Chapter II

REVIEW OF LITERATURE
In the past sixty years, Panchayati Raj has its ups and downs characterized by encouragement and relative neglect by the Government. So also the research literature on the topic. An attempt is made in this Chapter to present brief review of literature on the topic particularly about Panchayat finances.

Hugh Tinker (1954)\(^1\) examines the important administrative issues with historical interpretation. The study reports that the aims of rural local governments are to provide basic civic amenities and training to people in administering their local problems. Further, it is stated that assignment of local function by the higher layer government in all the countries are common. Because of this there was some delay.

Rajni Kothari (1961)\(^2\) articulated that there is no way of establishing that local savings could be more effectively harnessed for financing the Plans by transferring power to the base: indeed, it is often argued to the contrary that such power would only involve greater utilisation of local resources for local purposes. It should not be forgotten that in all countries, where such mobilization of resources by the local governments has been successfully carried out, the political implication has always been in the direction of authoritarianism. The belief that is possible to "enthuse" the people without rigidly controlling their behaviour is based on western assumptions


regarding political consciousness and the existence of popular movements and readiness to make voluntary effort which are all but lacking in politically underdeveloped nations. In their absence, the concern for harnessing greater manpower would result either in undermining the democratic character of Panchayati Raj or in defeating to own purpose by frittering away the extra resources into wasteful channels. In any event, the gains from decentralisation of power in terms of physical mobilisation of local resources have to be weighed against the political dangers inherent in such an approach, the economic disadvantage in the form of a diminished marketable surplus and wasteful expenditure, and the social disadvantage resulting from conflicts between the dominant caste or economic interest in charge of the local Panchayat and the large mass of villagers sought to be mobilised by them.

Narasimham (1962)\(^3\) argues that taxes given to the Gram Panchayats are generally inelastic in character and they can never bring in adequate revenues to meet the expanding activities of the Panchayats. It is suggested that proper valuation and additional taxes would provide the Panchayats with a relatively more elastic system of local taxes and fees than at present.

The study made by Burney (1967)\(^4\) reveals that house tax continues to be the principal source of revenue of the Gram Panchayats in many States.

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It is suggested that efforts should be made to improve the resource position of the Gram Panchayats through imposition of taxes.

Venkata Rangaiah and Pattabhi Ram (1969)\(^5\) analyzed the evolution of rural local governments. It is reported that the British administration system reduced the powers and functions of village head-men. The account and other public functionaries changed them as salaried officers of the central governments.

The study made by Muthayya (1972)\(^6\) shows that the main function of the Panchayat is to mobilize local resources and degree of success is depending upon the local support. It is found that the villagers were aware of the improvements in the village and felt that the money collected from the people in terms of taxes had been properly utilized.

Marshall (1974)\(^7\) has given a remarkable note on how to manage finances at the local government level. The study made by Joseph S. Slavet, Katheren L. Bradburg, Philip I. Moss (1975)\(^8\) examines the finances of Boston city. It is found that because of inadequacy of financial resources to these bodies some of the municipal functions should be shifted to the state level governments.

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\(^6\) Muthayya, B.C. (1972), 'Panchayati Taxes – factors influencing their mobilization', National Institute of Community Development, Hyderabad.


The study made by Jain (1976) examined how people’s participation, attitudes and opinions of officials and elected representatives are helpful for local administration. It is found that out of four sample Gram Panchayats, two were found to be working satisfactorily. It is suggested that steps should be taken to enable these bodies to play more meaningful and active role in the nation building process.

Rami Reddy (1977) analyzed the development of Panchayat Raj institutions and their pattern in India. It is found that State governments are not taking any interest to strengthen PRIs except changing their names. Niranjan Pant (1980) observed that the Panchayati Raj System in India is to become an arena of conflict to the officials and non officials. The officials are always dominating the non officials in administering the local problems. By this the aim of the Panchayat Raj has been side tracking.

Jacque Legroye and Vincent Wright (1979) discussed on the problem and prospects of local government in Britain and France. The work concentrated on the emergence of the present local government system in Britain and France and their traditional impact and mainly the problem of decentralization.

