It aims at computerization of *Panchayats* process and its data so that they are available to the public in electronic mode and acts as a bridge between rural and urban. There is a robust system put by government for effective monitoring of public expenditure by means of a holistic system capturing the entire gamut of activity right from the stage of planning to monitor the various stages of work, recording the expenditure incurred for the works to providing a complete detail of the asset created.

There is a system called e-Financial Management System (e-FMS) comprising PlanPlus, ActionSoft, PRIASoft and National Asset Directory (NAD) with Local Government Directory

(LGD) forming the base for such a robust system along with the Public Financial Management System (PFMS).

If we look the present status of the mechanism at the level of *Panchayats* we find the following:

- Pria-Soft is used in states of Andhra Pradesh, Gujarat, Karnataka, Maharashtra, Madhya Pradesh, Odisha, Tamil Nadu, and Uttar Pradesh.
- Local Government Directory (LGD) is used by all ten select states,
- ActionSoft is also used by all ten select states,
- National Asset Directory is used by all states except Karnataka and Madhya Pradesh, and
- Area Profiler is used by all ten select states.

#### **Need to Reorient Fiscal Transfer Mechanism for *Panchayats***

As can be seen from the findings of the study that *Panchayats* have little resource base of its own and depend largely upon the fiscal transfers from Union and States to discharge their constitutionally mandated role. The Constitution and conformity Acts provide the vibrant and autonomous State Finance Commission, but most States have made these institutions weak through various procedural practices. It is pertinent to note that article 280 was also amended in the 73<sup>rd</sup> Constitutional amendment Act and the role of the Union Finance Commission was identified to suggest measure to augment the consolidated funds of States for *Panchayats*. So far, five UFCs have devolved grants for *Panchayats* and attempted to a) equalize basic civic services, b) provide incentives for strengthening accounts and audit and c) set rules to strengthen SFCs. The recommendations have been subject to considerable criticism mainly on the following grounds

- The grants provided are too small to make any difference to the functioning of about 2.5 lakh *Panchayats*.
- The formula used for the allocation among the States were needlessly complicated and proved to be ineffective in promoting the cause of decentralized governments.

- The contours of decentralization across the States have never been very clear and each UFC adopted an *ad hoc* approach that too of different varieties breaking the continuity.
- The UFCs attempted, though half-heartedly, to enhance the capacity of *Panchayats* in a supply-driven way. This supply-driven approach has not worked and is unlikely to make any impact in the near future when *Panchayats* themselves have no incentives to keep their own house in order and face the hard budget constraints.
- Relative shares of the States in the total grants allocation for *Panchayats* marked significant changes from the award period of one UFC to another. This shows the lack of seriousness on the part of UFCs.
- While addressing Article 280(3) bb of the Constitution, some UFCs considered only *Gram Panchayats* and left the other two rungs i.e. District and Block *Panchayats*. While the Constitution prescribes the three-tier *Panchayat* system, including District and Block, the recommendations seem inconsistent with the constitutional provision. This has weakened both District and Block *Panchayats* in many States.

The time has come for the UFC to desist from the approach of *ad hoc* nature and include the local governments in the arrangement of revenue sharing as the case with the State emanated from the 80<sup>th</sup> Amendment of the Constitution. Also, pertinent Constitutional provisions including Articles 243H, 243I, 243X, 243Y, 266, 268, 269, 270, 275, 279 and 280 do not, in any way, preclude the UFC from earmarking a share of central revenues for *Panchayats*, suggesting that it be given into the Consolidated Fund of a State for the express purpose of supplementing the *Panchayats* fund. Since nowhere it is stated that the transfer of funds to *Panchayats* should only be in the form of *ad hoc* grants, it is safe to suggest that local governments should also be considered to get the share from the Union divisible pool along with the States. This would be over and above the fiscal devolution recommended to the States to correct the vertical imbalance. Seemingly, the scheme has the following merits:

- This will help a great deal in linking the local governments with the Indian federal structure along with the State and central governments.
- The local governments will be able to share the aggregate buoyancy of central taxes. This is particularly important when the economy grows and passes through an inflationary phase.
- The Union, State and local governments would feel the impact of fluctuations in central tax revenues alike.

- The progress of tax reforms will be greatly facilitated if the scope of tax sharing arrangement is enlarged so as to give greater certainty of resource flows to local governments and increased flexibility in tax reform and tax reengineering e.g. Goods and Services Tax (GST).

The central grants for *Panchayats* should be adequate, but not excessive at the same time-leaving room for additional State grants to *Panchayats* with proper consideration to cost disabilities. The adequacy aspect of grants should be considered within a triangular sharing of central revenues. The 13<sup>th</sup> FC had made this possible after rounds of consultations with legal experts and calculated the grants as percentage from the divisible pool of the previous year. The 14<sup>th</sup> FC dropped the idea and termed it unconstitutional without giving any argument against the practice set by the 13<sup>th</sup> FC. Whereas, the 13<sup>th</sup> FC provided convincing arguments and made a case in favour of 'Local Governments' share in the Union Divisible Pool. The Government of India and the 15<sup>th</sup> FC could consider this to decide the appropriate level of central grant allocation to the local governments.

