Chapter-II

Literature Survey

2.1: About the available literature

Vast literature on decentralized planning, Panchayati Raj (PR) and related topics exists at present. The survey of existing literature shows that over the years, various studies have been made on these topics. These studies represent a wide range and diversity in scope, depth, intensity and methodology. Some have appeared as articles in journals, while others in the form of full size books. It is difficult to classify these works into distinct categories because a good number of them cover different aspects of decentralized governance and PR.

2.2: On the history, role, present status, problems and prospects of PRIs

There are a number of works that bring forth some or all of the following aspects related to the functioning of PRIs in India - the history, role, present status, problems and prospects.

Pal (Aug. 2004) outlines the journey made by PRIs from the time of “Raj” to the time of “Swaraj” and how they have managed to survive the drastic changes and upheavals in the social structure of the Indian society. The article critically examines the efforts made by the Centre and the States to strengthen PRIs since Independence and suggests future agenda for strengthening them. With respect to the transfer of funds, functions and functionaries, the author points out that only a few States have transferred the above three aspects pertaining to the 29 subjects in the 11th Schedule. Kerala has performed exceptionally well with regard to the development of the PR system. He is of the view that in majority of the States, except for providing political space to the weaker sections and the women for reflecting their felt needs, not much progress has been made towards making GPs as self-governing institutions. The author suggests that in order to strengthen PRIs, capacity building of the elected representatives has to be ensured and enhanced.

Pal (Jan. 2002) asserts that the underlying philosophy of the 73rd Amendment is to attempt the rebuild of the rural areas in a holistic manner through participatory democracy and bottom-up planning at the grassroots level. The author attempts to examine the extent to
which the GPs have been able to achieve this. He says that even after the 73rd CAA, the State Governments have not made such efforts towards making PRIs autonomous in their areas of operation. Quoting the statement of the Task Force on Devolution of Powers and Functions upon PRIs that “the mandatory provisions of the 73rd Amendment Act are yet to be implemented in letter and spirit by most of the states/UTs, even 8 years after the said Act”, the author says that the GPs, instead of becoming local self governments, become instruments in the hands of the state governments. The unfriendly attitude of the State leadership and bureaucracy towards the GPs is responsible for their plight. In spite of the above, the author points out some welcoming trends such as, the marginalized sections having a say in local governance, trembling of the social walls of segregation, etc. By giving a platform to all marginalized people, GSs can go a long way in removing caste, gender and class barriers that stumble the process of rural reconstruction. The author calls for a change in the mindset of the rural people, particularly, the marginalized sections. Instead of considering themselves merely as a cog in the wheel in the progress of the society, they should feel that they constitute the corner stone of the government system.

Ansari and Shamshad (2007) explain the concept and significance of decentralization, participation, empowerment and devolution in the context of PRIs. They express the view that decentralization and empowerment of the Indian society still remain a distant dream even after 58 years of Independence. The PR system did not take roots in most of the States. Rampant corruption, division of society on the basis of caste, creed and religion, the role of money and muscle power in elections, bureaucratic interference and the vote bank politics of political parties have added to its misery. Organizing GS meetings have turned out to be a mere formality. Among the various suggestions of the authors, it is stressed that PRIs should enjoy financial autonomy and hence, the mere provision of adequate funds is not enough. We have to remove controls and supervision by the State Government over the decisions of the PRIs involving financial commitments relating to budget, taxation, expenditure, contracts, staff appointments, disposal of assets, etc. They must levy and collect their own taxes and manage their resources. However, most revenue sources under the control of local governments are inelastic in nature and hence they will find it a challenging task to meet the commitments. Through a judicious allocation of tax sharing and generous and selective grants in aid, the SFCs have to ensure vertical fiscal equity. Unless the PRIs are able to
generate at least half of the funds required, their autonomy would suffer and unless the local governments had the power to determine the rates of taxes assigned to them, these do not pass the test of local taxes.

The edited work by Joseph (2007) in the 28 papers therein makes a performance appraisal of the local governance mechanism in India for the first 10 years of its mandatory existence. It throws light on the ideas behind these institutions, the challenges they face and the strategies to contain them. The first section is devoted to the very idea of local governance. The authors of the second chapter hold the view that the current discourse on decentralization is anchored in a neo-liberal model of development and hence its connections with the Gandhian visions are superficial. The book also has papers examining the extent to which the newly created institutions have started functioning as expected, the manner in which local government mechanism can bring in social and economic development at the grassroots level, the role of people’s participation in local governance particularly in the State of Kerala, and so on.

Girish Kumar (2006) tries to reconstruct the contemporary history of decentralization in India with a view to understanding its impact on democratization. This is done with reference to the experience of four States – Maharashtra, West Bengal, Karnataka and Madhya Pradesh – which represent three generations of GPs. Using interviews and discussions with all the actors in the field of decentralization, the author presents a detailed account of GP-centred democratic decentralization in these States. The book covers a host of important issues: whether the GPs empower people at the local level, whether people are satisfied with the performance of GPs, and so on. On the basis of his study, the author concludes that until the horizon of the GPs is widened (by establishing horizontal linkages with other local level structures such as self-help groups and user’s associations) and it is redesigned (linking GPs with agricultural production centres) so that it acquires the strength and wherewithal to impact the day-to-day life of the ordinary citizens, the quest for local democracy will remain unfinished.

Varma (2004) observes that with self-governance as its bedrock, the PRIs today offer a deeply cherished goal and a creative tool to usher in all-round rural development. However, despite the Constitutional boost accorded to the PRIs by the 73rd CAA, overwhelming
number of PRIs continues to fail the aspirations of their well-wishers. The author points out some instances of atrocities on women and inter-caste bitterness in Madhya Pradesh and finds fault with the GPs for being inactive in such situations. With massive problems like illiteracy, ignorance, gender injustice, casteism and political opportunitism, PRIs can attain their goals only through sustained training and specially designed orientation courses in various spheres of self-governance.

Pal (Jan. 2004) states that even though one of the objectives of the 73rd Amendment is to give certainty, continuity and strength to the GPs, the experiences of the functioning of the GPs reveal that while elections have been held regularly, barring a few States, the States have been slow in devolving powers to the GP bodies. The fact that most of the states have passed the laws on PRIs only on the eve of the deadline shows the lack of seriousness on the part of the states in piloting their legislations in conformity with the spirit of the Constitution. Also, PR elections were not held in time in a number of states. As far as the transfer of subjects to local bodies is concerned, only a few States have transferred all the 29 subjects listed in the Eleventh Schedule. Eight States/UTs have not devolved any functions (at the time of publication of the work). Some States and UTs have transferred only some functions, ranging from 3 to 25 functions. As regards financial devolution, several states have introduced some qualifying clauses such as “within the limit of its funds”, “to the extent its funds allow to perform”, etc. This presents a hazy picture about the finances of the GPs because it is mainly the resources at their disposal that determine their role in performing developmental activities in their respective areas of operation.

The paper by Oommen (2006) tries to analyze the trend in fiscal decentralization in India focusing on the 15 major non-special category states based on the data set relating to the PRIs and Urban Local Bodies in the Twelfth Finance Commission Report, supplemented by the information contained in the Second SFC Reports of 5 States. The author points out that even with more than a decade of decentralized governance, the fiscal decentralization scenario is disturbing. There is a decline in the percentage of local government expenditure in relation to the total government expenditure in 2002-03 when compared to the expenditures in 1998-99. Particularly, the decline in the expenditure of PRIs, which covers nearly 73 percent of the people, needs special attention because the decentralized governance
is envisaged primarily to improve the quality of life in the rural areas. The own source revenue of local bodies as a proportion of the combined tax and non-tax revenue of the union state and local governments has also declined during the aforesaid period. The author points out that such a trend renders efforts to build autonomous local governments impossible. To the author, by dishonoring and soft peddling on the recommendations of successive SFCs, most state governments have put the fiscal decentralization process in reverse gear.