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The study made by Narayana Rao (1981) discussed the resources of Panchayati Raj Institutions. It is concluded that PRIs derive their powers of taxation from the State laws. The powers, though impressive, are rarely utilized by the Panchayat Samitis or Zilla Parishads while the Gram Panchayats in many a State collect the compulsory taxes. The income of Gram Panchayats, which cover almost all the rural population in many a State in India, was about Rs. 113 crores in 1976-77. Of this, receipts from taxes amounted to about Rs. 39 crores. The bulk of the receipts of Panchayat Samitis and Zilla Parishads was from grants and assigned revenues indicating thereby that the popular representation in these bodies has not led to any appreciable effort to use the available powers of taxation for bringing in more revenues for developmental works and other schemes which may have local priorities. Incentives by way of matching grants did lead in some cases to initiative to raise more resources. The funds actually transferred to Panchayati Raj Institutions are meagre and the impact of all these programmes on rural areas is not bright. There is a great potential for receipts from remunerative enterprises which can be developed by a dynamic and imaginative leadership at the official and non-official levels.

Sivalinga Prasad (1981) examined the organization and working of Panchayats besides administrative aspects of the Village Panchayats. It is found that effective functioning of Panchayats have always faced problem by the finances. The structure of Panchayats becoming feeble because of

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insufficient powers and resources, untrained and incompetent staff, concentration of power in the hands of Sarpanch, ineffective linkage and channels of communication, improper supervision and guidance, insensitive bureaucracy and the improper priorities. These indeed are the basic problems prevailed in the entire Panchayat Raj System in the country.

Dubhashi (1981)\textsuperscript{15} opined that the principle of decentralization has been adopted by several developing countries as a basis of the strategy of socio-economic development. It has been found particularly appropriate in the field of rural development and for many reasons. But it is obvious that the advantages of decentralization cannot be reaped without the establishment of strong and capable local institutions with adequate resources and trained personnel. In the absence of these, the bottom up approach has little chance against the traditional top-bottom approach.

John Stewart (1983)\textsuperscript{16} viewed local authority as political institution capable of exercising significant choice at the level of the locality. It is further stated that they can also be described by the roles performed by them both in maintaining and ordering the areas which they govern.

Shadeer Cheema C, Dennis A Rondinelli (1983)\textsuperscript{17} opined that decentralization could lead to the development of great administrative

\textsuperscript{15} Dubhashi, P.R., (1981), "Decentralization and Rural Development", \textit{Kurukshetra}, Vol.XXIX, No.11, March 1, pp.4-6.


\textsuperscript{17} Shadeer Cheema C, Dennis A Rondinelli (1983), 'Decentralization and Development, Policy Implications in Developing Countries', Sage Publications, New Delhi.
capability among local government and private institutions in the regions and provinces. These local governments are expanding their capacities to take, over the functions that are not usually performed by central ministries.

Sita Ram Singh (1986)\textsuperscript{18} opined that the strength and effectiveness of village Panchayats will depend upon an intelligent, enthusiastic and sustained interest and participation of village community. With greater awareness and organisation among the poor, their numerical strength will get translated into formidable power through the forum of Panchayats and attain social esteem and economic uplift. It is suggested that There should be periodical objective assessment of the performance of Panchayati Raj Institutions to find out the shortcoming and to solve the problems that hamper their progressive efficient functioning.

The study made by Singh (1986)\textsuperscript{19} reveals that of all the problems of the Panchayats, the most crucial is the paucity of funds. State Governments have not made adequate transfer of resources to these units and the grants are not sufficient to commensurate the functions assigned. State Governments do not release assigned revenues or grants in time and they are disinclined to raise resources through local taxation for the fear of becoming unpopular in the face of low tax-paying capacity of a large number of people in the rural sector. The tax resource is not explored properly due to fear of unpopularity as people expect benefit \textit{quid pro quo} for the taxes

\textsuperscript{18} Sita Ram Singh (1986), "Revitalisation of Panchayats", \textit{Kurukshetra}, Vol.XXXIV, No.6, April, pp.4-8.

they pay. Even in respect of these taxes, the state governments have placed many restrictions on their levy and assessment, and tax rates. In many cases the PRIs financial administration is unsatisfactory. Their reluctance and inability to levy new taxes, or increase the tax rate corresponding to the increasing revenue needs, non-assessment or under assessment of taxable units, poor tax collections have, basically, contributed to their meagre tax revenue. Further, the tax base available to a large number of Panchayats is rather very narrow, particularly due to their small size in terms of population and area. By and large, these bodies do not make earliest efforts to mobilise non-tax resources adequately. Considering the limitations of scope for taxation at local levels, it is essential that these bodies should explore the various avenues to augment their revenue from non-tax resources. The traditional sources in the category are fees, license fees, fines etc., which are not capable of yielding any significant revenue. It is suggested that there is need for a hard look not only at Panchayati Raj but at the entire socio-political system in the country for a bright future for the Panchayati Raj Institutions.