The Union Government has a major role to handhold States inducing the institutions of governance that are closest to people. All States have completed the rounds of elections under the supervision of respective State election commission, an autonomous constitutional entity. Similarly, processes of fiscal devolution from the States to the *Panchayats* are taking place through SFCs. In many States, the report of the fifth generation SFC has been submitted. Assets are being either created or transferred to *Panchayats*. All of this imposes an administrative cost on the local governments and draws on scarce resources that they receive from their own sources and from the States. In this connection, fiscal transfers through the UFC have to play a critical role.

It is to be mentioned here that *ad hoc* grants of a token nature given by the earlier UFCs now need to be replaced by regular transfer arrangement. The role for the Government of India is to act as the facilitator in creating an enabling environment for fiscal decentralization at the sub-national level. This could be done through strengthening state level intergovernmental institutions and fiscal capacity equalization, an essential condition for a controlled and gradual process of fiscal decentralization. This requires, at this stage, the support from the UFC as various subnational governments have different and inadequate capacities to create institutions

and finance *Panchayats*. It is expected from the Union Government to accept that fiscal decentralization is not a zero sum game. In this context, the following points are worthy of being noted:

- Autonomous SFCs, district planning committees, elected representatives in addition to the *sarpanch* and active *gram sabhas* are the key to decentralized democracy. At present, they are peripheral lacking in technical activities of true autonomy. They need to be strengthened.
- Reassessment of the provision of local public goods is necessary. A certain annual rise in the administrative cost is inherent with the increase of public employees' salaries particularly after the implementation of the recommendations of the Seventh Pay Commission. This will have an effect on the establishment cost of the local governments, including the salaries of their staff (in the accounts and a computer section). Necessary minimum staff needs to be appointed in all *Panchayats*.
- Due to increased activities, there would be an additional maintenance cost of office space, including storage, record rooms, computer centres and libraries.
- In order to impose a uniform system of financial accounts, audit rules, disclosure requirements under the Right to Information (RTI) Act, there would be a need for technical assistance to local governments in several areas such as computerisation, accounting, treasury, tax administration, data processing, project evaluation, audit at local fund and Comptroller and Auditor General (CAG) levels and transparent procurement procedures.
- Operation and maintenance costs will go up chiefly due to greater investment in the form of local infrastructure, particularly for drinking water supply, irrigation and communication for the poor.
- There would be additional recurring expenditure on traditional civic services like primary healthcare, drinking water, public lighting, roads and sanitation arising out of increased people's expectations.

### **Practices in Other Federations**

It may be argued that the scheme needs to be consistent with the practice adopted in other federations of the world. In this context, salient features of select practices in other federations are given below:

- In Australia, the state governments are required to establish the State Grants Commission (SGC) for distributing the tax sharing grants among the local governments. The federal government requires that the fund be distributed among

local governments through SGC in three parts i.e. 20% on a per capita basis; 30% on a relative needs basis; and 50% on a fiscal equalization basis. The SFC of India is similar to the SGC of Australia and can be strengthened by the 15<sup>th</sup> FC through this mechanism.

- In Brazil, federal taxes on production and income contribute substantially in a Municipalities Participation Fund which is divided among local governments. Municipalities get their share from the royalties of the minerals excavated in their jurisdictions.
- In Argentina, central revenue is shared with the States and local governments (through state government) under the National Tax Sharing Law. Though no criteria or percentages are mentioned at the federal level, it says that States must share part of the central shared taxes with their local governments.
- In Germany, tax sharing is provided in the Basic Law. The Constitution provides that a share of the revenue from income tax be passed on to the local governments by the States.
- In Canada, local government financing is at the discretion of the provinces and territories. However, they receive specific purpose and general purpose transfers from federal governments through provinces.
- In South Africa, local governments are entitled to an 'equitable share' of national revenue in terms of Section 214 of their Constitution. Though the Constitution does not distinguish between local governments in urban and rural areas, the national government has developed a very elaborate system to classify local governments into seven categories using variables such as poverty levels, fiscal needs, fiscal capacity, cost of governance, and access to basic services. Through this mechanism, rural local governments receive large funds from federal government than the urban municipalities.

It is evident from the above practices that central revenue is shared with local governments in almost all federations and grants are also treated as an instrument to strengthen intergovernmental institution e.g. SFC. The contribution of the municipality's jurisdiction in value addition under the Goods and Services Tax is also counted while making IGFT arrangements. In addition, municipalities get their share from the royalties of the minerals excavated in their jurisdictions.

### **Other Instruments**

Given the acute resource constraint at all levels of government, some form of top down budgeting cannot possibly be avoided. Hence, some idea of the overall amount that can be

devolved from the Centre is essential. In this connection, the Union Government could decide the appropriate level of central grant allocation to the *Panchayats* with a view to increase the size of Panchayat expenditure as a proportion of total government expenditure.

