CHAPTER - II
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FUNCTIONAL RESPONSIBILITIES AND FISCAL POWERS
OF PRIs IN AP

2.1 Introduction

The functional responsibilities and fiscal powers of Panchayati Raj Institutions have undergone substantial changes since independence before the Act of 1994 was passed. An attempt is made in this chapter to trace the developments in functions and fiscal powers of PRIs up to the passing of the Panchayati Raj Act of 1994. This is followed by a detailed examination of the Provisions of the 1994 Act. The functional responsibilities of the Gram Panchayats, Mandal Panchayats and Zilla Parishads have been examined in detail. While doing so, an attempt is made to bring out the differences between the 1994 Act and the earlier statutes vis-à-vis the constitutional mandate as detailed in the 11th Schedule of the Constitution. The discussion on the functional responsibilities is followed by a discussion on fiscal powers of the three tier PRIs before 1994 and as per the Act of 1994. The major changes in tax and non-tax powers of GPs, Mandal Panchayats and Zilla Panchayats have been reviewed to assess the potential revenue raising capacity of the PRIs. Finally, the broad revenue and expenditure trends of the PRIs have been briefly examined as a prelude to a more detailed examination of the revenue and expenditure issues in the sample PRIs.

2.2 Changing Structure of Panchayati Raj Institutions

Andhra Pradesh is one of the two States which first introduced the three-tier Panchayati Raj pattern of rural local government in 1959 in the country, the other being Rajasthan. At the time of launching Panchayati Raj, there was only a two-tier system of rural local government in the State, viz., District Boards at the district level and Gram Panchayats at the village level. Though the State of AP was reorganized in 1956, the District Boards and Gram Panchayats in the Andhra and Telangana area, were governed by
different statutes. For instance, in the Telangana area of the State, Gram
Panchayats and District Boards were governed by the AP (Telangana Area)
Gram Panchayats Act, 1956, and the AP (Telangana Area) District Boards
Act, 1955 respectively. Their counterparts in Andhra Area of the State were
governed by the AP (Andhra Area) Village Panchayats Act, 1950 and the AP

The Government of Andhra Pradesh, after considering the Balwant Rai
Mehta Team's recommendations, issued a White Paper on the reorganization
of rural local administration indicating, *inter alia*, the general policy proposed
to be pursued regarding democratic decentralization of district administration
in the State. Accordingly, on 1st July 1958, the scheme was implemented, on
an experimental basis, by setting up twenty (20) *ad hoc* Panchayat Samithis
one in a CD Block of each district, through an Ordinance. The success
achieved by this experiment paved way for the enactment of the AP
Panchayat Samithis and Zilla Parishads Act in 1959, thereby providing for
statutory middle and apex tiers of Panchayati Raj in the State. Though the ten
existing District Boards were abolished by this Act, certain provisions of their
respective Acts were suitably adopted for application to the newly-formed
Panchayat Samithis and Zilla Parishads. Under this new Act, Zilla Parishads
were constituted for each of the 20 districts in the State.

The State was delimited into 448 Blocks, 299 for Andhra Area and 149
for Telangana area, for purpose of constituting Panchayat Samithis at the
Block level, in a phased manner. In 1962-63, Panchayat Samithis were
constituted for the tribal blocks. By the end of 1963-64, 414 statutory
Panchayat Samithis were constituted in the State. However, in 1963 the State
government realized that the expenditure on staff and establishment in the
Block-level Samithis was disproportionately large. Moreover, Samithis, in
addition to carrying out the CD programmes, were already entrusted with
certain other important functional responsibilities in the spheres of elementary
education, minor irrigation, public health, communications etc., for which they
receive funds from the government. In the process, funds received by them
under the schematic budget of CD accounted for only a small fraction of their
aggregate resources. Besides, maintenance of separate accounts for CD funds also became cumbersome and unrealistic. Furthermore, there were attendant complications in assessing the specific assistance from CD funds for Blocks which enter Post-State II phase. Under these circumstances, the State government felt it necessary to modify the basis for the allocation of funds to the Samithis on a more rational basis providing simultaneously for greater freedom to them in utilizing the funds for development. Accordingly, in October 1963, the State government constituted a High Power Committee headed by Shri M.P. Pai, the then Chief Secretary to the Government, to examine the question of territorial reorganisation of the Blocks, allocation of existing revenues among the new units that may emerge consequent on such reorganization, and the future pattern of Samithis and Zilla Parishads at the Block and District levels. The High Power Committee, in its report, proposed a reduction in the number of Blocks from 448 to 290. The State government had however decided to reduce their number only to 321 with effect from 1st July 1964, and reorganisation of the Blocks was accordingly undertaken in the State. Moreover, on the recommendations of the High Power Committee, the State government dispensed with the then existing distinction between Stage-I, Stage-II and Post-Stage II Blocks, and in their place a new classification of Blocks into Advanced, Ordinary, Backward and Tribal Blocks on the basis of level of their development was introduced. This number of 321 was however subsequently increased to 324 comprising 49 Advanced Blocks, 139 Ordinary Blocks, 108 Backward Blocks and 28 Tribal Blocks.

In establishing a middle tier at the Block level in November 1959, and in replacing the District Boards with Zilla Parishads in December 1959, the existing structure of Gram Panchayats was not maternally altered. Even after the AP Panchayat Samithis and Zilla Parishads Act, 1959 was brought into force, Gram Panchayats at the village level continued to be governed by their existing statutes until 1964 when a single, comprehensive and uniform statute was enacted to govern all the Gram Panchayats in the State. With the constitution of Gram Panchayats in Tribal localities in 1963-64, the entire rural area of the State was covered by a network of Gram Panchayats.
In 1986, there was a structural reorganization of the middle tier of Panchayati Raj in the State. The then existing Blocks for which Panchayati Samithis were constituted more than two decades ago, have been further bifurcated into Mandals, each with a population ranging from 35,000 to 50,000. The existing AP Panchayati Samithis and Zilla Parishads Act, 1959 was repealed and in its place a new Act, namely, the AP Mandala Praja Parishads, Zilla Praja Parishads and Zilla Abhivrudhi Sameeksha Mandals Act, 1986, was enacted. This Act which brought into existence 1124 Mandala Praja Parishads as the middle tier of Panchayati Raj in the State came into force with effect from January 15, 1987. The newly created middle-tier of Panchayati Raj was made conterminous with the Revenue Mandal. Thus the Panchayati Raj Institutions in the State were governed by two different statutes, namely, the AP, Gram Panchayats Act, 1964 and the AP Mandala Praja Parishads, Zilla Praja Parishads and Zilla Abhivrudhi Sameeksha Mandals Act, 1986 until these two statutes were repealed by a single statute, namely, the AP Panchayat Raj Act, 1994 in which the provisions of the 73rd Constitutional Amendment Act, 1992 were incorporated.

2.3 Structure of Panchayati Raj During Pre-1994 Period

Before the new Act of 1994 was brought into force, the Panchayati Raj pattern of rural government in the State had a three-tier structure with 22 Zilla Praja Parishads, 1124 Mandal Praja Parishads, and 19517 Gram Panchayats functioning at the district, Mandal and village level respectively.

On an average, each Zilla Praja Parishad (ZPP) covered 50 Mandala Praja Parishads (MPP) and a population of 20 Lakh. Its strength varied between 33 and 65 members consisting of elected Chairman, Vice-Chairman, Presidents of all MPPs, MLAs, MPs concerned, and one member belonging to minorities. The Chairman was directly elected by the entire rural electorate of the district. As a matter of State government policy, of the total number of elective posts of Chairmen in the State, 6, 15, 9 and 20 percent were reserved for Scheduled Tribes, Scheduled Castes, Women and Backward Classes respectively. The term of office of all the three tiers of Panchayati Raj
continued to be 5 years. The Chief Executive Officer of a ZPP was designated as District Development Officer who is a State government employee on deputation. Each ZPP had six Standing Committees, one each for Development, Education, Social Welfare, Women Welfare, Works and Finance through which the ZPP carried out the responsibilities cast on it. Standing Committees consisted of the Chairman of the ZPP, District Collector (ex-officio member), and approximately an equal number of members elected by the members of the ZPP from amongst themselves. It was further stipulated that each Standing Committee, other than the social welfare and women welfare, should have one elected member belonging to scheduled castes or scheduled tribes or backward classes or minorities or women. The Chairman of the ZPP or in his absence, the District Collector was made the ex-officio Chairman of all its Standing Committees.

Each Mandal Praja Parishad, on an average covered 20 Gram Panchayats and a population of 44,000. Its strength varied between 20 and 42 comprising the elected President, Vice-President, Sarpanches of Gram Panchayats, MLAs, MPs concerned, and one elected member belonging to minorities. The President of the MPP was elected directly by the entire rural electorate in the Mandal. As in the case of ZPP, the same percentage of reservations were provided for to the STs, SCs, BCs and women in the MPPs taking into account the total number of offices of President in each district. The executive head of a Mandal was designated as Mandal Praja Parishad Development Officer (MPPDO). Unlike the Zilla Praja Parishads, the relevant statute has not made any provision for the constitution of Standing Committees for the MPPs.

Each Gram Panchayat, on an average, covered 1.3 revenue villages and a rural population of 2,200. Its strength ranged from 5 to 21 consisting of the Sarpanch, Vice-Sarpanch and Ward members. The Sarpanch and the Ward Members were directly elected by the entire electorate of the Village(s) concerned. Depending upon the strength of the Gram Panchayats, two to four seats are reserved for women. For Scheduled Casts and Scheduled Tribes, the number of seats reserved to them was made contingent on their
respective populations. However, it was stipulated that at least one seat for these weaker sections should be reserved in all Gram Panchayats where their combined population constitutes not more than 50 per cent of the total population of the Gram Panchayat. No provision for reservation of seats for Members was made where their combined population is more than 50 percent of the total population of the Gram Panchayat.

Gram Panchayats were divided into two broad categories, namely, Notified and Non-Notified. A Notified Gram Panchayat is one which has a normal annual average income of Rs.40,000/- All other Gram Panchayats are classified as non-Notified. The number of Notified Gram Panchayats in the State did not constitute more than 6 per cent of the total number of Gram Panchayats in the State. Though in terms of functional responsibilities there is no difference between these two categories of Gram Panchayats, the State government appoints a full-time Executive officer for each Notified Gram Panchayat. In the non-Notified Gram Panchayats, the Sarpanch acts as its executive authority also. Realising the difficulty of the Sarpanches of smaller Gram Panchayats in managing executive functions, the State government has attempted at appointing Group Executive Officer (GEO0, one each for two or three such Panchayats. However, this experiment did not last long as it resulted in frequent frictions between the Sarpanch and the GEO, particularly, in matters relating to withdrawing of funds from the treasury/bank. In terms of statutory provisions, each Gram Panchayat has to constitute three Functional Committees, one each for agriculture, public health and sanitation, and communications. Other Committees are to be constituted by the Gram Panchayats if the State government directs them to do so. The statute further stipulates that one person belonging to the SC/ST who is not a member of the Gram Panchayat but eligible to become such a member should be co-opted to each of its Functional Committees. Also persons who are not the members of the Gram Panchayat but are interested in the subject dealt with by a Committee can be co-opted to the said Committee, by the Gram Panchayat.
2.4 Structure of Panchayati Raj Institutions under the Act of 1994

The structure and functions of PRIs in A.P are in accordance with the A.P. Panchayati Raj Act. (Act No. 13 of 1994) enacted in March 1994, a single comprehensive Act covering all the three tiers of Panchayati Raj in the State. This new Act, besides incorporating the relevant provisions of the 73rd Constitutional Amendment Act, has brought about a few changes in the legislative framework governing the PRIs in the state. Among the changes so brought about the following are important:

- the nomenclature of the district-level Panchayat was changed to Zilla Parishad, and of the Mandal level institution to Mandal Parishad. Similarly, the designations of the Chief Executives of the district and intermediate level panchayats were changed as Chief Executive Officer and Mandal Parishad Development Officer, respectively;

- provision for co-opting persons belonging to minorities to the ZP and MP to the extent of two persons and one person respectively is made in the new Act;

- mandatory provision for the reservation of not less than 34 percent of the total number of seats in all the three tiers, and also in the total number of offices of elected chiefs in these institutions for Backward Classes;

- elections to the Mandal Parishads and Zilla Parishads on party-basis, while those to Gram Panchayats on non party basis;

- indirect election to the office of the Sarpanch of a Gram Panchayat was provided for;

- the new Act dispensed with the Zilla Abhivrudhi Sameeksha Mandals which were created under the previous Act, and planning functions are transferred to the Zilla Parishad to be exercised by it through its Standing Committees;
gram sabha has to be convened by the Executive Officer and is to be presided over by the Sarpanch of the gram panchayat concerned;

the number of Functional Committees to be constituted for every gram panchayat has been increased from 3 to 7. Besides, provision is made for the constitution of a "Beneficiary Committee" in every Gram Panchayat for the execution of Panchayat works. Moreover, "selection of schemes, beneficiaries and locations" has been added to the existing list of matters to be placed before the gram sabha by a panchayat;

persons with more than two children after one year from the date of commencement of the new Act are disqualified from contesting the elections to the PRIs;

the Chief Executive of a Panchayat at all the three levels are made responsible for convening the meetings of the Panchayat concerned;

political Chiefs of the lower tier are made "Permanent Invitees" of the next higher tier of Panchayati Raj, without the right to vote;

the new Act increased the number of Standing Committees of a Zilla Parishad from the existing six to seven and the range of their activities widened. These are Standing Committees on Planning and Finance, Rural Development, Agriculture, Education and Medical Services, Works Chairpersons of two Standing Committees would be women by nomination by the Chairperson of the ZP, while the Chairperson to the Standing Committee for Agriculture would be the Vice-chairman of the ZP. The Chairperson of the ZP would be the Chairperson of the other four Standing Committees; and

apart from the above important changes effected in the legal framework of the PRIs in the state, the new Act, except for the provisions relating to the requirements of the 73rd Constitutional Amendment Act, is not materially or significantly different from the Acts it repealed.
As for the organisational structure of the Panchayati Raj in AP is concern, there is a separate, composite Panchayati Raj and Rural Development Department headed by a senior IAS Officer in the cadre of a Principal Secretary to the State Government at the State level working under the Cabinet Minister for Panchayati Raj, Rural Development and Panchayati Raj Engineering. The first two divisions are also headed by senior-level bureaucrats, while the last by Engineering-in-Chief at the state level. Besides, there is a Commissioner for each of the first two Divisions who acts as its Head of the Department.