On the basis of a field study, Vyasulu (2004) argues that the third tier of government is today, 10 years after the Constitution Amendment, no more than an agency of the state governments. The 73rd and 74th CAAs open up an opportunity to change them to local self-governments. This has yet to be realized. Only a few states have innovated under the 73rd Amendment and recorded great progress. A good example is Madhya Pradesh, which has used the District Planning Committee provision in the Seventy fourth Amendment to deconcentrate governments and pass on considerable decision-making powers to the districts. Kerala is another state that has taken planning to the people in an innovative manner and made good use of the 73rd Amendment in this regard. The author suggests that in fiscal matters, transfer of funds must be with minimum of conditions. While a certain amount must be completely untied for the local body to use as it deems fit, there must be other funds meant for specific areas, such as education. But, they must not be tied to specific schemes with rigid norms, as is the case today. Some amount of flexibility should be given to the local elected government.

While examining the reasons for the inadequate empowerment of the PRIs, Prof. Ranbir Singh (2004) points out that this has happened because of the loopholes in the provisions of the Constitution in which the word 'may' has been used instead of 'shall' in the Article 243 G. This has left it to the discretion of the States to decide whether to devolve to the PRIs the 29 subjects given in the Eleventh Schedule. The author also points to the general tendency to blame the political leaders and the bureaucracy for the lack of empowerment of the PRIs. To the author, the rural masses and their elected representatives in the PRIs are equally responsible for this state of affairs. These institutions will be genuinely empowered only if the rural masses and the elected leaders in these institutions themselves put strong pressure on the Central and state Governments for the purpose.
Bandyopadhyay, et al (2003) try to portray the various stages through which the so-called LSGIs had evolved during the British period and post-Independence period. The authors say that all the Acts passed by the State Governments following the 73rd Amendment, excepting the one passed by Kerala, have chosen to deny the status of self-government to the GPs. Except the mandatory Constitutional provisions, the Panchayat Acts of different states have nothing new to offer. Like before, they visualize the GPs as nothing more than a local authority that will exercise such delegated power and authority as may be given to them by the State Acts, or rules or executive orders. There is no attempt at devolution type of transfer of functions, functionaries and financial resources from the State Governments to the GPs. Thus, Constitutionally, they are institutions of self-government. In reality, they are not. Only in the State of Kerala, there has been a genuine attempt to develop the institutions of self-government for local governance. In no other states is there any evidence of realization of the fact that the GPs after the 73rd Constitutional Amendment are qualitatively different from the rural local government institutions of all previous generations. There is a systematic subversion of the institution of GPs both overtly and covertly by the bureaucracy and the MPs and the MLAs who feel threatened by the emerging leadership of the three-tire Panchayati Raj System.

Jha (2004) points out that there is discontent over the half-hearted implementation of the Constitutional provisions relating to PRIs. After the initial excitement of the Seventy-third Amendment, the movement for grassroots democracy has now reached a plateau. Many of the States have not transferred any of the three Fs (funds, functions and functionaries) to the PRIs. And the State Governments are held as the real villains in subverting the Constitutional provisions in letter and spirits. So, another amendment of the Part-IX with more mandatory and binding provisions for the States is strongly advocated. Twelve states and six Union Territories have not devolved any funds (at the time of publication of this work) to these local bodies; six States and three Union Territories have not transferred any subject to them. Ten States and five Union Territories have not transferred any personnel related to the 29 subjects of the Eleventh Schedule. The author suggests that a State level nodal agency should be there to co-ordinate the training programmes aimed at increasing the capacity of elected members.
Patnaik (2003) asserts that decentralization is essential for the success of developmental efforts. There is no use in transferring mere functions and powers unless transfer of the wherewithal with which they would discharge these functions is effected. The local bodies should have access to adequate resources and constitutional safety. According to the author, a cryptic study of the state legislations reveals that the old traditional techniques of state control over PRIs are still in vogue in one form or the other. The State functionaries sometimes directly or indirectly control the elected representatives, although the latter should appropriately be responsible and accountable to the electorate only. Excessive regulation of local decision-making and sometimes, insistence of approval in trivial matters are objectionable as they defeat the purpose of decentralization. Further, the Constitution does not clearly speak of administrative autonomy of local bodies. Again, the manner, extent and degree of devolution to the PRIs are neither prescribed nor detailed in the Directives of the State Governments. Once the discretion is left to the state governments and the state legislations, the elected representatives at the state level, i.e., MLAs are likely to continue to play the game and that is the experience obtaining in most of the states.

The paper by Kaushik (2005) presents a sketch of how PRIs evolved, and undertakes a stocktaking exercise. PRIs can transform governance, empowerment and even delivery of public services. But, many of the constraining problems stem from the fact that despite the 73rd CAA, the authority to GPs is a delegated one and is, therefore, contingent on State-level commitment and action. While there are legitimate reasons for optimism about the evolution of PRIs, the euphoria needs to be muted because of these constraints. The stock taking paper also has a sketch of GP’s role in rural development and the functioning of centrally sponsored schemes, which can, in principle, be delivered through PRIs thereby improving accountability and efficiency, but continues to be delivered through the bureaucratic system or parallel institutions.

Fernandes (2003) expresses the view that ‘aggrandizer government’, in most States, continues to hold on to most powers, even as they have been formally transferred to local governments through legislations. He opines that deficiencies in facilitating the potential of PR persist at three levels – state, PRIs and societal levels. Big government at the State-level with a patrimonial perception of self and aggrandizer instincts has pushed the ‘self-
governance participatory model' of the GPs to the periphery, both at the level of discourse and praxis. Poor finances and political interference have posed a serious challenge to the realization of the potential role envisaged for GPs. If PR has to fulfill its foundational tenets of empowering the community, there is need to recognize the primacy of societal good over individual or political goals. Based on the findings of the study conducted by R.C. Choudhuri and K. Sivasubramaniam in 2001, the author points out that legislations of most States have not significantly altered the functional domains of GPs. The author also feels that little headway seems to be made at economic decentralization either. State Governments seem to have delegated economically less productive, politically less feasible or administratively cumbersome taxes to the PRIs in most of the States. He points out some deficiencies at the GP level such as inadequate staff, institutional inferiority complex vis-à-vis the state government developed by most GP members, horizontal political conflict arising out of the conflicting political aspirations among GP members, vertical political conflict arising over power sharing between the ministers/MLAs of the state legislatures and GP members, etc. He blames the societal perception of GPs, which often get perceived as 'poor man’s burden’ since only those who are economically badly of need to depend on the GP for monetary support and employment and hence have to attend GS meetings.