In the medium term, the States could bring the revenue expenditure of the local governments to the level of at least 10 percent of total public expenditure. At present, the *Panchayats* public expenditure in Karnataka as proportion of total State expenditure is the highest. This is followed by Maharashtra. However, the pattern is different across States. In the long run, the share of expenditure of the local governments in total public expenditure should be raised to about 20 percent which is the international norm of developing countries.

The identification of basic civic services that could be considered on a priority basis could be the consideration of the Union Government. The desired objective would be to ensure access to basic civic services for all citizens of India through central grants and topping it with State grants. In this connection, the practice of South Africa could be considered, by which the national government undertakes to fund a very high proportion of the basic civic services to the citizens particularly poor on condition that the local governments should keep it to the extent possible. It would be difficult for the Union Government to devolve a very large proportion of grants for the basic services e.g. sanitation, drinking water, primary health, rural roads, etc. but a small beginning can be made. It is to be emphasized at this point that these civic services are absolutely basic to the nation as a whole. One can call them universal basic services similar to the idea of universal basic income.

The complications involved in the implementation strategy are known in view of the heterogeneity and varying capabilities of the sub national governments. But the basic rule could be to protect simplicity by limiting the number of objectives to be accomplished by each policy instrument. Since, the fiscal transfer from the Union Government is ordained through State governments; the Government of India could suggest the SFC to make *inter se* distribution among *Panchayats* and Municipalities within the State on these lines. It is expected that the States will adopt uniform accounting systems to follow accepted principles, prescriptions for audit procedures, etc. In this, the role of the SFC is crucial.

The Government of India could reiterate and recommend a 'permanent SFC cell' with a budgetary provision in each State, probably located in the Department of Finance of the State with adequate staff to continuously monitor local government finances including development fund transfers from the line ministries. The unit could also develop an extensive data system in consultation with the State statistical unit so as to facilitate effective monitoring and evaluation.

It is believed that political masters at higher levels in States seem to be reluctant to devolve powers to *Panchayats*, but the minimum set of functions, finances and functionaries may be laid down which should be devolved to *Panchayats*. Since the capacity of *Panchayats* across States is different, any compulsion in this regard may not be appropriate. But, one thing can easily be attached to grants Article 275 which would be meant for *Panchayats*. It is the fulfillment of obligations under Part IX of the Constitution such as the establishment of an SFC in time, placing its report in the State Assembly with an action taken report within six months. The Union Government could incentivize States to create an enabling environment for *Panchayats* to function under an accountability framework. There cannot be any criticism for creating the incentive framework and imposing conditionalities to Article 275 grants so long as they flow from the Constitution. In any case, the distribution formula must give appropriate weight to progress made in regard to functional, financial and administrative devolution by States. Such devolution by States are quantified and compared in devolution index that has been the basis for the Award by the Prime Minister to high ranked States every year on *Panchayat Day*. Dimensions and indicators of the index are given in Alok (2014). The States have started comparing themselves on the basis of the indicators set under the index. The index needs to be revised o create healthy competition among States for the devolution of powers to *Panchayats*.

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----- (2008), Report of Third State Finance Commission, August, 2006-2011, Lucknow, (Chairperson: S A T Rizvi).

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----- (2018), Report of Fourth State Finance Commission, December, 2016-17- 2021-22, Lucknow, (Chairperson: Anand Mishra).

**SFC Reports of West Bengal**

West Bengal, Government of (1995), Recommendations of the State Finance Commission, West Bengal, November, Calcutta (Chairperson: Satyabrata Sen).

----- (2002), Report of the Second State Finance Commission, West Bengal, February, Kolkata (Chairperson: Deb Kumar Basu).

----- (2008), Report of the Third State Finance Commission, West Bengal, October, Kolkata (Chairperson: Sukhbilas Barma).

----- (2016), Report of the Fourth State Finance Commission, West Bengal, February, Kolkata (Chairperson: Abhirup Sarkar).

Annex-A**Panchayat Devolution Survey Questionnaire-2018-19****Panchayats Survey for States-2018-19****As on March 31, 2019****(To be answered by the State Government)**

Name of the State : \_\_\_\_\_  
 Nodal Officer's Name : \_\_\_\_\_ Designation: \_\_\_\_\_  
 Nodal Officer's Contact Number : Tel: \_\_\_\_\_ Fax: \_\_\_\_\_ Mobile: \_\_\_\_\_ Email: \_\_\_\_\_

**Instructions:**

- All the sections need to be answered. Please read the following notes as well as note (s) against each question.
- Please tick (✓) the appropriate box against each question/ information sought, unless mentioned otherwise. Please make multiple selections, if needed. If a box is not ticked or not filled, it will be treated as 'No' filled in that box. Please write -NA- if not applicable.
- Please add more rows if need arises and give explanatory notes/observations wherever required. Please read the following table for acronyms.
- The information sought in this exercise is for research purpose only.