An innovative and important feature of Panchayati Raj in the state is the creation of a separate heavily-staffed Panchayati Raj Engineering Department to look after the technical aspects of the schemes being executed by the regular Panchayati Raj Department of the State Government as well as those being executed by the PRIs. It has its technical machinery right from the State to the village level. It has one Engineer-in-Chief, under whom a large number of Chief Engineers, Dy. Chief Engineers, Superintending Engineers, Work Inspectors, etc., spread over the entire state are working.

At present, there are 22 Zilla Parishads in the state at the district level. According to the 2001 census, the rural population served by a Zilla Parishad varies between 15.87 Lakh (Ranga Reddy District) and 35.30 Lakh (Kumool District). Similarly, the number of Mandal Parishads in a district range from 53 (Ranga Reddy District) to 65 (Chittoor District) and the number of gram panchayats from 718 (Nizamabad District) to 1,328 (Mahabubnagar District). The average rural population (2001) of a Zilla Parishad in the state is 25.10 Lakh.

The political head of a Zilla Parishad is Chairperson who is indirectly elected by the directly-elected members (one for each Mandal) of the Zilla Parishad. The Chief Executive Officer (CEO) of the Zilla Parishad is assisted by a Deputy CEO, Accounts Officer, Education Officer, Executive Engineers (one for each Revenue Division) and other technical and administrative staff. The DRDA is however independent of the Zilla Parishad at the district level. Also the District Panchayat Officer who has his hierarchical officials down the
line at the Revenue Division, erstwhile Block and Notified Gram Panchayat levels, is a state government officials, works under the administrative control of the District Collector, and is thus not directly accountable to the Zilla Parishad. The District Collector continues to be the kingpin of the district administration.

At present, there are 1124 Mandal Parishads in the state, the mandal level, their average population also widely varies across the districts in the state. For instance, the average population served by a Mandal Parishad is as low as 30,787 in Adilabad district and as high as 60,709 in Kumool district. However, the average population (2001) of a Mandal Parishad in the state (2001) is 48,600. The Chief Executive of a Mandal Parishad is the Mandal Parishad Development Officer (MPDO) who is usually assisted by one Mandal Education Officer, one or two other Extension Officers, three to five Village Development Officers (Gram Sevaks) and a limited number of secretarial and menial staff. The staff in pattern at the Mandal Parishad does not seem to be uniform.

There are altogether 21,950 Gram Panchayats in the State at present. Of these, only 1332 are of notified type (6%). The average population of a Gram Panchayat across the districts varied between 1826 in Srikakulam district and 3460 in East Godavari District. The average population of a Gram Panchayat is however 2216 in the state. In terms of their numbers, they range from 706 in Ranga Reddy District to 1425 in Chittoor district. At the Gram Panchayat level, there is a full-time Executive Officer for each notified Gram Panchayat. Depending upon the financial status of such Panchayats, the Executive Officer is supported by a few secretarial and civic staff. A few of the non-notified Gram Panchayats have a junior Clerk-cum-Bill collector each. However, a larger number of this category of gram panchayats virtually do not have any staff worth their while.
2.4.1 Functional Responsibilities of Gram Panchayats

The 1994 Act lists a wide array of functions of the Gram Panchayat that contains a number of obligatory and optional functions. The obligatory functions of the Gram Panchayats include the following:

i) Agriculture, including agricultural extension
   a. conservation of manurial resources, preparation of compost and sale of manure; and
   b. establishment and maintenance of cattle pounds

ii) Drinking water
   a. Provision of protected water for "bathing" and "drinking purposes".

iii) Roads, culverts, ferries, waterways and other means of communication:
   a. construction, repair and maintenance of all buildings vested in the Gram Panchayats and of all roads in the village (other than the roads vested in the Mandal Parishad and Zilla Parishad and the roads classified by the Government as National and State Highways) and of all bridges, culverts, road dams and causeways on such roads.

iv) Rural electrification including distribution of electricity:
   a. lighting of public roads and public places

v) Markets and fairs:
   a. opening and maintenance of public markets; and
   b. control of fairs, Jataras and festivals.

vi) Health and sanitation, including Hospitals, Primary Health Centres and Dispensaries:
   a. construction and maintenance of drains and the disposal of drainage water and sewerage;
   b. promotion of "the sanitary conditions in the village", including "the filling in of the disused wells, unsanitary ponds, pools, ditches, pits or hollows and other improvements of" were added;
c. the provision of public latrines and arrangements to clean latrines, whether public or private;
d. maintenance of “burial grounds”, “and the disposal of unclaimed dead bodies of human beings or of animals”;
e. taking preventive and remedial measures connected with any epidemic or with malaria; and
f. registration of births and deaths.

vii) Others:
a. resource planning at village level.

The Optional Duties that the Gram Panchayat may perform pertain to the following activities:

i) Agriculture, including agricultural extension:
a. establishment and maintenance of nurseries and stores of improved seeds and agricultural implements of the production and distribution of improved seeds, pesticides and insecticides and the holding of agriculture shows including cattle shows;
b. propagation of improved methods of cultivation in the village including laying out of demonstration plots for increasing production;
c. encouragement of cooperative management of lands in the village and organisation of joint co-operative farming; and
d. establishment and maintenance of warehouses and granaries.

ii) Land improvement, implementation of land reforms, land consolidation and soil conservation:
a. Implementation of land reform measures in the village including consolidation of holdings and soil conservation.

iii) Minor irrigation, water management and watershed development:
a. protection and maintenance of any village irrigation work, the regulation of terms of irrigation, or of distribution of water from any such irrigation work, the regulation of terms of irrigation, or of distribution of water from any such irrigation work to the field depending on it, if transferred by the State Government.
iv) Animal Husbandry, dairying and poultry:
   a. establishment and maintenance of cattle sheds; and
   b. improvement of cattle including purchase and maintenance of
      stud bulls and the provision of veterinary relief.

v) Social Forestry and Farm Forestry:
   a. planting and preservation of groves and trees on the sides of
      roads and other public places; and
   b. management of forests adjacent to the villages, if transferred by
      the State Government.

vi) Khadi, village and cottage industries:
   a. promotion and development of cottage industries and trade.

vii) Roads, Culverts, Ferries, Waterways and other means of
     communication:
   a. execution of Kudimaramat in respect of any irrigation source in
      the village; and
   b. management of public ferry in the Andhra Area, and of a
      Government Ferry in the Telangana Area vested in the Gram
      Panchayat.

viii) Education including primary and secondary schools:
   a. promotion and development of pre-primary education,
      elementary education, social and health education.

ix) Libraries:
   a. the establishment and maintenance of libraries and reading
      rooms.

x) Cultural Activities:
   a. establishment and maintenance of wireless receiving sets,
      playgrounds, akahdas clubs and other centres for recreation and
      physical cultural

xi) Health and Sanitation, including hospitals, Primary Health Centres
    and dispensaries:
   a. establishment and maintenance of dispensaries and payment of
      subsidies to rural medical practitioners;
   b. destruction of stray and ownerless dogs; and
   c. opening and maintenance of public slaughter houses.
xii) Women and child development:
   a. establishment and maintenance of maternity and child welfare centres.

xiii) Social welfare, including welfare of the handicapped and mentally retarded:
   a. provision of relief to the crippled, the destitute and the sick;
   b. provision of relief against famine and other calamities;
   c. construction and maintenance of dharmasalas, sarais, and rest houses for travelers;
   d. setting up of organisations to promote goodwill and social harmony, eradication of corruption, prohibition of or temperance in the consumption of intoxicant drinks of drugs and discouragement of gambling and litigation.

xiv) Welfare of the weaker-sections and in particular of the SCs and STs:
   a. Setting up of organisation to promote goodwill and social harmony, removal of untouchability, and provision of house sites for Harijans.

xv) Others:
   a. organisation of voluntary labour for community development works in the village;
   b. organisation of Watch and Ward;
   c. preparation of Statistics of unemployment;
   d. promotion of cooperatives for the manufacture of bricks, tiles, hinges, doors, windows, rafters or other building material as provided in the village housing project schemes sponsored by the Central Government;
   e. management of institutions or schemes, charitable endowments and inams, if transferred by the State Government;
   f. other measures of public utility calculated to promote the safety, health convenience, comfort or moral, social and material well-being of the residents of the village;
   g. extension of village sites; and
   h. maintenance of parks.
### Table 2.1

Number of Specific Responsibilities Entrusted to the GPs in A.P.: A Comparison

<table>
<thead>
<tr>
<th>S. No.</th>
<th>Subject in the 11th Schedule</th>
<th>Gram Panchayats 1964 Act</th>
<th>Gram Panchayats 1994 Act</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Agriculture, including agricultural extension</td>
<td>2*</td>
<td>2*</td>
</tr>
<tr>
<td>2.</td>
<td>Land improvement, implementation of land reforms, land consolidation and soil conservation</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>3.</td>
<td>Minor irrigation, water management and watershed development</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>4.</td>
<td>Animal husbandry, dairying and poultry</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>5.</td>
<td>Social forestry &amp; farm forestry</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>6.</td>
<td>Khadi, village and cottage industries</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>7.</td>
<td>Drinking water</td>
<td>1*</td>
<td>1*</td>
</tr>
<tr>
<td>8.</td>
<td>Roads, culverts, ferries, waterways and other means of communication</td>
<td>1*</td>
<td>1*</td>
</tr>
<tr>
<td>9.</td>
<td>Rural electrification, including distribution</td>
<td>1*</td>
<td>1*</td>
</tr>
<tr>
<td>10.</td>
<td>Poverty alleviation programmes</td>
<td>1*</td>
<td>1*</td>
</tr>
<tr>
<td>11.</td>
<td>Education, including distribution</td>
<td>1*</td>
<td>1*</td>
</tr>
<tr>
<td>12.</td>
<td>Adult and non-formal education</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>13.</td>
<td>Libraries</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>14.</td>
<td>Cultural activities</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>15.</td>
<td>Markets and fairs</td>
<td>2*</td>
<td>2*</td>
</tr>
<tr>
<td>16.</td>
<td>Health and sanitation, including hospitals, primary health centres and dispensaries</td>
<td>6*</td>
<td>6*</td>
</tr>
<tr>
<td>17.</td>
<td>Women &amp; Child Development</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>18.</td>
<td>Social welfare, including welfare of the handicapped and mentally retarded</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>19.</td>
<td>Welfare of the weaker sections and in particular the SCs and STs</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>20.</td>
<td>Public Distribution System</td>
<td>3a</td>
<td></td>
</tr>
<tr>
<td>21.</td>
<td>Maintenance of Community assets</td>
<td>1*</td>
<td></td>
</tr>
<tr>
<td>22.</td>
<td>Others</td>
<td>1*</td>
<td></td>
</tr>
</tbody>
</table>

**Notes:**
- * Obligatory functions as per the statute
- Functions transferred by State Government under delegated legislation;
- Others are discretionary functions as per the statute

**Source:** Department of Panchayat Raj, Government of A.P., Hyderabad
From the preceding two sections, it is clear that there is no substantial change in the financial domain of the Gram Panchayats subsequent to the 73rd Amendment Act. Seven new functions have been assigned to the Gram Panchayats. These functions include public distribution system, maintenance of community assets, adult and non-formal education and roads and communications (See Annex Table – 2.1).

2.4.2 Functional Responsibilities of Mandal Parishads

As for the functional canvas of the Mandal Parishads, as in the case of Gram Panchayats, the existing provisions in the Act of 1986 were merely repeated except for deletion of one item and addition of another item to the list of their functions. Under the Act of 1994, one of the existing listed functional responsibilities, namely, ‘dairying and milk supply’ was deleted from the purview of the Mandal Parishads, and another new responsibility, namely, "formulation and execution of suitable programmes for stepping up production and for rising the incomes and standards of living for the improvement of the sanitation and the provision of amenities to the people" was added.

I. Agriculture, including agricultural extension:
   The doing of everything necessary to step up agricultural production and in particular:
   a) multiplication and distribution of improved seeds;
   b) distribution of fertilizer;
   c) popularisation of improved techniques, methods and practices and improved implements;
   d) achieving self-sufficiency in green manures and composting of farmyard manure;
   e) encouraging fruit and vegetable cultivation;
   f) providing credit for agricultural purpose;
   g) propagation and assisting in plant protection methods;
   h) laying out demonstration plots and working out better methods of farm management; and
   i) utilising more power for agricultural purposes.
II. Land improvement, implementation of land reforms, land consolidation and soil conservation:
   a) Reclamation of land and conservation of soil.

III. Minor irrigation:
   a) Bringing more acreage under irrigation by remoratine and sinking wells, repairing and digging private tanks and maintaining government minor irrigation sources and supply channels; and
   b) Explorating underground water sources by sinking wells, filter points and tube wells.

IV. Animal husbandry, dairying and poultry:
   a) Upgrading local stock of by introducing pedigree breeding bulls and castrating scrub bulls;
   b) Introducing improved breeds of cattle, sheep, pigs and poultry;
   c) Controlling contagious diseases by systematic protection;
   d) Introducing improved fodders and feeds;
   e) Establishing and maintaining of artificial insemination centres, first-aid centres and minor veterinary dispensaries;
   f) Educating the people about the importance of better cattle for both milk and draught.

