CHAPTER-III

THE ORIGIN AND HISTORICAL PERSPECTIVES OF THE RURAL PANCHAYATI RAJ INSTITUTIONS IN INDIA AND TAMIL NADU

"Village Panchayats and the Panchayat Unions constitute the bedrock of Indian democracy and unless we strengthen the Village Panchayats and the Panchayat Unions, our democracy cannot become strong and vibrant. We have to take the knowledge of the world to our people in the rural areas. There is no other way of strengthening our nation"

Perarignar Anna

Introduction

A contemporary debate on decentralization has revolved around three important issues: issues of historicity, issues of expanding democratic spaces, and finally inclusive growth as well as inclusive politics of social categories.

These debate have over looked certain historical facts – one, it has overlooked the historicity of decentralization particularly in the imagined history of orient, and thereby accept the argument that it is a post-colonial contemporary phenomenon, particularly it belongs to the decade as well as the realm of globalization. The latter is argued on the ground that many developing countries witnessed the process of decentralization either during 1980s or 1990s as part of policy prescription advocated by the global agencies. One can give many examples for such a trend. In Bolivia, for example the trend began during 1994, although it came as a reaction to cultural recognition of identities of different ethnic groups. However it can be said that it came as part of “prescription of globalization”. Similar is the case of Chile, Columbia, Republic of Guineu Bassue (1994), Mali (1993), Niger etc. Incidentally a
linkage has been established between democratic space as well as inclusive growth. For example World Bank in one of its reports argue that, "Decentralization has kept its promise as far as the strengthening of democracy at the national level is concerned, as well as the central government's commitment in favor of rural development. It has thus contributed toward moving away from the bias toward urban areas in matters of development; to better management of the coordination of integrated rural development projects, and ensuring their sustainability. Decentralization has also reduced poverty which results from regional disparities, in paying more attention to the attendant socio-economic factors, in facilitating the gradual increase in development efforts. In fact the debate began during the decade of 1980s/1990s. However there are no consensus as to whether granting too much power to the grass root institutions would help in shifting the arena of politics from above to grass root level. Even there are no consensus about the implication of such transfer of power on to different social categories, particularly women, dalits and tribals. However what is required is a historical analysis of the growth of decentralization, reflected in the PRIs in the past history. This would enable us to dismiss the myth that decentralization is contemporary phenomenon belonging to the period of globalization.

PRIs, the grass root units of local self government have been considered as instruments of socio economic transformation in rural India. Involvement of people at the grass root level is the most important means of bringing about socio-economic development. Panchayat Raj is identified as institutional expression of democratic decentralization in India. Decentralization of power to the Panchayats is seen as a means of empowering people and involving them in decision making process. Local
governments being closer to the people can be more responsive to local needs and can make better use of resources. The democratic system in a country can be ensured only if there is mass participation in the governance. Therefore, the system of democratic decentralization popularly known as Panchayat Raj is considered as an instrument to ensure democracy and socio-economic transformation.

Gandhi advocated that India lives in her villages. Indian independence must begin at the bottom, thus making every village a republic or panchayat, enjoying full powers. He remarked that true democracy cannot be worked by twenty men sitting at the centre. It has to be worked from below by the people of every village. These dreams lead to the inclusion of Article 40 in the Directive Principles of the State Policy of Constitution of India. Almost after five decades of independence, in the year 1993, the Government of India took a revolutionary step by making PRIs a part of the Constitution. India has a long tradition of local governments, going back to more than 4000 years. This institution has survived numerous political changes and upheavals in the ancient and medieval periods till the advent of the British Raj. With the coming of the colonial administration, the patterns of the working of the local bodies underwent marked changes.

**Panchayati Raj in Pre British Period**

The word Panchayat is derived from the word pancha panchasvanusthitah, has references in to the existence of Grama Sanghas or rural communities. The institution of Panchayat Raj is as old as Indian civilization itself. It was in existence since ancient periods, having an effective control over civil and judicial matters in the village community. The Rigveda, Manusamhita, Dharmashastras, Upanishads,
Jatakas and others, refer extensively to local administration, i.e. the Panchayat system of administration. In the Manusmriti and Shantiparva of Mahabharata, there are many references to the existence of Grama Sanghas or village councils. The earliest reference to panchayat is derived from the word Pancha, that refers to an institution of the five (pancha panchasvanusthitah) is found in the Shanti-Parva of Mahabaratha, pancha and panchavanustitah are semantically close to panchayat. A description of these village councils are also found in Arthashastra of Kautilya who lived in 400 B.C. Arthashtra gives a comprehensive account of the system of village administration prevailing in his time. During this period, the village administration was carried under the supervision and control of Adyaksha or headman. There were other officials such as Samkhyaka [accountant], Anikitsaka [veterinary doctor], Jamgh karmika [village couriers], Chikitsaka [physician]. The village headman was responsible for ensuring the collection of state dues and controlling the activities of the offenders. In Ramayana of Valmiki, there are references to the Ganapada (village federation) which was perhaps a kind of federation of village republics.

Self-governing village communities characterized by agrarian economies existed in India from the earliest times. It is mentioned in Rigveda that dates from approximately 200 B.C. The village was the basic unit of administration in the Vedic period. The most remarkable feature of the early Vedic polity consisted in the institution of popular assemblies of which two namely ‘Sabha’, and the ‘Samiti’ deserve special mention. A Samiti was the Vedic Folk Assembly that in some cases enjoyed the right of electing a king while the Sabha exercised some judicial functions. Both the Samiti and Sabha enjoyed the rights to debate, a privilege unknown to the
popular assemblies of other ancient people. The office of the village head man (Gramani) indicates the emergence of the village as a unit of administration. In the later Vedic period, the Samiti disappeared as a popular assembly while the Sabha sank into a narrow body corresponding to the kings Privy Council.

In the course of time, village bodies took the form of panchayats that looked into the affairs of the village. They had the powers to enforce law and order. Customs and religion elevated them to the sacred position of authority.

Besides this there was also the existence of caste panchayats. This was the pattern in Indo Gangetic plains. In the south, the village panchayats generally had a village assembly whose executive body consisted of representatives of various groups and castes. These village bodies, both in the north and south India, had been the pivot of administration, the centre of social life and above all a focus of social solidarity.

In the Mouryan period, the village was the basic unit of administration. Villagers used to organize works of public utility and recreation, settle disputes, and act as trustees for the property of minors. But, they had not yet evolved regular councils. The village council appeared to have evolved into regular bodies in the Gupta period. They were known as Panchamandalas in central India and Gramajanapadas in Bihar. These bodies negotiated with the government for concessions and settlement of disputes. The inscription of Chola dynasty shows the construction and functions of the village assembly and their executive committees. The village administrations were performed by the elected representatives forming village council.
During the medieval and Moghal periods, village bodies were the pivot of administration. In the Moghal period, particularly in the regime of Sher Shah, the villages were governed by their own panchayats. Each Panchayat comprised of village elders who looked after the interest of the people and administered justice and imposed punishment on defaulters. The head man of the village, a semi government official, acted as a coordinator between the village Panchayat and the higher administrative hierarchy. Akbar accepted this system and made it an indispensable part of civil administration. In this period, each village had its own Panchayat of elders. It was autonomous in its own sphere and exercised powers of local taxation, administrative control, justice and punishment. The Mughals introduced elaborate administrative machinery with a hierarchy of officials, particularly in the field of revenue. The Mughal local administrative system lasted over centuries. It was with the collapse of the Mughal strong hold, the British established their hegemony in India.

**British Period**

The British came to India as traders, and before long established an inroad into the cultural nexuses of the land. The primary focus of the British Raj was much to do with trade and little to do with governance and development. The local governments were hardly their first priority. In fact till the advent of the British rule in India, the rural republic had flourished and thrived. With the emergence of the British Raj in India, panchayats ceased to play a role that it once played. But, local self government as a representative institution was the creation of the British.
In the initial days, the interest of the British was limited to the creation of local bodies with nominated members. These bodies were built around trading centers. Thus in the year 1687, a municipal corporation came to be formed in Madras. Set up on the British model of town council, this body was empowered to levy taxes for building guild halls and schools. As time passed, similar bodies were set up in other major towns and this model became prevalent, helping the British widen their taxation power. This model continued to comprise nominated members with no elected elements whatsoever. It was Lord Mayo, the then viceroy of India (1869 to 1872), who felt the need to decentralize powers in order to bring about administrative efficiency and in the year 1870 introduced the concept of elected representatives in the urban municipalities. The revolt of 1857 that had put the imperial finances under considerable strain and it was found necessary to finance local service out of local taxation. Therefore it was out of fiscal compulsion that Lord Mayo’s resolution on decentralization came to be adopted.