Acronyms	Expansions	Acronyms	Expansions
ASHA	Accredited Social Health Activist	NDRGGSP	Nanaji Deshmukh Rashtriya Gaurav Gram Sabha Puraskar
ATR	Action Taken Report	NGO	Non- Governmental Organization
BDO	Block Development Officer	NRDWP	National Rural Drinking Water Program
BP	Block Panchayat	NRHM	National Rural Health Mission
C&AG	Comptroller and Auditor General	NRLM	National Rural Livelihoods Mission
CBO	Community Based Organizations	PMGSY	Pradhan Mantri Gram Sadak Yojana
DPC	District Planning Committee	PHC	Primary Health Centre
DRDA	District Rural Development Agency	PSA	Panchayat Sashaktikaran Abhiyan
DI	Digital India	NRLM	National Rural Livelihoods Mission
DDUPSP	Deen Dayal Upadhyaya Panchayat Shasaktikaran Puraskar	PMGSY	Pradhan Mantri Gram Sadak Yojana
EVM	Electronic Voting Machine	PMAY-G	Pradhan Mantri Awas Yojana-Gramin
GP	Gram Panchayat	RTI	Right to Information Act
GIS	Geographic Information System	RAGAV	Rashtriya Gram Anudaan evam Vikas
GS	Gram Sabha	RGSA	Rashtriya Gram Swaraj Abhiyan
GST	Goods and Services Tax	SFC	State Finance Commission
ICDS	Integrated Child Development Scheme	SAUBHAGYA	Sahaj Bijli Har Ghar Yojana
ICT	Information and Communication Technology	Sl. No.	Serial Number
ITDA	Integrated Tribal Development Agency	SSA	Sarva Siksha Abhiyan
ISS	Interest Subvention Scheme	SIRD	State Institute for Rural Development

MDM	Mid-Day Meal Programme	STs	Scheduled Tribes
MNREGA	Mahatma Gandhi National Rural Employment Guarantee Act	WAN	Wide Area Network

### A. Basic Details of Panchayats

Sl. No	Documents	Whether such Act/ document made	Year of Publication/ Enactment/ Order	Sending all document(s)	
				Yes	Some
1.	Panchayat Act of State				
2.	Amendment(s) on State Panchayat Act				
3.	Enactment/notification on SFC				
4.	Amendment on SFC				
5.	Latest Report of SFC				
6.	ATR on report of SFC				
7.	Office Orders on the ATRs				
8.	Act on SEC				
9.	Amendment(s) on SEC				
10.	Circulars on and by SEC				
11.	Election Notification by SEC				
12.	Act on DPC				
13.	Amendment on DPC				
14.	State Guidelines on DPC				
15.	Circulars on DPC				
16.	Annual Report on Panchayats for the year 2017- 18				
17.	Panchayat Rules				
18.	Recruitment Rules for Panchayat Officials				
19.	Compilation of Acts/Amendments/ Rules				
20.	Service Rules for Panchayat Officials				
21.	Social Audit Orders and Rules				
22.	RTI Provisions				
23.	Gram Panchayat Development Plan (GPDP)				

24.	Key Performance Indicators Report		
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**Documents Sought:** Please send the following reports/ documents/ any other relevant material and questionnaire duly filled in to Prof. V N Alok, Indian Institute of Public Administration, Indraprastha Estate, and Ring Road, New Delhi 110002. Please email soft copies of reports/ documents/ any other relevant material and questionnaire to [vnalokindex@gmail.com](mailto:vnalokindex@gmail.com).

### B. Constitution and Function of District Planning Committee (DPC)

Please answer question no. 1 to 6 and 9 & 10 in "Yes" or "No". Please mention numbers in question no. 7 and 8

Sl. No.	Questions	Response
1.	Whether notification/order for DPC is issued by the State Government?	
2.	Whether DPCs are functional and holding meetings for planning purposes; integrating grass root rural and urban plans to District Plans?	
3.	Are there guidelines or rules to make the DPCs functional?	
4.	Whether the State has issued any guidelines for the preparation of District Plan?	
5.	Whether the District Plans takes into consideration the proposals of SHGs, International NGOs, and Financial Institutions etc.?	
6.	Whether Chairperson of DPC is an elected representative of Panchayats/ Municipal Authorities?	
7.	How many DPCs submitted integrated plan to State government in 2017 – 18?	
8.	How many DPCs have submitted integrated plan to State government in 2018– 19 till date?	
9.	Does the Plan of DPC form the part of State plan?	
10.	Are the Gram Panchayats involved in planning at the local level?	
Please write the composition of DPC. Please mention, from which background nominated members are taken. What is the ratio of elected representatives of Panchayats and Municipalities in the total membership of DPC?		

### C. Role of Panchayats in Parallel Bodies/Institutions

Please tick in appropriate box to show the nature of control of Panchayats on parallel bodies? The list is only indicative. Please add other important parallel bodies.