Dr. Gupta (2002), after touching upon the history of PRIs in India, provisions of the various Acts, recommendations of the various committees on PRIs, importance of GS etc., expresses the view that even though PR system has completed more than 49 years of enactment, it has failed to create new hope and confidence in rural people. He feels that democratic decentralization is the ideology still to be fully achieved. Even after making Constitutional provisions, PRIs are still dependent on the mercy of the State Government and bureaucracy. All political parties have supported decentralization of powers up to the PRIs, but in practice, serious efforts have not been made in this direction. Other problems faced by the PRIs are lack of co-operation between administrative officers and elected representatives, political interference, lack of local leadership, mass illiteracy and poverty, lack of funds, social backwardness, party politics and disputes, etc. The author also presents some suggestions for the success of the PRIs, such as enforcing strictly the Constitutional provisions regarding structure, financial and administrative powers, ending the prevalent party-politics and groupism, imposing restrictions on the powers of the state governments to
dissolve PRIs in an arbitrary manner, etc. He also calls for active participation of the rural people in development activities.

Mathew (1994) has portrayed the ups and downs associated with the evolution of LSGIs in India starting from the years of Community Development, through the Balwantrai Mehta Committee, the days of its decline in the post – Nehruvian era, and its revival and re-emergence following the Ashoka Mehta Committee Report, culminating in the Constitution (Seventy-third Amendment) Act. An account of the experimentations at developing LSGIs in West Bengal, Karnataka, Andhra Pradesh, Orissa and even China is given. Issues like the involvement of political parties, the role of women in PR, and the like have been touched upon. The author has further stressed the need for continuous efforts to ensure active involvement of the people in grassroots governance.

Pasayat and Barik (1998) have examined how the introduction of PRIs turns out to be a significant blow to the bureaucracy. The authors have also examined the importance of reservation in promoting the accelerated uplift of the historically disadvantaged groups, the need for overcoming the persistence of gender bias in social, economic and political spheres of our society, the needs for giving judicial and legal powers to GPs especially in tribal areas, the need for giving more financial powers to the GPs – and various other measures to strengthen the PRIs in our country. The authors consider the reservation of one-third of the GP seats for women as a silent revolution to improve their status.

John (1997) has examined the importance of PRIs in development planning, the approaches to be considered with regard to the methodology of development, planning in PR framework, and several pre-requisites that have to be met for the successful implementation of development planning by local bodies. The author has also stressed the need for proper allocation of finances from the States to the local bodies.

Narain, et al (1970) have attempted to examine how far the old philosophy and media of control are suitable for meeting the tasks and new challenges of development administration in the specific context of Panchayati Raj. Effort has also been made to study the patterns of supervision and control over PRIs comparatively in a few States. The volume also suggests measures to tide over the crisis areas that the study reveals.
Highlighting the role of PRIs, D.K. Ghosh (2001) says that the National Population Policy (NPP) 2000 formulated certain national socio-demographic goals to be achieved by 2010. Within the list of 14 goals included there, six goals can be identified where the GP bodies can directly play some effective role. These are: to achieve universal immunization of children against all vaccine-preventable diseases, to promote delayed marriage for girls, to achieve universal access to information/counseling and providing services for fertility regulation and contraception without any coercive methods to achieve 100 percent registration of birth, death and marriage, to promote vigorously the small family norm and to ensure convergence of social sector programmes for making family welfare programmes people-centered. The emerging women leadership in the GPs can actively participate in the sensitization of rural women against early marriage, in favour of the use of contraceptives, etc. To tackle the problem of population growth, the Governmental machinery may encourage collaborative arrangements with the local bodies non-governmental organizations, civil society or any other persons having interest in the matter. Especially, the GP members have the capacity to reach the minds of the people in significant ways because of their easy acceptance by the local people.

Padmakar (1998) has explained the basic principles on which the Panchayati Raj System in India is based, the main organs in the framework of the system and the functions and the resources of the PRIs. The author has also brought out some weaknesses of the system at work in the country, such as failure to evoke popular support, inability to achieve consensus of the decisions due to factions among the villagers, lack of spirit in leadership, paucity of funds, undue and too much political interference in the work of the development functionaries, etc.

Prof. Raj Singh (1998) has pointed out that in the past, PRIs in our country had been in a state of neglect and impoverishment. These local bodies could not acquire the status and dignity of a viable unit of self-government and a responsive people’s body due to a variety of reasons such as absence of regular and periodic elections, fund shortage, prolonged supersessions, inadequate devolution of powers, etc. The author expresses the hope that the Constitutional status recently accorded to the PRIs will help to overcome many of these problems.
Rao (1998) has expressed the view that the technique of control over local bodies, which has been in vogue since the days of the British, continues in operation in one form or other even now. There are four different channels through which the State Governments exercise supervision and control over PR viz., through application of law, through administrative processes, through persons and through finances. With all the restrictions and controls, PR bodies are reduced to the status of agents of the State Governments. This tendency has to be curbed to the maximum possible extent by providing safeguards in the system so as to prevent the State Governments from unduly interfering and controlling local bodies.

Arora and Prabhakar (1997) have highlighted some of the essential pre-requisites for the success of grassroots democracy, such as revamping the Grama Sabha, imparting financial viability and autonomy to GPs, de-bureaucratization, educating the rural masses for bringing changes in their attitude and the inculcation of democratic values in them, and so on.

Pal (1997) has traced the evolution of LSGIs in India since Independence. The author has expressed the fear that without functional, administrative and financial autonomy, PRIs will remain as mere agents of State and Central Governments. Several factors that retard the growth of local self-governments have crept in over the years and, therefore, another amendment to the Constitution is needed to energize the GPs.

Pal (1998) has pointed out that contrary to the promises made in the election manifests, all political parties in our country, except left parties, have exhibited lack of seriousness in strengthening PR system and bringing about genuine decentralization in India.

Thaha (1990) has examined the history of micro level planning in India and summarized the present position with respect to the different aspects of micro level planning across the States, such as devolution of financial resources, plan formulation, implementation and monitoring, etc. The author has also suggested measures for projecting micro level planning in the country, such as improving database, strengthening of planning cell, training of sectoral officers, formulation of perspective development plan, and so on.

Bhargava and Rama Rao (1978) have examined several aspects of rural local government and of urban local government in India. The authors' work contains some useful
discussions on the theoretical foundations of local self-governments and on the role of political parties in the process of grassroots governance. They stress that if well organized and properly armed with powers and functions, representative local government can become the best centers of arousing enthusiasm and interest among the people to participate actively in the management of their own affairs.

Sharma (1994), apart from portraying the evolution of PR in India and the salient features of the 73rd Constitutional Amendment, has presented PR as an experiment in empowerment of the rural people and has stressed the need that PR should become a movement ensuring people’s confidence for having social justice and fair play.

Hoshiar Singh (1995) has highlighted the basic concepts and approaches to rural development, examined the administrative set up for rural development at the National, State, District and local levels, and has evaluated the various programmes started by the Government of India for development of rural areas in general and for removal of poverty in particular, such as revitalizing PR.

Several works are based on seminars, conferences and symposia on the subject. With local governments having recently gained Constitutional status, the related views, suggestions, experiences and lessons that form part of the D.T. Lakdawala Memorial Symposium proceedings presented in “Decentralized Planning and PR” (Adiseshiah et al:1994) is a valuable addition to the literature on local self-governments and decentralized planning. The book contains articles by five eminent persons having thorough knowledge of the various theoretical and practical aspects of decentralization. The experiences of Karnataka and West Bengal in the field of decentralized planning are presented by Ramakrishna Hegde and Ashim Dasgupta, Pranab Mukherjee has highlighted the need for a three-tier system of elected government with Constitutional status while Malcolm Adiseshiah has warned of the dangers of political decentralization unaccompanied by agrarian reforms. George Fernandes, apart from discussing the various dimensions of decentralized planning, has emphasized the relevance of Ram Manohar Lohia’s “four pillar State” model.