The Bengal Chowkidar Act of 1870

The Bengal Chowkidar Act of 1870 marked the beginning of the revival of the traditional village Panchayati system in Bengal. The Chowkidar Act empowered district magistrates to set up panchayats of nominated members in the villages to collect taxes to pay the chowkidars or watchmen engaged by them.

Ripon Resolution (1882)

Lord Ripon made remarkable contribution to the development of Local Government. In 1882, he abandoned the existing system of local government by the officially nominated people. According to his local self government plan, the local
boards were split into smaller units to achieve greater efficiency. In order to ensure popular participation, he introduced an election system for the local boards. The government resolution of 18th, May, 1882, stands as a landmark in the structural evolution of local governments. It provided for local boards consisting of a large majority of elected non-official members and presided over by a non-official chairperson. This is considered to be the Magna Carta of local democracy in India. This resolution proposed the establishment of rural local boards where 2/3rd of whose membership was composed of elected representatives. He brought in the concept of self-government in urban municipalities. He is treated as the founding father of urban local government. Ripon’s resolutions followed a series of Committees, Commissions and Acts in this line. The Royal Commission on Decentralization in 1909 elaborated further the principles of Ripon resolution. But this remained merely on paper. Ripon’s scheme did not make much progress in the development of local self government institutions.

**Montagu-Chelmsford Reforms of 1919**

In this backdrop, Montagu Chelmsford reforms were passed in the year 1919. This reform transferred the subject of local government to the domain of provinces. The reform also recommended that as far as possible there should be a complete popular control in local bodies and the largest possible independence for them, of outside control. By 1925, eight provinces had passed village Panchayat acts. However, these panchayats covered only a limited number of villages with limited functions. But this reform could not get much result as far as democratization of panchayats was concerned and lead to a lot of organizational and fiscal constraints.
**Government of India Act (1935)**

This is considered as another important stage in the evolution of panchayats in British India. With popularly elected government in the provinces, almost all provincial administrations felt duty bound to enact legislations for further democratization of local self government institutions, including village panchayats. Although the popular government in the provinces governed by the Congress vacated office following the declaration of Second World War in 1939, the position as regards local government institutions remained unchanged till August 1947, when the country attained independence. Even though the British government did not have interest in the village autonomy, they were forced to do so, in order to continue their rule in India and moreover to meet financial necessities. The Indian rural republic had flourished till the advent of British. It received a set back during the British rule. Self contained village communities and their panchayats ceased to get substance. They were replaced by formally constituted institutions of village administration. In the highly centralized system of British rule, village autonomy seems to have lost.

**Panchayati Raj in Independent India**

The task of strengthening panchayati raj system fell on the Indian government formed after independence. It was clear that India a country of villages had to strengthen village panchayats to strengthen democracy. Mahatma Gandhi who strongly believed in Ggrama Swaraj pleaded for the transfer of power to the rural masses. According to him the villages should govern themselves through elected panchayats to become self sufficient. But surprisingly, the draft Constitution prepared
in 1948 had no place for Panchayati Raj Institutions. Gandhi severely criticized this and called for immediate attention. It is thus, that Panchayat finds a place in the Directive Principles of the State Policy. Article 40 of the Directive Principles of the State Policy states that ‘the states shall take steps to organize village panchayats and endow them with such powers and authority as may be necessary to enable them function as units of self governments. The most important aspect to strengthen grass root democracy was neglected by the Constitution makers as Directive Principle of State Policy is not legally binding on the governments.

The first organized effort to tackle the problem of rural India was made through Community Development Programme (CDP) in 1952 and National Extension Service in 1953. The programme was based on an integrated approach to the various aspects of rural development. The objectives were to promote self help and self reliance among the rural people, to generate a process of integrated social, economic and cultural change with the aim of transforming social and political life of the villagers. Community Development Programme was launched in 55 selected blocks. The programme was based on an integrated approach to the various aspects of rural development. The programme made provisions for appointing Block Development Officers [BDO] and Village Level Workers [V.L.W]. This programme was intended to bring socio economic development of the rural masses on democratic lines, but failed to take off along the expected lines due to the absence of an effective instrument for people’s participation.
Balwantrai Mehta Committee Balwantrai

Mehta Committee was the first Committee set up in 1957 to look into the problems of democratic decentralization in independent India. The Committee was asked to report on community development projects. The Committee made far reaching recommendations in the direction of democratic decentralization and rural reconstruction. It pointed out that the community development programme was not successful because it failed to evoke local initiative and that in the absence of local initiative and local interest, development would not be possible. The committee laid down five fundamental principles.

1. There should be three tier structures of local self government bodies from village to the district level and these bodies should be linked together.
2. There should be genuine transfer of power and responsibility to these bodies to enable them to discharge their responsibility.
3. Adequate resources should be transferred to these bodies to enable them to discharge their responsibilities.
4. All welfare and developmental schemes and programmes at all three levels should be channeled through these bodies
5. The three tier system should facilitate further devolution and disposal of power and responsibility in future. The committee envisaged three tier systems of panchayats known as Zilla Parishad, Panchayat Samiti and Gram Panchayat and recommended encouragement of peoples’ participation in community work, promotion of agriculture and animal husbandry, promoting the welfare of the weaker sections and women through the panchayats.
For the first time the Committee made recommendations for co-opting of two women who are interested to work for women and children. However, like the rest of the male members, women were not to be elected but were to be co-opted.

The recommendations of the Balwantrai Mehta Committee came into effect on 1st April 1958. Rajasthan was the first state to implement it on 2nd October 1959. By mid 1960s, panchayat had reached all parts of the country. More than 2,17,300 village panchayats covering over 96 percent of the 5,79,000 inhabited villages and 92% of rural population had been established. There was enthusiasm in rural India and people felt that they had a say in the affairs affecting their daily life. These were considered as the promising days of PRIs in India. The report of the Ministry of Community Development had stated in 1964-65 that younger and better leadership was emerging through PRIs and there was a fairly high degree of satisfaction among the people with the working of the panchayats.

The recommendations of Balwantrai Mehta Committee were implemented by many states in the country. Till the mid sixties, Panchayati Raj system flourished in India. But there was decline in PRIs after the mid sixties mainly because of centralized tendencies of functioning all over the country. The elections were not held regularly and the participation of people weakened in these bodies. Inefficiency, corruption, favoritism, uncertainty and irregularity led to their decline. Most of the development programmes were kept out of their preview. Centrally sponsored schemes were initiated; parallel administrative bodies were created and government reduced funds considerably. During the period of national emergency, bureaucracy got the upper hand and these institutions lost their significance. The village
panchayats were made subordinate units of government to implement its programmes.

**Ashok Mehta Committee (1977)**

In this backdrop in 1977, the Janata government appointed a Committee with Ashok Mehta as chairman and was entrusted with the task of enquiring into the causes responsible for the poor performance of PRIs. It was also asked to suggest measures to strengthen PRIs. The committee suggested two tier system of Panchayat Raj consisting of Zilla Parishads at the district level and Mandal Panchayats at the grass root level as against three tier system suggested by the Balwantrai Mehta Committee. The committee recommended constitutional protection to the PRIs and further decentralization of power at all levels.

A noteworthy feature of the report is that it recommended regular elections to these bodies and open participation of political parties. The Ashok Mehta Committee Suggested:

- Reservation of seats for the weaker sections
- Two seats for women
- Adequate financial resources for the panchayats
- Requirement of Constitutional sanctions
- To extend people’s participation in developmental activities

Due to the fall of the Janata government, the Ashok Mehta Committee recommendations were not implemented. Few states including Karnataka formulated
new legislation on the basis of the recommendations of this Committee. Both the Committees overlooked the importance of panchayats as units of self government.

During 1980’s, two important Committees were appointed to look into local governments. GVK Rao Committee in 1985 and L.M. Singhvi Committee in 1986. The GVK Rao committee recommended the revival of PRIs such that greater responsibility of planning, implementation, and monitoring of rural development programmes could be assigned to them. L.M. Singhvi Committee recommended that the PRIs should be constitutionally recognized and protected. New chapter in the constitution should be provided to define their powers and functions and free and fair election to be conducted through the election commission. Committee recommended for the appointment of finance commission and all the rural development programmes are entrusted to the PRIs by amending schedule VII of the constitution.

**73rd Amendment Act, 1992**

Following these circumstances, Rajiv Gandhi the then Prime Minister of India introduced the 64th Amendment bill on local government on the 15th May, 1989 in the Parliament, but it failed to get the required support. A second attempt was made in September 1990 to pass the bill in the Parliament. The bill however was not even taken up for consideration. In September 1991, a fresh bill on Panchayati Raj was introduced by the Congress government under P. V Narasimha Rao, the then Prime Minister. It was passed in 1992 as the 73rd Amendment Act 1992 with minor modifications and came into force on 24th April 1993.
The Salient Features of the Act

The Act provided for the establishment of gram sabha in each village. It will be a body comprising of all the adult members registered as voters in the Panchayat area. Three shall be a three-tier system of Panchayat at village, intermediate and district levels. Smaller states with population below 20 Lakes will have option not to have intermediate level Panchayat. Seats in panchayats at all three level shall be filled by direct election. In addition, the chairperson of the village Panchayat can be made member of the Panchayat at the intermediate level. MP, MLA, MLC, could also be member of Panchayat at the intermediate and the district level.