Sl. No.	Status/Parallel Bodies	DRDA	Education	Water	Health and Sanitation	Agriculture Corporation	Tribal Development (ITDA)	Any other
1.	Parallel body merged with the Panchayat Institution							
3.	Parallel body made an unit of the Panchayat Institution							
4.	Function of parallel body limited to Fund/accounts Management							
5.	Parallel body is Presided/ Chaired by Elected Representatives of the Panchayat							
6.	Elected Representatives of Panchayats are represented in Board of the parallel body							
7.	Parallel Body remains separate, but under the control of the Panchayat.							
8.	Parallel Body remains separate and not under the control of the Panchayat Institution							
8.	Please mention recent initiative(s) that has/have been undertaken since 1 <sup>st</sup> April 2017 regarding role of Panchayats in parallel bodies.							

### D. Autonomy to Panchayats

Please write the designation(s) of the authority(ies) who has/have the power to Suspend or Supersede (Dissolve) Panchayats/ Suspend or Dismiss Representatives of Panchayats/ resend the resolutions for reconsideration or quash such resolutions. [Please name the authority/ official whose approval is needed.]

Category	Level of Panchayats	Suspend representatives/ Panchayats	Resend for reconsideration of resolutions	Dismiss/Supersede/ Dissolve/Quash
Representatives of	District Panchayat		***** ***	
	Block Panchayat		***** ***	
	Gram Panchayat		***** ***	
Panchayat Bodies of	District Panchayat		***** ***	
	Block Panchayat		***** ***	
	Gram Panchayat		***** ***	
Resolutions of	District Panchayat			
	Block Panchayat			
	Gram Panchayat			
Is there any provision of charge sheet by State Government? (Yes/No)		<b>Gram Panchayat</b>	<b>Block Panchayat</b>	<b>District Panchayat</b>
Please mention recent initiative(s) that has/have been undertaken in this regard since 1 <sup>st</sup> April 2017:				

**E. Functions Assigned to Panchayats and Actual Involvement of Panchayats**  
Please tick the appropriate box, if answer is "Yes". Add other important functions but not the revenue collecting functions in this table at the end.

Sl. No.	Functions	Delegated by Legislature	Level of Panchayats Actually Undertaking		
			Gram Panchayat	Block Panchayat	District Panchayat
<b>Core Functions</b>					
1.	Drinking Water, Water Supply for Domestic Purpose				
2.	Roads				
3.	Culverts				
4.	Bridges				
5.	Ferries				
6.	Waterways				
7.	Other means of Communication				
8.	Building Control				
9.	Land Use and Building Regulation				
10.	Maintenance of Community Assets				
11.	Street Lighting, Parking Lots, Bus Stops				
12.	Public Conveniences				
13.	Parks, Gardens, Playgrounds (Civic Amenities)				
14.	Primary Health Centre/Community Health Centre				
15.	Sanitation & Solid Waste Management				
16.	Cremation & Burial				
17.	Public Safety (Noxious Vegetation, Pests & Vermin's)				
<b>Welfare Functions</b>					
18.	Poverty Alleviation Programmes				

19.	Family Welfare								
20.	Women & Child Development								
21.	Social Welfare, Welfare of Handicapped & mentally retarded								
22.	Welfare of the weaker sections, and in particular, of the Scheduled Castes & the Scheduled Tribes								
23.	Public Distribution System								
24.	Vital Statistics Including Registration of Births & Deaths								
25.	Elementary Education								
26.	Adult & Non-Formal Education								
27.	Secondary Education								
28.	Technical Training & Vocational Education								
29.	Libraries								
30.	Promotion of Cultural, Educational and Aesthetic Aspects								
31.	Slum Improvement & Up gradation								
32.	Fire Services								
33.	Rural Housing								
34.	Non-conventional Energy								
	<b>Agriculture and Allied Functions</b>								
35.	Watershed Development								
36.	Water supply for Agriculture Purpose, Minor Irrigation, Water Management								
37.	Agriculture & Agricultural Extension								
38.	Land Improvement								
39.	Implementation of Land Reforms								
40.	Land Consolidation								
41.	Soil Conservation								
42.	Animal Husbandry								
43.	Dairying								

44.	Poultry				
45.	Fisheries				
46.	Social Forestry				
47.	Farm Forestry				
48.	Minor Forest Produce				
49.	Market & Fairs				
50.	Regulation of Slaughterhouses				
51.	Prevention of Cruelty to Animals				
	<b>Industries</b>				
52.	Water supply for Commercial and Industrial Purpose				
53.	Small Scale Industries				
54.	Food Processing Industry				
55.	Khadi, Gram & Cottage Industry				
56.	Rural Electrification & Distribution				
57.	Any other				
58.	Any other				
59.	Any other				
60.	Any other				

#### F. Involvement of Panchayats in Important Schemes & Scheme Based Performance Measures

1. Please tick the appropriate box (es) indicating respective activities undertaken by Panchayats under each scheme.

Sl. No	Important Union Government Schemes	Levels of Panchayats Actually undertaking in each scheme		
		Gram Panchayats	Block Panchayats	District Panchayats
<b>A.</b>	<b>Centrally Sponsored Schemes</b>			
1.	National Social Assistance Program (NSAP)			
2.	Mahatma Gandhi National Rural Employment Guarantee Programme (MNREGP)			
3.	Scheme(s) for Development of Scheduled Castes			
4.	Scheme(s) for Development of Scheduled Tribes			

