Chapter-1
Introduction

1.1: Relevance of the topic of study

In the initial years of the post-Independence period, the Government of India was on a path of major social and economic transformation in which the Union Government played a major role. In spite of the federal structure, the Indian Constitution had a built-in bias that gave the Union some extraordinary powers. Even in subjects that were constitutionally assigned to the state governments, the lead came from the Union Government and the Planning Commission. In the interest of planned economic development, the states voluntarily gave up some of their powers to the Union Government and became, in effect, ‘subordinate’ government units though the Constitution did not visualize them to be so. As Kholi (2001: introduction) puts it, “As federal democracies go, India is a relatively centralized state ... Over the years as democracy has spread, numerous mobilized groups in India have demanded further redistribution of power. The demands were often resisted, sometimes wisely, and at other times, unwisely, and at great cost.” The problem of a centralized planning system where all the information are processed at the top and decisions are disseminated from the peak, has been felt to such an extent in India that the early charm of economic planning has been lost to a great extent (Marjit: 1999: 1197). The institutional structure of the governments in the states as well as the centre has been highly centralized and administrative power has been concentrated in the hands of a small group of elite civil servants. It has been pointed out by Mukarji (1999: 77-8) that the major cause responsible for the negative factors which emerged in the Indian polity and the economy has been the over centralization of powers and functions at the centre.

Decentralized planning: what and why?

Gradually, the authorities began to realize that the centralized system of planning had been a failure in addressing the fundamental problems of development faced by the economy. Decentralization of planning and devolution of powers have finally come to be accepted as the path to further progress of the Indian economy since the attainment of the broad
objectives of planning – removal of poverty, creation of employment and reduction of regional imbalances – is found to be impossible through the strategy of centralized decision-making (John: 1997: 43). There is growing consensus around the view that over centralization had been a major debilitating feature of the Indian polity and development process (Isaac and Harilal: 1999: 490). A few of the identified evils of excessive centralization are: lack of involvement of the people in nation-building activities, diverting resources for wrongly perceived goals, total neglect of local specifications, and rampant corruption. The centralized planning also fails in utilizing local knowledge on development problems with which the people of each locality are richly endowed. Central guidance cluster causes delay, increases costs, reduces efficiency, limits initiative, discourages innovation and causes the cluster itself to become a bottleneck in the process of development (Krishnan: 1992: 9). The centralized plans bypass weaker sections and backward sub regions, do not take care of the local problems, do not use local resources and hardly produce goods and services needed by the local people (Aziz and Shenoy: 1997: 577). This is due to the fact that plans are prepared primarily by the bureaucracy without popular participation, so that they do not reflect the needs and aspirations of the people. In fact, the so-called 'planning from above' has, in many instances, resulted in deprivation for 'below’ – for the local weak and marginalized population.

Decentralization derives its rationale from the failure of centralized national and state level development process. Decentralization is a method through which authority and responsibility of some substantial government functions are transferred from central government to the intermediate and local governments and even to the people at the village level. The mantra of decentralization is that it will achieve policies that better reflect the needs of the citizens living in village India (Besley et al: 2007: 666). Decentralization creates a basic framework within which mass organizational initiatives for development can be unleashed and a broad spectrum of development experiments carried out (Ansari and Shamshad: 2007: 104). Decentralization is mainly of three dimensions – political, administrative and fiscal. Political decentralization transfers policy and legislative powers from central government to lower level assemblies and councils that have been democratically elected by their constituencies. Administrative decentralization places planning and implementation responsibilities in the hands of locally posted civil servants.
under the jurisdiction of elected local governments. Fiscal decentralization accords substantial revenue and expenditure authority to the intermediate and local governments. The ultimate objective of decentralization is that of ensuring ‘participation’ which is defined as an organized effort to increase control over resources and regulatory institutions by groups and movements of those hitherto excluded from such controls. As is stated in the Balwantrai Mehta Report of 1957, decentralization is the process whereby the Government divests itself completely of certain duties and responsibilities and develops them on some other authority. Thus, genuine decentralization involves a significant measure of either deconcentration, delegation or devolution, conferring of real powers on local authorities (Wadhwani & Misra: 1994: 62).

Likewise, planning from below, popularly known as decentralized planning, means planning done at the local levels viz. at the district, block/taluk and village levels rather than planning carried out at the central and state capitals. Planning from below suggests multilevel planning where the lowest unit is allowed to plan and implement everything that can be performed most effectively at that level, and only the residual is left to higher levels (Bhargava and Samal: 1998: 35). Here, plans are formulated, taking into account the felt needs and requirements of the people at the grassroots. Plan implementation is also done with the co-operation of the people and their representatives.

Democratic decentralization is a concept based on the recognition of the right of the people to initiate and execute policy decisions. As stated by Mahatma Gandhi, true democracy could not be worked out by some men sitting at the top. It had to be worked by the people of every village. Political decentralization in a democracy is an article of faith and it enables the people to participate in shaping their collective future. Here, development projects are attuned to the needs and aspirations of the people. The entire process would be for locating people at the centre of power so that they become the basic engine of the development process and not, as hitherto, merely its beneficiaries (Kothari: 1999: 48). Thapliyal (1995: 246) also points out:” Decentralized planning is an approach to bring the planning process closer to the people so that they can decide their developmental priorities and participate in planning and implementation.” Further, Charvak (1997: 3,4) has pointed out that the present bureaucratic planning and implementation machinery is alienated from
the people. Decentralization is a method to overcome this alienation and to ensure a transparent and participatory development process. If the decision-making is done at the lower levels, it is easier to ensure an effective system for people's participation.

It has been commonly accepted that psychologically, if not always institutionally, decentralization provides the necessary avenue to the individual citizen and the community for their genuine and maximum self-expression as well as contribution to the social good (Chaturvedi: 1978: ix). Further, as Baldev Singh (1996: 13) has pointed out, decentralization is one of a range of administrative or organizational devices that may improve the efficiency, effectiveness and responsiveness of various levels of the government under suitable conditions. It increases the efficiency of the political system as a whole by reducing the scope for abuse of power and costly mistakes incidental to centralization. Probably, the most important rationale of decentralized governance is the provision of certain basic minimum services and infrastructure at the local level, which will be neglected in a centralized planning process.