In all the panchayats, seats should be reserved for SCs and STs in proportion to their population and 1/3 of the total number of seats will be reserved for women. Offices of the chairperson of the panchayat at all levels shall be reserved in favour of SCs and STs in proportion in the state. One-third of the offices of chairperson of panchayats at all levels shall also be reserved for women.

Legislature of the state shall be at liberty to provide reservation of seats and office of chairperson in panchayat in favour of backward class citizens. Panchayats shall have a uniform five year term and elections to constitute new bodies shall be completed before the expiry of term.

In the event of dissolution, election will be compulsorily held within six months. The reconstituted panchayat will serve for remaining period of five year term. It will not be possible to dissolve the existing panchayats by amendment of any Act before the expiry of its duration.
A person who is disqualified under any law, election to the legislature of the state or under any of the state will not be entitled to become a member of a panchayat. Independent election commission will be established in the state to superintendence, direction, and control of the electoral process and preparation of electoral rolls.

Specific responsibilities will be entrusted to the panchayats to prepare plans for economic development and social justice in respect of matters listed in XI Schedule. For the implementation of development schemes, main responsibility will be entrusted to the panchayats.

The panchayats will receive adequate funds for carrying out their plans. Grants from state government will constitute an important source of funding but state government is also expected to assign the revenue of certain taxes to the panchayats. In some cases, panchayat will also be permitted to collect and retain revenue it raises. In each state, finance commission will be established within one year and after every five years to determine principles on the basis of which adequate financial resource would be entrusted for panchayats.

Panchayats existing on the 24th April 1993 will be allowed to complete their full term except when they are dissolved by the house by resolution.

**Article 243 G of the XI Schedule includes the following Activities**

- Agriculture, including agricultural extension
- Land improvement, implementation of land reforms, land consolidation and soil conservation
- Minor irrigation, water management and watershed development
- Animal husbandry and poultry
• Fisheries
• Social forestry and form forestry
• Small-scale industries, including food processing industries
• Khadi, village and cottage industries
• Rural housing · Drinking water
• Fuel and fodder
• Roads, culverts, bridges, waterways and other means of communication
• Rural electrification including distribution of electricity
• Non conventional energy sources
• Poverty elevation programme
• Education, including primary and secondary schools
• Technical training and vocational education
• Adult and non-formal education
• Libraries
• Cultural activities
• Market and fairs
• Health and family sanitation including hospital, primary health
• Dispensaries
• Family water
• Women and Child development
- Social Welfare, including welfare of the handicapped and mentally retarded. Welfare of the weaker sections and particular, of the scheduled cast and scheduled tribes.

- Public Distribution System

The 73rd Amendment Act is an attempt to restructure the Panchayat Raj to reach the grass root level. The bill for the first time gave constitutional status to Panchayat Raj institutions and it became mandatory on all state governments to implement it. This Amendment brought about uniformity in structure, composition, powers and functions of panchayats. It gave impetus to Panchayati Raj to promote social and economic development and improvement in living condition of rural India. The main criticism leveled against the Act is that these institutions are viewed as implementing agencies for developmental activities and they are not given the status of decentralized political institutions.

Criticism apart, the Act fulfilled the dream of constitutional status to PRIs and the state governments brought new legislations to implement it. It has been explained as the beginning of silent revolution. This Amendment for the first time in the history of Panchayati Raj Institutions gave opportunities for women in large numbers to enter local administration.

The Salient Features of the Act

It established a three tier Panchayati Raj system in the state, based on the population as ascertained in the preceding census of which the figures have been published. It envisaged elected bodies at all the three levels. It provided reservation for one third of the total seats at all levels for persons belonging to the backward
classes who had an annual income below Rs. 10000. Offices of chair persons at all levels were also reserved in favour of scheduled castes, scheduled tribes and backward class. Women got not less than one third seats in the reserved and unreserved categories of adhyakshas (presidents) and upadyakshas (vice presidents). It provided for reservation of seats in favour of scheduled castes and scheduled tribes in proportion to their population and for reservation of not less than one third of total seats for women at all levels. It envisaged the Constitution of a State Election Commission to conduct elections to the panchayats. It recommended constitution of State Finance Commission once in every five years to review financial position of panchayats and District Planning Committee in each district. The Three-Tier Panchayati Raj System Gram Panchayat According to the Act, a gram panchayat is constituted for a population between 3000 and 5000. The area covered by a gram panchayat included group of villages. There will be one member for every 400 persons. The adyaksha and upadyaksha (president and vice elected from among the elected members.

There are three Standing Committees in the gram panchayat, namely:

- Production Committee
- Social Justice Committee
- Amenities Committee

A secretary is appointed by the government as the administrative head of the gram panchayat. The main function of the gram panchayat is to promote economic and social welfare, education and health in the gram panchayat.
**Taluk Panchayat**

For each taluk, there shall be a taluk panchayat consisting of local representatives from the state legislature and parliament apart from one fifth of the gram panchayat presidents in the taluk are chosen by lots every year (in rotation). Members are directly elected from the separate territorial constituencies at the rate of one member for every 10000 population.

The elected members of taluk panchayat must choose two members from among themselves to the post of president and vice president. The taluk panchayat has the following Standing Committees:

- General Standing Committees
- Finance, Audit and Planning Committee
- Social Justice Committee

Group A officer of the state civil services is the administrative head of the taluk panchayat. Taluk panchayats are empowered to supervise the activities of gram panchayats in their jurisdiction.

**Zilla Panchayat**

Each district will have zilla panchayat consisting of members of parliament and the legislature from within the district, the presidents of taluk panchayats in the district and elected members in accordance with the scale of one member for 40,000 of the population.

The elected members shall choose two members from amongst them to the post of president and vice president. The zilla panchayats will have the following Standing Committees:
A chief executive officer, not below the rank of Deputy Commissioner is to be the administrative head of the zilla panchayat. The Act reduced the powers of zilla panchayat substantially. It may be noted that the Janata Dal government, through an ordinance made the presidents of zilla and taluk panchayats executive heads and gave them executive powers.

**Gram Sabha**

The gram sabha is a statutory body of gram panchayat today. It is obligatory on the part of the gram panchayat to convene grama sabha meeting at least once in six months. All the adults who are in the voters list of the village are the members of the gram sabha.

Thus confirming to the mandatory requirement of the 73rd Amendment, Karnataka became the first state to implement the Panchayat Raj Act on the basis of this amendment and holding elections to the panchayat under the act. Since its enactment, it has been amended on many occasions, leading to some important changes in the Act. The Janata Dal party which came to power in 1994, constituted an expert committee [The Nayak Committee] in the year 1995 with the intension to revamp the Act of 1993 and to restore autonomy of the kind obtaining under the earlier 1993 Act. The committee recommended many changes to the Act. The
amendments were incorporated in the year 1997. It incorporated provisions for consequential arrangements with regard to the position of the new bodies, division of funds and liabilities. In the year 1998 seven new districts were formed. Therefore, the number of zilla panchayats has gone up from 20 to 30. A more significant development has been the issue of an ordinance in February 1999, reducing the number of gram panchayats. Under the ordinance, the population limit of a gram panchayat was raised to 10000 to 16000 as against 5000 to 7000 people. The reason given by the government is that under the earlier pattern the zilla panchayat was too small. They had limited financial resources and manpower and they were not capable of becoming effective instruments of development.

The system of Panchayat Raj in Karnataka has a long history originating from about 6th century A.D. The system has undergone considerable changes since then. The history of democratic decentralization in Karnataka has generally been of a promise and hope, although there are certain disappointments. The functioning of PRIs in the state shows that they have not fully emerged as peoples institutions. New class of power centers usually occupied by elite is emerging. Gram sabha has not been successful in ensuring downward mobility. In the recent years any change in government has resulted in changes in Panchayati Raj system. Every government seeks to strengthen its support at the grass root level against the opposition.