V. Social forestry and farm forestry:
   a) Tree planting; and
   b) Growing of village forests

VI. Khadi, village and cottage industries
Development of cottage, village and small scale industries in order to provide better employment opportunities and thereby raise the standard of living and in particular:
   a) The establishment and maintenance of production-cum-training centres;
   b) The improvement of the skills of artisans and craftsmen;
   c) The popularisation of improved implements; and
   d) Implementation of schemes for the development of cottage, village and small-scale industries financed by the Khadi and Village Industries Commission and the All-India Boards.
VII. Rural housing:
   a) Implementation of rural housing schemes.

VIII. Drinking water:
   a) Providing protected drinking water facilities.

IX. Fuel and fodder:
   a) Introducing improved fodders and feeds.

X. Roads, culverts, ferries, waterways and other means of communication:
   a) Formation and maintenance of inter-village roads;
   b) Rendering such assistance as may be necessary in the formation and maintenance of village roads which serve as feeders.

XI. Education including primary and secondary schools:
   a) Maintenance and expansion of elementary and basic schools, and in particular, management of Government and taken-over, aided-elementary and higher elementary schools;
   b) Provision and improvement of accommodation for schools with people's participation;
   c) Conversion of existing elementary schools into basic schools;
   d) Taking of such action as may be necessary for the promotion of education for all children until they complete the age of 14 years.

XII. Adult and non-formal education:
   a) Establishment of adult education centres and adult literacy centres.

XIII. Libraries:
   a) Establishment and popularisation of libraries.

XIV. Cultural activities:
   a) Encouragement of physical and cultural activities;
   b) Establishment of information, community and recreation centres;
   c) Establishment of mahila mandals, youth organisations, farmer clubs, etc.
XV. Health and Sanitation; including hospitals, Primary Health Centres and dispensaries:

a) Expanding existing medical and health services and bringing them within the reach of people;
b) Establishing and maintaining Primary Health Centres and maternity centres;
c) Ensuring systematic vaccination;
d) Controlling epidemics;
e) Providing drains and soakage pits for village and house drainage;
f) Encouraging the use of sanitary type of latrines and utilising human waste;
g) Popularising of smokeless chullahs;
h) Supervising the work of Government hospitals;
i) Enlisting people's participation for the improvement of such hospitals;
j) Securing the cooperation of the people and the Panchayats during epidemics;
k) Carrying out the environmental sanitation campaigns and educating the public in nutrition, maternity and health, communicable diseases and family planning and the like;
l) Implementing health programmes subject to the technical control of district officers concerned;
m) Organisation of voluntary sanitary squads;

XVI. Women and Child Development:

a) Implementation of schemes especially designed for the welfare of women and in particular the establishment of women and child welfare centres, literacy centres, crafts and dress-making centres and the like.

XVII. Social welfare, including welfare of the handicapped and mentally retarded:

a) Strengthening of voluntary social welfare organisations and coordinating their activities;
b) Maintenance of diseased beggars and control of vagrancy;
c) Propagation of temperance and prohibition; and
d) Provision of emergency relief through voluntary effort in case of
distress owing to fires, floods, epidemics and other widespread
calamities.

XVIII. Welfare of the weaker-sections and in particular of the SCs and
STs:
a) Management of hospitals subsidised by Government for the
benefits of STs, SCs and Backward Classes; and
b) Removal of untouchability

XIX. Others:
a) The execution of all programmes under community development
in association with panchayats, cooperatives in association with
panchayats, cooperative societies, voluntary organisations and
the people;
b) Organisation of watch and ward;
c) Training and utilisation of the services of Gram Sahayaks;
d) Securing economic development along democratic lines by the
application of cooperation in its infinitely varying forms and in
particular:
   - establishment of cooperative credit, industrial, irrigation,
     farming and multi-purpose societies in order to serve the
     maximum no. of families;
   - encouragement of thrift and small savings
e) collection and compilation of such statistics as may be found
necessary either by the Mandala (Praja) Parishads, the Zilla
(Praja) Parishad or the Government;
f) management of trusts for the furtherance of any purpose to
which the funds of the Mandala (Praja) Parishad may be
applied; and
g) formulation and execution of suitable programmes for stepping
up production and for raising the incomes and standards of
living for the improvement of sanitation and the provision of
amenities to the people.
Unlike the Gram Panchayats, the Mandala Praja Parishads in the State are not assigned any ‘obligatory’ function. The statute governing them provides that ‘every Mandala Praja Parishad shall endeavour to instill among the people within its jurisdiction, spirit of self-help and imitative and harness their enthusiasm for raising the standard of living. It shall exercise all the powers conferred on and entrusted to, it by the government for carrying out the purposes of this Act. The succeeding Section in the relevant statute reads that “in particular, the Mandala Praja Parishad shall exercise the powers and perform the functions specified in the Schedule. The Schedule appended to the Act of 1986 lists the specific functional responsibilities entrusted to the Mandal Parishads, all of which are ‘discretionary or permissive’ in nature. Statement shows the specific responsibilities devolved on Mandala Praja Parishads by the Act of 1986. It may be seen that altogether 59 specific responsibilities pertaining to 18 subjects in the Eleventh Schedule were statutorily devolved on Mandala Praja Parishads (See Annex Table – 2.2).

2.4.3 Functional Responsibilities of Zilla Parishad

In regard to the functional domain of the Zilla Parishads, the Act of 1994 has merely repeated the provisions that were listed in its earlier Act of the 1986. Thus, according to the available information, as may be seen below as of now the State Government has assigned a total of 151 functional responsibilities on the PRls. Of these, 135 responsibilities pertain to 24 subjects included in the Eleventh Schedule of the Indian Constitution. The subjects in respect of which no specific responsibility seemed to have been transferred, are:

- Fisheries;
- Minor forest produce;
- Small-scale industries including food industries;
- Technical training and vocational education; and
- Family welfare

It may however be noted here that assignment of all the listed functional responsibilities are distinct from their actual transfer.
Table - 2.2
Number of Specific Responsibilities Entrusted to the MPs in AP: A Comparison

<table>
<thead>
<tr>
<th>S. No.</th>
<th>Subject in the 11th Schedule</th>
<th>Mandal (Praja) Parishads</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>1986 Act</td>
</tr>
<tr>
<td>1.</td>
<td>Agriculture, including agricultural extension</td>
<td>9</td>
</tr>
<tr>
<td>2.</td>
<td>Land improvement, implementation of land reforms, land consolidation and soil conservation</td>
<td>1</td>
</tr>
<tr>
<td>3.</td>
<td>Minor irrigation, water management and watershed development</td>
<td>2</td>
</tr>
<tr>
<td>4.</td>
<td>Animal husbandry, dairying and poultry</td>
<td>7</td>
</tr>
<tr>
<td>5.</td>
<td>Social forestry &amp; farm forestry</td>
<td>2</td>
</tr>
<tr>
<td>6.</td>
<td>Khadi, village and cottage industries</td>
<td>4</td>
</tr>
<tr>
<td>7.</td>
<td>Rural Housing</td>
<td>1</td>
</tr>
<tr>
<td>8.</td>
<td>Drinking water</td>
<td>1</td>
</tr>
<tr>
<td>9.</td>
<td>Roads, culverts, ferries, waterways and other means of communication</td>
<td>2</td>
</tr>
<tr>
<td>10.</td>
<td>Education, including distribution</td>
<td>4</td>
</tr>
<tr>
<td>11.</td>
<td>Adult and non-formal education</td>
<td>1</td>
</tr>
<tr>
<td>12.</td>
<td>Libraries</td>
<td>1</td>
</tr>
<tr>
<td>13.</td>
<td>Cultural activities</td>
<td>3</td>
</tr>
<tr>
<td>14.</td>
<td>Health and sanitation, including hospitals, primary health centres and dispensaries</td>
<td>13</td>
</tr>
<tr>
<td>15.</td>
<td>Women &amp; Child Development</td>
<td>1</td>
</tr>
<tr>
<td>16.</td>
<td>Social welfare, including welfare of the handicapped and mentally retarded</td>
<td>4</td>
</tr>
<tr>
<td>17.</td>
<td>Welfare of the weaker sections and in particular the SCs and STs</td>
<td>2</td>
</tr>
<tr>
<td>18.</td>
<td>Public Distribution System</td>
<td>-</td>
</tr>
<tr>
<td>19.</td>
<td>Others</td>
<td>6</td>
</tr>
</tbody>
</table>

Note: ~ Functions transferred by State Government under delegated legislation

Others are discretionary functions as per the statute

Source: Department of Panchayat Raj, Government of A.P., Hyderabad

In tune with the statutory provisions of the New Act, the State Government has initiated the executive follow-up process of transferring certain specific responsibilities to the various tiers of Panchayati Raj in the State, particularly during early 1999. It may seen below that the State Government has issued orders transferring 29 responsibilities which hitherto were being performed by 10 line departments of the State Governments, to
the PRIs. Every Zilla Parishad shall exercise such powers and perform such functions as may be entrusted to it by rules made in this behalf with regard to the subjects enumerated in the First Schedule. The Zilla Parishad shall also have the power to:

i) examine and approve the budgets of Mandala Praja Parishads in the district;

ii) distribute the funds allotted to the district by the Central or State Government among the Mandala Praja Parishads and Mandals in the district for which Mandala Praja Parishads are not constituted;

iii) coordinate and consolidated the plans prepared in respect of the mandals in the district and prepare plans in respect of the entire district;

iv) secure the execution of plans, projects, schemes or other works either solely relating to individual Mandals or common to two or more Mandals in the district;

v) supervise generally the activities of the Mandala Praja Parishads in the district;

vi) exercise and perform such of the powers and functions of the District Board including the power to levy any tax or fees, as may be transferred to it under this Act;

vii) exercise and perform such other powers and functions in relation to any development programme as the Government may, by notification, confer on or entrust to it;

viii) advise the Government on all matters relating to development activities and maintenance of services in the district, whether undertaken by the local authorities or Government;

ix) advise Government on the allocation of work among Gram Panchayats and Mandal and Praja Parishads and coordination of work between the said bodies and among the various Gram Panchayats themselves;

x) advise Government on matters concerning the implementation of any statutory or executive order specifically referred by the Government to the Zilla Praja Parishad;
xi) collect such data as it deems necessary;

xii) publish statistics or other information relating to the activities of the local authorities;

xiii) require any local authority to furnish information regarding its activities;

xiv) accept trusts relating exclusively to the furtherance of any purpose for which its funds may be applied;

xv) establish, maintain, or expand secondary, vocational and industrial schools; and

xvi) borrow money for carrying out the purposes of this Act with the previous approval of the Government and subject to such terms and conditions as may be prescribed.

A Zilla Praja Parishad may, with the prior approval of the Government, levy contributions from the funds of the Mandala Praja Parishads in the district.

In terms of the Act of 1987, Zilla Praja Parishads are assigned advisory, coordinating, supervisory and executive functions. The only executive function entrusted by the statute to the Zilla Parishads is establishment, maintenance or expansion of secondary, vocational and industrial schools. The State government has already entrusted the management of secondary education to the Zilla Parishads ever since their inception in 1959. Though no specific provision in the statute was made, the Zilla Parishads were stated to have been entrusted by the State Government with the functions in the spheres of minor irrigation (sources which have an ayacut of up to 100 acres), construction and maintenance of inter-mandal or district roads, rural water supply schemes, rural sanitation and limited role in the social welfare and women welfare sectors in the State. Statement – 3 shows the statutory functional responsibilities entrusted to the Zilla Parishads under the Act of 1986.
It may be seen from Table 2.3 that under the relevant statutes and executive orders in vogue during the pre 73rd Amendment Acts, the Gram Panchayats, Mandala Praja Parishads and Zilla Parishads were entrusted with 46, 65 and 8 responsibilities respectively. Thus, a total of 119 specific functional responsibilities were assigned to the Panchayati Raj Institutions in the State during this period. These however, do not include the advisory, coordinating and supervisory functions assigned to the Zilla Parishads under the Act of 1986.

Table - 2.3
Number of Specific Responsibilities Entrusted to the ZPs in AP: A Comparison

<table>
<thead>
<tr>
<th>S. No.</th>
<th>Subject in the 11th Schedule</th>
<th>Zilla (Praja) Parishads</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>1986 Act</td>
</tr>
<tr>
<td>1.</td>
<td>Minor irrigation, water management and watershed development</td>
<td>1*</td>
</tr>
<tr>
<td>2.</td>
<td>Drinking water</td>
<td>1*</td>
</tr>
<tr>
<td>3.</td>
<td>Roads, culverts, ferries, waterways and other means of communication</td>
<td>1*</td>
</tr>
<tr>
<td>4.</td>
<td>Non-conventional energy sources</td>
<td>-</td>
</tr>
<tr>
<td>5.</td>
<td>Poverty alleviation programmes</td>
<td>1*</td>
</tr>
<tr>
<td>6.</td>
<td>Education, including primary and secondary education</td>
<td>1</td>
</tr>
<tr>
<td>7.</td>
<td>Health and sanitation, including hospitals, primary health centres and dispensaries</td>
<td>1*</td>
</tr>
<tr>
<td>8.</td>
<td>Women and Child Development</td>
<td>1*</td>
</tr>
<tr>
<td>9.</td>
<td>Social welfare, including welfare of the handicapped and mentally retarded</td>
<td>1*</td>
</tr>
<tr>
<td>10.</td>
<td>Public Distribution System</td>
<td>-</td>
</tr>
</tbody>
</table>

Note: * Functions transferred by State Government under delegated legislation
Source: Department of Panchayat Raj, Government of A.P., Hyderabad
2.5 An Assessment of the Functional Devolution on PRIs in AP