As planning is undertaken at the grassroots level, decentralized planning becomes people-directed, need-oriented and implementation is likely to be cost effective. Charvak, while supporting decentralized planning, has pointed out that information cost is a monotonically increasing function of the distance between the action point at which the information is generated and the point at which the decision is made. If the decision-making is pushed down to lower levels, which are also the points of action, the situation will be better. Local information can often identify cheaper and more appropriate ways of providing public services, apart from getting a better fit for locally diverse preferences (Bardhan: 1996: 140-41). Since decisions regarding matters of development are taken collectively, chances of decisions being wiser and unbiased are greater (Sinha: 1999: 23). Further, local problems are resolved by utilizing locally available resources. What is more, local level planning creates an environment where people, their elected representatives and bureaucracy work together and thus build local planning expertise (Aziz and Shenoy: 1997: 577).

As pointed out by Jha (1999: 14), decentralization is advocated in the Indian context with reference to the size and socio-economic complexity of the country. A large territory is not easy to administer from one centre, which perhaps explains why countries with large
territories like Canada, China, U.S.A. and Australia have adopted federal forms of government. Along with size, complexity of the territory in terms of religion, climate, language, social cleavage by sub division of religious groups into caste groups, rural-urban distinction, economic development and cultural enclaves call for decentralization. With such complexities, it becomes necessary to recognize and satisfy the special needs and demands of specific regions and groups of people, and this can be made possible only through decentralized decision-making. In this context, Webster (1992: 3) has remarked that decentralization has sometimes been seen as a means by which the State can be made more responsive, more adaptable to regional and local needs than in the case with a concentration of administrative power and responsibility in the central state. Hochgesang (1995: 251) also expresses the view that decentralization can be a means to overcome the plumpness of a planning bureaucracy at the national level by delegation of the responsibility to take decisions to local levels in order to take into account the different needs of a heterogeneous population better.

In short, decentralization is to be conceived as a step in the direction of a more integrated polity, a better performing economy and a model of social reconstruction necessary for a properly functioning democracy and a genuinely socialist State (Raj Singh: 1998: 7).

Panchayati Raj Institutions: their emergence, constitutional status and the present role

In the context of the Indian economy, the process of decentralization has resulted in the coming up of the so-called ‘Panchayati Raj Institutions’ (hereafter, PRIs). In Independent India, the first major attempt to institutionalize Panchayats came from the report of the Balwantrai Mehta study team (1957). The idea of Panchayati Raj was once again revived following the report of another Government of India Committee headed by Asoka Mehta (1978). This Committee was the first panel consisting of many eminent persons to examine exclusively the question of institutionalization of Panchayats. Later on, the G.V.K. Rao Committee (1985) and the Singhvi Committee (1986) were constituted to suggest ways and means to strengthen the PRIs. G.V.K. Rao Committee suggested, among other things, giving planning functions to the PRIs, introduction of the concept of district budget, etc. L.M.
Singhvi Committee recommended that the local self-government institutions (hereafter, LSGIs) should be constitutionally recognized, protected and preserved by the inclusion of a new chapter in the Constitution. At the end of 1988, a sub-committee of the Consultative Committee of the Parliament under the chairmanship of Sri. P.K. Thungan also strongly recommended that constitutional status should be given to the Panchayati Raj System in India.

In 1992, the most important development with respect to India’s local government institutions took place when a constitutional status was given to them by amending the Constitution. The Seventy-third and Seventy-fourth Constitutional Amendments declared the three-tier PRIs and the municipalities as institutions of self-government, implying their right to be treated as autonomous institutions. These two Amendments have constitutionalized the local self-government and sought to give it a new lease of life (Datta: 1998b: 57). Local self-government has emerged for institutionalizing new democratic initiatives. In fact, it constitutes the fulcrum around which the new development strategy revolves (Ansari and Shamshad: 2007: 104). While introducing the Constitution (Seventy-third Amendment) Bill in the Parliament on December 1, 1992, the then Rural Development Minister observed, “This casts a duty on the centre as well as the states to establish and nourish the village Panchayats so as to make them effective self-governing institutions.” And by introducing this bill, “the Government was fulfilling Mahatma Gandhi’s dream of Grama Swaraj,” he added (Pal: 2004 a: 137). The Amendment was a watershed in the history of decentralized governance, planning and development. The statutory provisions being made available would be of considerable relevance for rural development if Panchayati Raj becomes a philosophy, a practice, a movement ensuring people’s confidence for having social justice and fair play under the new dispensation (Sharma: 1994: 38). The passing of the Seventy-third and Seventy-fourth Amendments to the Indian Constitution may be viewed as the culmination of various attempts towards decentralization of the highly centralized system of parliamentary democracy in India (Narayana: 2005: 2822). Following the mandates of the Seventy-third Amendment to the Constitution, which gave a constitutional status to the Panchayats as a third tier in India’s federal structure in rural areas, there are now nearly a quarter of a million Panchayati government bodies, making this the single largest experiment in decentralization
of governance attempted anywhere in the world (Rajaraman: 2003:1). The introduction of the system following the historic Balwantrai Mehta Committee, is in itself a landmark in the history of administrative reforms.

Panchayati Raj is often believed to be the most important political invention of independent India [Reddy: 1999; 75]. Nowadays, PRIs have been proclaimed as the ‘vehicle’ of socio-economic transformation in rural India (Ghosh and Pramanik: 1999: preface). Perhaps, no other system in the country has received as much attention from all quarters as the Panchayati Raj. The basic argument is that it can pave the way for a democratic culture and organizational climate where human right concerns can be deepened and institutionalized (Haragopal: 1994: 175). The PRIs in India are the chief instruments of decentralization at the grassroots level and “they serve as a vehicle in bestowing upon the people the power that really belongs to them” (Rajendran & Kumaresan: 1998: 55). Panchayati Raj is a powerful means to political consciousness and education and a catalyst of change, development and self-help. Democracy, in the true sense of the word, requires building up a structure of participation by the people. The Panchayati Raj System is considered the only hope for activating people’s participation, which is the soul of a democratic system.

Establishing close contact between the people and the appointed executives has been the main concern from the days of direct democracy in Ancient Greece to the present day advocates of ‘bringing government closer to the people’. This can be achieved through the Panchayati Raj System, which is “the only instrument to enable the masses to participate in nation building from below by introducing accountability and transparency in Governance (Pal: 1998: 631). On 26th June 1962, the Union Ministry of Community Development and Co-operation, in a resolution, said: “The objective of Panchayati Raj is to establish a participatory democracy so that at the village level, the Grama Sabha consisting of all adult residents of the village should not only deliberate, but also participate with its executive, namely the GP, in planning and implementing various programmes” (Jain: 1993: 11).