Decentralization of powers and functions to the local bodies has been a successful experiment in Karnataka. The 73rd Amendment, setting aside the limitations, has lead to significant advancement in local governments. The Karnataka Panchayati Raj Act 1993 was build up on the excellent earlier initiative taken in 1987
regarding decentralization. Apart from Sikkim Karnataka is the only state that has transferred fund, functions and functionaries with respect to 29 subjects in the 73rd Amendment. The Act has given impulse to panchayats to promote all round development in terms of poverty elevation, improving living condition, infrastructure, health, education, sanitation in rural India. It has given an opportunity to large number of people at the grass root level to participate in the local administration. A substantial number of scheduled casts, scheduled tribes and backward class representatives have got an opportunity to actively evolve them in local administration, which was otherwise a domain of upper castes and classes. Significant developments have taken place in the representation of women too. Participation of women has gone up sharply at all levels. Mandating one-third reservation for women in membership as well in the position of chairpersons of panchayats at all three levels has given an opportunity for women to take the position of leadership. Today, rural women are able to participate in the decision making process. The emergence of these institutions has brought governance closer to the people. It can thus be traced from the history of Panchayati Raj system in Karnataka that women are treated slightly in a better way than many other states, even prior to the 73rd Constitution Amendment and with the implementation of the Act considerable number of women especially rural women of lower strata of society could become part of local administration. The long history of decentralisation through Panchayati Raj Institutions makes clear that it is not a contemporary phenomenon. Growth of decentralisation is reflected in the past history. The 73rd amendment brought a new perspective to decentralization and political empowerment of women.
The Rural Panchayati Raj Institutions in India and Tamil Nadu

The Rural Panchayati Raj Institutions (RPRIs) was “developed earliest and preserved longest in India among all the countries of the earth”. It is believed that, King Prithu was first introduced the system, while colonising the doab between the Ganga and Jamuna. In fact, the village in India had been looked upon as the basic unit of administration as early as the Vedic Age. Gramini or the leader of the village is mentioned in the Rigveda. There are definite reference to the existence of Gram Sanghas in the Shantiparva of the Mahabharat and Manu Smriti.

The Gram Sabha or local village assemblies are found in the Jatakas also. Sherni was a well-known term for the merchant guilds, Kautilya, who lived in 400 B.C., had also described about village communities in his Arthashastra. In the Valmiki Ramayana, we hear of Janpada, which was a kind of federation of the numerous existences in this country at the time of Greek invasion; and Megasthenes has left vivid impression of these Pentdas, as he termed the Panchayats. Chinese travelers Hieuen Tsang and Fa Hien tell us how India at the time of their visits was very productive and the pole was “flourishing and happy beyond compare”. An account of these Panchayats during the 7th century is provided is Shukracharya’s Nitisara. According to him, “Village was a composite whole and provided a composite leadership of management of village affairs. The Dharmsutras and the Shastras contain reference to Gana and Puga, both of which denote some of village or town corporations. Archaeological findings also confirm the view that the system of Village Panchayats was prevalent in India through the centuries.
The Panchayati Raj institutions continued to flourish during the Hindu, Muslim and Maratha Governments till the advent of the East India Company. They survived the wreck of dynasties and downfall of empires. The independent development of PRIs provided like the shell of the tortoise a heaven of peace where the national culture could draw in for its own safety when political storms burst over the land. Hence, Mahatma Gandhi said, “Long ago, how long history does not record, the Indian genius worked out the village and Local Panchayat. It remained our fort through many a turbulent period. Kings and dynasties fought and failed, empires rose, ruled, misruled and disappeared, but the villager’s life maintained its even tenor, away from the din of battle and the rush of rising and fall in empires. We had a village state which protected the life and property and made civilized life possible”.

The Pre-Independence Period

The India has had a long history of Village Panchayats from the traditional Panchayat or Village Council. Certain period some places provided good government which social affairs were concerned with communal arrangements for the use of local resources such as water, grazing grounds, common property resources, forests and the provision of an institutional framework. The different sections of these small communities might live together in relative amity; at that time was there the pressure of population, both human and animal, upon food resources, which exists today.

The national administrative system devised first by the Mughals period and later by the British to meet the contemporary demands of revenue gathering, and of law and order, later enlarged to provide productive health measures and a gradual development of resources through roads, railways and irrigation, the village as a unit
remained static or languished. In the main the panchayat system failed. According to Srinivasan stated that “It is an anomaly that because of the ineffectualness of village councils and their inability to operate, 83 per cent of the population has no facilities for obtaining such elementary amenities of life as Streets, Roads, Drainage and Streetlights a protected drinking water supply and school building and has no say in what affects them as level communities”.

The Village Panchayats is the basic unit of stability and strengthening of economic development in the rural areas. In an ancient period the Village Panchayats is described as a little republic, for each Village Panchayats was within its own limits autonomous and self-sufficient, governed by its own elected officers satisfying its own needs, providing for its own education, police, tribunals, all its economic necessities and functions, managing itself its own life as an independent and self governing units. According to Sri Aurobindo observed that, “the free organic life of the village was founded in the system of self-governing community and it was done with such self-sufficiency and solidity that it lasted down almost to our own days resisting all the wear and tear of time and the inroad of other systems and was only recently steamrolled out of existence by the ruthless and lifeless machinery of the British bureaucratic system”.

The Post-Independence Period

India got its freedom in 1947 and the constitution came into force in 1950. The early post-Independence period between in 1947-57 can be described as the building phase as attempts were made to revive and strengthen the PRIs. In the constitution as it was first drafted there was no reference to villages or Village
Panchayats. Dr. B.R. Ambedkar was mainly responsible for this. He had nothing but contempt for the villages and Village Panchayats. He made disparaging remarks against the villages and the Panchayats. As a reply, fiery speeches were made by the champions of Village Panchayats in refutation of the views of Dr. B.R. Ambedkar. He had therefore to how to the opinion of the majority and agreed to the inclusion of the following article 40 of the constitution as part of the directive principles of the state policy. The articles read, “The state shall take steps to organise Village Panchayats and endow them with such powers and authority as may be necessary to enable them to function as units of self-government. It is now widely accepted that self-governing institutions at the local level are essential for national growth and for effective people’s participation and that they are an integral and indispensable part of the democratic process. The grass root democracy is based on small units of government, enables people to feel a sense of responsibility and to inculcate the values of democracy. At the same time, it also offers a unique opportunity to participate in public affairs, including development work. In a vast, diverse and complex, subcontinent, decentralization is also a political and administrative imperative. The RPRIs is described in the Indian contest as institutions of democratic decentralization.

**Election to Rural Panchayati Raj Institutions (Articles 243E, 243F & 243K)**

All three tiers of the RPRIs shall have direct election. Further, chairpersons of the Village Panchayats can become members of intermediate/union level Panchayats can become members of direct Panchayats. The Members of Parliament (MPs), Members of Legislative Assembly (MLAs) and Councils could become members of
Panchayats at the intermediate/union and district levels respectively. But their functional status in the RPRIs proceedings, voting etc., is left to decide by the respective legislature of the states. Every Panchayats shall have a uniform tenure of five years and election to constitute a new body has to be completed before the expiry of the existing term. In the event of dissolution of a Panchayat, election will have to be conducted compulsorily within six months of dissolution. The reconstituted Panchayat shall serve for the remaining period of the five-year term. A person who is disqualified for contesting election to state assembly or under any law of the state will not be eligible to become a member of Panchayat. The state governments shall appoint an independent Election Commission for superintendence, direction and control of electoral process and preparation of electoral rolls.

**Reservation of seats in Rural Panchayati Raj Institutions (Article-243D)**

In RPRIs seats reserved for Scheduled Castes and Scheduled Tribes (SCs/STs) in proportion to their population. In the same way, the offices of the chairpersons of the various tiers of Panchayats also reserved for them. Not less than one-third of the total number of reserved seats provided to women belonging to SCs and STs. One third of the total number of seats reserved for women and in the same manner one-third of the offices of the chairpersons also reserved for women. The amendment has left the issue of providing reservation to Backward Classes (BCs) to the discretion of the state governments.

**The Rural Panchayati Raj Institutions in Tamil Nadu**

The Rural Panchayati Raj Institutions in Tamil Nadu has a long history as is evident from the Uthiramerur stone inscriptions in Kancheepuram (formerly
Chengalpattu) District. In a way, in those days, it was a land of village republics, with community groups undertaking many activities for their area development. This tradition reached its peak during the 10th-11th centuries under the reign of Cholas, when the Village Councils used to levy taxes, improve community life and administer justice in their limited area. The system of “Kuda Olai Murai” was the process of secret ballot exercised to select members to the Village Councils. These Village Councils had effective links with the Chola rulers. Later the downfall of Cholas rules, the state experienced a decline of the village autonomy and rise of the centralized feudal administrative system. This system continued till British rulers introduced Local Self-Governance primarily as an administrative convenience for the imperial government.

**Madras Panchayat Act-1958**

In the post-independence period, the first enactment in democratic decentralization in the State was the Madras Village Panchayat Act 1950. Pursuant to the White Paper on the “Reform of Local Administration” in 1957, the Madras Panchayat Act 1958 and Madras District Development Council Act 1958 were enacted with the following features:

1. A two-tier system of Village Panchayats and Block Panchayats.
2. Creation of Panchayat Unions co-terminus with the development
3. Village Panchayat Presidents to become ex-officio members of the Panchayat Union Councils with the Chairperson of the Panchayat Union Council directly/indirectly elected.
4. Entrusting the Panchayat Unions and Village Panchayats with a large number of developmental and welfare functions.