Sah (1986)\textsuperscript{20} studied functioning and difficulties of Panchayati Raj Institutions. It is found that the Panchayati Raj Institutions did not succeed in inducing the desired socio-economic and cultural transformation in the rural society. The poor performance of the Panchayati Raj institutions could be attributed to many reasons, however, inadequacies and non-consistency

of many provisions of the Act to be the major limitation for attaining desired transformation of rural society through Gram Panchayats.

The study made by Uma Mahesh Patnaik and Sundara Rao (1986) examined the basic and structural problems of the village Panchayat finances in four villages of Krishna district of Andhra Pradesh. It is found that one of the deplorable features of the Panchayats' tax administration is poor tax collection. In the selected Panchayat finances grants in-aid do not play any significant role. The aggregate picture, however, indicates that grants-in-aid play a minor role in its finances. Most of the grants given by the state governments are ad hoc, inadequate and uncertain. The system of grants is not based on the way and means position of the Panchayats. Non-tax local revenues are playing important role only in the finance of major Panchayats. They are getting considerable revenues in the form of earnings from remunerative enterprises, from licensing, and trade, fees oil buildings and management receipts. Due to political and personal considerations the Panchayats did not attempt honest and serious efforts to mobilize the available non-tax resources. Although the Panchayats enjoy statutory powers to borrow the short-term loans from the state government and from non-governmental source, they are in practice not permitted to do so. The selected Panchayats borrowing from the state government during the selected period is small and insufficient. It is suggested that the state government has to see that the Panchayats should also follow strict rules in the collection of fees, fines and penalties.

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The study made by Indira Hirway (1989)\textsuperscript{22} examines the concepts of Panchayati Raj and the inadequacies of these concepts and the potential of Panchayati Raj in our economic-political system. It is found that Panchayati Raj structures set up in our country are not doing very well and that there is a need to revitalise them. There is basically a need to evolve a comprehensive concept of Panchayati Raj which clearly spells out as to what kind of role is expected from it. The other steps, then, should follow to introduce and develop the new concept.

The study made by Narasimha Sarma (1991)\textsuperscript{23} on Resource Mobilization for Self Sufficiency of Gram Panchayats -A Case Study of Andhra Pradesh throw light on various revenue items and their contribution to Gram Panchayat revenue in the wake of 73\textsuperscript{rd} Amendment. The study identify various new sources of revenue as well as the ways and means to tap the sources efficiently and suggested that water tax and righting tax and public health tax should be enlisted as obligatory taxes instead of surcharges on house tax.

The study made by Neil Webster (1992)\textsuperscript{24} examined the impact of Panchayat Raj programme for greater centralized planning and local government in West Bengal. The study made by Dubey and Sanjay Mitra


\textsuperscript{24} Neil Webster (1992), 'Panchayat Raj and Decentralization of Development Planning in West Bengal', K.P. Bagechi & Company, Culcutta, p.122
(1995)\textsuperscript{25} examines the finances of rural local government institutions. It is found that Panchayats are neither enjoying financial independence nor stability.

Pekka Seppal (1998)\textsuperscript{26} examined various issues relating to local administration and finances. It is suggested that the local government should encourage villagers and businessmen to participate actively in village politics and administration.

The study made by Somanathan (2001)\textsuperscript{27} examined the local governments in the past and present in Britain, France, Germany, Spain and Scandinavia. It is found that political development in the sphere of local government may not succeed until economic growth has first taken place. It is suggested that the powers and roles of local government should be clearly defined and should be transparent.

Surat Singh (2001)\textsuperscript{28} found that Panchayat Raj Institutions do not have adequate resources at their disposal. It was also observed that Panchayats in a number of cases had given 'shamlat lands' on defective leases either without putting the land to auction or without observing the prescribed rules. The income from such leases is much less than normally


\textsuperscript{26} Pekkal Seppal (1998), Tanzania local Administration – A Vehicle for Democratic Development', Institute of Development Studies Research Project, University of Helsinki, Finland.


expected. It has also been found in his study that taxes and cess which were being levied and collected by Panchayat Raj Institutions earlier have now been taken out of their purview. This has left these Institutions in pitiable condition. Another source of income, the share of land revenue, has also been withdrawn. This has made the Panchayats fully dependent on Government for financial resources. Further, the Panchayats do not impose even a single tax. In fact, the Panchayat Raj leadership is reluctant to do so due to the fear of unpopularity. The figures on the income of Panchayats do not indicate any definite trend in his study. The range of fluctuation has been very wide. The study of trend of the allocation of grants-in-aid to the Panchayats does not indicate any increase over the years barely nominal grants are being released by the Government to the Panchayats without taking into account annual growth of population of the villages. Further, the study found that due to cumbersome process of the transfer of funds to the Panchayat Raj bodies, these institutions could make only significant contribution in the process of development.