Mukherjee’s edited work (1994) is an outgrowth of the National Seminar on “PR: Agenda for the Nineties” held at the Lal Bahadur Shastri National Academy of Administration, Mussoorie, India in June 1993. The papers in this volume examine the
measures to be taken so as to practise any meaningful decentralization. Various issues like allocation of developmental and planning functions to the GPs, their resource endowments, the institutional arrangements and personnel policies, the experiences of, and the lessons learnt from experiences in decentralized planning in some States and the measures that should be taken to avoid the pitfalls associated with democratic decentralization – have all been examined in this volume.

The National Institute of Rural Development (NIRD), in collaboration with the Konrad Adenauer Foundation, organized a three-day conference on “Emerging Trends in PR in India” focusing mainly on the steps to be taken to operationalize effectively the PRIs in the country (Jain, Hochgesang: 1995). The publication giving the twenty papers presented at the conference contains recommendations on different aspects of PR system.

Several works that unfold the history of the gradual evolution of local self-governing institutions in India are available. Mookerji (1920) has attempted a systematic presentation of the origin and development of various local institutions in India. Shiviah et-al (1976) has presented the historical background with respect to the nature and working of local self-governing bodies in India, starting from the early Vedic times and going up to Independence.

Khatri (1998) has asserted that people’s conscious and intelligent participation in decision-making, planning implementation, monitoring and evaluation of various rural development programmes is essential for achieving sustainable development. The author has examined the scope for the introduction of People’s Audit to ensure popular participation and transparency in the functioning of GPs. Here, the author has attempted to assess the impact of a few selected rural development programmes in two selected villages of Bellary District in Karnataka. Based on the findings of the study, an approach to People’s Audit is recommended. It consisted of four steps: canvassing questionnaire with a simple format, group discussion, preparation of village map and holding Grama Sabha.

Paul and Paul (2003) point out that sustainable development is not a concept that can be implemented through a ‘top-down’ approach. Any strategy for environmentally sound development needs the awareness, the help and the active participation of the people. Hence, the most important task for environmental education for sustainable development must be to motivate people to get involved in community action and to ensure people’s participation in
various environmental protection and management projects. Here lies the importance of GPs and non-governmental organizations that are inculcating the rural masses regarding issues like participation, motivation and involvement. After explaining the meaning and relevance of sustainable development, and the role of GPs and NGOs in this respect, the authors express concern over the clash of ideology between NGOs and GPs which had hampered the collaborative work as well as participation of NGOs in the development process. The authors suggest that local NGOs should be invited and consulted at the various standing committee meetings in various levels of GPs and their plan of action and suggestions may be taken into account during annual Plan formation.

Mathew (1999) has maintained that with the revitalization of PRIs, both GPs and voluntary organizations have a crucial role to play and can work together effectively if they view each other as partners in the process of decentralization and development. Voluntary organizations can involve in development programmes like disseminating information, supplementing government efforts so as to offer the rural poor choices and alternatives, acting as the eyes and ears of the people at the village level, activating the delivery system and making it effective at the village level in response to the felt needs of the poorest of the poor, and so on.

Sinha (1999), after explaining the advantages of decentralization, has reminded that going too fast with the process of reforms and changes in the area of PR system is not desirable. The new generation PRIs should be given some more time and experience to stabilize. Invasion of new experiments at such a tender stage might lead to their stunted and distorted growth. The author expresses the view that it would be wiser to infuse additional doze of working mechanism and functional procedures into these institutions within the existing arrangement.

2.3: On the experience across the Indian states

Works examining the progress of PR in individual States are also available. The Institute of Social Sciences has brought out a book in 1995 presenting the history, tradition, structure and functioning of the GPs in various States of India. Each one of its 25 chapters is devoted to each State. Thus, the book gives us in one volume all that one would like to know about PR in the States of India.
Webster (1992) has examined the emergence of PR as a strategy of decentralized administration in India and also the impact of PR programme for greater decentralized planning and local government in West Bengal.

Khanna (1994) has thrown light on the achievements, shortcomings and prospects of PR in India and has also specifically examined the working of the system in 10 States (Andhra Pradesh, Bihar, Gujarat, Haryana, Karnataka, Kerala, Maharashtra, Punjab, Uttar Pradesh and West Bengal). The edited volume by Palanithurai, Narayanasamy and Dwaraki (1997) has examined the major issues in the new PR system in the context of Tamilnadu.

The National Institute of Rural Development (1995) has attempted a quick appraisal of the PR system covering 10 major States viz., Andhra Pradesh, Gujarat, Haryana, Karnataka, Madhya Pradesh, Maharashtra, Punjab, Rajasthan, Uttar Pradesh and West Bengal. The work has highlighted the salient features of the PR organizations, the planning process and other operational aspects such as, staffing, budgeting, etc. in respect of the States covered. On the basis of the findings of the study, recommendations are advanced for follow-up action.

The paper by Besley, et al (2007) reviews the findings from a research project on political economy of Indian GPs in four states in South India. The research is based on a household and village survey covering 522 villages in Karnataka, Andhra Pradesh, Kerala and Tamilnadu. In their study pertaining to how the Panchayat system is targeting resources across households and villages, they found that SC/ST households are more likely than non-SC/ST households to receive household transfers suggesting that these groups are targeted in villages. Further, SC/ST households living in a reserved GP are 7 percent more likely to receive a transfer under government schemes relative to those living in non-reserved GPs. Another observation is that SC/ST and landless households are more likely to attend GS meetings in villages that have a greater number of literate households. These groups find the GS useful and that the GS meetings may play some role in moving policy in a direction favourable to these groups. Charvak (1997) has attempted a comparative study of the experiences of two major States – Kerala and West Bengal – with respect to PRIs.

The book edited by Sethi (2004) focuses on the process of devolving responsibilities and powers to GPs. Attempts are made to identify the strengths and shortcomings of the
existing system of rural fiscal decentralization and on this basis, recommendations for policy, organization and implementation changes are made to ensure better delivery of public services. The status of decentralization is elaborated with reference to two states – Kerala and Karnataka – which have moved ahead on fiscal decentralization. The book reveals that of all the states, Kerala has devolved the most to the local governments. Kerala’s other achievements such as increased literacy, especially that of women, have had a positive effect on local governance. The papers in this book present various issues which continue to prevent the GPs in Kerala and Karnataka from functioning properly, such as tied transfers, unpredictability of transfers, lack of transparency of transfers, limited discretion, limited tax bases, low collection, high collection costs, poor financial management practices in fund flows and accountability, etc.

Concentrating on the GPs of Andhra Pradesh, Vithal (1996) has examined the resources of GPs, their taxation powers, the administrative machinery for tax collection, demand-collection-balance particulars of GPs and the tax collection problems experienced. The author has also suggested measures for augmenting the resources of GPs in Andhra Pradesh. Vithal (1998b) has examined the PR scenario obtaining across the country and revealed that almost all the States are faced with problems on the issues of devolution of powers, finances, staffing PR and the linkages within different tiers of GPs. The author has also enumerated the obligatory and optional functions assigned to the PRIs in Karnataka, Haryana, Madhya Pradesh, Rajasthan and West Bengal.