5. Abolition of District Boards.

6. Creation of District Development Council as an advisory body.

This two-tier system operated on democratic lines till 1979 through periodic elections. Thereafter, elections were not held for seven years and the Special Officers managed the RPRIs. Then the Rural Panchayat Raj elections were held in 1986 and the elected local bodies continued in office till March 1991. Again no elections were held till October 1996 and the Special Officers managed the RPRIs.

**Tamil Nadu Panchayat Act-1994**

In 1992, the 73rd Amendment Act to the Constitution was enacted and it brought about a number of changes in the Rural Panchayat Raj system. Consequently, the Tamil Nadu Panchayats Act 1994 came into force with the effect from 22.4.1994. Some of the important changes brought about by the 73rd Amendment to the Constitution and the Tamil Nadu Panchayats Act 1994 are listed below;

a. Introduction of a three-tier system – at the Village, Block and the District level.

b. Mandatory conduct of Panchayati Raj Institutions elections every five years.

c. Introduction of reservation of seats and offices for Scheduled Castes/Scheduled Tribes in proportion to their population in every Panchayats with provision for rotation of the reserved seats and offices.

d. Introduction of reservation of one third of total number of seats and offices for women with provision for rotation.
e. Constitution of a State Election Commission as an independent body to conduct elections to both Rural and Urban Panchayati Raj Institutions regularly.

f. Establishment of a quinquennial State Finance Commission (SFC) to recommend devolution of resources from the State Government to the Rural and Urban Panchayati Raj Institutions.

g. Constitution of a District Planning Committee to consolidate the plans prepared by the Rural and Urban Panchayati Raj Institutions in the district with a view to preparing a comprehensive development plan for the district.

h. Introduction of the concept of ‘Grama Sabha' comprising all registered voters in a Village Panchayats.

To promote greater autonomy at grass-root level and to involve people in the identification and implementation of development programmes through Grama Sabha, the 73rd Constitutional Amendment Act, 1992, envisaged constitution of Panchayats at the village, intermediate and district levels. Three-tier system of RPRIs viz. Village Panchayat at grass root level, Panchayat Unions or Block Panchayats at intermediate level and District Panchayats at apex level was introduced in Tamil Nadu Panchayat Act. There are 12619 Village Panchayats, 385 Panchayat Unions and 29 District Panchayats in Tamil Nadu as on 31 October 2001.

**During the Vedic Period**

The Village Panchayats system in the Vedic period was an official, who was assisted in his functions and advised by a council of village elders, administered the village. In this period an administrative set up known as Samitis or Sabha, it was
headed by headman-\textit{Gramini}. References about this office were found in the \textit{Jatakar}. The main duties of the village headman were providing basic amenities such as drinking water, street, streetlights etc to the people and protection of the village and collection some taxes from the people.

\textbf{During the Mauryan Period (324-236 B.C)}

During the Mauryan period the village administration was closely linked with agriculture. The village administrative officials were consisted of the headman, the accountant, village, officials of different grades, village couriers and the veterinary doctor. The size of the villages ranged from hundred to five hundred families. The government control over the villages was minimal. The villages were self-governed; the Mauryan village administration was not only a very efficient and successful one, but also much in advance of its time.

\textbf{During the Gupta Period (300-500 A.D)}

The Village administration was during the Gupta period, the main responsibilities of the village council were, as in earlier times defence, settlement of disputes, collection of revenue from the people for the government, organisation of works for public utility and acting as trustees for minors. They were also under took judicial functions.

\textbf{During the Pallava Period}

In the Pallava period the kings gathered the threads of the traditional local institutions and weave their rule was being composed of a central government very much like that projected in the \textit{Arthasastra} and a local government of a more indigenous character which had attained to a higher degree of development.
During the Chola Period (850-1279 A.D)

The Chola period the Village Panchayats administration was dominated by the political life of Tamil Nadu from 850-1279 A.D. The ancient inscriptions was found in Uttaramerur village of Kancheepuram district in Tamil Nadu, its gives more valuable information on the Panchayati Raj system existing under the Cholas period. The inscriptions dated 10th Century A.D., and traceable to the period of the Chola King Sri Parakesarivarman, amply demonstrate that while Uttaramerur village had strong and well a real connection with the government of the Chola King. Even when the village government was strong, there was over all control by the royal government. The RPRIs found that, it’s everyday under the actively encouragement of the imperial Cholas, particularly of Parantaka First (908-955 A.D). The Cholas’ administration was built on the bedrock of RPRIs. The rule of imperial Cholas came to an end in the last quarter of the 13th century.

During the Mughals Period

The Mughals period devised a new system of RPRIs, which was different from the one already in vogue. The entrusted the administration of a town with an officer called Kotwal. He was performed multifarious functions such as municipal magisterial, police and fiscal and in these matters he was considered the supreme authority of the village.

During the British Period

In the time of British period the RPRIs existed in India in ancient times, its present structure and style of functioning, it owes existence to the British rule in
India. Broadly, it may be divided into the following five periods, each period characterized by a certain aim and purpose.

1. 1687-1881: Local, central and provincial finances, and thus, to sub serve imperial needs.
2. 1882-1919: Local government began to be viewed as self-government
3. 1920-1937: Local government came within the jurisdiction of provinces and further was transferred to popular control.
4. 1938-1949: Local government was in a state of repair and reconstruction.
5. 1950-1992: Local government as the creation of the state government subjected to its supervision and a control has been keyed to the requirement of the constitution.

The Recommendations of Committees, Commissions, Seminars and Workshops on Rural Panchayati Raj Finances in India

The financial problems faced by the RPRIs could be traced to their evolution. In these regards, various Committees, Commissions, Seminars and Workshops were constituted for suggestions and recommendations measures for establishing financial autonomy of the RPRIs. In the light of suggestions of these Committees, Commissions, Seminars and Workshops the states have made provisions in their Panchayati Raj Acts. As the elections of RPRIs could not be held regularly, the provisions made in the Acts has given a new lease of life to the PRIs. As such, the
questions of according financial autonomy also got currency. Let us now review the recommendations of various Committees appointed from time to time about decentralization of RPRIs’ finances.

**The Recommendations of Various Committees**

**The Local Finance Enquiry Committee (1951)**

According to Local Finance Enquiry Committee (1951) studies this problem and recommended unconditional assignment of 15 per cent of land revenue raised in the panchayat area and the proceeds of the surcharge levied on the transfer of immovable property to the Panchayats. Panchayats were also to be empowered to raise their own resources by levying certain taxes in their territories.

**Taxation Enquiry Committee (1954)**

The Taxation Enquiry Committee (1954) has studies and recommended the problem of Panchayats Raj finances. The committee observed that although the Panchayati Raj Institutions have formidable list of functions to discharge, they do not have the necessary financial resources to cope with the functions. The committee reserving certain taxes such as tax on profession tax on land and building, octroi, tax on non-mechanical transports, tax on property, tax on advertisement other than news papers, theatre tax, duty on transfer of property and other for Panchayats.

**Balwant Ray Mehta Committee (1957)**

According to Balwantrai Mehta Committee (1957) reported that on 50 Years of Panchayati Raj and Rural Development an overview of Panchayati Raj Institutions in India, the working of development projects and national extension services with a
view to economy and efficiency. It was few of the RPRIs at a higher level than the Village Panchayats have not shown any interest in this work and even the Panchayats have not come to the fields to any appreciable extent. Often the Village Panchayats have been criticized by many on the ground that they have tended to corrupt the rural life. In villages, where there was contentment before and life was calm and placid, an instrument has been created which is not exactly conducive to people’s happiness. The committee concluded that the place of unity, the general body of villages has been split up, without their wanting it, into two or more camps not on any political principle which would not have been so undesirable but on caste and personal planes. Functions and rivalries, which did not exist before, have been fomented and encouraged.

**Santhanam Committee (1963)**

According to Santhanam Committee (1963) recommended the RPRIs is compulsory levy of house tax, profession tax and vehicle tax, sharing of taxes from the state, replacement of octroi by other progressive taxes, constitution of independent agency for valuation of house, allotment of land to the Panchayats, management of fish-ponds and establishment of PRIs for providing funds to the Panchayats. This Committee strongly recommended that it is essential for stability and growth of these institutions that they should have substantial and growing resources, which are entirely within their power to exploit and to develop.

**Asoka Metha Committee (1978)**

The Asoka Metha Committee recommendation made to amend the constitution to include PRIs in the constitution was taken up for consideration after 10
years. The Committee’s opinion in the principle to the constitution of a State Finance Commission (SFC) in each state to decide upon the distribution of finances between the state government and the RPRIs but with certain reservations. Though they thought that the allocation of plan projects had to be done by the state planning boards on an equitable basis but with due weightage to backwardness, constitution of SFC was found advisable provided it did not entail the cumbersome process of constitutional amendment of a detailed nature. However, the committee was clear about the jurisdiction of such commissions that their efforts would be directed at assessment of non-plan expenditure of the districts for the devolution of tax and non-tax resources of state governments and bringing out the possible “surpluses” available for development work.