Sudhir Chandra Jena (2001)\textsuperscript{29} study examined the finances of Panchayat Raj Institutions in historical perspective and also examined the constitutional basis of Panchayat Finances besides the problems in the management of the finance. The study observed that Gram Panchayat is too small institution to maintain an elaborate administrative arrangement to assess the efficiently collect the taxes. Further, the reasons for the week

financial positions of village level Panchayats are that Non - Officials (Sarpanches) seem to be reluctant to impose taxes for the fear of earning unpopularity.

Mallick (2001)\textsuperscript{30} argued that Gram Panchayats are unable to collect few taxes and fess assigned to them simply because there is resistance to such collections. It is observed that most of Gram Panchayats have forgotten their exclusive functions. It is suggested that before financial provisions are made for Gram Panchayats, it must be decided what they would do with such money. The State government may decide what exactly they want the Gram Panchayats to do and spell out them in the Gram Panchayat Act.

Mandakini Das (2001)\textsuperscript{31} in his study found that the present financial position of the rural local bodies is far from satisfactory and is no where near even the minimum standards expected of them. Although the 73\textsuperscript{rd} Amendment to the Constitution has given the powers to the State legislatures to authorize the Panchayats to levy, collect and appropriate suitable local taxes, these institutions have shown utmost unwillingness to raise their own sources by levying new admissible taxes and/or by increasing the existing rates of the old ones. The apprehension of being unpopular with the imposition of new taxes and the fear of their being unseated at the next election are said to be the main determinants.

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\textsuperscript{31} Mandakini Das (2001), 'Finance of Rural Local Bodies of Orissa: A Study', in eds., Bijoyini Mohanty, "Financing the grassroots government", APH Publishing Corporation, New Delhi, pp.57-64.
Mani Shankar Aiyar (2002)\textsuperscript{32} opined that those responsible for implementing economic reforms have unfortunately regarded Panchayati Raj as a sideshow. But not until economic reforms are integrated with planning and implementation through institutions of self-government will grass roots empowerment lead to grass roots development. This then is the right moment to ensure that both move together in tandem. Indeed Panchayati Raj needs to be made the fulcrum of the reform process.

Mahi Pal (2003)\textsuperscript{33} in his study examined the existing and potential income of the Gram Panchayats. The study also examined the gaps between six basic needs, namely, drinking water supply, sanitation, basic education, basic health, roads and paths and electricity. It is found that the sample Gram Panchayats have not levied the house tax, which is an important source of income to Panchayats. Similarly, income from ponds, agricultural farm and other sources has also not been explored by Panchayats. The study suggested that Panchayat should put in practice the powers of raising financial resources given in the Gram Panchayat Act. Gram Panchayat should convince the villagers through the institution of Gram Sabha about the use of additional income in providing basic needs to them. The level of devolution of funds from the State and the Central Governments should be linked with the resources mobilized by the Panchayats themselves.


\textsuperscript{33} Mahi Pal (2003), 'Gap between Needs and Resources of Panchayats in India: A Study of Saharanpur District (UP)'. Mittal Publications, New Delhi.
Shakun Palharya (2003) found that the functioning of Panchayat Raj Institutions has been severely hampered by financial constraints and inadequate resource mobilization after implementation of the 73rd Amendment to the Constitution. Taxes assigned to them are by and large not very productive of revenue. These Institutions should be enabled to levy local taxes on their own and mechanisms should be set up to ensure periodic revaluation of taxable properties.

Bandyopadhyay, et. al. (2003) study analyzed historical roots of the basic contradictions that have haunted the rural self-governing institutions of India. They asserted that historical contradictions have been further sharpened by the 73rd constitutional amendment. Though the concept of self-government at the local level has been guaranteed by the Constitution, it has been given a go by in practice by the ruling establishment. Institutional changes brought about by the 73rd amendment have helped create a space at the grass roots level for these contradictions to be challenged by disadvantaged sections. This might create a ground swell demanding autonomy of Panchayats to ensure responsive and accountable governance at the local level.