Mohinder Singh (1998) has conducted a study on the role of GPs after the 73rd Amendment, selecting a sample of 15 villages from the District of Kurukshetra, Haryana State. The author has observed several pitfalls such as failure to activate GS and has advanced some suggestions for making the GPs effective instruments of socio-economic changes in the countryside, such as activating the GS, ensuring that all members of the GPs have accurate knowledge and information pertaining to poverty alleviation programmes which they can disseminate among the beneficiaries, making the GPs play an active role in curbing social evils, ensuring whole-hearted support from the State Government, and so on.

Jain and Vithal (1998) have explained the evolution and structure of the institution of Village GPs in Punjab and the means of supervision and control over PRIs in the State. The
author has also examined the trends with respect to the conduct of elections to the local bodies in the State.

Baldev Singh (1996) has attempted to develop a conceptualization of decentralization, PRIs and district planning. The book also examines the experience of Punjab in the field of decentralization. The volume is presented in four broad parts. Part-I examines the theoretical foundations and planning experiences in respect of decentralization. Part-II on LSGIs examines the provisions of the Punjab PR Bill 1994, and GP finances. Part-III on agro-climatic regional planning strategy examines the district’s strengths and weaknesses in terms of population and work force, income flows and non-agricultural and agricultural enterprises. In Part-IV, the author presents a development strategy for the district economy.

Vithal (1998a) has also portrayed the evolution of the PR system in Madhya Pradesh, the composition and the functions of the different tiers of the local governments in the State, the functions and powers of the Grama Sabha, and has examined how the new arrangements for grassroots governance in the State can be considered effective in promoting participatory democracy.

Krishnan’s (1992) study has mainly concentrated on the functioning of the PR system in Karnataka State. The book offers various suggestions to remove the pitfalls observed in the system in Karnataka. The author has also discussed the concept of PR in general in the Indian context and the experience of other Third World Countries in relation to decentralization.

Behar (2003) says that the grama swaraj system introduced by the Madhya Pradesh Government on January 26, 2001, had raised a lot of hopes. But, the enthusiasm has declined in the State due to a very modest beginning of the system. It was clear from the beginning that a state-led endeavor could not be successful without a massive mobilization effort and support by the State apparatus. Disappointingly, State support has been inconsistent leading to irregular institutionalization and development of the grama swaraj system. The potential and the space for change provided by grama swaraj remain rather underutilized. The author points out that monthly meetings of the GS under the grama swaraj system have not been held regularly in any part of the State. Often, the meetings have to be postponed due to the lack of quorum. The participation of women and the marginalized was meagre. The
Government and the civil society have been unable to communicate the message of gram swaraj to the people.

Narayana (2005) points out that conditions necessary for the transformation of GPs into local governments are devolution of powers, resources and functions to them and capacity building among local representatives. He examines the performance of the GPs in terms of the last condition. In particular, the paper analyzes the performance of elected representatives at the GP level in Madhya Pradesh, Tamil Nadu and Kerala. The author points out that even though laws have been passed empowering GPs for local development, capacity building of elected representatives is poorly addressed. In Madhya Pradesh and Tamil Nadu, elected ward members show poor awareness of powers and responsibilities, but Kerala is different. The poor involvement of women is another handicap. The author is of the view that whereas in Madhya Pradesh and Tamil Nadu, GPs are perceived as agents of the state governments, in Kerala, they are, in fact, local governments. In Tamil Nadu, the government is reluctant to give powers to the local bodies and it issues executive orders instead of notifications on the 29 subjects mentioned in the Tamil Nadu GPs Act, 1994.

Datta (1998a) has brought out a book on decentralization, which has both macro and micro focus in the sense that the work contains articles on the overall picture with respect to decentralization in India and also articles pertaining to the specific case of West Bengal. The author calls for empowerment of the people in the process of decentralization of powers and functions.

Ghosh and Maji (2004) present the salient features of the 73rd Amendment Act, 1992. After examining the history and structure of the Panchayati Raj System in West Bengal, the authors look into the obligatory and discretionary functions of Grama Sabhas, sources of finance for their performance, the functions and the sources of finance of the Panchayat samiti (the middle tier of PR) and that of zila parishad (the highest tier). The authors also present some of the problems faced by the Panchayati Raj System in West Bengal, such as absence of provision for systematic and regular course of training for technical, non-technical and other types of Panchayat staff, absence of minimum education requirement prescribed for the members of GPs, Panchayat samiti and zila parishad, paucity of definite account and audit rules, etc.
The article by Chatterjee (2003) raises several questions on the move by the Government of West Bengal to provide greater impetus to grassroots planning by introducing an amendment to the West Bengal Panchayat Act, 1973. This amendment adds a ‘gram unnayan samithi’ at the gram samsad level (the lowest rung of the village republic comprising of around 800 villagers – 49,000 ‘gram unnayan samithis’ for the same number of samsads in West Bengal) made up of the nominated members of the GP and development experts, which will receive half the money previously used to be devolved to the GPs. ‘Gram unnayan samithi’ is the addition to the existing three tiers namely, GP, Panchayat samithi and zila parishad. The author states that this samithi is an adapted and distorted version of the programme of the ‘convergent community action’ (CCA) movement initiated by the Government of West Bengal in 1986 in Midnapore with Kerala as the stated precursor and which was summarily abandoned for lack of adequate inputs and training.

Ghatak and Ghatak (2002) point out that the experience of West Bengal under the PR System stands in sharp contrast with that of other states. Bengal is the first and the only major State to have had timely GP elections on a party basis regularly every five years since 1978. But, in spite of its pioneering status in terms of reforms of the Panchayat system, West Bengal lags behind several other states today in terms of devolution of powers, finances and functions to the PRIs. Also, the extent of people’s participation in the planning process is significantly less compared to that in Kerala. Comparing Panchayat reforms in the two States, the author says that reforms in West Bengal in the form of introducing participatory forums like village constituency and village council meetings in the mid-nineties, and in Kerala in the form of people’s plan in the late nineties can be thought of as second generation efforts to strengthen PRIs.

2.4: On the decentralization process and the Panchayti Raj System in Kerala

There are several works that have essentially focused on the decentralization process and the Panchayat system in Kerala.

John. O. (1998) has looked into the working of each tier of the PR system with a view to understanding its effectiveness and constraints it is facing in its working. The author has examined the present status of the local bodies in Kerala with respect to functional, financial and administrative autonomy, the People’s Plan process in the State, the powers, functions
and performance of the Grama Sabha, the composition of the PRIs in the State, and so on, and has concluded that the Panchayati Raj bodies in Kerala are in a better position now when compared to previous years, endowed with plenty of resources and Constitutional protection. The author feels that the few problems that are experienced are common to any new plan being introduced for the first time.

The paper by Sharma (2003) attempts to comprehend and analyze the successes and shortcomings of the people's campaign in Kerala. It presents in detail the history of decentralization in Kerala and the process of planning and plan implementation under people's campaign. It first deals with the context in which this initiative was taken, then addresses the initial conceptualization and planning of the campaign and implementation in the initial years. The paper then tries to analyze the operation of the people's campaign on the basis of a case study of 10 GPs in Palakkad District, covering the period May-June 2001. It was found that the plan formulation and implementation faced some major hurdles such as the negative impact of intensified political rivalry leading to reluctance on the part of competent voluntary workers to cooperate since they do not want to serve in a Panchayat controlled by a faction other than their own, staff shortage, particularly the absence of accountants despite the enhanced fiscal responsibilities, difficulties in finalizing plans and project reports on time due to shortage of experienced and competent resource persons and task force volunteers, gram sabhas considering only the immediate needs of the people, thus turning out to be ineffective for long-term development planning, etc. The author points out the issues can help to focus attention on what needs to be done to make decentralization a meaningful full exercise in other states. The author also calls for major professional upgradation since even in a state such as Kerala where literacy and government facilities are superior to those of other states, the lack of technical, administrative and financial know-how of the local bodies is a major bottleneck.