5.	Pradhan Mantri Krishi Sinchai Yojana(PMKSY)		
6.	Green Revolution-Krishonnatti Yojana		
7.	White Revolution- Rashtriya Pashudhan Vikas Yojana		
8.	Blue Revolution(Integrated Development of Fisheries)		
9.	Pradhan Mantri Gram Sadak Yojana (PMGSY)		
10.	Pradhan Mantri Awas Yojana-Gramin (PMAY-G)		
11.	National Rural Drinking Water Mission(NRDWM)		
12.	National Rural Health Mission (NRHM)		
13.	Swachh Bharat Mission-Gramin(SBM-G)		
14.	National Programme of Mid-Day Meal in Schools		
15.	Integrated Child Development Services(ICDS)		
16.	Deendayal Antyodaya Yojana-National Rural Livelihood Mission(DAY-NRLM)		
17.	Rashtriya Swasthya Bima Yojana		
18.	National Education Mission(NEM)		
19.	Shyama Prasad Mukherji Rurban Mission(SPMRM)/National Rurban Mission(NRuM)		
20.	Rashtriya Gram Swaraj Abhiyan (RGSA)		
21.	Pradhan Mantri Sahaj Bijli Har Ghar Yojana (Rural)- PM-SAUBHAGYA		
22.	Pradhan Mantri Annadata Aay SamraksHan Abhiyan(PM-AASHA)		
23.	National Mission for Sustainable Agriculture(NMSA)		
<b>B.</b>	<b>Central Sector Schemes</b>		
1.	Crop Insurance Scheme(Pradhan Mantri Fasal Bima Yojana)		
2.	Interest Subvention Scheme (for Short Term Credit to Farmers)		
<b>C.</b>	<b>Other Schemes</b>		
1.	Deen Dayal Panchayati Raj Infrastructure Scheme		
2.	Deen Dayal Upadhyaya Gram Jyoti Yojana		
3.	National e-Governance Programme(NeGP)		
<b>D.</b>	<b>State Government Schemes</b>		
1.	Pension Schemes		
2.	Health and Sanitation		
3.	Agriculture and Employment		
4.	Any other (specify)		

Scheme Based Performance Measures		Gram Panchayat	Block Panchayat	District Panchayat
1	Number of Panchayats availing Action Soft (a scheme implementation & monitoring software) or any such equivalent application in place?			
	<b>Mission Antyodaya</b>	2016-17		2017-18
2	Number of Panchayats covered under Mission Antyodaya in the following financial years?			
3	Number of Antyodaya Panchayats marked on NREGAsoft portal in the following financial years?			

### G. 14<sup>th</sup> Finance Commission (14<sup>th</sup> FC) Grants to the Panchayats

#### G.1 Basic Grants

Please mention amount in Rs. Lakh and Date/ Month/Year in the format DD/MM/YYYY.

Installments of FFC Grants	FFC Grants Released by Govt. of India		Released by State	
	Amount	Received by State on DD/MM/YYYY	Amount	Released to Panchayats on DD/MM/YYYY
1 <sup>st</sup> for the year 2014-15				
2 <sup>nd</sup> for the year 2014-15				
1 <sup>st</sup> for the year 2015-16				
2 <sup>nd</sup> for the year 2015-16				
1 <sup>st</sup> for the year 2016-17				
2 <sup>nd</sup> for the year 2016-17				
1 <sup>st</sup> for the year 2017-18				
2 <sup>nd</sup> for the year 2017-18				
1 <sup>st</sup> for the year 2018-19				
2 <sup>nd</sup> for the year 2018-19				

#### G.2 Performance Grants

Sl. No.	Performance Grants	2017-18	2018-19
1.	Whether Performance Grants have been released to Gram Panchayats for following financial years? (Yes/No)		
2.	If yes, please mention the number of Gram Panchayats that have qualified to get Performance Grants based on scores as mentioned below:		
a.	Number of Gram Panchayats which have scored 71 and above and got 100 % of allocation		
b.	Number of Gram Panchayats which have scored between 61 and 70 and got 80 % of allocation		
c.	Number of Gram Panchayats which have scored between 50 and 60 and got 70 % of allocation		
d.	Number of Gram Panchayats which have scored upto 49 and got 50 % of allocation		
	<b>Mandatory Conditions Related to Performance Grants</b>	<b>2015-16</b>	<b>2016-17</b>
3.	How many Gram Panchayats have submitted <u>Audited Annual Account</u> for the following financial years?		
4.	Number of Panchayats where an increase in Own Sources of Revenue is reflected in the Audited Annual Account for the following financial years?		
5.	Number of Gram Panchayat which have uploaded their GDPD on PlanPlus portal for following financial years?	<b>2017-18</b>	<b>2018-19</b>
6.	How many Gram Panchayats have updated Sector wise Expenditure on dashboard of following e-application in the following financial years? a) PlanPlus portal b) RAGAV c) Any other	<b>2016-17</b>	<b>2017-18</b>
	<b>Additional Conditions Related to Performance Grants</b>	<b>2016-17</b>	<b>2017-18</b>
7.	Number of Gram Panchayats declared Open Defecation Free (ODF) status in the following financial years?		