Vinod Vyasulu (2003) study stated that the public representatives in the local governments existed in India, both in urban areas as

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municipalities and in rural areas as Panchayats were superseded, as the civil servants were entrusted with the powers in their place. The situation has now changed with constitutional status being given to local self-governments through 73rd Constitutional amendment, even if it was the state government that was to decide on the manner of devolution.

Anil Kumar Vaddiraju and Shagun Mehrotra (2004)\(^{37}\) made a study on Grama Sabhas in Andhra Pradesh. The study argued that while democratic institutions and democratic practice are important for good governance, the latter is not guaranteed by the former. In the context of Panchayati Raj Institutions, strengthening people's participation in the Gram Sabha is a critical prerequisite for making Panchayats accountable to people. It is found that elected representatives in the Gram Panchayats lack literacy and education and for the most part elected representatives come from oppressed sections of society.

Gupta (2004)\(^{38}\) study regarding the own-income of the Panchayats found that it is poor in comparison to funds that are received by the Panchayats in Andhra Pradesh. The main sources of Panchayat income are water and house taxes. The amount paid by the people is normally less than 25 per cent of the demand. The also said study that decentralization could not achieved the vital fundamentals for which decentralization is made through the Constitution. The thinking has been that the Panchayats


will look after all the development interests of villages, once they are constituted. But it has not been the case as per his survey across various States of the country. The prominent reasons found by the study for such a state are the limited representation of people in the election process, due to hold of traditional power centres and wide disparities; poor people's participation in development activities; weak planning system; lack of requisite capabilities in Panchayat Raj members for undertaking the task of development planning and implementation; weak delivery system to make basic service available to people; meager financial resources of Panchayats and lastly inadequate transparency and accountability system. And such a state is leading to vicious cycle of poor people's participation, lack of transparency, inadequate accountability and decline in performance.

The study of Suresh Misra and Rajvir S. Dhaka (2004)\textsuperscript{39} showed that the funds are not being utilized by the Panchayats and cannons of financial propriety are not being followed as the elected representatives of the Panchayats were unaware of the financial rules and procedures. It is suggested that there is a need to organize regular training programmes in the area of audit and accounts to enable them to acquaint themselves with the financial rules and procedures. In order to exercise a proper control over the Panchayat Raj institutions, the Government should introduce a system of internal check and inspection by its departmental Officers. Government may depute any of its officers to check or inspection the accounts of Gram Panchayat, Panchayat Samiti or Zilla Parishads as the

case may be from time to time and to suggest changes they must make in the procedures adopted by them.

Samarendra Kumar Singh (2004) study concluded that at the Gram Panchayat level, the contribution of tax revenue is not significant, as it is maximum 2.99 per cent to the total receipts and the per capita income tax is about one rupee. Among the taxes, contribution of water tax is more and shows increasing trend. The per cent increase in tax shows increasing trend. Thus, the tax revenue has scope and potential to mobilize further provided local leaders take initiative and come out of rhetorical reasons for non-compliance of tax collection. Further it is found that Gram Panchayats are not even imposing obligatory taxes indicated in the Act. The non-tax sources of revenue appear to have better scope if it is exploited properly and objectively. As regards expenditure, it is found that the expenditure of these bodies has also increased in view of increase in the staff strength and transfer of functions. At Gram Panchayat, the expenditure on administration is more than expenditure on services. It shows that services rendered are not up to the expectation and funds available for services are less.

Oommen (2004) examines the lessons, positive and negative, that can be drawn from the experience of Kerala's local democratic experiment. It is argued that despite over more than half a century of the Indian

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Republic, governance in rural India has failed to improve the quality of life of the average villager. He/She continues to live as the victims of innumerable unfreedoms. Local governments have no relevance if they are not responsive, transparent, participatory and accountable to the people and in the Indian context, the most deprived sections of society such as the dalits, tribals, fisher folk and women. The Panchayat amendment is a radical effort to transform rural life via the creation of ‘institutions of local self-government’. The constitutional mandate to create participatory democracy, through creating ‘institutions of self-government’ and preparing and implementing plans for “economic development and social justice” needs an altogether different paradigm of politics, development and culture. It is found that necessary conditions for devolution have not been created in most states. Any one studying the conformity legislations of the various states will be impressed by Kerala’s efforts towards functional mapping, fiscal decentralisation and deployment of functionaries. The strengthening of Gram Sabha, enabling provisions for social auditing, transparency guarantees, right to information, the mandate to produce a citizen’s charter by every local body, the office of the Ombudsman and the like are milestones towards deepening participatory democracy in Kerala and offer excellent examples for other states as well.