Bhargava and Samal (1998), after looking into the history of decentralized planning as an instrument of economic development in India, has examined the steps taken by the Government of Kerala towards democratic decentralization. The author has also offered some suggestions that have to be considered to ensure that decentralized planning work successfully in Kerala, such as strengthening Grama Sabha, clear laying down of procedures
and rules for the formulation and implementation of development programmes, providing adequate number of personnel at the GP level, integrating and co-ordinating the plans of different tiers, etc.

Pillai (1986) has examined some major economic issues relating to the GPs in India with particular reference to Kerala. Problems pertaining to the needs, resources, and utilization of funds by GPs, problems involved in State-local fiscal relations, etc. are analyzed. The author has also offered suggestions for improving the existing system of financial transfers to GPs.

Das. M.K (2000) points out that the proposal made by the Sen Committee to downsize the State Secretariat through deployment of staff in the Districts and GPs came to be implemented only very partly. This has had its baneful impact as much on the contents of the “people’s plan” as on its execution. One obvious outcome of this was that the kind of support systems and expertise envisaged at the gram, block and district GPs under the “people’s plan” programme could not be provided. With no expert guidance of the required nature being available, the process of grassroots planning did not get the kind of orientation envisaged by the protagonists of the “people’s plan”. Though in the initial days the Grama Sabhas had incredible attendance, the interest in them slowly waned and attendance became thin. Large funds received by the GPs were spent, not so much on asset creation as for patronage, largely political, but partly social. However, in spite of the shortcomings, “people’s plan” did have its share of achievements. There had been innumerable GPs that have taken the experiment quite seriously and brought about the kind of changes envisaged by the “people’s plan”.

Oommen (2004) examines the Kerala experience of fiscal decentralization to consider the way ahead – not only for the State, but also for India as a whole. The paper points out that in spite of the remarkable progress towards decentralized planning and participatory governance made by Kerala, much ground still remains to be covered. Among the major problems that persist are: the need for greater revenue mobilization at the local level, capacity building and strengthening the accountability system. He is of the view that the progress in revenue decentralization is unsatisfactory and, therefore, recommends some policy measures such as reviewing tax assignments, imposing or increasing user charges,
stepping up measures to augment tax efforts, introducing tax diversification, introducing plinth area-based annual valuing of property, introducing performance-based incentive in the devolution of funds, etc. The study has presented substantial evidences of inadequate tax efforts. The author also presents a summary of the evolution of the local bodies in Kerala, starting from the pre-Amendment period..

The book by Isaac and Franke (2000) documents and assesses a process in which Thomas Isaac, as a member in charge of Decentralization in the Kerala State Planning Board, was closely involved, both at the design and implementation stages. Collective assessments made by the key actors in the campaign as expressed in the responses to questionnaire surveys and during review discussions have also been incorporated. It discusses the process through which the campaign unfolded and the mistakes committed and corrected, chances taken and policies created.

The article by John (2002) at first examines the meaning, need and scope of 'performance auditing', which was introduced in Kerala during 1997-98 on the basis of the recommendations of the Sen Committee. Then, the article goes through the organizational set up of the performance audit system at the GP, block Panchayat and district Panchayat levels and the procedure for performance auditing as is followed in Kerala. The author points out various irregularities in the utilization of the Plan fund devolved to GP and block Panchayat bodies, as are disclosed in the first report of the Performance Audit Authority covering the period 1997-2001. The author feels that though the system of performance audit has to be strengthened, it should not turn out to be a weapon to decelerate the process of decentralized planning in the State.

2.5: On the fiscal domain of the GPs

There are several works examining the fiscal domain of the GPs.

Rao and Rao (2008) point out that poor revenue collection at the local level has been a major constraint in realizing the benefits of fiscal decentralization. A critical factor necessary for strengthening Panchayats is to enable and empower them to enhance their own revenue. Inadequate assignments combined with low levels of efforts by the local bodies have led to high levels of transfer dependence and low fiscal autonomy. The Panchayats are not able to exploit properly even the only notable tax base assigned to them – the Property Tax.
Therefore, it is important to build the capacity of the panchayts to administer and enforce the taxes assigned to them. The basic requirement in building their capacity is to create a reliable data and information system.

Jena (1997) has stressed that the local self-governments should have the freedom to raise the required resources rather than depending largely on State governments for funds. It is necessary to evolve principles of assigning resources to the PRIs and simultaneously improving their capacity to mobilize funds to ensure a sound financial base that will enable them to perform the functions allotted to them. The article also outlined the inter-State experiences with respect to Panchayat finances and also suggested steps to improve the financial position of the GPs.

Marjit (1999) has talked about financial autonomy of local bodies such as GPs. The author feels that making GPs depend upon the Central and State hierarchies is inefficient since the hierarchies may not be interested in providing them with the required financial freedom and so, he calls for decentralization of financial power. Further, the author has suggested a mechanism by which GPs can come in direct contact with the private taxpayers and other funding agencies. The author has also analyzed the situations where centralization and decentralization of public decisions explicitly incorporate corruption as an element of reality we are unable to ignore.

Geetharani (1999) has reviewed critically the recommendations of the SFCs of five states, viz., Karnataka, Kerala, Punjab, Rajasthan and West Bengal on financial devolution to the PRIs. According to the author, the SFCs should assess the requirements of the local bodies and provide guidelines for tax assignment, revenue sharing and provision of grants, besides reviewing the financial position of the local bodies and suggesting measures for improving their finance. At the same time, the author has warned of the chance of extravagance and fiscal irresponsibility on the part of GPs in the event of unrestricted transfer of funds to them.

Vithal (1997) has pointed out that though the GPs are given wide-ranging powers of taxation, their conditions are highly deplorable as they are unable to mobilize effectively their own resources. To him, several small GPs are not in a position even to perform the obligatory functions like provision of drinking water, maintenance of roads, sanitation, street
lighting, etc. In this article, the author has also presented a broad list of items (such as taxes, fees, fines, etc.) which the local bodies are empowered to collect, analyzed across the country.

The Second SFC (2001) highlights the specific achievements with respect to decentralization of governance in Kerala and also summarizes the recommendations of the First SFC. Commenting on the tax mobilization efforts of the LSGIs, the Second SFC says that the local bodies’ tax collections are way below potential and this makes them extremely dependent on devolution from the State Government. The Second SFC expresses concern over the tendency to treat the jurisdiction of the SFC as being confined to the devolution of non-Plan funds, the matter of Plan funds being considered as a prerogative of the State Government. The Commission expresses the view that a certain fixed proportion of the total tax revenue of the State Government may be earmarked for devolution to the LSGIs for both Plan and non-Plan use. The State Government, in turn, can retain the proceeds of taxes which are either ‘assigned’ or ‘shared’ till now, for its use – a radical departure from the prevailing system. The Commission expresses the desirability to continue, for some more time, the practice of allocation of 35 per cent to 40 per cent of the Plan funds to the LSGIs. The State Government should provide the entire maintenance expenditure on the pre-existing assets of the local bodies, on the assets transferred to them after September 1995 and on the assets newly constructed by them in the period since 1997-98. Also, operating costs would have to be met by the State Government even on assets newly created by the LSGIs unless these assets happen to be commercially viable. The Commission also points out some of the problems associated with resource mobilization, such as inelastic tax base, which cannot be widened easily, gross under assessment, etc. The Commission gives a detailed account of the sources of tax and non-tax revenue for the local bodies, along with their rate structure and puts forward a number of suggestions for improving collection and collection efficiency with respect to each and every source. It presents detailed norms on the basis of which funds shall be devolved to the local bodies and the totals shall be distributed among individual government units.