An objective assessment of the functions and responsibilities assigned to the three tiers of Panchayati Raj in the State by the PR Act of 1994, reveals that the Act has not substantially altered the existing position relating to the powers and functions to the PR bodies even after the 73rd Constitutional Amendment Act. On the contrary the Government did not devolve until 1999 any specific functions on any tier of Panchayati Raj in the State. In 1999, however, the Government entrusted 16 out of 29 items listed in its Eleventh Schedule to these bodies. But this devolution was more the result of the vehement demands by the Sarpanches of the Gram Panchayats rather than by a genuine desire to strengthen the PRIs in the State¹. Some of the functions entrusted to the Panchayati Raj bodies are trivial and do not significantly strengthen these bodies. Further more, recently the State Government has divested the PRIs of their legitimate role and responsibilities in the important areas of primary education, minor irrigation, primary health care, etc., by constituting certain new agencies like the Self-Help Groups, the Village Education Committees, Water Users' Associations, Vanasamrakshana Samithis etc. It is held that these organisations have greatly undermined the role of democratically elected Panchayat Raj bodies in the rural areas. These new agencies were conceived to involve the people directly in the process of development but in practice they have weakened the Panchayat Raj institutions in the State. The functions which legitimately belong to the Panchayat Raj bodies have been withdrawn from and entrusted to new organisations. It is doubtful whether the Government would be able to exercise effective control over these informal bodies numbering several thousands in the State, and enforce their accountability to the funds placed at their disposal. It is also maintained that had these resources been transferred to the Panchayati Raj institutions that would have resulted in greater people's participation and better institutional accountability, effective control over the schemes and fund.²
The village panchayats in the Kumool district discharge only civic functions like supply of drinking water, drainage, sanitation, street lighting, and maintenance of roads and so on. They are also implementing certain centrally sponsored developmental schemes like the JRY. The Mandal Parishads mostly carry out welfare and developmental functions in the areas like elementary education, agricultural development, communications, social welfare, self-employment, women welfare and so on. They are also actually involved in the implementation of state sponsored Janmabhoomi programme, Adarana and such other welfare schemes introduced by the Government in 1995. The Zilla Parishad performs mainly executive functions like supervision, control and coordination of the activities of the MPPs. Further, they are also involved in the implementation of minor irrigation, rural roads, rural sanitation, and social welfare and women and child welfare schemes. Besides, they are also entrusted with the management of secondary schools. However, in all these activities the role of Zilla Parishad is rather limited to provision of funds and to accord administrative sanction to these schemes. These schemes are prepared and executed by the State Government concerned Departments but not by the Zilla Parishads. Further, the Zilla Parishads have no supervision or control over the implementation of these schemes.3

It has been felt that in the absence of devolution of powers and functions from the line- departments to the Panchayati Raj bodies in the State, they are not clear about their own powers and functions. There is also confusion among the elected representatives of these bodies about their own role and responsibilities. Even though, in accordance with the Statute, the Village Panchayats, particularly, the gram sabha have to be involved in the implementation of various developmental programmes, in practice they are not at all involved in these processes. The Government Departments concerned are directly executing these programmes without the involvement of Village Panchayats or gram sabha. They are not involved even in the identification of beneficiaries of various developmental programmes. This indicates that there is no change in the situation even after the devolution of powers effected by the 73rd Constitutional Amendment. This has resulted in duplication of efforts and wastage of resources in the absence of adequate
powers and functions to the Panchayat Raj bodies. It is pertinent here to refer to the findings of a Study which exposes the fact that despite the functional and financial devolution proposed by the 73rd Constitutional Amendment, the Panchayati Raj bodies in Andhra Pradesh could not attain either functional or financial autonomy. The reasons are:

(i) Among the three-tiers of the Panchayati Raj systems, only the Zilla Parishads, the top tier are stronger than the Village Panchayats and Mandal Parishads. They are only subordinates to the Zilla Parishads;

(ii) The Zilla Parishads are autonomous financially and functionally but not politically. The Ministers are dominating the Zilla Parishads working in their respective districts. Further, the chair person of the Zilla Parishads have to function under the control of the political party in power;

(iii) The District Collector and agencies like the DRDA are given very important role in the rural development. It undermines the importance of Panchayati Raj bodies; and

(iv) The Panchayati Raj bodies are given no role in the preparation of their own budget. They have to follow the guidelines, or rules and regulations issued by the Government from time to time.

There is some uniformity in the functions carried out by the three tiers of Panchayati Raj in various states in the country. In almost all the states the Village Panchayats, the lowest tier discharge several civic functions while the Panchayati Samithis/Mandals, the middle tier carry out developmental functions for the all round development of the concerned area with particular focus on the development of agricultural and allied sectors. The Zilla Parishad, the top tier in all the states carry out mostly supervisory, advisory and coordination functions. However, there are several variations in the functions carried out by different Panchayati Raj bodies in different states.
The New Panchayati Raj Acts enacted by different states as sequel to the 73rd Constitutional Amendment Act have increased the functions of these bodies. But there is no clear cut devolution of functions carried out by different tiers of the Panchayati Raj. This resulted in confusion regarding the functions of each tier of Panchayati Raj. In the case of Andhra Pradesh, the situation is further complicated by the Constitution of several parallel organizations whose functions overlap with those of the Panchayati Raj bodies.

2.6 Fiscal Powers of Gram Panchayats in Andhra Pradesh

The Panchayati Raj institutions in Andhra Pradesh derive the revenue from various tax and non-tax sources allotted to them by different Panchayat Raj Acts. According to these Acts the Gram Panchayats can alone have the taxation powers. Along with the tax sources they are also assigned with certain non-tax sources of revenue. Under the Andhra Pradesh Gram Panchayat Act of 1964 Gram Panchayats imposes obligatory taxes including house tax, and kolagram. They also levy a wide variety of discretionary taxes, which include vehicle tax, tax on agricultural land for a specific purposes, land cess at the rate of two paise in the rupee on the annual rental value of all occupied lands, mineral cess, a sur-charge not exceeding 25 paise in the rupee of land/ local cess and education cess levied and collected by the State Government, and a special tax on houses for provision of specific civic amenities like drinking water, drainage, lighting and so on. Further, they are empowered to levy fees for use of waste land, communal lands of the Gram Panchayats fees for the occupation of buildings like Chavedis etc., belonging to the Panchayats, fees for temporary occupation of village sites, and other public places in the village. The Andhra Pradesh Panchayat Raj Act of 1994 assigned two new discretionary taxes to the Gram Panchayats which include special tax on houses for civic purposes and tax on advertisements. Apart from these two taxes, the new Act allotted several non-tax sources to the Gram Panchayats which include fees of several kinds, license fees, receipts from leases of fish ponds, markets etc., receipts from their own properties and remunerative enterprises, contribution from house owners for drinking water tap connections, and from Market Committees, user charges for the supply of
drinking water, interest receipts from investments etc. Mandal Parishads and Zilla Parishads however can impose very few taxes and some of them with the prior approval of the State Government. They can impose surcharge on any tax imposed by the Gram Panchayats situated in their respective jurisdictions. On the other hand, the primary source of the Mandal Parishads and Zilla Parishads are grants-in-aid, donations and contributions from the public and income from remunerative enterprises and their own properties. Thus, there is a wide variation in the tax and non-tax powers of Panchayati Raj bodies in the State. On the whole, the tax and non-taxes resources allotted to them is limited in nature and number.

The Gram Panchayats in Andhra Pradesh were allotted various sources of revenue necessary for carrying out their functions. The Andhra Pradesh Gram Panchayat Act 1964 listed out the various resources that 'can be made available to the Panchayats. They can be grouped into: (i) Own resources, (ii) Assigned revenues, (iii) Government Grants. The Gram panchayats’ own resources comprise taxes, fees, charges etc., levied by them. Under the assigned revenues the State Government transfers to the village panchayats some portion of the net proceeds of the certain taxes and duties it imposes and collects namely, land revenue, stamp duty, entertainment tax and so on. Further, the Panchayats in the State receive various types of grants from both the State and Central Governments. The Panchayats can also obtain loans from various public agencies like the banks and also get donations and contributions from the Mandal Parishads and Zilla Parishads. 'Further, they can also get income from the remunerative enterprises such as the rents from buildings and complexes constructed by it and sale of items like grass, fish, manure etc.'

2.6.1 Tax Resources of Gram Panchayats

Under different Acts the Village Panchayats in Andhra Pradesh are empowered to levy and collect various taxes, the details of which are discussed in the following.
2.6.1.1 House Tax

The house tax imposed by the Village Panchayats in Andhra Pradesh has had a very long history, dating back to the early British period when the village panchayats were authorized to impose house tax in the localities where a Government funded school already existed. However, due to the slow development of education in rural areas, a large number of Village Panchayats could not impose the "house tax". Furthermore, at several places its imposition was opposed by the local people. As the house tax became very unpopular, in 1874 the British Government suspended the house tax. However, in 1884, the house tax was again revived but was restricted to the villages which consisted of 'Union Boards' constituted under the Local Self-Government Act of 1884. After 1920, the house tax underwent a few changes.7 Again after Independence, under the Mandal Village Panchayats Act of 1950 the imposition of the house tax was made obligatory in the composite Madras State. Under this Act, the house tax could be imposed by the Panchayats either on the capital value or annual rental value of the houses owned by the residents of the villages. Further, the minimum and maximum limits were also prescribed by the Government.8 After the State of Andhra Pradesh was formed in 1956 the Andhra Pradesh Gram Panchayats Act enacted in the 1964 made the house tax an obligatory tax to be imposed by the Gram Panchayats in the State. This Act empowers each Gram Panchayat to impose tax on all houses in the area of its operation. The term "house" is defined by the Act as a building or a hut fit for human occupation. Whether as a residence or also as a shop, factory, workshop or warehouse or bus stand or garage shed.9 Under the Act, no house tax is levied on poultry sheds, prayer halls, school buildings. However, house tax is levied on State Government building House tax is levied on the owner of the house. The amount of the tax is assessed by the Gram Panchayats, either on the capital value or annual rental value or on any other basis prescribed by the State Government. The capital value, of the house is defined as the total of the estimated value of the land and the estimated cost of construction of the house after deducting for depreciation at a reasonable rate which should not be less than 10% of the total building cost.11 The machinery and furniture available in the house are excluded from the valuation. On the other hand, the "annual rental value" of a
house is defined as the total annual rent which the house can fetch in a month or in a year after deduction of 10% from the annual rent towards the repairs and other purposes. There is no other basis prescribed by the Government for assessment of House Tax. The Act prescribes that the assessment of house tax can be revised by the Revision Officers appointed by the District Collectors. In 1963, the duty of revaluation of house tax in Andhra area of the State was entrusted to the Executive Officers of Gram Panchayats. They conducted the valuation of houses in their respective areas under the general supervision and control of the District Panchayat Officer. Further, the Act of 1964 had prescribed the minimum and maximum rates of the house tax imposed by the Gram Panchayats.\textsuperscript{12}

2.6.1.2 Kolagaram

In the remote past, in several Gram Panchayats in Andhra Pradesh, the village elders used to collect from the villagers who sold their agricultural produce in the village a small amount for meeting the expenses connected with the village functions and festivals and visits of dignitaries to their villages. This fund was called "Village Common Good Fund".\textsuperscript{13} The Gram Panchayats Act. 1964 made this traditional tax as a statutory tax levied by the Gram Panchayats in the State and called the tax as the Kolagram (or) Katarusum\textsuperscript{14}. Originally, the Kolagram was an optional tax of the Gram Panchayats. In 1977, through an Amendment to the Gram Panchayats Act. This tax was made compulsory. However in practice, most of the Gram Panchayats in the State do not levy this tax. It is collected in a very few panchayats though the yield is very limited.

2.6.1.3 Special Tax

Under the Gram Panchayat Act of 1964 the Gram Panchayats are empowered to levy a special tax on houses for meeting the expenses for providing certain civic services like supply of drinking water, lighting, drainage, etc.\textsuperscript{15} This tax is imposed as a surcharge on the house tax. In practice, several Gram Panchayats, particularly, the bigger panchayats; levy this tax for meeting the expenses of the supplying drinking water, drainage works, street lighting and similar other services.
A glance at the revenue from the various special taxes imposed by the Gram Panchayats in Andhra Pradesh indicates that these taxes which are imposed to meet the expenditure on certain civic services constitute a major source of revenue for the Gram Panchayats in the State. In terms of their contribution to the revenue of the bodies they are significant next only to the house tax.  

2.6.1.4 Advertisement Tax

The advertisement tax is a new tax introduced by the A. P. Panchayati Raj Act of 1994. Under this Act, the Panchayat can levy advertisement tax on the institutions or persons, who erect, exhibit, fix on any land, building, and wall advertisements in public or private places in the village. According to the above Act this is an obligatory tax. This tax does not cover advertisements in the case of: (i) public meetings held during the elections to any legislative body, Gram Panchayat, Mandal Parishad or Zilla Parishad or; (ii) advertisements which are exhibited within the window of a building relating to the trade or business carried on in that building; (iii) advertisements relating to the name of land or building or to the name of its owner or occupier; (iv) advertisements relating to the business of the railways; and (v) to the advertisements exhibited within any railway station or upon any wall or other property of the railways. The Act provides that this tax has to be calculated by the Gram Panchayats according to the procedure prescribed by the State Government with the approval of the Zilla Parishad. Accordingly, the State Government has prescribed maximum tax rates for the different categories of advertisements. It is reported that neither the Gram Panchayats nor the Zilla Parishads are enthusiastic about the levy of this tax. It is also revealed that a very limited number of Gram Panchayats levy this tax.

2.6.1.5 Discretionary/Optional Taxes: Vehicle Tax

According to the Village Panchayats Act of 1964 the Gram Panchayats can levy a tax on vehicles other than Motor vehicles. Under this Act, this is a discretionary tax or optional. Which can be imposed at the will of Gram
Panchayati tax is imposed on four wheeled, two wheeled, tricycle or bicycle or any other vehicle other than children's perambulator. This tax is continued under the A.P. Panchayati Raj Act of 1996 without any change in its nature. Recently, the State Government has fixed the minimum and maximum tax rates depending upon the nature of the vehicles.