Narayana (2005)\textsuperscript{42} study evaluated the functioning of the elected representatives at the Gram Panchayat level in Madhya Pradesh, Tamil Nadu and Kerala. The study found that elected ward members show poor

awareness of powers and responsibilities. Panchayat presidents understand the legislation better but planning for development is a far cry as little effort seems to have gone into capacity building and devolution of powers and resources. It is suggested that unless larger powers and resources are devolved and elected representatives are trained, local government will be a dream.

Subroto Dhar (2006)\textsuperscript{43} in his study examines the different dimensions of common property resources in Panchayats, their utilization status, their extent, the hurdles and roadblocks in exploiting them, management and environmental concerns from different stakeholders' viewpoints. He concluded that performance of the Panchayati Raj Institutions is often hit by a financial crunch. To overcome this crisis, one should accept that there is nothing unethical in making extensive use of service taxes/user charges or delivering civic and other developmental services to the poor. One such area which has a high tax potential and tax buoyancy and remains untapped by many states is common property resources.

Palanithurai (2007)\textsuperscript{44} study analyzed the framework for devolution of powers to Panchayats under the new Panchayat Raj System, financial devolution to Panchayats, planning for development, good governance, capacity building, etc. of the Gram Panchayats. According to this study the Panchayats in Tamil Nadu have to face a financial crisis due to the changes

\textsuperscript{43} Subroto Dhar (2006), "Tapping Local Resources to increase Panchayat Incomes", \textit{Economic and Political Weekly}, Vol. 41, No. 14, April, pp. 1371-1375.

\textsuperscript{44} Palanithurai Ganapathy (2007), 'Evolving Grassroots Democracy', Concept Publishing Company, New Delhi.
made in the formula for matching grant. Sizeable reduction of resources from the State Government has reduced the activities of the Panchayats. Further revenue from minor minerals and sand quarrying from the Panchayat area has been totally stopped as the activity of sand quarrying has been taken over by the State Government.

Panigrahy (2007)\textsuperscript{45} observed that mobilization and proper utilization of financial resources are the major problems of Gram Panchayat, where resources are limited in quantum because of poor taxation and poor realization of tax. These institutions largely depend on government grants. It is suggested that the objective Gram Panchayat can be realized if more financial powers are given to Gram Panchayats. Gram Panchayats must be very clear about their own needs, their existing resources, additional resources they can tap with and without state assistance, grants as also their own investment programmes.

The study made by Timothy Besley, et. al., (2007)\textsuperscript{46} examined how features of the Panchayat system, in particular the design of political institutions, affect how it targets resources towards economically and socially disadvantaged groups in the village. One of the striking features of the Panchayat experiment is how it has led to a new political class, many of whom had never held public office previously. While the Panchayat system has many specific features, there are potentially general lessons for experiments in democratic decentralisation elsewhere. The mantra of


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decentralisation is that it will achieve policies that better reflect the needs of citizens living in village India. Politicians remain opportunistic, undermining the most romanticised view of village government. Policies here could include better monitoring from above or finding means to enhance the power of citizens to call Gram Sabhas.

Balaramulu and Ravinder (2008)\textsuperscript{47} examined the functioning of Gram Sabha and Village Secretariat in Andhra Pradesh and highlighted the instances where lack of coordination and proper perspective has rendered the whole exercise ineffective. It is articulated that the enactment of the 73\textsuperscript{rd} Constitution Amendment Act and the subsequent state wise Panchayati Raj legislations in India have brought to the fore the significance of grassroots democratic process. The experience of Panchayat Raj Institutions (PRIs) has brought with it the lesson that the success of the new Panchayati Raj system largely depends on the devolution of resources, functionaries, finance and powers by the state to the PRIs and also on the commitment of local leadership and the people for development.