According to Wadhwan and Misra (1994: 63), the basic philosophy behind the PRIs is “to ensure participation in development programmes which was expected to unleash the arrested process of change and growth.” The Balwantrai Mehta Committee (1959: 5) made the following remark about the philosophy of Panchayati Raj: “Panchayati Raj System will
establish a linkage between local leadership enjoying the confidence of the local people and Government, and translate the policies of the government into action.” As pointed out by Oommen (1996: 26), PRIs are to be seen as agents of rural transformation and empowerment of people rather than as agents of the government or as a necessary evil to be tolerated for the sake of the Constitution. Nowadays, another major responsibility expected of these institutions is to promote and strengthen national integration (Arora and Prabhakar: 1997: 37).

The creation of Panchayati Raj in 1959 with the objective of entrusting the authority and responsibility of rural development to rural people was hailed not only as an innovation, but also as a revolution. The system deserves to be recognized as an innovative mechanism to bridge the gulf between the decision-making centres and the centres of action. PRIs have been identified to provide a dependable and effective institutional arrangement for accelerating the developmental activity (Khatri: 1998: 54). If they are efficiently organized on democratic lines, and are vested with substantial power of action, they would be capable of unleashing strong resources of initiative and enthusiasm, thereby making the task of development easier.

PRIs are such organizations which are not only close to the masses, but also have adequate representation of women and the marginalized at village, block and district levels. Panchayati Raj has released the disguised energy of weaker sections, particularly SCs, STs and women who, after creating an egalitarian social order, are bound to strengthen and promote the rights of the people at the local level (Pal, 2004b: 52). Reservations have brought thousands of women and disadvantaged into the political process. For the first time in the history of our Republic we have over three million elected representatives in the Panchayat bodies. Over a million of them are women, most of whom have come out of their homes for the first time in centuries to hold public office and to participate in public activities. The Working Group on Decentralized planning and PRIs observed, “One of the significant achievements of the provisions of the Seventy-third Amendment Act concerning reservation of seats and political offices in favour of the women and the disadvantaged sections of the rural community is that it had improved their awareness and perception levels and had created an urge in them to assert their rightful share in the decision-making process
at the local level” (Pal: 2004a: 142). The PRIs are expected to serve as an efficient institutional structure for bringing social, political, cultural and economic changes in the rural society.

The revival of the PRIs in our country is in accordance with the Gandhian vision. Mahatma Gandhi was a great genius and visionary of the twentieth century who predicted the need for involvement of the people in every act of the government. He had a very clear proposition that people in the villages and cities have the capacity to solve their own problems without much complication from the government by its actions (Narayanasamy: 1998: 11). According to Gandhiji and other patriotic leaders, India could attain Ramrajya only by going back to certain golden traditions of ancient India as well as by reviving the indigenous institutions that well suits the Indian culture (Padmakar: 1998: 3). Gandhiji had a firm belief that the greater the power of the Panchayats, the better it is for the people. The late Prime Minister Rajiv Gandhi also believed that we could not have real development in the country unless Panchayats were made responsible for development in the villages and the people who lived in the villages were involved in their own development. For Rajiv Gandhi, Panchayati Raj was not just a political process, but an instrument of social and economic change, especially of the poor and the downtrodden (Thakur: 1993: 9).

According to Pasayat and Barik (1998: 3), the existing democratic system in the country is based on a bureaucratic structure with a kind of vacuum between the elected representatives at the national (MPs) and the state (MLAs) level and the general public. This vacuum is filled up by a class of power brokers. Introduction of the PRIs is a significant blow to this class and vested interests supporting the bureaucratic structure.

The Asoka Mehta Committee (1978: 8) while reviewing and evaluating the Panchayati Raj System in the country observed, ”Politically speaking, it became a process of democratic seed-drilling in the Indian soil, making an average citizen more conscious of his rights than before. Administratively speaking, it bridged the gulf between the bureaucratic elite and the people. Socio-culturally speaking, it generated a new leadership, which was not merely relatively young in age, but also modernistic and pro-social change in outlook. Finally, looked at from the developmental angle, it helped the rural people cultivate a developmental psyche.”
The Sen Committee has recognized the potentiality of local self-government system, named as Panchayati Raj System in India. The Committee is of the view that local self-government is essentially the empowerment of the people by giving them not only the voice, but the power of choice as well in order to shape the development which they feel is appropriate to their situation. It implies maximum decentralization of powers to enable the elected bodies to function as autonomous units with adequate power, authority and resources to discharge the basic responsibility of bringing about economic development and social justice.

The Panchayati Raj System serves as an instrument of political and popular education creating a new consciousness of social and political rights among the masses. PRIs are expected to serve as the schools for learning lessons of democratic responsibility. Pointing out that grassroots democracy ought to be achieved through the Panchayati Raj System, Drez and Sen (2002: 360-61) wrote: "The practice of local democracy is also a form of wider political education. In the context of village politics, people are learning if only at varying speed, to organize, to question established patterns of authority, to demand their rights, to resist corruption and, so on. This learning process enhances their preparedness, not only for local democracy alone, but for political participation in general." We have, by now, more than fifteen years of experience in the functioning of the PRIs after the Seventy-third Amendment. In consonance with the provisions of the Amendment Act, the three tiers of Panchayati Raj have been set up by now in all the states in the country and planning has become decentralized in the true sense of the word. States have met their legal obligations by passing conformity legislations. The structure of the government of the country has changed permanently from a two-tier (centre and states) to a three-tier system of governance with centre, states and Panchayats as the three tiers of governance. As Sinha (1999: 23) points out, the degree of transparency in administration has also gone up because of involvement of large number of people in the decision-making and greater degree of monitoring the works being executed.

The Panchayati Raj System has generated tremendous enthusiasm in the development sector as a representative institution, which will effectively voice the needs and aspirations of the people (Behar: 1998: 881). The revival and democratization of the Panchayat system are
seen as significant steps in strengthening and institutionalizing grassroots democracy. The system is expected to help in effectively implementing various development programmes for the area with the sanction of the beneficiaries, the people. This will help in prioritizing the genuine needs of the grassroots and in successfully implementing the agenda beneficial to the community.

**Panchayati Raj System in Kerala**

Kerala has now achieved remarkable success in the field of decentralized planning and participatory governance following the Seventy-third and Seventy-fourth Constitutional Amendments. In the last 10 years, it was able to structure a decentralized system of development administration, following classical fiscal decentralization principles with emphasis on untied funding, clear demarcation of functions on the basis of subsidiary, structuring of a transitional local governance system, setting up of independent umpiring institutions facilitating people’s participation, and above all, backing of all these with powerful laws (Economic Review, 2004: 454). Participatory planning, which called for harnessing the involvement of the people other than the elected members and the officials, was a novel idea attempted in the State. The modern history of the region deserves to be recognized as the saga of collective intervention by the people to shape their common destiny even though it meant, more often than not, challenging well entrenched customs and traditions of the earlier era, defying the logic of the market, and even struggling to change the State policy (Isaac & Harilal: 1999: 490).