Among the three tiers of Panchayati Raj in the State, the Gram Panchayats alone are vested with the statutory powers to levy obligatory and optional taxes. Among the obligatory taxes, house tax is the most important. Compared to this tax, the contribution from other compulsory and optional taxes like Kolagarm, Vehicle Tax, Advertisement Tax etc., to the Village Panchayats is negligible. In the recent past, the special taxes which the Gram Panchayats could impose for the extension of services like water supply, lighting and drainage, have become a very important revenue source for them. Particularly, the special tax levied on the supply of protected drinking water by several Gram Panchayats in the State has become an important source of income for them. It is noted that the tax on water supply (water tax) has a good revenue potential in the rural areas of the State.

According to several Expert Committees the tax rates fixed by the gram panchayats in Andhra Pradesh are usually on the lower side. Moreover, tax collection is extremely poor in several Panchayats partly due to poverty of the people and partly due to the small size of the Gram Panchayats in terms of population and geographical area. Further, the size of the majority of the Gram Panchayats in the State is very small and it does not permit appointment of full-time staff for the collection of various taxes imposed by the Panchayats. In the absence of administrative and financial viability, a large number of Gram Panchayats in the State have become ineffective as units of local government in the rural areas of the State.
2.6.2 Non-Tax Resources of Gram Panchayats

The Village Panchayats in Andhra Pradesh also get revenue from several non-Tax sources. This is more than what is derived from own resources mobilized through taxation and other sources. The revenue from this source is also called assigned revenue. The important assigned revenue of the Panchayat Raj bodies in the State involves the cess on land revenue, referred to as local cess, a share in the state imposed taxes like stamp duty on transfer of immovable property, professions tax, mineral cess and so on.

2.6.2.1 Land/Local Cess

The land cess also known as the local cess is levied and collected by the State Government along with the land revenue and its proceeds are distributed among the various Panchayati Raj bodies functioning in the State. This cess could be traced to the Village Cess, Act of 1884 which provided for its collection at the rate of one Anna (a sixteenth part of a rupee) per rupee of the assessment of land. In 1915, the rate of land cess was increased from one Anna to two Annas in a rupee of the annual rental value of lands. Under the District Board Act of 1920 the District Boards and the Village Panchayats used to get their share in the land cess in the ratio of 3:1. The rate of two Annas was in force in the Andhra area of the State until the introduction of the Panchayati Raj system in the State in 1959. In the Telangana area, local cess at the rate of two Annas per rupee on land revenue continued till the formation of Andhra Pradesh State in 1956. In this area, the proceeds of this cess were being shared by the District Boards and the Village Panchayats equally on the basis of collection. Thus the land cess in Andhra area and the local cess in Telangana area of the State were levied on land revenue under the former District Boards Act of 1920 and the Telangana Panchayats Act of 1955. After the introduction of Panchayati Raj system in the State, the Government issued orders which stated that the land/local cess proceeds can be distributed among the Gram Panchayats, Panchayat Samitis and Zilla Parishads in the ratio of 2: 1: 1 respectively. In 1962, the rate of the cess was revised as it was increased from Rs.0.12 to Rs.0.31 and the proceeds of
the cess were distributed among the gram panchayats, Panchayat Samithis and Zilla Parishads in the ratio of 16:9:6 respective. In 1963, again the Government reduced the rate of the cess from Rs.0.31 and Rs.0.18 in Andhra Area and to Rs.0.25 in Telangana are of the State. At the same time the shares of Gram Panchayats, Panchayat Samithis and Zilla Parishads were: in this cess was changed to 7:6:5 in Andhra region and to 12:8:5 in the Telangana region.

2.6.2.2 Surcharge on Stamp Duty (Duty on Transfers of Immovable Property)

Stamp duty is duty imposed on all transactions connected with the transfer of immovable property, including sales, gifts, mortgages, exchanges etc, and is an important input into the State Governments' budgets in the country. It is an important source of income in urban rather than rural areas, but buoyant source of revenue.In Andhra Pradesh the State Government levies stamp duty on the value of immovable property when it is transferred under the Indian Stamp Act, 1899 for assisting the local bodies. Until 1955, the stamp duty was levied at the rate of three present of the cost of property. Afterwards, it was increased to 5 percent. Under the Gram Panchayat Act of 1964 it was stipulated that the State Government levies the stamp duty on the transfer of immovable properties located in the rural and urban areas and transfer the net proceeds to all the municipalities and Panchayati Raj bodies functioning in the State. Up to September 1965, the State Government continued the practice which was introduced by the Government of composite Madras State according to which 97 percent of the total proceeds of the stamp duty was transferred to the local bodies and the balance was retained by it to meet the collection charges. In 1965, the Government decided to increase its share in the stamp duty from 3 percent to 5 percent. Accordingly, the Government transfers 95 percent of the proceeds of the stamp duty imposed on the transfer of property located in the rural areas of each district to the Gram Panchayat Parishads and Zilla Parishads in the ratio of 3: 1: 1 respectively.
Andhra Pradesh Entertainment Tax is another tax imposed and collected by the State Government, but transferred to the Panchayati Raj bodies. This tax was introduced in the composite Madras State under the Madras Local Authorities Entertainment Tax Act, 1926. Under this Act, the local authorities were empowered to levy the Entertainment Tax with the permission of the provincial Government. In the beginning, the Act was implemented only in a few selected areas and the tax yielded substantial revenue. However, the power to impose entertainment tax was taken over by the State Government under the Madras Entertainment Tax Act, 1939. In view of the inefficient implementation of the tax by the local authorities, the Act also provided for the payment of necessary compensation to the local authorities which used to impose this tax. In the beginning, the Entertainment Tax was levied on the income earned by the Cinema Halls, Exhibitions, and other types of entertainments. However, the bulk of the revenue under this Act used to come from the Cinema Theatres. In 1965, the State Government amended this Act to the entire state. In 1974, this tax was restricted to the cinema theatres alone. In 1984, the basis of assessment for the entertainments tax was changed and the tax is levied on gross collections earned by the cinema theatres per show.

At present, the Entertainment Tax is levied at the rate of Rs.50/- in the case of 16mm cinematograph films exhibited and Rs.50/- on any film screened on the Television exhibited through VCR. On other entertainments, the tax is Rs.4/- and Rs.2/- per show in the localities having a population of 15,000 and above and with a population less than 1500. Till 1975, the net proceeds of the entertainment tax alone were assigned to all the local bodies. Since 1976 the net proceeds of both the entertainment tax and the tax on entertainment shows are assigned to the local bodies in the State. The portion of the tax proceeds assigned to the local bodies in terms of percentage of the gross revenue from the tax underwent several changes. Till 1989 the amount collected by the State Government from the entertainment tax in the rural areas was entirely assigned to the Gram Panchayats. In 1989 the State
Government ordered that only 60 percent of the net proceeds of the tax are assigned to the various Gram Panchayats where the entertainment's are held, and the balance of 40 percent is distributed among the Mandal Parishads on the basis of backwardness.35

2.6.2.4 Profession Tax Compensation

Profession Tax is levied by the Village Panchayats on the trades, employment, business and all other professions. It is a direct tax in the nature of local income tax.36 The Professional Tax was introduced in the Andhra area of the State according to the provisions of the Madras Local Boards Act, 1920. Till the attainment of Independence the tax continued without any change. After Independence, this tax was made as an obligatory tax levied by the Gram Panchayats both in Andhra and Telangana areas under the relevant Acts. The AP Gram Panchayats Act of 1964 continued this tax but as an 'obligatory' tax. Under this Act, the Profession tax covered both the individuals and organisations and also all types of investments within the Gram panchayats. The Act prescribed the minimum and maximum rates for each class of tax payers. These rates ranged from a minimum Rs.1/- to a maximum of Rs.250/- per annum37. But in practice, the Profession Tax was administered very poorly by the Gram Panchayats in the State. The tax rates were very low. The taxable incomes were under-assessed and hence tax collections extremely meager. In view of these lapses, in 1987 the State Government withdrew the profession tax from the purview of Gram Panchayats and started levying it.

However, the State Government paid compensation to the Gram Panchayats to cover the loss, consequent on the abolition of the tax. The Gram Panchayats which were levying the tax from the commencement of the Act of 1964 were paid compensation on the basis of the highest collection from the tax in any year during the preceding three years. However, in 1996, the State Government issued orders to transfer 85 percent of the gross proceeds of the profession tax to the Gram panchayats on the basis of their profession tax to the Gram on the basis of their population.38 Afterwards, the
share of panchayats in the proceeds of Professional Tax was increased to 90
per cent. The first SFC recommended for enhancing this share to 95 percent,
but the State Government did not accept it. The income derived by the Village
Panchayats in the State towards the compensation received from the
Government on account of the abolition of Profession Tax is rather limited as
it runs into few crores of rupees.

2.6.2.5 Mineral Cess

Under the different Panchayati Raj Acts the State Government is
required to transfer to the Gram Panchayats, Mandal Parishads and Zilla
Parishads the entire proceeds, of cess levied on the raised minerals, also
known as seiorage, Gram Panchayats, Mandal Panchayts and Zilla
Parishad in the ratio of 37.5 : 37.5 : 25 respectively. The amount of cess
collected in each Mandal in the District constitutes the basis for its distribution
among the different Panchayati Raj bodies in that area.

2.6.2.6 Income from Assigned Revenues

It can be stated that on the whole the contribution of assigned
revenues passed on to the Gram Panchayats in the state in their total receipts
as discussed above is limited, as it constitutes only about 5 percent. Along
with the various tax and non-tax resources of revenue as discussed above;
the Village Panchayats in Andhra Pradesh receive a variety of grants-in-aid
from the State Government some of these grants are given with specific
purpose while others are untied grants. The Gram Panchayats in the State
receive several types of grants from the Central as well as the State
Governments. The grants received from the State Government are as follows:

2.6.2.7 The Grants-In-Aid to Gram Panchayats

In Andhra Pradesh, the Village Panchayats, receive various types of
grants for different purposes from both the State Government as well as the
Central Government. In this state, grants are provided to the Village
Panchayats for undertaking various functions entrusted to them and also for meeting the administrative expenses. The grants made available to the Village Panchayats in the State are specified in the concerned Acts. The following grants are given to the Village Panchayats:

2.6.2.8 Per-capita Grant

In 1960, the State Government introduced the system of granting per capita grant to all the Gram Panchayats in the State at the rate of Re.0.25 to each person. Later, in 1977 the rate of this grant was enhanced to Re.1/- per person. In 1998, on the recommendations of the first SFC of the State, the rate of this grant was increased to Rs.4/-. This grant will be utilized for undertaking developmental activities.

2.6.2.9 Salary Grants

Under the Gram Panchayats Act of 1964 the State Government meets the entire expenditure on the salaries of the provincialised staff working in the Gram Panchayats through a grant. Accordingly, the State Government has provincialised certain categories of the full-time employees working in the Gram Panchayats and meets the total expenditure incurred on their salaries.

2.6.2.10 Unanimous Election Grant

In 1964, the State Government introduced the scheme of payment of incentive to the Gram Panchayats which elected their representatives unanimously in the periodical elections held to these bodies. Under this scheme, the Gram Panchayat which elects all its members and the Sarpanch unanimously in the concerned elections gets a grant of Rs.5,000/- if its population is above 3,000 and of Rs.2,500 if the population is below 3000. This grant was later increased to a uniform rate of Rs.5,000/-. 
2.6.2.11 Best Panchayat Grant

In 1961-62, the State Government started another scheme of granting incentives to the Village Panchayats which are judged as the best Panchayats on the basis of prescribed criteria. This scheme was introduced with a view to encouraging the Village panchayats in the collection of taxes and also to develop a healthy competition among them in the discharge of their functions.

According to this scheme a cash prize of Rs.1000/- is awarded to the 'Best' Gram Panchayat in every Mandal, Rs.5,000/- to the best Panchayat in each District and Rs.15,000/- to the best Panchayat in Andhra and Telangana areas. The grant was discontinued in 1968-69 onwards but was revived recently.

2.6.2.12 Incentive Grant for Improved Tax Collections

In 1993, the State Government started paying matching grant as an incentive to the efficient tax collections by the Gram Panchayats. For the Gram Panchayat which collects a minimum of 75% of the total revenue, the rate of the grant is 100% in Telangana Area and in the scheduled Areas of Andhra region in the State.

2.6.2.13 Central Government Grants

The Gram Panchayats receive two types of grants from the Central Government. They are:

(i) Since 1989, each Gram Panchayat in Andhra Pradesh has been receiving substantial amount of grant under the Centrally-sponsored Jawahar Rozgar Yojana (JRY) programme according to the guidelines prescribed by the Government of India; and

(ii) The Tenth Finance Commission provided grants-in-aid to the tune of RS.87.75crores per annum which was distributed among the Gram Panchayats in the State on a per-capita basis subject to the condition that they make a matching contribution to the grant released to them.
2.6.2.14 Tax Potential of Gram Panchayats

Of the various taxes imposed by the Gram Panchayats in Andhra Pradesh house tax can be considered having immense potential. The next in potential is Profession tax. The Santhanam Committee has recommended the levy of profession tax on various sections of people living in the Panchayat area and who are involved in transaction of various types of business, or professions or art, calling or getting pensions. But in Andhra Pradesh this tax is levied and collected by the State Government and its proceeds are transferred to the local bodies.

The vehicle tax was made a compulsory tax by the Panchayat Raj Act of 1994. Motorised vehicles were exempted from this tax. Hence this tax is mostly levied on the bullock carts. Since the vehicles that come under this tax are very limited it can not yield much income to the Panchayats. The entertainment tax is another new tax imposed by the village Panchayat in this state. The Ashok Mehta Committee has found that the entertainment tax has a built in potential as a source of income. But this is not so in Andhra Pradesh along with several other states because the income from this tax to the Panchayats is meager. The Special Tax on buildings is another important tax with considerable potential.

In the case of assigned revenues the share from the land cess and surcharge on stamp duty can be considered to be potential items for the village Panchayats to augment their income. The new Panchayat Raj Act of 1994 provides for levying a variety of fees for granting license for private markets, slaughter-houses etc. But several Panchayats in the State are not collecting these fees.