**L.M. Singhvi Committee (1986)**

The L.M. Singhvi Committee strongly favoured the constitution of a State Finance Commission (SFC) for each state. It suggested that, “a pattern of compulsory and optional levies and list of subjects respect of which powers to levy taxes and fees may be entrusted to PRIs with provision that for a given period, the state governments shall levy and collect on behalf of PRIs and shall disburse to them on the basis of recommendations of the SFC in each state.

**L.C. Jain Committee**

The Rural Development Department, Government of Tamil Nadu requested the State Planning Commission for constituting a small working group of members of the commission which should consider and make recommendations on the responsibilities to be entrusted to the Panchayats at different levels and the roles,
duties and functions to be discharged by them. The committee had the good fortune of having Mr. L.C. Jain as Chairman, a Gandhian with total intellectual commitment to devolution of powers to Rural Panchayati Raj Institutions. After a detailed study of the various issues the committee submitted its final report to government on 04.04.1997.

The report has analysed the status of 29 subjects given in the XI Schedule and made specific recommendations on the entrustment of subjects to the three tiers of RPRIs. The committee also analysed the administration, financial and legal implications involved in transferring the functional responsibilities to PRIs. The committee also has indicated that, the method of operationalising the various recommendations incorporated in the report.

**State Level Committee-1999**

The Jain Committee report was taken up for evaluation in depth by the government for necessary follow up action. Tamil Nadu Chief Minister has announced in the Legislative Assembly that a committee would be constituted with Minister for Local Administration as the convener with representatives of all political parties represented in the assembly as members to examine the report and submit their recommendations to government. The Jain Committee after elaborate study submitted an extremely useful report. It analysed all the subjects mentioned in the XI Schedule and converted them into various programmes, sub-programmes and activities and clearly indicated their allocation to different levels of RPRIs for operationalisation. On the basis of this and the recommendation of the Legislature
Committee, government asked all the departments concerned to issue devolution orders to RPRIs.

Several order were issued by various sectoral departments assigning roles to RPRIs at various levels for implementing the programmes related to each subject mentioned in the XI Schedule. The significantly missing in the several orders of the government is that there is no attempt to give the RPRIs funds and functionaries to plan the programme of action relating to the transferred subjects as institutions of self-government as envisaged under Article-243G of the constitution.

**Panchayat level Devolution**

**Village Panchayats**

Under the Tamil Nadu Panchayat Act 1958, Village Panchayats had seven obligatory functions and 10 optional functions (Section 63 and 64 of Tamil Nadu Panchayats Act 1958). The obligatory functions are mainly civic functions and a few development functions. Very few Panchayats could take up any activities under the discretionary functions for want of resources, as the size of their owned funds was severely limited. Section 63 of the Panchayat Act cautions the Village Panchayat to take up works “within the limits of its funds”.

**The Recommendations of Various Commissions**

**The Study Team on District Administration of the Administrative Reforms Commission (1969)**

The Study Team on District Administration of the Administrative Reforms Commission made a number of suggestions regarding the taxes, which could be
raised by the Panchayats and also indicated different assigned revenues and grants, which could be transferred to them by the state governments.

**The Royal Commission (1907)**

The Royal Commission on Decentralisation appointed by Edward VII considered the entire subject of the RPRIs. The commission recognized that, throughout the greater part of India the village constitutes the primary territorial unit of government organisation and from the villages are built up larger administrative entities. The report stated that, “these villages formerly possessed a large degree of autonomy but this autonomy has now disappeared owning to the establishment of local, civil and criminal courts, the present revenue and police organisation, the increase of communication, the growth of individualism, the progress of education, and the operation of the individual *Raiyatwari* system which is extending even in the north of India”. Nevertheless the village remains the first unit of administration, the principal village functionaries the headman, the accountant and the village watchman are largely utilised and paid by the government and there is still a certain amount of common village feeling and interests.

**Central Finance Commission (CFC)**

The Central Finance Commission (CFC) is given some recommendations to the Government of India to allocate the grants-in-aid to the RPRIs to improve the service delivery in respect of water supply and sanitation facilities in the rural areas. The grants-in-aid can also be utilized for repairs, rejuvenation and also operation and maintenance costs incurred for water supply and sanitation. The total grants-in-aid is shared between the Village Panchayats and Block Panchayats in the ratio of 80:20.
**State Finance Commission (1997)**

The State Finance Commission (SFC) in our federal finance structure the state local fiscal relation has acquired a new meaning. After 12 years of its inception, more than three SFCs have submitted their reports to their respective State Governors of States. Similar to other government publications, reports of the SFCs are also difficult to obtain. The compilation at hand attempts to present the key recommendations of these SFCs. Despite significant inter-state variations noticed in the approach and principles adopted by the SFCs, attempt has been made here to categorize the major recommendations of SFCs into the following six categories.

1. **Resource sharing** – Recommendations related to global sharing have found place in this category.

2. **Assignment of taxes** – Recommendations regarding taxes fully or partly assigned to local bodies and proceeds of individual tax transferred to RPRIs are placed in this head.

3. **Allocation** – Recommendations regarding inter-se distribution between RPRIs and ULBs and among different levels of PRIs are listed under allocation.

4. **Grants-in-aid** – Major recommendations regarding specific purpose grants-in-aid and general-purpose grants to fulfil the revenue gaps of the local bodies are listed here.

5. **Powers and Functions** – Recommendations related to the transfer of functions to local bodies and concomitant powers are mentioned in this category.

6. **Policy** – Recommendations, which are administrative in nature and other guidelines for the efficient functioning of the system, are listed under policy.
Though care has been taken, it is difficult to strictly classify all the recommendation as per the above classifications. Hence, some overlapping has occurred at few places.

**The Recommendations of State Finance Commission in Tamil Nadu**


1. **Resource Sharing**

   A. “Pool A” tax, which rightly belongs to the RPRIs but collected by the State Government, is to be distributed to the RPRIs concerned.
   
   - Surcharge on Stamp Duties
   - Local Cess and Local Cess surcharge and
   - Entertainment tax

   B. “Pool B” is the Net Tax Revenue of the State consisting of Sales Tax, Motor Vehicle Tax, State Excise Revenue and others. Of this the percentage of devolution towards RPRIs each year will be gradually increased from 8 per cent in 1st year, 9 per cent in 2nd year, 10 per cent in 3rd year, 11 per cent in 4th year and 12 per cent in the 5th year. 15 per cent of this amount would however be kept aside as reserves to meet post devolution conditions.

2. **Assignments of Taxes**

   - 25 per cent of the royalties from major minerals be shared with the RPRIs.

3. **Allocation**

   - The ratio for the distribution of funds between the rural and urban PRIs would be 60:40.
• 14 per cent of the total Rural Fund to be given to District Panchayats. The remaining 86 per cent to be distributed among the Block Panchayats and Village Panchayats on 50:50 bases.

• Inter se distribution among Block Panchayats will be based on
  a. Total population of the Panchayat Union 50 per cent weightage
  b. Total SCs & STs population of the Block Panchayats 25 per cent weightage
  c. Financial viability of the Block Panchayats 25 per cent weightage

• Inter se distribution among Village Panchayat will be based on
  a. Total population of the Village Panchayat 50 per cent weightage
  b. Total SC & ST population of the Village Panchayat 15 per cent weightage
  c. Per Capita House Tax collection performance 15 per cent weightage
  d. Core Civic Services Infrastructure maintenance deficiency within the Village Panchayat area 20 per cent weightage

The State Finance Commission is given some recommendations to the State Government to allocate the resources to the RPRIs. Currently Eight per cent of the State’s total own net tax revenue (other than entertainment tax) is devolved to the RPRIs and UPRIs in the ratio of 58:42 respectively. 87 per cent of the allocation for RPRIs is being shared among the three tiers in the ratio of 47:45:8 among Village Panchayats, Panchayat Unions and District Panchayats respectively. These grants-in-aid are being released every month to the RPRIs. The rest of 13 per cent consists of Equalization Fund (6 per cent), Incentive Fund (5 per cent) and Reserve Fund (2 per cent).
The Recommendations in National Seminar

The National seminar organised by Rajiv Gandhi Foundation on financing of Panchayats and involvement of Panchayats in anti-poverty programmes, held on November 18, 1993 at New Delhi, made the following recommendations.

i. The RPRIs at the all three levels should have a reasonable percentage of the funds of the State Plans and other financial resources, which should be totally untied so that they can use these funds on the basis of their own priorities and choice. These together with other sectoral outlays should constitute a district budget reflecting the sum total of allocation under the district sector plan.

ii. The State Finance Commissions would work out the modalities of how such untied funds can be placed at the disposal of the RPRIs. Any other methods of channeling funds such as allocations to the elected representatives should be done away with.

iii. RPRIs should be empowered to raise additional resources for financial institutions including L.I.C. Apart from financial resources; there should be mobilization of human and physical resources locally with a view to augmenting the savings and the asset positions of local institutions.