The State enacted the Kerala Panchayat Raj Act, 1994, incorporating provisions in accordance with the Constitution (Seventy-third Amendment) Act, 1992 to establish a three tier Panchayati Raj System in the State (constituting Grama/Village, Block and District Panchayats – a Grama/Village Panchayat for each village or group of villages, a Block Panchayat at the intermediate level and a District Panchayat for each District) ensuring participation of the people in development efforts and governmental affairs. Further, the State had inaugurated a people’s campaign in August 1996, which is considered an innovation in decentralized planning in India. The 1994 Act has been amended during 1999 with a view to making the local bodies more effective instruments of local governance. Kerala Development Plan was launched in 2002 to take decentralization to a new trajectory of growth and
maturation. Following the Act of 1994, three State Finance Commissions (SFCs) have been appointed mainly with a view to suggesting measures for improving the finances of the PRIs. The latest (third) of the elections after the said Act was held on 24th and 26th September, 2005. Today in the State, there are 999 GPs, 152 Block Panchayats, 14 Zilla Panchayats, 53 Municipalities and 5 Municipal Corporations.

Against this backdrop, it is worthwhile to examine the extent to which the Seventy-third Amendment, the Kerala Panchayat Raj Act 1994 that followed and its subsequent amendment, will be successful in strengthening the grassroots democracy in Kerala. It is reported in this connection that in many cases, shortage of finance is a major bottleneck.

**Fiscal domain of the PRIs**

Before the Constitutional Amendment, a number of committees and commissions both at the national and state levels had gone into the issues relating to local finances. At the national level, the Local Finance Enquiry Committee (1951), the Taxation Enquiry Committee (1953-’54), the Study Team on Panchayat Raj Finance (1963) and the Rural Urban Relationship Committee (1965-’66) were some of the important committees that have dealt with this problem. In Kerala, the Taxation Enquiry Committee (1968) and the Panchayat Finance Commission (1985) also looked into the various aspects of local finance with special reference to the Grama Panchayats (hereafter, GPs). The common point emphasized in all these studies and reports was the serious mismatch between expenditure responsibility and the financial resources of the Panchayats. The Local Finance Enquiry Committee (1951: 235) had remarked, “The State Government, while investing local bodies with wider responsibility, must also place at their disposal adequate funds to supplement their revenue.” Likewise, the Taxation Enquiry Commission (1953-54: 357) had recognized that “apart from growth and development, the crux of the problems of the local bodies is finance.” The Santhanam Committee also observed: Although the PRIs have a formidable list of functions to discharge, they do not have the necessary financial resources to cope with these functions (Vithal: 1997: 124). To discharge the additional functions after the Constitutional Amendment, Panchayats have to depend solely upon the largesse of the state governments. Pillai (1986: 4,5), after analyzing the reports of such committees, also shares the general view that the limitations in the working of the Panchayats in the country are due
to the inadequacy of funds for meeting the need of the growing commitments at the local level. This imbalance has become more serious since the Panchayat Raj Act 1994, which aimed at wide decentralization of expenditure without disturbing the existing centralization of resources (Nair, R.P.: 2004: 6). Vithal (1996: 28) also points out, “One of the problems confronting the PRIs in general and GPs in particular, is the paucity of resources.” The past experience right from the Balwantrai Mehta Committee Report till the passing of the 73rd Amendment shows that these PRIs remained financially starved and dependent upon the states resulting into mortgaging their self-governing character (Arora and Prabhakar: 1997:39).

In this context, Rajaraman (2003:1) points out that the first is the need to follow up the political empowerment of Panchayats with economic empowerment, by assignment of a defined fiscal domain, in accordance with the percepts of public finance and international practice. Only thus, Panchayats can become units of self-government rather than mere expenditure agencies funded from above. The economic case for the decentralization of governance is met only when public goods with a local spatial reach are provided in accordance with local preferences, and are financed from within the beneficiary space. It is generally observed that owing to the shortage of finance, the quality and coverage of various services and basic amenities provided by the Panchayats fall chronically short of their requirements. Therefore, a higher degree of devolution of resources from the state government to these local bodies, in the form of grants-in-aid, had been recommended until recently so that the latter can effectively discharge their obligatory functions.

In view of the above situation, the 73rd Amendment proposed to set up a SFC in every state with a view to determine the principles which should govern the distribution between the State and the Panchayats of the net proceeds of the taxes, duties, tolls and fees that can be levied by the State Government, the determination of taxes, duties and tolls that may be assigned to or appropriated by the Panchayats, the grants-in-aid to the Panchayats from the Consolidated Fund of the State, measures needed to improve the financial position of the Panchayats and any other matter referred to the Finance Commission by the Government in the interest of sound finances of the Panchayats. In Kerala, three SFCs have already submitted their Reports.
However, the Working Group on State's Resources for the Tenth Five Year Plan, have observed, "The State Finance Commissions have failed to take a comprehensive view of the resource sharing between the states and the local bodies or to link them with the functional responsibilities of these bodies. The fiscal domain of the local bodies still remains limited and unsettled" (Pal: 2004c: 8). The Working Group have further commented, "Simple reluctance to mobilize, lack of role clarity as between tiers, lack of staff support, unviable administrative area, creation of parallel channels of flow of funds like MP funds, MLA funds, state-sponsored schemes independent of PRIs ... are among the major factors explaining low revenue levels of local bodies." Earlier, the mid-term appraisal of the Ninth Plan has observed: "... More buoyant taxes like sales tax and excise are kept out of the purview of PRIs. All State Finance Commissions have put great emphasis on internal revenue mobilization, but none has suggested any effective mechanism for PRIs to generate their own revenue" (Pal: 2004 a: 140).

The Report of the Eleventh Finance Commission (Pal: 2002: 62-3) shows that the Panchayat's contribution in meeting out revenue expenditure from their own sources almost throughout the country is abysmally poor. This is evident from the fact that during 1997-98, in 9 out of the 12 major states, Panchayats could meet not more than 10 percent of their revenue expenditure from their own source. Panchayats are not even able to meet expenses towards maintenance of core services like primary education, primary health, drinking water supply, street lighting, sanitation and roads ... In a nutshell, Panchayat's economies are grant-fed economies. Considering the fiscal position of the Panchayats, Pal (2004 a: 140) suggests that besides transferring resources from Central and state governments through various schemes and other Constitutional mechanism such as Central Finance Commission and State Finance Commissions, the Panchayats must mobilize their own resources for acquiring fiscal autonomy which is an essential ingredient to enable them to function as institutions of self-government.