The New Act also provides for collecting fees or charges on water supply, drainage, street lighting and conservancy and so on. These are the normal civic services provided by the Panchayats to the local people. In practice, a majority of the Panchayats are not collecting these fees. The main reason is that many Panchayats do not provide these services to the people.
Hence, they are not collecting these charges from the people. This category of user charges is more practicable in urban areas where these services are generally provided to the people by the civic bodies concerned.

On the whole, it can be concluded that taxation is an unpleasant task and whatever little taxation powers the Village panchayats bodies have had, they have not been fully utilized and there has been a general reluctance of the Panchayat leadership to use these powers, because they are afraid of becoming unpopular, if they impose more taxes on the people. Further, most of the Panchayats leaders seemed to have little knowledge of the provisions of the Act relating to their taxation powers.

2.7 Financial Resources of Mandal Parishad

In Andhra Pradesh the Mandal Praja Parishads are not granted any taxation powers. Under the different Panchayat Raj Acts, however, the MPPs are empowered to levy certain discretionary or permissive taxes and duties with the prior permission of the Government. They can impose a duty in the form of a surcharge on any tax levied by the Gram Panchayats or on the land cess up to the maximum rate prescribed by the Government. The Mandal Parishads are also endowed with a very limited number of non-tax resources. They can impose a tax on the contributions from the funds of Village Panchayats. They get share from the Land cess, Stamp Duty etc, imposed and collected by the State Government. They can also receive contributions from the Village Panchayats or the public. Further, they can derive income from remunerative enterprises run by them. However, it is estimated that the income derived by the Mandal Parishads from all these sources constitutes nearly five percent of the total revenue of these bodies.

In the absence of own sources of revenue, the Mandal Parishads in Andhra Pradesh entirely depend upon the grants received from the State and Central Governments. It is estimated that about 95 percent of the total revenue of the Mandals is derived from these grants. The Mandal Parishads in the State receive various types of grants from the State and central
Governments. These grants include, per capita grant, specific grant towards the salary cost of Mandal Parishad staff, and implementation of different schemes under different programmes and so on. The details of these grants are as follows:

2.7.1 Per Capita Grant

In 1960, the State Government sanctioned per capita grant to the erstwhile Panchayat Samithis at the rate of Re.0.30 per each person pay year for the maintenance of roads in their respective areas and 25 paise for general purposes. In 1977 this was increased to 40 paise and 50 paise respectively. After the introduction of the Andhra Pradesh MPPs and ZPPs Act of 1986, the per capita grant was provided on statutory basis and was increased to Rs.5/- per capita. The current population is taken into consideration for the payment of this grant. Even though the Act did not prescribe any conditions for its use by the Mandal Parishads in 1989 the State Government ordered that a part of this grant should be spent on the maintenance of minor irrigation works and maintenance of roads. The first SFC recommended the increasing, of this grant to Rs.8/- per capita which was accepted by the Government. Accordingly, the rate of the grant was enhanced to Rs.8/- in 1998.

2.7.2 Salary Grant

The staff of the Mandal Praja Parishads are divided into two categories-teaching staff and non-teaching staff. The salaries of the teachers working in the primary and upper-primary schools managed by the Mandal Parishads, are entirely met by the State Government. In the case of non-teaching staff working in the Mandal Parishads, there are two categories: Provincialised staff and non-provincialised staff. The salaries and other benefits of provincialised staff are entirely met by the State Government. The salaries of non-provincialised staff have to be met by the Mandal Praja Parishads from their own sources.
2.7.3 Education Contingent Grant

Till 1993, the expenditure on the maintenance of the school buildings and purchase of stationery was met by the Government. The District Education Officer used to sanction contingent grant to the Mandal Parishads for these purposes. In 1993-94, this grant was discontinued for certain reasons. However, the first SFC has recommended the restoration of this grant and release of the dues to the local bodies. The Government has accepted these recommendations and restored this grant.

2.7.4 Assigned Revenues of Mandal Parishads

Under the different Acts the Mandal Parishads are entitled to get income in the form of its share from the proceeds of stamp-duty, entertainment tax etc., imposed and collected by the State Government. The Mandal Parishads in the State are assigned some portion of the land cess, surcharge on stamp duty, and income from the markets, entertainment tax and so on. The surcharge on land revenue is called land cess in Andhra Pradesh. In 1959, 25 percent of the total proceeds of the land cess was apportioned among the Panchayat Samithis in the State. In 1962, the rate of land cess was increased from Rs.0.12 to Rs.0.21 and the ratio of share was modified as Rs.6.9 among the Panchayats Samithis and Zilla Parishads respectively. In 1963, the rate of the cess was reduced to Rs.0.18 from Rs.0.21 but again raised to Rs.0.25 paise. The share of the Zilla Parishads, Panchayati Samithis and Panchayats in the land cess was 5:6:7 in Andhra region and 5:8:12 in Telangana areas. The Mandal Parishads also get some share from the proceeds of surcharge on the stamp duty levied by the State Government. The share of the Mandal Parishads from the proceeds of the surcharge levied on the stamp duty is fixed at 20 percent of the total collection i.e., one fifth of the total revenue of this tax will be transferred to the Mandal Parishad. The Entertainment Tax is another Tax which is shared with the Mandal Parishads. As already stated this tax is levied on the cinematograph exhibitions. Before 1999, the Entertainment Tax collected from the cinema theatres located in the rural areas was entirely transferred to the Village
Panchayats. In 1989, the Government changed this practice and evolved a new formula under which only 60 percent of the total net proceeds of this tax will be transferred to the Village Panchayats while the remaining 40 percent to the Mandal Parishads for distribution among the Village Panchayats located within their jurisdiction.50

2.8 Finances of Zilla Parishads

Like the Mandal Parishads the Zilla Parishads in Andhra Pradesh have no tax powers under the past or presently existing Panchayati Raj Acts. However, they are allotted certain non-tax sources including grants. The different Acts and Rules empower them to collect fees from markets, factories and so on. They can also derive income from remunerative assets and properties under their possession like buildings, rest houses, business complexes etc. They can get a share from the State taxes like stamp duty, land cess, seigniorage, entertainment taxes etc. They also derive income from endowments and trusts administered by them. They can also receive contributions and donations from the Mandal Parishads or from public in any form. However, the income derived from all these sources is very meager and constitutes only about 5 percent of the total income of these bodies. Hence, the Zilla Parishads heavily depend upon the grants received from the both the State and Central Government. It is estimated the grants received by the Zilla Parishad from both the Governments under different schemes and programmes account for 95 percent of the total income of these bodies.

In the absence of considerable revenues from its own sources, the grants-in-aid occupy a pivotal place in the finances of Zilla Parishads in the state. The Zilla Parishads receives grants from the State as well as Central Governments for various purposes, both developmental and non-developmental purposes. The important grants, received by the Zilla Parishads in Andhra Pradesh are as follows.
2.8.1 Per Capita Grant

Till 1986, the Zilla Panchayats in the State were provided with a per capita grant at the rate of 0.50 paise of the rural population in the district. The Zilla Parishads and Mandal Praja Parishads Act of 1986 made the per capita grant a statutory grant and increased it to Rs.2/- per person. On the recommendation of the first SFC, the rate of this grant was further increased to Rs.4/- per person in 1998.51

2.8.2 Salary Grant

As in the case of Mandal Parishads, the Zilla Parishads, for meeting the expenditure on the salaries to their staff, get teaching grant and non-teaching grant. The salaries of teaching and non-teaching staff of the secondary schools managed by the Zilla Praja Parishads are entreated met by the State Government through the salary grant, as also those of the engineering staff.

2.8.3 JRY Grant

The Zilla Praja Parishads in Andhra Pradesh are the implementing agencies of the centrally sponsored JRY Programme. The Zilla Parishads get about 15% to 20% of total funds as their share for funding the various schemes under this programme each year.

2.8.4 Education Contingent Grant

Up to 1992, the State Government used to sanction to all the Zilla Parishads certain amount as a grant for the contingent expenditure incurred by the secondary schools working under their control. The grant is paid at the rate of 6% of the salaries of teachers.
2.8.5 Development Grants

The State Government provides grants to the Zilla Parishad for its schemes of minor irrigation, communications, secondary education, social welfare, health and sanitation, supply of drinking water and so on.

2.9 Trends in Revenues of PRIs

An attempt is made in this section to examine the trends in the tax and non-tax revenues of Zilla Parishads, Mandal Parishads and Gram Panchayats in A.P. at the macro level to understand the extent to which the revenues potential has been exploited. The trend analysis also facilitates identification of changing relative contribution of revenue from different sources.

2.9.1 Revenues of ZPs in Andhra Pradesh

Grants-in-aid is the main/major source of revenue for the ZPs in Andhra Pradesh. In recent times, grants have been the only significant source of income, as all other sources put together contribute only about 2 percent. During the 1990s, the non-tax revenue and the assigned revenue had contributed marginally to the total revenue of ZP, but the next decade had seen the gradual decline in their share. The share of non-tax revenue had declined from 1.96 per cent in 1993-94 to 0.88 per cent in 2004-05 and that of assigned revenue from 1.37 per cent to 0.98 per cent during the same period. The share of grant-in-aid had increased from 86.17 per cent to 98.14 per cent of the total revenue. This change in the relative shares is due to differential growth in different sources. The grants-in-aid had grown at a rate (16.86%) which is equal to the growth of rate of total revenue (16.20%), while the non-tax revenue and assigned revenues had recorded linear growth rates of 9.47% and 11.31%, respectively. On the contrary, sponsored schemes had even recorded negative growth rate of 7.78%. The compound growth rates however, are higher in all the cases except in respect of the centrally sponsored schemes.
Within the grants-in-aid and tied grants constitute greater proportion, its share had declined from 50.41 per cent to 31.71 per cent during the study period. This is followed by grants for development purposes, whose share had also declined from 31.97 per cent to 26.22 per cent. This decline is due to the sharing of SFC grants in the latest decade on the one hand, and the increasing share of other grants, on the other. The grants for centrally sponsored schemes had become insignificant in this period. The share of per capita growth has been, however, stable between 0.79 per cent and 1.88 per cent, despite fluctuations during this period.

The following conclusions emerge from the revenue trends of ZPs during 1993-94 to 2004-05:

(i) the relative importance of non-tax and assigned revenues had declined;
(ii) while the relative importance of grants-in-aid had increased;
(iii) however, the share of tied and development grants had gradually declined, while that of non-plan grants had risen; and
(iv) the increasing reliance on non-plan grants from the GOAP clearly implies that the spirit of the 73rd amendment to the constitution is eroded.

Table – 2.1
Revenue of Zilla Parishads in Andhra Pradesh: 1990-91 to 2004-05
(Rs. in Lakh)

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<td>Non-Tax Revenue</td>
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<td>Assigned Revenue</td>
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<td>(3.09)</td>
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<td>(1.07)</td>
<td>(0.96)</td>
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<td>Grants-in-Aid</td>
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<td>(82.41)</td>
<td>(86.17)</td>
<td>(93.98)</td>
<td>(98.20)</td>
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<td>5</td>
<td>Centrally sponsored</td>
<td>3785.56</td>
<td>5802.82</td>
<td>2963.71</td>
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<td>--</td>
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<tr>
<td></td>
<td>Programmes</td>
<td>(11.92)</td>
<td>(10.51)</td>
<td>(2.12)</td>
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<td>Total %</td>
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<td>55207.24</td>
<td>139220.87</td>
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Note: Figures in parentheses are percentages
Source: Department of Panchayat Raj, GOAP, Hyderabad
2.9.2 Trends in Revenues of Mandal Parishads in A.P

Grants-in-aid are the major source of revenue for Mandal Parishads as well and other sources of revenue not only form a small proportion, but are fast becoming insignificant. The proportion grants-in-aid to the total revenue was 89.48 percent in 1993-94, while it had gradually increased and reached a level of about 98%, leaving only 2% of other sources. The percentage shares of non-tax revenue and the assigned revenue to the total had declined from 0.62% to 0.38% and from 2.37% to 1.95% respectively during the study period. The Mandal Parishads are not endowed with any powers. Within the grants-in-aid, salary grant and tied grants are the most important ones, whose percentage increased from 84.23% to 93.58%, between 1993-94 and 2004-05. The share of per capita grants came down from 4.38% to 3.43% during the same period. Other grants had also come down in their proportion from 0.87% to 0.66%. While the grants for centrally sponsored schemes which formed 7.53% in 1993-94 had come down to 1.00% as proportion of total revenues in 1999-2000 and had become insignificant since 2000-01.
The total revenue increased from Rs.577494.74 Lakh in 1993-94 to Rs.271043.45 Lakh in 2004-05 registering a linear growth rate of 13.36% and compound growth rate of 14.26% both of which are significant. The grants-in-aid had shown highest growth rate of 10.20% in linear terms and 13.94% compound terms. The revenue increased more than five fold from Rs.51712.76 Lakh to Rs.264733.26 Lakh between 1993-94 and 2004-05. The non-tax revenue increased from Rs.360 Lakh to Rs.1037.49 Lakh, while the assigned revenue from Rs.1369.56 Lakh to Rs.5272.70 Lakh. The linear and compound growth rates of the former are 9.42% and 10.26% respectively and of the later 10.55% and 11.23% respectively. The grants for centrally sponsored schemes had declined from Rs.4352.12 Lakh in 1993-94 to Rs.1217.45 Lakh by 1999-2000 and had become nil since 2000-01. The negative linear and compound growth rate of 10.41% and 10.52% respectively illustrate this point.