8.	Number of Gram Panchayats achieved universal immunization (0-2 year age group children) status in the following financial years?	
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#### H. State Finance Commission (SFC)

Whether qualifications and manner of selection of members of SFC are prescribed in the Act/ Rules? (Yes/No)	
--	--

Period Covered	MM/YY of Formation	MM/YY of Submission of Report	MM/YY of ATR laid before the Legislature
1 <sup>st</sup> SFC			
2 <sup>nd</sup> SFC			
3 <sup>th</sup> SFC			
4 <sup>th</sup> SFC			
5 <sup>th</sup> SFC			

Please State the reasons, if the gap is more than 5 years in the constitution of two SFCs, if there is substantial delay in submission of report by the SFCs or there is substantial delay in laying of the same in the Legislature.

Please list 5 most important recommendations of last SFC on which ATR is laid before the legislature. Also illustrate the ATR on those recommendations. Please State, if major recommendations of (e.g. Resource Sharing, Assignment of Tax Proceeds, and Grants) have been accepted.

Whether any fresh allocation, on the basis of SFC, has been made for Panchayats since 1<sup>st</sup> April 2017?

#### I. Money Transfers to Panchayats on account of the SFC recommendations (Rupees in Lakhs)

Financial Year	Amount Recommended	Amount Budgeted	Amount Sanctioned	Amount Released
2014-15				
2015-16				
2016-17				
2017-18				
2018-19				

### J. Empowerment of Panchayats to Impose and Collect revenue (Taxes/ Fees/ Duties/ Cess/ Toll/ Rent etc.)

Please tick appropriate boxes, if Panchayats are empowered and/or actually collecting taxes. Please add any other Panchayat revenue not in the list.

Sl. No.	Name of Revenues	Please tick only those revenues collected by State agencies on behalf of Panchayats	Please tick only those revenues collected by the State but transferred to Panchayat	Gram Panchayat		Block Panchayat		District Panchayat	
				Empowered to collect	Actually collecting	Empowered to collect	Actually collecting	Empowered to Collect	Actually collecting
1.	House or Building tax								
2.	Surcharge on house or property tax								
3.	Tax on agriculture land for specific purpose								
4.	Cess on land revenue or								





## K. GST Implications on Panchayats

Sl. No.	Questions	Response						
1.	List out the taxes which have been withdrawn from Panchayats due to GST implementation.							
2.	Any compensatory mechanism/additional grant for Panchayats due to GST implementation?(Yes/No) If yes, please elaborate.							
3.	Is there any fee/tax being levied by Panchayats on sale/purchase of goods in the State?(Yes/No) If yes, please elaborate.							
4.	Is there any order issued by the State allowing Panchayats to levy Entertainment tax ?(Yes/No) If yes, please elaborate.							
5.	Is Panchayat allowed to deduct tax at source (TDS) under State GST Act?(Yes/No) If yes, please elaborate with specific provision							
	If yes, which level of panchayat deducts tax at source?(Please tick in the relevant box)	<table border="1"> <thead> <tr> <th>Gram Panchayat</th> <th>Block Panchayat</th> <th>District Panchayat</th> </tr> </thead> <tbody> <tr> <td></td> <td></td> <td></td> </tr> </tbody> </table>	Gram Panchayat	Block Panchayat	District Panchayat			
Gram Panchayat	Block Panchayat	District Panchayat						
6.	Is Panchayat allowed to collect tax at source (TCS) under State GST Act?(Yes/No) If yes, please elaborate with specific provision							

	If yes, which level of panchayat collects tax at source?(Please tick in the relevant box)	Gram Panchayat	Block Panchayat	District Panchayat

### L. Expenditure of Panchayats

Sl. No.	Item	2015-16	2016-17	2017-18	2018-19
1.	Expenditure on Salaries for Panchayat Officials by the State				
2.	Expenditure on Salaries paid by the Panchayat				
3.	Expenses on Operation and Maintenance (O&M)				
4.	Travel Allowances				
5.	Capital Expenditures (Under following heads)				
	a) Water Supply				
	b) Sanitation and Hygiene related works				
	c) Drainage & Street				
	d) Maintenance of Road Infrastructure				
	e) Maintenance of Community assets				
6.	Expenditure on Schemes				
7.	Any Other				
8.	Total Expenditure made by all Panchayats of the State				