Nair (2004) expresses the view that the Kerala Panchayat Raj Act, 1994, while entrusting the village GPs with vastly enhanced functional and expenditure responsibilities,
had not made any change in the resource raising potential that existed prior to the passing of the Act. This has only widened the already existing mismatch between resources and responsibilities. In the light of the above view, the study was conducted with the objective of estimating the fiscal potential of village GPs on the basis of selective sample study, to compare the fiscal potential with the actual efforts made by the village GPs, and to identify the constraints faced by them in resource mobilization. The study revealed that tax revenue constituted the highest share in the total revenue (excluding the plan grants) of all the six GPs in the sample. In majority of the cases, the Property Tax and the Profession Tax together accounted for nearly 90 per cent of the total own tax revenue. The rate of Property Tax imposed by all the six GPs in the sample is the same – 6 per cent of the annual rental value of residential buildings, though they have the power to raise it up to 10 per cent. The exemption of Property Tax given to huts (with a plinth area of less than 20 sq. m.) in GPs with mud walls and thatched roofs was widely misused by stretching the definition beyond reasonable limits. The data collected using the household schedule revealed that a significant number of houses that are exempted from Property Tax are those that are enjoying all modern basic facilities (electricity, drinking water, latrine, gas, etc.), and hence, need to be taxed. The percentage of enterprises not paying any taxes to the GPs varied from 26 to 75. In the case of payment of Profession Tax also, compliance is found to be only 40 per cent to 50 per cent. The study also reveals that there are a number of GPs whose own income is insufficient to pay even their establishment expenditure. A number of them fall under the category of “minus funds GPs” which means that funds placed at their disposal by government for purposes other than meeting of housekeeping expenses are in fact being used for housekeeping expenses. Assessing building tax on the basis of estimated rental value is quite arbitrary. Therefore, plinth area should become the basis of assessment. In the case of Property Tax, it is estimated that actual collection is a mere 26 per cent to 51 per cent of the potential in the case of the six GPs studied.

Jayaramaiah (2005) points out that in Karnataka, the fiscal powers of the PRIs adopted prior to the Seventy-third Amendment Act, continue to be the same in the present system also. No tax powers were given to Zilla Parishads that functioned between 1987 and 1991. The present Zilla GPs are also not given tax powers. Further, no tax is shared and no tax is assigned to the district-level tier either before or post-1993 Act. The same is true with respect
to Taluk GPs in the present system, except that they get a share in the stamp duty. His study reveals that the GPs are not rigorous in their tax mobilization efforts. During 1994-'95, the six GPs in his sample could collect only up to nineteen per cent of the total tax demand. In the subsequent years, the rate of tax collection to the total demand increased to around 30 per cent. A study of the same for all the GPs in the State revealed that during 1995-96, the level of tax collection against total demand was 23 per cent and the same rose to 47 per cent and 54 per cent respectively during 1996-97 and 1997-98. Also, GPs have tapped only a few of its tax powers. The taxes untouched by the GPs of his sample are: Entertainment Tax, Advertisement Tax, vehicle tax, etc. The GPs heavily depend up on grants for their needs and nearly two-thirds comes from the Centre (including Union Finance Commission grant). Of the various types of taxes that can be collected by the GPs, only housing tax is the elastic source.

Rajaraman (2003) brings out a variety of considerations to bear upon the design of a fiscal domain for GPs,. The book constructs a careful case for transfer to GPs of the right to tax agriculture through a set of crop-specific norm-based levies on agricultural land. The book suggests a design for the levy that is simple, parsimonious in its information requirements for assessment and, therefore feasible at Panchayat level. The ultimate intent is to strengthen the Panchayat level governance, and thereby improve performance and delivery of the critical functions assigned to them. She stresses the need to follow up political empowerment of GPs with economic empowerment in accordance with the percepts of public finance and international practices. She points out that levying of two most important taxes on private property by state government – tax on agricultural land and stamp duty on transfer of property – is contrary to the common practice world wide whereby property taxation is assigned to the fiscal domain of the local bodies. She also stresses the need to embody incentives for local resource generation in the design of revenue transfers from higher levels of government.

Oommen and Datta (1995) have examined the financial position of the PRIs in the wake of the Seventy-third Amendment. Oommen reviews the existing structure of Panchayat finance in a historical context and discusses the important principles and problems of intergovernmental transfers in the context of the Constitutional Amendment and the Tenth
Finance Commission’s recommendations. Abhijith Datta focuses on the tasks before the SFCs in relation to Panchayat functions and finances. He also considers the issues relating to fiscal restructuring of the GPs in terms of their Plan finance and revenue base.

Chahar’s edited work (2005) comprises 29 papers of which two are specifically designed as discussions on the resource base of the GPs. The paper by O.B. Bohra examines the approach of the Central as well as the SFCs in the transfer of funds to the local bodies and the impact of such fiscal transfers. After examining the taxation powers of the GPs, the performance of individual States with respect to tax collection and State transfers to local government institutions, the author concludes that in most of the States, the taxes which were levied before the 73rd Amendment are still continued; no new taxation powers are assigned to local bodies. The suggestion is that more and more financial powers should be transferred to them. In another chapter of the same book, S.N. Mishra points out that whatever be the consequences of fund transfers on the basis of the FC recommendations, the more important consideration is that the PRIs should have a strong resource base in terms of resources internal to themselves. However, the trends in the past indicate that much is to be done to tone up the financial base of the PRIs. The fiscal health of the PRIs is fragile and therefore, their fiscal capabilities need be enhanced.

The purpose of the article by Oommen (1998) is to raise certain issues related to the tasks and options facing the EFC with reference to local bodies, especially PRIs. The author feels that the EFC has a crucial task before it in working towards a rational system of federal public finance taking into account the need for building the financial foundation of a third tier of governance in the country.

Oommen’s note (May 2005) is a brief critique of the approach and recommendations of the TFC with reference to the rural and urban local bodies. The author says that future FCs and their counterparts at the state level will have to play a more important role to make fiscal decentralization a working reality in Indian fiscal federalism. Although the primary responsibility regarding state, sub-state level transfer arrangements rest with SFC, it is only reasonable to assume that the Union FC concerned with macro public finances of the country has a moral and broadly interpreted a constitutional responsibility to review the public finances of the local bodies even without the ‘restructuring’ task. The most important
rationale of local governance is the provision of certain basic services of standard quality at the local level. No citizen should suffer because of his/her choice of location of residence. The TFC has not addressed this issue of horizontal equity at the sub-state level adequately. Incidentally, an important problem pointed out by the author is the absence of a reliable public finance database relating to local bodies.

Chitlangi and Tiwari (1998) have analyzed the financial management of the PRIs in Rajasthan, taxation powers of the GPs, the core issues in financial resources for the PRIs and so on, and has suggested measures to improve Panchayat finances.