The Twelfth Finance Commission has also observed, "We have laid emphasis on strengthening the local bodies in keeping with the Constitutional mandate for effective and autonomous local self-governance, recognizing that local bodies must be supported by a scheme of transfers that encourages decentralization and own efforts for raising revenues"
The data contained in the Twelfth Finance Commission Report show that for the year 2002-03, the total expenditure of the local bodies as a percentage of the combined expenditure of the Union, states and local bodies works out only to about 4.7 percent. It shows how negligible local finance has been in the fiscal structure of India. The tax revenue of the local bodies as a percentage of the combined tax revenue of state and local governments is as low as 1.6 percent.

Apart from the common problems faced by the local bodies in the country, it is pointed out that in Kerala, some Government measures have had a negative impact on the amount of own funds that can be mobilized by them. For instance, through an Order in April 2005, Property Tax exemption was granted for ex-service men and their widows. In 2004, in a bid to rescue the film industry from its crisis, the Entertainment Tax was slashed considerably and the Show Tax on regular film shows was abolished. Such measures granting tax relief for individuals and institutions have led to a sharp fall in revenue for local bodies in the State, pushing them to the brink of a financial crisis. The looming resource crunch threatens to derail development projects and welfare schemes (Nandakumar, 2005: 5).

However, the assertion that the sources of revenue assigned to the Panchayats are inadequate to discharge efficiently the functions entrusted with them, could be valid only when it is shown that the Panchayats are fully exploiting their resource potential. The First SFC, Kerala (1996) has observed that the resource mobilization on the part of the local bodies has been uneven and that the possibility of better exploitation of resources even within the framework of the existing access to sources of income does exist. This points to the need for improving the productivity of the existing sources of revenue.

In the midst of complaints of fund shortage experienced by Panchayats, the Government of Kerala has taken the historic decision to allocate 35-40 percent of the plan funds to the local bodies. This has a symbolic significance also because it is this move, which really gave a big push to decentralization in Kerala. However, referring to such a transfer of funds, the Second SFC, Kerala (2001:17) has observed: “A feeling has been conveyed to us that the transfer of such substantial amounts of plan funds to the LSGIs has been accompanied by a corresponding slackening of revenue effort by the LSGIs themselves. This feeling is pervasive, though the empirical support adduced in its favour is not very
persuasive. But, irrespective of whether larger devolution has actually caused a slackening of revenue effort, any slackness in such effort is *per se* unwarranted.” The Commission has further observed: “Time series data do show a lower level of revenue in recent years compared to what a long term trend fitted to earlier data would project. But, whether or not there has been an actual slackening on account of larger devolution, the fact remains that LSGI’s tax collections are way below potential. This makes them almost entirely dependent on devolution from the State Government and hence, extremely vulnerable to the fiscal travails afflicting the State, and hence by implication, the Central Government. In the absence of adequate local-level resource mobilization, the base for decentralized planning remains extremely fragile.” Further, dependence on fiscal transfers could reduce fiscal autonomy and if the transfers are conditional and purpose specific, it could reduce the autonomy of local governments to allocate resources according to their own priorities (Rao and Rao: 2008: 54).

According to the Commission, a serious additional problem relating to taxation at the local level is the fact of gross under-assessment. The Commission’s interactions with representatives of LSGIs have given it the impression that the present demand with respect to most of the taxes, which the local bodies are empowered to levy, is only about half of what can really be collected. The assessment is done in a rather primitive fashion and the process of assessment often tends to be very subjective. To compound this problem, collection efficiency is also low.

The Third SFC, Kerala (2005: 43) also has observed that additional revenue receipts should be raised through systematic improvement in the administration of tax and non-tax items. Before thinking of new sources of revenue, LSGIs should look into the potential for additional revenue from existing sources. Data regarding two major tax items – Property Tax and Profession Tax – given by the LSGIs generally showed poor performance compared to demand. In respect of non-tax revenue, the general position showed rather poor performance in most of the LSGIs (Third SFC, Kerala: 2005: 14).

Against this background, a study of the different sources of income for the PRIs, their resource position, the collection of resources in relation to demand, their taxation powers, problems concerning tax collection, etc., assumes great significance. Such a study may help
us to suggest methods to plug the existing loopholes in the mobilization of resources by PRIs. Given that the GPs are the basic units of PRIs, and also that Property Tax constitutes the most important single source of revenue for most of the GPs in Kerala, the present study focuses on the various issues related to Property Tax as a source of revenue to them.

**Building Tax (Property Tax) as a source of revenue for the GPs**

Taxes on completely immobile factors are considered to be best suited for the local level on equity and efficiency criteria. Land, and structures such as buildings are among the most immobile tax bases. A definite advantage of the Property Tax over business taxes is that migration to escape high tax rates will affect only a small part of the housing tax base. Property-based taxes pose no informational disadvantages for local governments vis-a-vis higher levels as do income taxes, in the sense of being relatively difficult to conceal, or possibilities of short-run tax mobility as with consumption taxes (Rajaraman: 2003: 22). Moreover, the tax-benefit nexus is far more readily perceived for housing taxes than business taxes, since so much of the Property Tax is devoted to financing of local public services enjoyed by consumers as individuals, especially education (Netzer: 1966: 29). To Netzer, high taxes relative to housing outlays are more acceptable to consumer-voters. In addition, acceptability is heightened by the ability-to-pay aspect of the Property Tax on housing. Occupants of more valuable houses are indeed likely to have greater ability to pay taxes than the occupants of less valuable houses.

Property Tax now constitutes the major item of own revenue for the GPs in Kerala. The Second SFC, Kerala has estimated that it constitutes 15 per cent of the tax and non-tax revenues of the GPs. The main reason behind this is a sudden increase in the activities of the house construction sector of Kerala's economy. It is observed that a large number of buildings, especially residential buildings, have come up during the last two decades. This has been the consequence of several factors. The socio-cultural, political and institutional set up in Kerala seems to have nurtured in the minds of the Keralites high aspiration levels including the aspiration for better housing, particularly among the low and middle income groups (Gopikuttan: 1988: 33). The accrual to a large number of households of windfall incomes, has led to a spurt in house construction activities, both for satisfying a long pent-up demand and also for enhancing their social status. Implementation of the land reform
measures, active state intervention in the housing sector with popular schemes, decline of joint family system, remittances received from the migrant workers in the Middle-East, increased availability of loan funds, and increase in the number of lending institutions had a positive impact on house construction activities in the state.