An examination of the revenues of Mandal Panchayats Parishads in Andhra Pradesh during 1993-94 to 2004-05 clearly brings out the following:

- The mandal parishads do not have independent tax revenues and are forced to depend on the assigned revenues from the GOAP, the share of which had remained nearly stagnant during 1993-94 to 1997-98. Thereafter, there was a relative increase in the share up to 1999-2000. But thereafter, the share of assigned revenue had declined in the total revenues, largely due to the decline in the share of surcharge on stamp duty. This appears to be paradoxical in the context of high buoyancy of stamp duty revenues during the last one decade. This could be due to the stagnancy in the surcharge rates, while the basic duty rates and land/property values had been frequently revised upwards. The decline in the share of land cess also appears to be consistent with the reluctance of the GOAP to increase the rates of cess. The decline in the share of entertainment tax also points to the need for modifying/ revising the share of the local bodies in the proceeds of entertainment tax.
The decline in the assigned revenues had been more than compensated by increase in the grants-in-aid from the GOAP. But the grant increase is largely due to the rise in salaries and other allowances of staff employed in mandal parishads. The increase in the untied developmental grants, however, is not consistent and in 2004-05, there was a net decline in the per capita grant for share compared to 1993-94.

There was an increase in the share of centrally sponsored programme grants, but the introduction of NREGA in the place of JRY, has nearly marginalized the transfers to the mandal parishads, as NREGA grants are not directly administered by the panchayats raj bodies in Andhra Pradesh.

In sum, it may be said that the revenues of the mandal panchayats are entirely dependent on the GOAP, both for their maintenance as well as developmental functions. Thus, the new Panchayat Raj Act intended to translate the constitutional mandate of the 73rd Amendment has not resulted in any improvement in the fiscal autonomy of the mandal parishads, the most important middle tier in the PR systems.

Table – 2.2
Revenue of Mandal Parishads in Andhra Pradesh : 1990-91 to 2004-05

<table>
<thead>
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<tbody>
<tr>
<td>1.</td>
<td>Tax Revenue</td>
<td>-</td>
<td>-</td>
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<td>-</td>
<td>-</td>
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<tr>
<td>2.</td>
<td>Non-Tax Revenue</td>
<td>262.44</td>
<td>360.00</td>
<td>532.40</td>
<td>779.48</td>
<td>1037.49</td>
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<td>(0.58)</td>
<td>(0.62)</td>
<td>(0.65)</td>
<td>(0.43)</td>
<td>(0.38)</td>
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<td>3.</td>
<td>Assigned Revenue</td>
<td>1691.14</td>
<td>360.00</td>
<td>2105.03</td>
<td>4168.83</td>
<td>5272.70</td>
</tr>
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<td></td>
<td></td>
<td>(3.73)</td>
<td>(2.37)</td>
<td>(2.57)</td>
<td>(2.29)</td>
<td>(1.95)</td>
</tr>
<tr>
<td>4.</td>
<td>Grants-in-Aid</td>
<td>40522.67</td>
<td>51712.76</td>
<td>77454.54</td>
<td>177331.79</td>
<td>264733.26</td>
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<tr>
<td></td>
<td></td>
<td>(89.42)</td>
<td>(89.48)</td>
<td>(94.65)</td>
<td>(97.29)</td>
<td>(97.67)</td>
</tr>
<tr>
<td>5.</td>
<td>Centrally sponsored Programmes</td>
<td>2839.18</td>
<td>4352.12</td>
<td>1744.49</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(6.27)</td>
<td>(7.53)</td>
<td>(2.13)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>6.</td>
<td>Total %</td>
<td>45315.73</td>
<td>57794.74</td>
<td>81836.46</td>
<td>182280.09</td>
<td>271043.45</td>
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<td></td>
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<td>(100)</td>
<td>(100.00)</td>
<td>(100.00)</td>
<td>(100.00)</td>
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</tr>
</tbody>
</table>

Note: Figures in parentheses are percentages
Source: Department of Panchayat Raj, GOAP, Hyderabad
2.9.3 Revenue of Gram Panchayats in A.P.

The Gram Panchayats in A.P. get their revenue from different sources of tax, non-tax and assigned revenue as well as grants-in-aid. The grants for centrally sponsored programmes/schemes also occupy an important place as far as the revenue for Gram Panchayats are concerned. With in grants-in-aid, salary grant and tied grants are significant in proportion. The tax revenue and non tax revenue formed 10-20% each, of the total revenue during the study period. Assigned revenue from on the other hand 15-30% of the total revenue. The grants-in-aid also formed more than 30% the total revenue. The grants for centrally sponsored programmes formed more than 50% in early 90's, but had gradually declined in the later period. The Finance Commission grants also formed 20% about of the total in a few years. Within the tax revenue, house tax had a prominent place. The assigned revenue in lieu of land cess, surcharge on stamp duty, entertainment tax, professional tax and since recent times, and the mineral cess had been rating in importance. The salary grants and per capita grants are the two major components and grants-in-aid. JRY grant was the main centrally sponsored scheme grant which was a major source of revenue to gram panchayats.
The total revenue of gram panchayats in A.P. increased at a moderate linear growth rate of 3.8286 and compound growth rate of 4.05% ref lectuating the absolute increase from Rs.32,923.84 Lakh to Rs.43,996.21 Lakh between 1993-94 and 2004-05. The grants-in-aid, however, has shown a linear growth rate of 10.25% and compound growth rate of 7.82% which reflect the revenue increase from Rs.3,661.66 Lakh to Rs.5,005.02 Lakh. The share of grants-in-aid increased from 11.12% in 93-94 to 34.11% in 2004-05. The percentage of salary and tied grants increased sharply from 9.56% to 24.67% while that of per capita grants increased from 1.56% to 9.44% during the same period. The non-tax revenue and the assigned revenue also increased significantly at linear growth rate of 9.72% and 11.73% and compound growth rate 12.27% and 13.56% respectively, all of which are significant. Assigned revenue increased by more than four times from Rs.3,567.53 Lakh to Rs.13,784.93 Lakh, while the non-tax revenue increased from Rs.3,198.34 Lakh to Rs.9,210.46 Lakh. The percentage of assigned revenue increased significantly from 10.84% to 31.33% while that of non-tax revenue from 9.71% to 20.93% between 1993-94 and 2004-05. The tax revenue increased at a moderate linear growth rate of 3.61% and compound growth rate of 3.82% of re-fluctuating growth from Rs.3,637.14 Lakh to Rs.5,995.79 Lakh. The percentage of total revenue increased marginally from 11.05 to 13.68 during the same period.

Table – 2.3
Revenue of Gram Panchayat in Andhra Pradesh : 1990-91 to 2004-05
(Rs. in Lakh)

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<tbody>
<tr>
<td>1.</td>
<td>Tax Revenue</td>
<td>3955.11</td>
<td>3637.14</td>
<td>6312.50</td>
<td>5649.97</td>
<td>5995.79</td>
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<tr>
<td></td>
<td></td>
<td>(17.21)</td>
<td>(11.05)</td>
<td>(20.97)</td>
<td>(15.99)</td>
<td>(13.68)</td>
</tr>
<tr>
<td>2.</td>
<td>Non-Tax Revenue</td>
<td>1264.70</td>
<td>3198.34</td>
<td>5337.59</td>
<td>7316.90</td>
<td>9210.46</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(5.50)</td>
<td>(9.61)</td>
<td>(17.73)</td>
<td>(20.71)</td>
<td>(20.93)</td>
</tr>
<tr>
<td>3.</td>
<td>Assigned Revenue</td>
<td>2530.78</td>
<td>3567.53</td>
<td>6251.69</td>
<td>11077.12</td>
<td>13784.93</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(11.01)</td>
<td>(10.84)</td>
<td>(20.77)</td>
<td>(31.35)</td>
<td>(31.33)</td>
</tr>
<tr>
<td>4.</td>
<td>Grants-in-Aid</td>
<td>2928.61</td>
<td>3661.66</td>
<td>4639.99</td>
<td>11288.04</td>
<td>5005.02</td>
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<tr>
<td></td>
<td></td>
<td>(12.74)</td>
<td>(11.12)</td>
<td>(15.41)</td>
<td>(31.95)</td>
<td>(34.11)</td>
</tr>
<tr>
<td>5.</td>
<td>Centrally sponsored Programmes</td>
<td>12303.08</td>
<td>18859.17</td>
<td>7559.47</td>
<td>-</td>
<td>-</td>
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<td></td>
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<td>(53.53)</td>
<td>(57.28)</td>
<td>(25.11)</td>
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<tr>
<td>6.</td>
<td>Total %</td>
<td>22982.28</td>
<td>32923.84</td>
<td>30101.24</td>
<td>35332.03</td>
<td>43996.21</td>
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<td></td>
<td></td>
<td>(100)</td>
<td>(100)</td>
<td>(100)</td>
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<td>(100)</td>
</tr>
</tbody>
</table>

Note: Figures in parentheses are percentages
Source: Department of Panchayat Raj, GOAP, Hyderabad
The revenues of gram panchayats, which are the forward units of decentralized governance, are slightly better than the Zilla Parishads and Mandal Parishads in AP in terms of their own tax revenue. The share of own tax revenues varied between 11% and 21% during the study period. House tax which accounts for most of the tax revenue ought to have increased rapidly in the context of urbanization and the associated growth in housing units. However, gram panchayats, closer as they are to the voters, have displayed consistent reluctance to tax house property. As a result, revenue from house tax has hovered around 10% to 16%. The reluctance of the GPs to tax water supplied by them is even greater which is reflected in the virtual insignificance of the source of the revenue.

Non-tax revenues on the other hand, had exhibited steady increase during the study period, partly reflecting the willingness of the GPs to exploit rental and other incomes from properties owned by them.
Assigned revenues, largely from surcharge on stamp duty, profession tax and entertainment tax, had exhibited a fair amount of elasticity reflecting the overall revenue trends in the state and the large proportion of shared revenue assigned to GPs vis-à-vis other panchayat bodies. The contribution from mineral cess is another factor that had contributed to the tax share increase.

Grants-in-aid including untied per capita development grant and the tied salary grant also exhibited raising trends during the study period. The grants for centrally sponsored programmes including JRY and the finance commission grants also contributed to the finances of the GPs.

Notwithstanding the rise in the panchayat revenues, it is important to note that there is an imminent need for augmenting the revenues from own taxes such as house tax and water tax, in view of the massive investment that the GPs have made in water and other community infrastructure.

2.9.4 Expenditure of Zilla Parishads in A.P.

The expenditure of ZPs in A.P. consists of general administration including salaries and other benefits to the salaries of ZPs and secondary schools and on development functions like water supply and roads, as well as centrally sponsored programmes. The major part of expenditure is on general administration, followed by the expenditure on development functions. The expenditure from the implementation of centrally sponsored schemes forms less than 1% of total expenditure.

The total expenditure increased from Rs.53607.24 Lakh in 1993-94 to Rs.352847.31 Lakh in 2004-05 registering a linear growth rate of 16.06% and compound growth rate 20.08% both of which are significant. The expenditure on development functions registered higher growth rates of 16.78% in linear terms and at 22.65% at compound terms. In absolute terms the expenditure had grown from Rs.24,581.02 Lakh to Rs.496672.42 Lakh. As a result, the proportion of these expenditure in the total increased from 45.87% to 55.74% in 2004-05, reaching a peak of about 75% in 2000. The expenditure and general administration also increased from Rs.28970.22 Lakh to Rs.156169.89 Lakh, growing at a linear rate of 15.00% and compound rate of
16.63%. That is why, its percentage share in the total expenditure declined from 54.04% to 44.26% between 1993-94 and 2004-05. The expenditure on centrally sponsored programmes had also increased, but its percentage share had declined to an insignificant level. The expenditure on construction and maintenance of roads, accounted for 12% to 23% of the total expenditure, while the expenditure on terminal benefits to ZP staff increased from 2.13% to 12.65%. The expenditure on salaries as proportion of total expenditure declined from 51.91% to 31.61% between 1993-94 and 2004-05. Thus, the expenditure of Z.Ps in A.P. had increased more due to developmental functions than due to the general administration. The expenditure in lieu of centrally sponsored schemes was not only marginal but had declined in proportion to the total.

Table 2.4
Expenditure of Zilla Parishad in Andhra Pradesh: 1990-91 to 2004-05

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<tbody>
<tr>
<td>1</td>
<td>General Administration</td>
<td>16972.32</td>
<td>28970.22</td>
<td>44480.31</td>
<td>102684.23</td>
<td>156169.89</td>
</tr>
<tr>
<td></td>
<td>(49.82)</td>
<td>(52.04)</td>
<td>(32.47)</td>
<td>(36.79)</td>
<td>(44.26)</td>
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<tr>
<td>2</td>
<td>Development Functions</td>
<td>17042.01</td>
<td>24587.02</td>
<td>89289.39</td>
<td>176395.17</td>
<td>196677.42</td>
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<td></td>
<td>(50.03)</td>
<td>(45.87)</td>
<td>(65.19)</td>
<td>(63.21)</td>
<td>(55.74)</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Centrally sponsored programmes</td>
<td>50.00</td>
<td>50.00</td>
<td>319.00</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>(0.12)</td>
<td>(0.09)</td>
<td>(2.33)</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>4</td>
<td>Total</td>
<td>34064.33</td>
<td>53607.24</td>
<td>136987.70</td>
<td>279079.40</td>
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<td>(100)</td>
<td>(100)</td>
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</table>

*Note: Figures in parentheses are percentages
Source: Department of Panchayat Raj, GOAP, Hyderabad*
An examination of the Zilla Parishad expenditures in AP during the study period reveals the following:

- Expenditure on general administration had declined progressively up to 1999-2000, and increased thereafter steadily, reflecting the human resource policy of the GOAP in relation to the ZPs on one hand and the raising salary and terminal benefits on the other.
- Expenditure on development functions too rose consistently up to 1999-2000, but only declined progressively thereafter, a trend which needs to be checked clearly in view of the need to augment expenditures on roads, education and other development functions.

2.9.5 Expenditure of Mandal Parishads in A.P.

The expenditure pattern of Mandal Parishads in AP reveals interesting trends. The general administration expenditure, including expenditure on salary of M.P staff and secondary school teachers and the terminal benefits to M.P. Staff has a higher share in the total expenditure. In fact, the share has
gone up to about 95% of the total expenditure in 2004-05. The rest of the expenditure was accounted for by development functions and maintenance of assets. All these together constitute only 5% of the total expenditure. Within the general administration, the expenditure on salary of M.P. Staff and teachers form greater share, though the percentage had been on the decline. Within the development functions, roads account for greater proportion of expenditure than expenditure on welfare programmes. The expenditure on centrally sponsored programme forms only a marginal proportion of total expenditure.