The study made by Pratap Ranjan and Manish (2008)\textsuperscript{48} analyzed the own revenue effort of PRIs based on a survey conducted in the four states, namely, Chhattisgarh, Madhya Pradesh, Orissa and Rajasthan for the fiscal year 2005-06. It examines the extent to which the PRIs have exploited their statutorily designated revenue rights besides various sources of own

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revenues comprising own tax and own non-tax revenues. It is found from the study that around 70 per cent of the Gram Panchayats in the backward districts and 80 per cent in the comparator districts do not exploit their statutorily defined tax rights. The share of own revenues in total funds received by the GPs is very low and varies roughly between 2 and 4 per cent. Non-tax revenues in the form of income from vested physical properties and some fees and fines are the major sources of own revenue. Lack of tax effort at the GP level, where the tax rights are largely vested, is a matter of great concern. Designating some of the Panchayat taxes as obligatory seems to have a positive effect in Madhya Pradesh and Chhattisgarh as these taxes are collected by some GPs as against little contribution from optional tax collections in Orissa and Rajasthan. It is suggested that the Panchayat tax structure should be restructured first by designating some important taxes as obligatory, where all the taxes are optional, and second, by putting up supervisory mechanism at the PRI level to monitor adherence. The tax structure needs to be revised with respect to rates and base. Improvement in service delivery by the PRIs in their localities will help in participation of people at large and willingness to pay taxes will improve.

Govinda Rao and Vasanth Rao (2008) argued that fiscal decentralization to rural local governments in India is meaningful only when the Panchayats have adequate untied funds to provide public services assigned to them which require the assignment of tax powers. The study shows the abysmally low level of revenue mobilization by rural local bodies.

with Panchayats rendered ineffective to exploit properly even the only notable tax base assigned to them i.e. the property tax. It is necessary to take a re-look at the tax powers of Panchayats. It is also important to build administrative and enforcement capacity. An essential precondition for building such capacities is to create a reliable data and information system.

Pratap Chandra Swain (2008) in his study suggested that as regards Gram Panchayat finances, in addition to the devolution of politico-administrative powers, the financial powers should be transferred to the Panchayat bodies. Further, there is the need for constituting a 'non-lapsable pool' for the Panchayat bodies to ensure that the fund earmarked for these bodies are not getting lapse beyond the financial year. It would allow the Panchayat bodies to provide effective developmental services at the grassroots.

Narayana (2008) study found that there are fluctuations in the income of the Gram Panchayats from year to year. The year-wise income of Gram Panchayats does not reveal any trend, either increase or decrease. It was found that the variation or reduction in annual income is due to late release of funds or grants to the Gram Panchayats. Further the study found that there is no uniform pattern in the percentage of income under each category of source of income. The assigned revenues like surcharge on stamp duty, profession tax compensation and per capita grant are very lucrative source of revenue for some Gram Panchayats. But the government

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will not release the amount due to Gram Panchayats on time. The release may be postponed to next year. Hence, there is an abnormal increase in the income of the Gram Panchayat from the previous year.

Ajith Kumar Singh (2008)\textsuperscript{52} study presented the proceedings of the National Seminar held on Recommendations of the Twelfth Finance Commission and their implications for State finances. It is argued that services like health and education have been focused upon as a step towards equalization in order to compensate resource deficiency. It is expressed that revenue deficit grants by the Twelfth Finance Commission are based on optimistic assumptions, which leads to underlying problem of debt built up. The debt reforms suggested by the Commission are dominated by the reform agenda. The quality of work done by Panchayats should be closely monitored by teams of media persons, civil society members, such Panchayat leaders from the neighbouring districts who have already done excellent work and stakeholders. Strengthening financial management and audit procedures will also augment the accountability of local bodies, their standing committees and peoples’ representatives as well to the government.

The study made by Patil (2008)\textsuperscript{53} reveals that despite the existence of the Panchayat Raj constitution for almost a decade almost all over the country, there is no significant growth among Panchayats to function as

\textsuperscript{52} Ajith Kumar Singh (2008), Twelfth Finance Commission Recommendations and Their Implications for the State Finances', APH Publishing Corporation, New Delhi.

local self-government. There are supporting institutions, NGOs and government departments to make Panchayats deliver the constitutional mandates. In this situation, if there are demonstrating models for total development by the Panchayats, they will create a ripple among other Panchayats by showcasing the role models. This will be easy to replicate as more and more models use grassroots democracy.