The natural consequence of the housing boom should be, among others, an increase in the Property Tax receipts to the local bodies. The study by Nair R.P. (2004: 16) revealed that Property Tax accounted for more than 50 per cent of the own tax revenue of all the GPs included in his sample. His study also revealed that in majority of the cases, Property Tax and Profession Tax together accounted for nearly 90 percent of the total own tax revenue.

However, the present system of Property Tax assessment has several drawbacks. The need for reforming the prevailing system was felt by the Naha Commission as early as in 1985 and also by the first and the second Municipal Finance Commissions. The First SFC of Kerala (1996) examined this issue and came to the conclusion that the potential of Property Tax had not been exploited to a satisfactory extent by the local bodies. The Commission was of the opinion that even without raising the rates of taxation, it should be possible to obtain substantial increases from this source. The Naha Commission had reported that 70 percent of the GPs are levying Property Tax at the minimum rate of 6 per cent. The study by Nair R.P. (2004: 17) also revealed that the rate of Property Tax imposed by all the GPs in his sample was one and the same, viz. 6 per cent of the annual rental value (ARV) though they have the power to increase it up to 10 per cent without any government sanction.

Another problem relates to exemption from Property Tax granted to certain types of buildings and categories of owners. The criteria for exemption were clearly enunciated in the Kerala Panchayat Raj Act of 1994. But, in addition to statutory exemptions, the Government had issued orders from time to time exempting other categories of houses such as those constructed under one lakh housing scheme, building for SCs/STs constructed by the Government, those owned by ex-servicemen/their widows, etc. Nair (2004: 29) found that the exemption of Property Tax given to huts (with a plinth area of less than 20 sq. m.) in Panchayats with mud walls and thatched roofs was widely misused by stretching the definition beyond reasonable limits. He also found that 30 to 40 per cent of the tax-exempted buildings came under pucca or semi-pucca (permanent or semi-permanent) category that did
not certainly deserve tax exemption. Such misuse of exemptions was self-perpetuating in nature and had adversely affected the finances of local bodies. Thus, it is generally accepted that the potential of Property Tax for yielding resources is high, but it has not been exploited to a satisfactory extent by the local bodies.

The First SFC of Kerala recommended that the present method of assessing annual rental value (ARV) of residential buildings in rural and urban local bodies (on the basis of which Property Tax is fixed) might be dispensed with (because of its drawbacks) and the plinth area of the buildings might be adopted as the basis for arriving at the rental value. Even then, there will be differences in rent due to the difference in location, type of construction of the building and similar other attributes. So, before the changeover to plinth area as the basis for arriving at the rental value, it is necessary to conduct a field study to decide the division of the local bodies into different zones and localities and the categorization of buildings according to the quality of construction. The Second SFC of Kerala also has expressed similar views.

For the assessment of the tax potential on the basis of the alternative criteria, an amendment of the Kerala Panchayati Raj Act was effected in 1999 (through Act 13 of 1999). However, the corresponding rules were not formulated and circulated for a long time. Therefore, Property Tax continued to be assessed on the basis of rental value arrived at by the old method. In anticipation of switching over to the new method of assessment, majority of the GPs in Kerala have not had any general revision of Property Tax since 1993. Earlier, in a circular issued in 1995, the Government had clarified that since new Property Tax rules as per Section 203 of the Kerala Panchayat Raj Act were not yet announced and since more time was required for the announcement of new building rule, GPs should collect Property Tax as per the then prevailing rules.

However, in December 2001, the Government instructed the LSGIs to take some steps urgently, which, according to the Government, are pre-requisites for Property Tax reforms. These steps include classification of GP Wards into primary and secondary zones and preparation of zonal map. However, after the issue of the said order, no effective steps were taken to ensure compliance by the GPs until the Panchayat Directorate issued a circular once again revealing the intention to switch over to plinth area-based assessment of Property Tax.
As per the circular, it was proposed to conduct a sample survey in 184 selected GPs in Kerala, preceding the switchover to the new method of tax assessment. In connection with this, a one-day training was proposed to be given to Panchayat Secretaries and one staff member each from all the GPs in charge of tax assessment. It was only in June 2007 that the Government of Kerala issued orders for the revision of Property Tax along with the guidelines for the same.

1.2: Objectives of the study

The following are the main objectives of the study.

1. To examine the trend with respect to the growth of both buildings and Property Tax receipts.
2. To estimate the Property Tax potential of the GPs and compare it with their actual Property Tax mobilization efforts.
3. To examine the buoyancy and elasticity of Property Tax as a source of revenue to the GPs.
4. To identify the constraints faced by the GPs in the assessment and collection of Property Tax.
5. To suggest an alternative method of Property Tax assessment such that it will become an elastic source of revenue for the GPs.

1.3: The hypotheses

The method of Property Tax fixation that was in vogue in the context of the GPs in Kerala right from the beginning of the 1960s up to 31-3-2007 has given ample scope for the exercise of discretion by the Panchayat staff in assessing the tax liability. Also, the general revision of Property Tax that has to be done every five years has not taken place since 1993 in the majority of the GPs in Kerala. In view of the above, it is most likely that in a situation when buildings are increasing at an increasing rate, Property Tax receipts are increasing at a decreasing rate. There is also the chance that the buoyancy coefficient showing the rate of change in Property Tax receipts in response to change in the tax base reflects poor tax performance. It is also possible that only a small fraction of the Property Tax potential is being exploited by the GPs. Hence, the following hypotheses are advanced.
1. The rate of growth of buildings in all the GPs is accelerating whereas the rate of growth of Property Tax receipts is decelerating.

2. The buoyancy coefficient showing the responsiveness of Property Tax receipts to changes in the tax base is less than one.

3. The average of the potential Property Tax receipts minus the average of the actual Property Tax receipts is much greater than zero.