To summarise the recommendations, it could be said that RPRIs should not operate preconceived schemes passed on to them with funds; they should design their own schemes for the interest of the community in which they operate, they should have a reasonable percentage of state funds which is totally untied and which they can implement on the basis of their own priorities and choices.
The Recommendations in Regional Wise Workshops

The Task Force on RPRIs is organised regional workshops in all four regions to consider different aspects of PR. Each region made a detailed list regarding collection and distribution of different taxes and collection of grants-in-aid from the state government to the Panchayats. Though there are some differences in the recommendations of different regions, broadly they agree on certain important matters. In connection with taxes/proceeds the eastern region suggested that collection/distribution should be governed by the following principles.

i. Profession Tax: Depending upon the nature of the profession, profession tax may be levied by the Village Panchayats, Panchayat Unions and District Panchayats. The proceed should go to the tier levying it. The rate of tax should be lower subject to a maximum limit.

ii. Land Revenue and House Tax: The collection should be done at the Gram/Village Panchayats level; 50 per cent of the proceeds should go to the Gram/Village Panchayats. Of the remaining 50 per cent, the Panchayat Unions and District Panchayats should get 25 per cent each.

iii. Hat, Mela, Bazar: Hat should be classified into three categories: local hat, medium hat and bigger hat. The Village Panchayats, Panchayat Unions and District Panchayats should get the proceeds of local, medium and bigger hats respectively. The district tier should settle disputes arising in this connection. Further, it was also recommended that the list should be reviewed every five years.

iv. The RPRIs should have the power to impose pollution control taxes
v. Five per cent of the amount received by the state under ‘Divisible Pool’ should be earmarked for the RPRIs.

vi. Income from self-created or transferred asset should go to tier which creates the assets, or to which they are transferred.

The Recommendations in Sub-Regional Workshop

The Rajiv Gandhi Foundation organised a sub-regional workshop at Bhubaneswar on September 7, 1995 made the following recommendations in regard to financial powers of Panchayats.

i. Devolution of funds to Panchayats by the state government should be linked to some measure of internal resource generation effort of different Panchayats. This can be built into the devolution formula as and when determined by the State Finance Commission.

ii. Assets which generate income such as village orchards, village ponds, etc. which are presently under the control of the revenue department should be transferred for management to the Panchayat. It is likely to improve the efficiency of management and productivity of such assets. Such assets may either be directly managed by the Panchayats or given out on lease.

iii. Non-agricultural items within the jurisdiction of Village Panchayats, such as bricks, handicrafts, coir/jute ropes, etc. must be brought within the ambit of taxation. For this, the Panchayats may impose a three per cent uniform tax, the proceeds of which should go entirely to the Panchayats.

iv. Regulated Market Committees are engaged in the procurement and sale of certain commodities produced by the Village Panchayats, which come under
such regulated markets. It was recommended by the workshop that it is desirable that the market fees collected through such operations be distributed among the Village Panchayats. The State Finance Commission could prescribe amount and principle.

v. State government should give a block grant of Rs. One lakh, the interest of which will then be a secure source of such a regular income.

Raw materials, which are produced in the villages and used in urban industrial centres, generate certain tax revenue for the state government. A fixed proportion of such revenue may be given to Gram/Village Panchayats by the principle laid down by the State Finance Commission.

**The New Rural Panchayati Raj Institutions in Tamil Nadu**

In this study decentralization is investigated under the following heads.

- Political Devolution
- Administrative Devolution
- Fiscal Devolution

**a. Political Devolution**

The Political Devolution can be said to be highly successful in Tamil Nadu the sense that the Tamil Nadu Panchayat Act 1994 has adopted the constitutional mandate with regard to political decentralization in to and put in position three tier structure for Panchayats at the District level block level and village level state election commission set up under the new Panchayats Act has already conducted two rounds of election for RPRIs one in 1996 and the next in 2001 with high percentage of participation. Regular elections once in five years have made the village
communities extremely happy as they were denied of this democratic privilege for decades before the 73rd Amendment. At the same time it is necessary to record that district Panchayat members are extremely unhappy because the Panchayats Act 1994 has not endowed any executive powers to District Panchayats or any taxing powers but has only given it an advisory role.

The Reservation made in favour of the SCs/STs on the one hand and for women on the other enabled the participation of large number of SCs/STs candidates and women in the political process. Besides, reservation made for the positions of authority [Presidents of Panchayats, Chairmen of Panchayat Unions and Presidents of District Panchayats] has empowered good number of councilors belonging to SCs/STs category and women to take over reins of administration of several RPRIs bringing immense pleasure to the new incumbents. It is a matter of gratification that the percentage of reservation made for the SC/ST and women were overreached in both the elections.

b. Financial Devolution

The Panchayati Raj can fulfill their responsibility as institutions of self-government only if devolution is patterned on a nexus between the three Fs i.e., Finances, Functions and Functionaries. This exercise has not been done in all seriousness in Tamil Nadu, while political devolution has been carried out in accordance with the administration, which is vital for effective governance, has not been paid adequate attention. Let us critically examine the financial devolution done so far.
One of the primary factors behind the enactment of 73rd Amendment Act is to improve the financial resources of RPRIs the lack of which has stood in the way of the Panchayats to acquire the status and dignity of viable and responsive people’s bodies. Devolution of functions without funds is not realistic and can never provide the required momentum to the self-governing bodies to Act independently in a fruitful manner. The guidelines provided under Art 243H of the constitution is expected to follow in designing a scheme of financial devolution to assist the RPRIs.

The 73rd Amendment to the constitution made India one of the most politically decentralized countries in the developing world. Rural Governments are divided into 3 levels, District, Block and Village Panchayats. The design and implementation of the decentralization programme are a state government responsibility. However implementation of key aspects of the programme are lagging Districts and Unions have very little taxing powers and little expenditure autonomy and Village Panchayats which are close to the people, have some independent taxing powers and some discretion in expenditure decisions with regard to their own funds. But their resources are several limited because of their non-viability of size. Besides they have weak outdated poorly functioning financial management systems that debilitate the policy making and planning process as well as the management and accountability of the decentralized system.

However it is important that one necessary condition for a well functioning system of fiscal devolution is a healthy financial position of the state, because the constitutional Amendment defined decentralization to be a state subject and until the state government improves their deficit position, local governments can expect
continued under-funding of their present grant entitlements, resistance to new programmes of development and hesitation to assign more own source revenues to local governments. This was what exactly happened in Tamil Nadu during 2000-01 and 2001-02 when the financial position of ADMK government was in doldrums and the RPRIs had to share this suffering. The devolution of state tax revenue to RPRIs to go up from eight per cent to nine per cent from next year. They will get Rs. 622 crore more at Rs. 2112 crore, plus, Rs. 919 crore as assigned revenues and Rs. 1292 crore assistance for various schemes.

Financial Devolution—some conceptual issues

Given the constitutional mandate to make RPRIs devolution in the Indian contest means empowering the local people through the empowering of the local governments. It follows that Financial Devolution is fiscal empowerment of the lower tiers in a multi-tiered system of government. In the context of 73rd constitutional Amendment, along with appropriate fiscal reassignments rectifying these imbalances has great, significance for a country like India, given the wise regional disparities in resource endowment, level of income of the people, level of development, fiscal disabilities and even social deprivation. This has to be set right with imaginative and meaningful statute. The primary object of financial devolution is to provide a basic minimum public service of standard quality to their citizens. The unpleasant fact that remains is that there are considerable disparities in health care, rural sanitation, primary education, drinking water supply, rural roads, and so on.

Article 243G enjoins that Panchayats, at all the three levels should prepare plans for economic development and social justice. Constitution does not spell out the
specific responsibilities to be discharged by the Panchayats. An examination of 11th schedule (given as part of 243G) will show that 16 subjects / functions out of the 29 listed, relate to social sectors covering education, health, women and child development, social security and social welfare. At least 10 functions relate to livelihood of rural people such as agriculture, animal husbandry, fisheries, and rural industries and so on where public intervention at the micro level will enhance production and employment opportunities. Broadly speaking the objectives of the development plans of the RPRIs should be to promote the rational goal of ensuring and enhancing the basic capabilities of all citizens and thereby widening their choices and social opportunities.