The study by Shaheena. P. (2003) focuses on some important issues relating to resource mobilization in the context of devolution of lump sum plan grant-in-aid under the decentralized planning programme of Kerala. Major objectives of the study of Shaheena are: to examine the impact of escalation of untied grant-in-aid on tax and non-tax revenue mobilization efforts, to trace the inter-Panchayat variations in the mobilization of resources, to map out the variations in the expected and realized additional resource mobilization together with offering an explanation for the causes for the major shortfalls and to attempt a critical evaluation of the approaches of the SFCs in Kerala. The impact of grant-in-aid on resource mobilization efforts was attempted by analyzing (a) trends in the rate of growth of important tax and non-tax revenue sources; (b) trends in the tax efforts of major tax revenues; and (c) the trend in the ratio of the non-tax revenue to the current expenditure in providing services. The analysis of the trends in tax revenue revealed that important sources of tax revenue started to decelerate from the early 1990s. The appeal for increased efforts to finance part of the plan expenditure through generation of surplus in non-plan account did not seem to have had a positive impact. Non-tax revenues registered an increase in growth rate. Tax efforts declined during the 1990s and deceleration was sharper during the post-decentralization phase. A pooled regression analysis by pooling Panchayat incomes at district level revealed a positive association between per capita district income and own resource mobilization. Positive association was also found between per capita own revenue mobilization of the local self-governing institutions and per capita Net State Domestic Product. However, the coefficient of plan grant-in-aid was negative and statistically significant suggesting thereby a negative impact of plan grants on revenue mobilization.
Another important finding was that the level of development is the prime determinant of the total own revenue collection. This explains the inter-Panchayat variations in own fund collections. It was also found that non-economic factors (political, social and region-specific) influence the resource mobilization efficiency.

2.6: On Property Tax

There are several works, which go to the various aspects related to Property Tax (building tax) that constitutes the most important single source of own revenue for the GPs of Kerala.

Thimmaiah (1998) points out that even though residential and commercial buildings are fast developing and RCC buildings coming up fast in rural areas, a good number of them do not pay building tax at all. On the basis of his discussions with elected representatives in Karnataka, Thimmaiah concludes that the elected representatives are afraid of taxing the owners of these houses because they will resist any try to unseat them in the elections. To him, nearness of the tax collecting authority to the taxpayer is a disadvantage and reduces the revenue potential of even a good source of revenue.

Mathur (1998) points out that though Property Tax is the most important tax source of revenue, it suffers from the problems of persistent under valuation, high tax rates, poor collection efficiency, etc. Rental value on which Property Tax is based is estimated, not through market mechanism, but through administrative procedures. He presents an account of the area-based method of fixing rental values as introduced by the Andhra Pradesh Government, according to which annual rental values of land and buildings shall be deemed to be the gross annual rent at which they may reasonably be expected to be lent with reference to location, type of construction, plinth area, age and nature of use. This has been done by dividing the city into zones and sub-zones, each having differential, pre-determined rental values per square metre of plinth area for the different types of construction. A self-assessment system was suggested to determine annual rental value. In this context, he also explains the revision in the rules of building tax assessment by Patna Municipal Corporation of Bihar, according to which 'reasonable rent' has been specified with reference to the situation, use and type of construction of buildings.
Datta (1998a) discusses the implications of a particular scheme of taxing buildings and land, which may be termed as the area detail system – basically a presumptive taxation of holdings in terms of their zonal and structural characteristics. It implies classification of homogeneous land value zones in a city, and taxing land and buildings in terms of few factors, which appear to be the main determinants of their value, viz., location, type of construction, and age of buildings. A basic tax is to be imposed on the plinth area of the holding which is to be supplemented by surcharges on other property attributes. However, the author admits that the Layfield Committee in U.K. had found such a system of taxation to be arbitrary, iniquitous, inflexible and constitutionally unsustainable.

The Taxation Enquiry Committee (1969), while discussing the “Evolution of the Tax System”, brings out the salient features of the Kerala Building Tax Act, 1961, which was passed with a view to levy a non-recurring tax on buildings based on their floor area or plinth area. The Committee explains the rate structure of building tax based on a slab system and the reason why the Act was challenged before the High Court. The Committee reproduces the relevant extract from the judgment of the High Court, stating that the value of a property should be the basis of taxation and this should be gauged with reference to the value of the income that may be earned from that property. But, the basis of taxation – floorage of the buildings – as is defined in the statute, has reference only to the basement, and the latter has nothing to do with the quality of the buildings, its location, its usefulness and its value, and for that matter, the income that can be derived from that building. In the light of the above Court Order, the Committee recommends a non-recurring tax on buildings with reference to their capital cost.

In Becker’s edited work (1969), Richard M. Bird, L.L. Ecker-Racz, Ernest A. Engelbert and others (1969) consider both the theoretical and practical aspects of the problem of taxing land and buildings in the event of the growing concern over the urban crisis and the relatively declining tax base in American cities. The first part of the book is devoted to a theoretical discussion of land and building taxes and of their impact on economic development in general and on the maintenance and rehabilitation of housing, urban renewal, metropolitan growth and planning, and investment in multiple-family housing in particular. A portion of the second part is allotted to the presentation of the findings of a study conducted in
Australia and New Zealand, which describes the ease and efficiency with which land and building tax can be administered.

In Peterson's edited work (1973), Dick Netzer, John Shannon, Henry Aaron and others highlight the various aspects of Property Tax in U.S.A., which "has been decried for generations as one of the worst of taxes" (A.M. Woodruff in forward), but which remains the "pillar of local government finance" (Woodruff). George E. Peterson points out that in U.S.A., over the last few years, popular irritation with Property Tax has reached such peaks that the commentators have thought they discerned the beginning of a genuine Property Tax revolt. The purpose of the book is to take stock of the criticisms against Property Tax and also, various proposals for Property Tax reform. In chapter-2, Netzer presents a comprehensive critique of the local Property Tax. In chapter-3, Shannon describes the course of Property Tax reforms in U.S.A. and Property Tax relief, and argues its sustainability. Gaffney offers his own agenda for how the Property Tax and its administration ought to be reformed in order to make it function more efficiently as a wealth tax. David C. Long carefully analyzes the school finance reform movement and the inequities the Courts have found in the use of local Property Taxes to pay for public schooling. Bruce W. Hamilton analyzes the incentive to fiscal zoning that is created by the use of Property Tax. Richard Almy examines current assessment practices in U.S.A. and considers how the adoption of certain constructive assessment practices would make the Property Tax more effective and more palatable.

The primary purpose of the study by Netzer (1966) is to investigate the economic effects of the Property Tax on the community. Netzer's analysis presents a composite picture of the nature of the Property Tax, its incidence by economic groups and income classes, its effects on residential and industrial property, future revenue potential of the tax and the advantages and disadvantages of possible modifications. He points out the specific advantages of the housing component of the Property Tax, especially the advantage that the tax-benefit nexus is far more readily perceived for housing taxes than business taxes, since so much of the housing tax is devoted to the financing of local public services enjoyed by the consumers. In addition, the ability-to-pay aspect enhances the general acceptability of Property Tax.
Thus, we see that vast literature on PR system and related topics is available today which is of immense use to anyone who makes a study on these institutions of grassroots democracy and the varied issues relating to their functioning such as their powers, functions and finances. However, none of these has examined this specific research problem namely, the issues connected with the assessment and collection of Property Tax in the GPs of Kerala. The present study is a humble attempt to fill this research vacuum identified in the fiscal field of GPs.