1.4: Methodology

To attempt an in-depth analysis of the Property Tax potential of the GPs and the trend with respect to the mobilization of this major source of revenue, we have chosen 15 percent of the GPs in Kannur District. For the purpose of drawing the sample, all the 81 GPs of the District are considered in terms of different variables that are likely to determine the property tax potential of these local bodies, such as size of population, percentage of SCs and STs in the population, urban proximity and grading of the GPs on the basis of the size of own funds. The size of population is an important determinant of the Property Tax potential because a positive relationship is bound to be there between population size and the number of buildings, both residential and non-residential. Coupled with the disappearance of joint families and the modern trend towards nuclear families, a rise in population is likely to lead to a more than proportionate increase in the number of buildings, especially residential buildings, and consequently, to a considerable increase in Panchayat revenue by way of Property Tax. Another factor that has a bearing upon the Property Tax potential is the percentage of economically backward classes in the population because, the higher this percentage, the more will be the number of tax-exempted ‘katcha’ houses. Further, the Government have exempted buildings belonging to SC/ST families from the payment of Property Tax to the Village Panchayats if they are constructed under various schemes of the State Government or local Government or constructed by agencies including NGOs for the benefit of SC/ST families, provided that the plinth area of such a building is less than 30 sq. metres.

A third factor which can ensure a sizeable amount to the GPs by way of Property Tax is their urban proximity. GPs that are lying close to urban centres are found to have huge houses, large number of shopping and other business establishments, cinema theatres,
markets, vehicle stands, shopping complexes owned by the GPs, etc., and all these would mean larger revenue to the local bodies having urban characteristics, than that enjoyed by their rural counterparts.

Another factor that we have taken into account while drawing the sample is the status quo of the GPs as reflected in their grading. Unfortunately, grading of the GPs in Kerala in terms of the size of their own revenue was done as early as in 1983. As per that grading, there were only two GPs in Kannur District (Malappattam GP and Thillankeri GP), which were classified as III Grade GPs (Panchayats with an annual own fund of less than Rs. 50,000 at the time of classification). Assuming that the GPs, which were economically backward way back in 1983 are ‘relatively’ backward even now, these two GPs are included in the sample.

Our selective sample of size 12 is thus constituted as follows: Two GPs (Azhikode and Chirakkal) are drawn from among those having a population of more than 40,000 as per the 2001 census. Pallikkunnu and Elayavoor are included, since these two are Special Grade Panchayats with urban proximity. Dharmadam and Eranholi are chosen as First Grade Panchayats lying close to urban area. Naduvil and Pinarayi are selected as another two First Grade Panchayats without urban characteristics. From among the Panchayats where the percentage of backward population (SCs and STs together) is 10 percent or more, two (Kolayad and Kanichar) are chosen. Finally, the only two Panchayats classified as III Grade as per the ‘latest’ classification (Thillenkeri and Malappattam) are included. Since two Second Grade Panchayats (Kolayad and Kanichar) are already included on the basis of the size of SC/ST population, no more Panchayats are drawn from this category.

In the process of data analysis, it is found that the two GPs with the highest proportion of socially backward population exhibit almost all the characteristics of the two Third Grade GPs. Therefore, we have decided to call all these four GPs as ‘backward GPs’.

We thought of avoiding a random sample because it need not ensure representation to the different categories of GPs, which are likely to exhibit wide variations in terms of Property Tax potential. The presence of different categories of GPs in the sample enables us to identify the factors that account for the low tax potential of some GPs and high tax potential of others.
The data related to Property Tax levied by the GPs of the sample are drawn from the Property Tax Assessment Registers as well as from the Registers of New Buildings Constructed. The relative size of Property Tax in the overall receipts of the GPs is estimated from the Register of Receipts, the Annual Financial Statements or the Demand-Collection-Balance Statements. Secondary data are drawn mainly from the Reports of the First, the Second and the Third SFCs, various issues of Economic Review published by the State Planning Board, Panchayat Level Statistics published by the Department of Economics and Statistics, the Reports of the Comptroller and Auditor General of India and Appendix IV of the budgets for 2006-07 and 2007-08.

In order to assess the extent of the problem of Property Tax underassessment, as many as 500 houses that existed on 31-3-06 in one of the GPs in the sample namely, Pinarari GP, are surveyed. In selecting the sample of 500 houses, random sampling method is not applied for two reasons. First, given that houses in a GP usually vary with respect to the type of construction, age of the building, location, etc., it is to be ensured that houses of all different categories get adequate representation in the sample. Therefore, in consultation with some Ward Members and some other persons who are very much familiar with different parts of the GP, as many as five localities in the GP are identified and houses surveyed, starting from the ones on the main road side and moving to those in the interior parts and in the process, including houses of all the different categories. Second, since a lot of information is to be gathered from each house and the full co-operation of the house owners is to be ensured in this respect, especially in measuring the plinth area, those houses owned by the people who have no close contact with the Ward Members and/or other persons accompanying us had to be avoided.

To work out the extent of the difference between actual and potential Property Tax receipts, the figures of Property Tax actually levied by the GP on these 500 houses (copied from the tax assessment registers of the GP) are compared with the potential tax at the then existing rate structure and norms. Potential tax receipts are estimated (i) by taking the cost of construction of houses as the tax base; and (ii) by taking expected annual rental value of houses as the tax base. In assessing the total cost, the costs per square metre of plinth area announced by the Kerala PWD (taking into account the type and quality of construction of
each part of the house) are used in most of the cases with the exemption of the ones where such rates are not fixed by the PWD (such as the case of houses with walls of sun dried mud bricks). For the latter, cost is estimated in consultation with a few masons of the older generation (who used to make 10 such bricks) and civil engineering personnel. Appropriate depreciations on costs as are announced by the PWD (the annual rates of depreciation varying with the age, quality and type of construction of buildings) are also allowed. Expected annual rental value of the 500 houses of the sample is determined in consultation with the GP Ward Members/local people who have accompanied this researcher while surveying each and every house.

For suggesting an alternative Property Tax rate structure, the annual rental values of the sample of 500 houses that we have assessed are compared with the estimated costs of erection of these houses and from the relationship between the two, the percentage of costs that can be taken as the annual rental value, on the average, is worked out. This is done separately for houses on the main roadside, on the secondary roadside and on footpath side. The percentages so derived can be used to estimate annual rental values corresponding to given costs, which, in turn, can be used as the base for assessing Property Tax. Thus, the arbitrariness in fixing the rental values, and hence the Property Tax, can be completely avoided.