Arunoday Bajpai (2009)\textsuperscript{54} concluded that provisions of the Panchayat Raj Act have far reaching effects for the revival and strengthening Panchayat Raj Institutions in the long run. The new system of Panchayats displays some shortcomings such as non-cooperative attitude of the district level bureaucracy, lack of training and awareness among the elected representations of Panchayats, traditional values and social structure of villages inhibiting the effective role of women members, lack of control of Panchayats over the administrative machinery at the lower level, caste conflicts and group clashes in rural areas, political interference of state level leaders, corruption in the utilization of funds, etc. Further, it is suggested that strong will power in the state leadership is required to rectify these weaknesses of Panchayats.

The study made by Devendra Babu (2009)\textsuperscript{55} reviewed the financial position of Panchayats in India. It reveals that the Panchayats have very little fiscal autonomy. There was no proper implementation of the legislative


measures incorporated in the Constitution as well as in the state PR Acts relating to finances of the PRIs. Many of the provisions, specially the fiscal provisions, are not mandatory and this has become handy for most of the states to have bigger say in PRIs resources. The locally raised revenues are very negligible. The funds flow from higher level governments are very low and lack any devolution design or principles. The transfers are made at the convenience and mercy of such governments. If PRIs have to function like autonomous/self governing institutions, they need own resource-raising powers (tax, non-tax and borrowings).

Palanithurai (2009)\textsuperscript{56} in his study presented Rajiv Gandhi’s Vision on Local Governance. The former Primer Minister of India, Rajiv Gandhi opined that in our development planning and implementation the participation of Panchayati Raj Institutions was lacking. The plans and the schemes made could not in reality cater to the needs of the rural population. The development programmes which were worked out from Delhi and the State capitals could neither improve their conditions nor remove their difficulties. The result was that even after the completion of those schemes, their full benefit could not reach them. Further, he opined that those issues which can be tackled at the village level should be dealt with there. There is a need to devolve maximum power to Panchayati Raj Institutions.

The study made by Anand Sahasranaman (2012)\textsuperscript{57} analyses the monetary resources of three Panchayats to understand the institutional and financing arrangements underlying Panchayat administration. It is found that the finances of the sample Gram Panchayats as well as incomes and tax bases in these villages are increased and all three sample Gram Panchayats will be in a position to self-finance a substantial portion of their infrastructure and service needs. It is concluded that their current dependence on state government devolutions could end, bringing in important improvements in governance, especially those related to independence and accountability to citizens.

Rajesh Sharma and Manish Didwania (2012)\textsuperscript{58} made a study to analyze the sources of income and expenditure for Gram Panchayats in District Jind of Haryana State. It is found that there is a mismatch between income and expenditure for sample Gram Panchayats in District Jind. Shamlat land and PRIs grant are two main sources of income for Gram Panchayats. 77.22 percent of total income is received from these two sources of income. The other sources of income are not playing any significant role in the socio-economic development of Gram Panchayats. However, it is been observed that there is a 13 percent increase in income from various sources of during the five years of the study period. Similarly, increase in expenditure was 18 percent which shows the mismatch with

\textsuperscript{57} Anand Sahasranaman (2012), "Panchayat Finances and the Need for Devolutions from the State Government", \textit{Economic and Political Weekly}, Vol.XLVII, No.4, January 28, pp.73-80.

income. It has been observed that the public works is the main which observes the 57 percent of the total income. This marks the importance of developmental and construction works for Gram Panchayats in the District Jind. Sarpanch and officials are well aware about the importance of construction and maintenance of these public utilities that is why a high priority has been given to these works under PRIs. Public health has also got 22 percent share from total expenditure which is very much obligatory for the poor people.

The study made by Narayana and Subhani (2012)\textsuperscript{59} examines the functioning of Panchayati Raj in Andhra Pradesh. The Panchayati Raj Institutions in Andhra Pradesh are authorized to levy taxes on a large number of items. The yield from them is, however, small. These are inelastic sources of revenue. The Panchayati Raj Institutions depend heavily on the grants from the Government. The funds sanctioned by the Finance Commission were not released to the Panchayati Raj institutions regularly. The State Government should, therefore, allocate needed financial resources to the Panchayati Raj Institutions. It is suggested that the implementation of the recommendations of the State Finance commission has to be expedited.

It is evident from the foregoing review of studies that a lot of work has been done on the pattern of Panchayat Raj and functioning of Panchayat Raj Institutions at different levels. It is found from the earlier studies that resource mobilization of the Panchayats is poor due to poor collection of

taxes. But a little work has been done on the revenues and expenditures of the Gram Panchayats. The present study fills this gap in the existing literature on the subject.

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