The total expenditure of Mandal Panchayats increased significantly from Rs.59748.33 Lakh in 1993-94 Rs.375690.81 Lakh in 2004-05 registering a linear growth rate of 16.17% are compound growth rate of 17.35%. During this period, the expenditure on general administration increased from Rs.51,336.94 Lakh to Rs.356762.85 Lakh recording higher linear and compound growth rates of 16.76% and 18.27% respectively. The proportion of expenditure towards general administration too increased from 85.92% to 94.96%. While this, the expenditure towards terminal benefits of M.P. Staff increased at a greater rate raising its share in total expenditure from 2.84% to 27.00% during the study period. The share of salaries on the other hand declined from 83.08% to 67.96%. The expenditure towards development functions rose from Rs.3,195.27 Lakh to Rs.12,922.14 Lakh. The share of development expenditure during the same period, however, declined from 5.35% to 3.44%. The share of expenditure on roads, buildings, SC/ST welfare and women and child welfare programmes declined, while that of expenditure on water supply increased from 0.57% to 1.01% of the total expenditure. The growth rate of expenditure on maintenance of assets is very low and its share declined from 1.45 to 0.47% of total expenditure. The growth of expenditure on centrally sponsored programmes is also very low. As a result, its share declined drastically from 7.28% to 1.12% of the total expenditure.
Table - 2.5
Expenditure of Mandal Parishad in Andhra Pradesh: 1990-91 to 2004-05
(Rs. in Lakh)

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<tr>
<td>1.</td>
<td>General Administration</td>
<td>38969.28</td>
<td>51336.94</td>
<td>77313.94</td>
<td>234668.42</td>
<td>356762.85</td>
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<tr>
<td></td>
<td></td>
<td>(84.05)</td>
<td>(85.92)</td>
<td>(91.08)</td>
<td>(93.94)</td>
<td>(94.96)</td>
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<td>2.</td>
<td>Development Functions</td>
<td>3414.60</td>
<td>3195.27</td>
<td>4816.52</td>
<td>10220.48</td>
<td>12922.14</td>
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<td></td>
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<td>(7.36)</td>
<td>(5.35)</td>
<td>(5.67)</td>
<td>(4.01)</td>
<td>(3.44)</td>
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<td>3.</td>
<td>Maintenance of Assets</td>
<td>1141.00</td>
<td>864.08</td>
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<td>1269.45</td>
<td>1783.49</td>
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<td></td>
<td></td>
<td>(2.49)</td>
<td>(0.57)</td>
<td>(0.89)</td>
<td>(0.51)</td>
<td>(0.47)</td>
</tr>
<tr>
<td>4.</td>
<td>Centrally Sponsored Programmes</td>
<td>2839.00</td>
<td>4652.12</td>
<td>1744.49</td>
<td>3647.41</td>
<td>4222.33</td>
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<tr>
<td></td>
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<td>(6.12)</td>
<td>(7.28)</td>
<td>(20.06)</td>
<td>(1.46)</td>
<td>(1.12)</td>
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<tr>
<td>5.</td>
<td>Total %</td>
<td>46363.00</td>
<td>59748.33</td>
<td>84886.95</td>
<td>249805.76</td>
<td>375690.81</td>
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<td>(100)</td>
<td>(100)</td>
<td>(100)</td>
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</tr>
</tbody>
</table>

Note: Figures in parentheses are percentages
Source: Department of Panchayat Raj, GOAP, Hyderabad

Chart - 2.5
Expenditure Pattern of Mandal Parishad in AP: Selected Years

Source: Department of Panchayat Raj, GOAP, Hyderabad
An analysis of the Mandal Parishad expenditures brings out the following:

- General expenditure, largely expenditure on salaries and other benefits to the mandal staff accounts for 85% to 95% of the total expenditure. A lot of this expenditure is on primary and upper primary education.
- Expenditure on development functions such as road development, welfare of SC/ST, women and children and water supply had been on the decline in relative terms, a trend which is not consistent with the pivotal role that the mandal panchayats are expected to play in the provision of developmental services.
- Equally disturbing is the declining trend in expenditure on maintenance of assets such as roads and other facilities.

A declining trend in expenditure on centrally sponsored programmes could also be observed.

2.9.6 Expenditure of GPs in A.P.

As regards Gram Panchayats also, the expenditure on general administration and development functions had been gaining in importance. The expenditure on discriminatory functions and centrally sponsored programmes had been losing its significance. Within general administration salaries to Gram Panchayat staff has a longer share than the share of expenditure on terminal benefits to G.P. staff. Within the development functions, all items of expenditure i.e. on water supply, street lighting, public health, sanitation, and roads had been gaining in importance. The JRY which constituted the single programme in centrally sponsored programmes gave place to others since 2000.

The total expenditure increased from Rs.31823.43 Lakh to Rs.44639.33 Lakh in between 1993-94 and 2004-05 registering a moderate growth rates around 5%. The expenditure on general administration increased
from Rs.3937.51 Lakh to Rs.15194.25 Lakh. With a linear growth rate of
12.66% and compound growth rate of 13.86% both of which are significant.
As a result, the share of expenditure on general administration increased from
12.35% to 34.04% of total expenditure. The salary compared increased from
9.89% to 24.31% and the terminal benefits from 2.46% to 9.73% of total
expenditure.

The expenditure on development functions as a whole increased from
Rs.5612.16 Lakh to Rs.21877.48 Lakh growing at linear growth rate of
10.97% and compound rate of 12.93% and, its percentage in total expenditure
too had increased from 17.63% to 49.01%. This is true of all the components
of development functions including water supply, street lighting, public health
and roads whose percentages increased from 3.42, 7.36, 3.09 and 1.92 to
8.07, 16.62, 11.19 and 8.79, respectively. The expenditure on sanitation items
had declined while expenditure on ‘other’ item gained in prominence since
2001. Its share, however, increased from 1.85% to 4.35% of the total. The
absolute expenditure on discriminatory function has remained almost stagnant
while its share the declined from 10.77% to 7.85% of the total between 1993-94
and 2004-05.

The expenditure on centrally sponsored schemes too exhibited a
decline as could be noticed from the low linear growth rate 4.48% and
compound growth rate 5.72%. Its share too declined drastically from 59.25%
to 9.11% of the total expenditure. However during the study period, the
Finance Commission grants in a few years formed 20-25% of total
expenditure, while the share of others increased from 4.9% to 9.11% between
Table 2.6
Expenditure of Gram Panchayat in Andhra Pradesh: 1990-91 to 2004-05
(Rs. in Lakh)

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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>General Administration</td>
<td>2488.05</td>
<td>3931.51</td>
<td>5033.94</td>
<td>9990.46</td>
<td>15194.23</td>
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<td></td>
<td>(12.89)</td>
<td>(12.35)</td>
<td>(17.48)</td>
<td>(27.68)</td>
<td>(34.04)</td>
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<tr>
<td>2.</td>
<td>Development Functions</td>
<td>4067.99</td>
<td>5612.16</td>
<td>11514.74</td>
<td>16436.86</td>
<td>21877.48</td>
</tr>
<tr>
<td></td>
<td>(20.75)</td>
<td>(17.63)</td>
<td>(39.98)</td>
<td>(45.54)</td>
<td>(49.01)</td>
<td></td>
</tr>
<tr>
<td>3.</td>
<td>Discretionary Functions</td>
<td>746.35</td>
<td>3429.59</td>
<td>4695.77</td>
<td>2531.37</td>
<td>3502.35</td>
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<tr>
<td></td>
<td>(3.81)</td>
<td>(10.77)</td>
<td>(16.03)</td>
<td>(7.29)</td>
<td>(7.85)</td>
<td></td>
</tr>
<tr>
<td>4.</td>
<td>Centrally Sponsored</td>
<td>12303.08</td>
<td>18859.17</td>
<td>7559.47</td>
<td>7036.77</td>
<td>4065.27</td>
</tr>
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<td>5.</td>
<td>Total</td>
<td>19605.47</td>
<td>31823.43</td>
<td>28803.92</td>
<td>36085.46</td>
<td>44639.33</td>
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<tr>
<td></td>
<td>(100.00)</td>
<td>(100.00)</td>
<td>(100.00)</td>
<td>(100.00)</td>
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</tr>
</tbody>
</table>

Note: Figures in parentheses are percentages
Source: Department of Panchayat Raj, GOAP, Hyderabad

Chart 2.6
Expenditure of Gram Panchayat in AP: Selected Years

Source: Department of Panchayat Raj, GOAP, Hyderabad
The expenditure trends of GPs reveal certain important characteristics as indicated below:

- Expenditure on general administration had more than doubled in relative terms during 1993-94 to 2004-05, largely an account of the salary revisions after 2000-01.

- Expenditures on obligatory development functions too had recorded a consistent increase from about 18% to about 50% of the total, a welcome trend in view of the need to augment expenditure on water supply, public health, sanitation, roads and street lighting. However, the trends are not uniform across both notified and non-notified GPs.

- Discretionary functions, however, had declined in their relative importance in the expenditure budget.

- The expenditure on centrally sponsored programmes had been declined on the relative terms reflecting the changes in the centrally sponsored programmes in general and the introduction of NREGA in particular. It may be noted that NREGA funds in AP are not routed through the PRIs.
2.10 Summary

An examination of the functional responsibilities of Gram Panchayats under 1994 Act vis-à-vis earlier statutes reveals that there is no substantial change in the functional domain except that certain new functions viz., public distribution system, maintenance of community assets, adult and non-formal education and roads and communications have been added.

The examination of the functions of Mandal Panchayats revealed that they have not been assigned any 'obligatory' function. All functions assigned are in the nature of discretionary and permissive in nature, although in terms of number, 59 specific responsibilities have been assigned to Mandal Panchayats. The new Act only provides that every mandal shall strive to promote the standard of living of the people through local resources and community involvement.

On the whole, it can be concluded that taxation is an unpleasant task and whatever little taxation powers the Village Panchayats bodies have had, they have not been fully utilized and there has been a general reluctance of the Panchayat leadership to use these powers, because they are afraid of becoming unpopular, if they impose more taxes on the people. Further, most of the Panchayats leaders seemed to have little knowledge of the provisions of the Act relating to their taxation powers. The expenditure trends of GPs reveal certain important characteristics as indicated below:

- Expenditure on general administration had more than doubled in relative terms during 1993-94 to 2004-05, largely an account of the salary revisions after 2000-01.
- Expenditures on obligatory development functions too had recorded a consistent increase from about 18% to about 50% of the total, a welcome trend in view of the need to augment expenditure on water supply, public health, sanitation, roads and street lighting. However, the trends are not uniform across both notified and non-notified GPs.
- Discretionary functions, however, had declined in their relative importance in the expenditure budget.
The expenditure on centrally sponsored programmes had been declined on the relative terms reflecting the changes in the centrally sponsored programmes in general and the introduction of NREGA in particular. It may be noted that NREGA funds in AP are not routed through the PRIs.

In the absence of own sources of revenue, the Mandal Parishads in Andhra Pradesh entirely depend upon the grants received from the State and Central Governments. It is estimated that about 95 percent of the total revenue of the Mandals is derived from these grants. The Mandal Parishads in the State receive various types of grants from the State and central Governments. These grants include, per capita grant, specific grant towards the salary cost of Mandal Parishad staff, and implementation of different schemes under different programmes and so on.

In sum, it may be said that the revenues of the Mandal Panchayats are entirely dependent on the GOAP, both for their maintenance as well as developmental functions. Thus, the new Panchayat Raj Act intended to translate the constitutional mandate of the 73rd Amendment has not resulted in any improvement in the fiscal autonomy of the Mandal Parishads, the most important middle tier in the PR systems.

In the absence of considerable revenues from its own sources, the grants-in-aid occupy a pivotal place in the finances of Zilla Parishads in the state. The Zilla Parishads receives grants from the State as well as Central Governments for various purposes, both developmental and non-developmental purposes.

The following conclusions emerge from the revenue trends of ZPs during 1993-94 to 2004-05:

(i) the relative importance of non-tax and assigned revenues had declined;
(ii) while the relative importance of grants-in-aid had increased;
(iii) however, the share of tied and development grants had gradually declined, while that of non-plan grants had risen; and

(iv) the increasing reliance on non-plan grants from the GOAP clearly implies that the spirit of the 73rd amendment to the constitution is eroded.

An examination of the Zilla Parishad expenditures in AP during the study period reveals the following:

- Expenditure on general administration had declined progressively up to 1999-2000, and increased thereafter steadily, reflecting the human resource policy of the GOAP in relation to the ZPs on one hand and the raising salary and terminal benefits on the other.
- Expenditure on development functions too rose consistently up to 1999-2000, but only declined progressively thereafter, a trend which needs to be checked clearly in view of the need to augment expenditures on roads, education and other development functions.

An analysis of the Mandal Parishad expenditures brings out the following:

- General expenditure, largely expenditure on salaries and other benefits to the mandal staff accounts for 85% to 95% of the total expenditure. A lot of this expenditure is on primary and upper primary education.
- Expenditure on development functions such as road development, welfare of SC/ST, women and children and water supply had been on the decline in relative terms, a trend which is not consistent with the pivotal role that the mandal panchayats are expected to play in the provision of developmental services.
- Equally disturbing is the declining trend in expenditure on maintenance of assets such as roads and other facilities.

A declining trend in expenditure on centrally sponsored programmes could also be observed.
REFERENCES

3. This information was collected during the field work.
13. Collected from the "Reports of Panchayati Raj Department", Hyderabad.
16. Collected from the "Reports of the Panchayati Raj Department, Government of Andhra Pradesh", Hyderabad.
27. Ibid., p.64.
32. Ibid., p.44.
34. Collected from the Records of Panchayati Raj Department, Government of Andhra Pradesh, Hyderabad.
37. Ibid., p.55.