With a view to testing hypothesis 1, apart from computing and comparing the annual growth rates of buildings and of the Property Tax receipts, it is attempted to examine whether the growth is accelerating or decelerating. This is done by estimating the parameter c of the quadratic function of the form $\log y_t = a + bt + ct^2 + u_t$, where $y =$ number of buildings/Property Tax receipts and $t =$ time period (year). This model termed as the log-quadratic model is employed by Reddy (1978), Rao (1980) and Krishnaji (1980). The above model is fitted because when the growth of a variable is conceived as a continuous function of time, the functional form $\log y_t = f(t)$ can be used to denote the growth function. However, one problem encountered in the estimation of quadratic equation is the multicollinearity between $t$ and $t^2$. In order to get out of the multicollinearity problem, the variable $t$ is transformed as $t' = t - (n+1)/2$ (Mukherji and Vaidyanathan: 1980). The model is used to distinguish the acceleration/deceleration of growth, apart from measuring the growth rate itself. When $c > 0,$
there is accelerated growth; when \( c < 0 \), growth decelerates; and when \( c = 0 \), no acceleration/deceleration.

With respect to hypothesis 2, the buoyancy of Property Tax is measured following the method first used by A.R. Prest\(^6\) and employed by many economists in India and abroad, including M.A. Ommen (1987: 466-70). The degree of responsiveness of a tax system is usually measured in terms of the changes in total tax revenue as a result of the changes in the tax base. It is a measure of the *buoyancy* or total tax responsiveness of the tax system. The deliberate and discretionary efforts made to collect taxes may get reflected in this measure along with the built-in-flexibility of the tax system to generate more tax revenue in response to any addition made to the tax base. The following equation is used to estimate buoyancy:

\[
\log T = \log a_1 + b_1 \log C + U_1
\]

where \( T \) shows the actual Property Tax revenue, \( C \) stands for cost of construction of houses (which we have chosen to take as the Property Tax base) and \( U_1 \) is the error term. Buoyancy is given by \( b_1 \). If the buoyancy coefficient is less than one, it shows tax efforts of a poor order.

Though the present study is aimed at estimating both the buoyancy and elasticity of Property Tax as a source of revenue for the GPs, it is found that the way in which data are recorded in the Assessment Registers permit the measurement of only buoyancy; but not elasticity. For estimating the true *elasticity* against the total *buoyancy*, one has to adjust the figures of actual tax receipts for the effect of the discretionary or deliberate changes made. A proportional adjustment method can be used to cancel out the impact of discretionary changes. For example, if the actual Property Tax collection in the year \( t_1 \) is Rs.1,00,000, and discretionary changes in the year (including, say, a general Property Tax revision) account for Rs.10,000 of that Rs.1,00,000 so that at the tax rate of previous year \( t_0 \), revenue would have been only Rs.90,000, revenues in year \( t_1 \) are to be multiplied by 90,000/1,00,000 thus scaling them down to what they would have been without the discretionary changes of the year \( t_1 \). Elasticity is to be then measured by using the equation

\[
\log T_A = \log a_2 + b_2 \log C + U_2
\]

where \( T_A \) stands for adjusted tax revenue, \( C \) for cost of construction of buildings and \( U_2 \) is the error term. Elasticity is given by \( b_2 \). If elasticity is less than unity, the tax rate structure is
not able to automatically generate additional tax revenue proportionate to the increase in tax base.

This means that for measuring elasticity, Property Tax figures recorded in the Assessment Registers have to be adjusted to cancel out the effect of discretionary changes (such as, that of tax revision). However, for reasons to be elaborated in chapter-V, measurement of elasticity is found impossible.

The stated hypothesis (3) is tested by applying the t-test considering (i) the potential Property Tax receipts from the sample of 500 houses estimated on the basis of the cost of construction and the tax on these houses actually levied by the GP; and (ii) the potential Property Tax receipts from the sample of 500 houses estimated on the basis of the expected annual rental value and the tax on these houses actually levied by the GP.

1.5: Presentation of the report

The contents of the report are arranged in 6 chapters. The introductory chapter brings out the importance, objectives and limitations of the study along with the hypotheses advanced and the methodology used.

The second chapter deals exclusively with the literature related to the topic of the present study.

The third chapter describes the various sources of revenue available to the LSGIs in Kerala, including own tax and non-tax sources as well as grants from the central and the state governments.

The fourth chapter, apart from presenting a brief profile on the GPs of the selected sample, examines the various aspects related to Property Tax, which is the focus of the present study – aspects such as composition of buildings in the GPs of the sample, the pattern of distribution of Property Tax receipts among the different categories of buildings, the extent of Property Tax exemptions and the inter-Panchayat variations with respect to the same, the degree of responsiveness of Property Tax receipts to changes in the tax rates, the mean and the standard deviation of the distribution of Property Tax, the growth rate of buildings and that of Property Tax receipts, behaviour of the average Property Tax in the context of different categories of buildings and different time periods and the relative importance of Property Tax as a source of revenue for the GPs.
The fifth chapter constitutes an attempt to measure the extent of the problem of underassessment of Property Tax on the basis of a field survey covering a sample of 500 houses, to identify the factors responsible for the said problem and to illustrate in the light of the field survey the limitations of the latest Government Order, which contains the guidelines for Property Tax revision. An attempt is also made to present the framework of an alternative Property Tax rate structure.

The concluding chapter, after summarizing the main findings of the study, offers some suggestions for increasing the productivity of Property Tax, simultaneously ensuring that the tax assessment follows the principle of equity in taxation.

1.6: Limitations

A part of the study, especially the one on the basis of which Chapter IV is prepared, has relied largely upon the data contained in various GP records. Naturally, the accuracy of the conclusions arrived at is contingent upon the accuracy of the data in the Panchayat records. It is found that in many instances, the category of buildings (such as, shop, shed, house, etc.) is not specified in the Assessment Registers. In such cases, our analysis had to be based on the oral clarifications given by the GP staff. Also it is seen that in some cases, the sum that we ourselves have computed by adding the figures of Property Tax on individual buildings recorded in the Assessment Registers does not agree with the total Property Tax receipts recorded in the Register of Receipts or Annual Financial Statements of the GPs. There are also cases where the sum of the Property Tax receipts for a given year recorded in the document submitted to the SFC is different from the figure recorded in the Register of Receipts, and the latter does not agree with the figure shown in the Annual Financial Statement. In such cases, we have depended exclusively upon the individual Property Tax figures that we have copied from the Assessment Registers and the sum computed by us, ignoring the aggregates recorded in the GP registers.

Keeping in view the amount of time required for a survey covering sufficient number of sample units, the field survey in connection with the present study and the conclusions and suggestions based on the same are confined to the specific case of residential houses.
Notes:

1. As per G.O. (M.S) No. 111/2005/LSGD, TVM, dated 23-4-2005 from Local Self-government (L) Department.

2. G.O. (MS) No. 257/04/LSGD dated TVM 7-8-04.

3. As per G.O. No. 3763/2001 /LSGD dated TVM 7-12-01.