**M. Gram Sabha (GS)**

1.	Is there any minimum number of Gram Sabha meetings mandated? (Yes/No)	
2.	Is there a system in the State to monitor and ensure the mandated quorum of GS meetings in each Panchayat? (Yes/No) If so, please elaborate:	
3.	As per the State Panchayat Act, enumerate the powers and functions of Gram Sabha:	
	a)	
	b)	
	c)	
	d)	
	e)	
4.	Is there a mandated Quorum for Gram Sabha meetings? (Yes/No) If yes, what is the prescribed quorum of GS in the State?	
5.	Has the State issued guidelines as to how the Gram Sabha Meetings can be convened? Please elaborate:	
6.	In case of insufficiency of funds, do the State provide fund to Gram Panchayats for convening Gram Sabha meetings?(Yes/No)	
7.	In case of non-convening of Gram Sabha, what are the actions taken by the State, if any?	
8.	Elaborate the measures taken by the State to promote people's assemblies below Gram Sabha, including the following in Gram Panchayats? a. Ward Sabha: b. Mahila Sabha: c. Any other	
9.	What is the role of Gram Sabha that the State has identified in the following? a. Planning b. Budget Preparation c. Passing of Accounts	

d. Social Audit	
e. Preparation of BPL List	
f. Preparation of Beneficiary list(Under the following schemes)	
	MGNREGA
	PMAY
	DDUAAAY
	Others (Specify)
g. Preparation of Labour Budget under MGNREGA	
Recent initiative(s) undertaken since 1 <sup>st</sup> April 2017 to strengthen "Gram Sabha":	

#### N. Gram Panchayat Development Plan (GPDP)

Sl. No.	Questions	Response
1.	Number of Gram Panchayat that have formulated GPDP in the State till 31 <sup>st</sup> December 2018.	
2	Whether such GPDP is being integrated on Plan Plus Software?(Yes/No)	
3.	Whether any State level Steering Committee has been formulated for convergence of GPDP-FFC & SHG?(Yes/ No)	
4	Numbers of panchayat(s) in the State that has/have received 'Gram Panchayat Development Plan Award-2018'.	

#### O. Transparency and Anti-corruption

Sl. No.	Questions	Gram Panchayat	Block Panchayat	District Panchayat
1	Whether the following Panchayats provide information to the public under RTI Act? (Yes/No)			
2	Who is the Information Officer under RTI Act at each Panchayat? (mention their designations)			

3	Who is the 1st Appellate Authority under RTI Act? (mention their designations)		
4	Who is the 2 <sup>nd</sup> Appellate Authority under RTI Act? (mention their designations)		
5	Has the State made any policy for disclosure of information by the Panchayat to the public? (Yes/No) If yes, what are the modes used for disclosure of information? a) Display on Notice Boards b) Website c) Others (Specify)		
6	Does the State have the provision of Citizens' Charter at each level of Panchayats? (Yes/No) If yes, does the charter have the following? Please tick a) List of services b) Procedure for obtaining the service c) Time required for providing service d) Grievance redress Mechanism(GRM) e) Others (Specify)		
7	Which institution undertakes the complaints of Panchayat? Please tick a) Ombudsman b) Lokayukta c) Govt. Agency d) Others (Specify)		
9	Number of cases reported for action by the above institutions in the last fiscal year. (Give numbers)		
10	Number of complaints received against the following. (Please give numbers)	<b>Elected Representatives</b>	<b>Panchayat Officials</b>
			<b>Others (Specify)</b>
Please describe recent initiatives undertaken since 1 <sup>st</sup> April 2017 with respect to transparency improvement in Panchayats:			

**P. Infrastructure of Panchayats (Physical and Digital)**

Please write numbers. The list is only indicative. Please add other most important infrastructures in last rows.

Sl. No.	Equipments & Applications	Gram Panchayat	Block Panchayat	District Panchayat				
1.	How many Panchayats have Panchayat 'Ghar' (Pucca building)?							
2.	How many Panchayats have Computers, Printers, Scanners & other peripherals?							
3.	How many Panchayats have Telephone?							
4.	How many Panchayats have Internet?							
5.	Has the State Government taken any measure for construction of new GP buildings, repair of existing buildings, construction of barrier free access, construction of toilets (including separate toilets for women) and electricity and water connections?							
6.	Staff Structure of Gram Panchayats	Secretary	Community Resource Person	Junior Engineers	Technical Assistants	Data Entry Operators	Accountant	Others (Pl. specify)
	Please tick, if applicable							
	How many Gram Panchayats have the following staff?(in Numbers)							
	Who pays the salary of the above staff?							
	What percentage of Panchayat staff salaries are met by the State?							
	20% - 40%							
	41% - 60%							
	61% - 80%							
	81% - 100%							
	Any other (Please specify)							
Recent initiatives taken since 1 <sup>st</sup> April 2017 with respect to infrastructure development of Panchayats :								

**Q. Training Institutions and Training Activities**

Does the State have its own capacity building framework to train the elected representatives and panchayat officials? (Yes/No)	
If yes, please specify	

**R. e-Connectivity & ICT Measures Taken**

Sl. No.	Questionnaire	Gram Panchayat	Block Panchayat	District Panchayat
1.	How many Panchayats have computers? (in numbers)			
2.	How many Panchayats use wireless connectivity?			
3.	How many Panchayats is part of the National Optical Fiber Network?			
4.	How many Panchayats have their e-mail address (es)?			

**Thank You!**