The question of Own Tax Revenue (OTR) or Tax-Revenue assumes importance here. No transfer should promote fiscal imprudence. On the other hand it should induce revenue effort. The share of OTR in total expenditure is the key to autonomy, participation and accountability. Only a Panchayat with revenue surplus will have greater flexibility in operation and take up development works over and above the obligatory basic civic functions.

Financial Devolution to be really autonomous and effective the three F’s Functions, Funds and Functionaries should be devolved simultaneously. The programme made so far has been halting, piecemeal and in several cases retrograde. The subjects assigned to RPRIs under Schedule XI are state concurrent, and unless there is role clarity as between the state on the one hand and the three tiers of PRIs on the other in regard to functional assignments, decentralization can only result in more confusion, delay in implementation and add to the difficulties in evolving an efficient
transfer system. Clear functional mapping is a necessary condition to ensure efficient devolution.

The needs of decentralized institutions are growing day by day. In order to meet this growing demand there is need to make the taxes and non-tax revenues of the RPRIs more productive and elastic through rationalizing the tax base, rates and tax administration along with imparting greater autonomy to the RPRIs especially the Village Panchayats. The 73\textsuperscript{rd} amendment of the constitution has its mandate the setting up of a SFC once in five years. The first one year from commencement of the constitutional Amendment Act to review the financial position of the Panchayats (Article 243I) and make recommendation to the governor as to

a. The principles which would govern

1. The distribution between the state, and the Panchayats of the net proceeds of the taxes, duties, toll and fees leviable by the state, which may be divided between them under this part and the allocation between the Panchayats at all levels of their respective shares of such proceeds;

2. The determination of the taxes, tolls and fees, which may be assigned to, or appropriated by the Panchayats,

3. The grants-in-aid to the Panchayats from the consolidated funds of the state;

b. The measures needed to improve the financial position of the Panchayats

Lake of resources has been the bane of most of the Village Panchayats and they have survived only because of the grants-in-aid received from the government year after year and the earmarked funds released for taking up rural development activities from central and state governments. But the basic civic functions and their delivery systems have suffered badly because the government grants are invariably ‘tied’ funds and cannot be transferred to civic works. Hence Village Panchayats were very happy when first SFC was appointed expecting liberal help from the SFC to meet their financial needs. Before critically examining the SFC reports let us examine the financial position of Panchayats before the constitution of first SFC.

Village Panchayats

The Village Panchayats have been collecting following taxes are as; a. House tax, b. Profession tax, c. Vehicle tax, d. Tax on agricultural land for specific purpose, e. Pilgrim tax, f. Water tax etc., the Government of Tamil Nadu is committed to the alleviation of rural poverty and betterment in quality of life of the rural poor. To achieve this objective measures have been taken up by strengthening the RPRIs as effective instrument of development with social justice and better implementation of various development programmes. The New RPRIs system came into being in Tamil Nadu after enacting a new law for RPRIs in the year 1994. Till the arrival of DMK party to the power, it was only an Act beyond that RPRIs have not taken any shape in reality. The DMK party came into power and it has decided to conduct the election as per its promise to the people given at the time of election and it did conduct the election simultaneously to the entire tier of the RPRIs and UPRIs. The conduct of election to RPRIs has given life to grass-root democracy.
New Panchayati Raj system in Rajiv Gandhi period-1989

The 64th Constitution Amendment Bill was introduced by Rajiv Gandhi government in 1989 to make Panchayats part of the constitution, the Anna Dravida Munnetra Kazhagam (A.D.M.K) government had supported it, since there was an alliance between the Congress Party (which was on power at the centre) and the A.D.M.K government in the state. Despite this, the state government of Tamil Nadu has a long history Self-Governance. After the introduction of 73rd constitutional amendment Act 1992, the Tamil Nadu Panchayats Act 1994 was enacted. This act paved way for the introduction of three tier RPRIs. First election to this new generation of RPRIs was held during October 1996 and the Second election took place during October 2001. However, when many statues ratified the 73rd Amendment, Tamil Nadu also changed its attitude and took a cabinet decision to fall in line. Hence, in conformity with the Constitution 73rd Amendment Act 1992, Tamil Nadu repealed its earlier Panchayat Act and passed a new Act. The Tamil Nadu Panchayat Act, 1994, which came into force on 22nd April of the same year.

Administrative Structure of Rural Panchayati Raj Institutions in Tamil Nadu

The administrative structure of RPRIs in Tamil Nadu consists of three tiers namely, District Panchayats, Block Panchayats and Village Panchayats. These three tiers have been some powers; functions and finances are as follows;

**District Panchayats**

There are 31 District Panchayats in Tamil Nadu. The District Panchayat is the first tier of RPRIs. It is constituted with directly elected members (one member for every 50,000 population). The chairperson and vice-chairperson are to be elected by
its members from among themselves. Members of Lok Sabha and State Legislative Assembly from the district are the ex-officio members of the Panchayat Unions. The member of Rajya Sabha, who is an elector in the district, is also its ex-officio member.

Powers

The District Collector is the Inspector of RPRIs. He is the Chairman of District Rural Development Agency (DRDA), which is registered under Societies Registration Act and monitors the schemes. The project Officer DRDA assists the District Collector in implementing various programmes in the district. Each DRDA is having an Engineering Cell headed by an Executive Engineer; District Panchayat is having its own administrative unit headed by exclusive Secretary in the cadre of Assistant Director who is also ex-officio Secretary to District Planning. There is no power to District Panchayats to levy any tax.

Functions

The major functions of the District Panchayats are as follows; the preparation of development plan for the district, compilation of administration reports of Village Panchayats and Panchayat Union of the district and preparation of Annual Report for the District, Planning and review of Agriculture, Land Development, Animal Husbandry, Dairy, Poultry, Fisheries Sector and Rural Industries, Planning and review of rural housing programmes particularly housing for SCs/STs, Identification of major water supply schemes, Advise the Government on all matters concerning RPRIs particularly on services and development programmes, watching the progress of the measures undertaken by the government, Village Panchayats and Panchayat
Unions in the district, Classification of markets, fairs and public roads in the areas of RPRIs in the district, Collecting of data, publication of statistics, demanding any information from Village Panchayats and Panchayat Unions secondary education and review the progress made under various schemes in all Unions.

**Finances**

The District Panchayat has no taxation powers. Its only source of revenue is from statutory grants like State Finance Commission Grants and Development Grants under Centrally Sponsored Schemes. The District Panchayats can sanction and execute works up to Rs.10 lakhs from their general funds without any external approvals. However in the case of Centrally Sponsored Schemes, prior administrative sanction of the District Collector is necessary. [Policy Note-2014-15].

The District Panchayats are required to maintain two accounts, viz., i. General Fund Account and ii. Scheme Fund Account. The accounts are operated through Banks. While the funds received by Panchayat Unions are kept in treasuries/banks, the funds received by District Panchayats are kept in banks, irrespective of the purpose for which received.

**Panchayat Unions**

The Panchayat Unions is formed for each development union. There are two Block Development Officers designated are as follows:

I. Block Development Officer (Panchayat Union) is also the executive authority i.e. Commissioner of Panchayat Unions Council.

II. Block Development Officer (Village Panchayat) exclusively looks after schemes and affairs of Village Panchayats.
In each Union, one Union Engineer and one Assistant Engineer assisted by Overseers are made responsible for the technical matters relating to the works implementation. These union level engineers are supervised by assistant Executive engineer at divisional level. There are 68 Engineers sub-divisions in the state.

And also in each Panchayat Union have with a Chairperson and Vice-Chairman elected by its members, who are elected by people as directly. All members of the Panchayat Union are elected from constituencies delineated for every 5000 population, which is declared by the Tamil Nadu Panchayat Act-1958. The Member of Parliament and legislative Assembly are also the members of the Panchayat Union without right to vote the chairman is the head of the Panchayat Union. At present there are 385 Panchayat Union in the State. The average number of Panchayat Union per district is 13. The Nilgiris (4) has the lowest number of Panchayat Union while Villupuram (22) has the highest.

Powers

The decentralization and delegation of powers to Panchayat Union is a continuous and dynamic process. This Government is always open to the idea of delegating even more powers to the RPRIs, especially the Village Panchayats and Panchayat Union. In this connection, it is worth pointing out that this government has always pressed for a two tier RPRIs with strong and vibrant Village Panchayats and Panchayat Union, as they existed under the old Tamil Nadu Panchayats Act, 1958. This Government is of the opinion that the reasons, which led to the abolition of old District Boards, are still valid and applicable to the third tier of District Panchayat. This Government presses the Central Government to bring in constitutional
amendments to give states the necessary leeway to have Panchayats either at the Union level or at the District level or both, as deemed fit, while making the lowest tier of Village Panchayats mandatory for all the States.

Functions

The major functions of Panchayat Union are Public building construction, Repair and maintenance of public road, Establish and maintenance of elementary school, Preventive and remedial measures connected with any epidemic, Conduct on fairs and festivals, Veterinary relief, Opening and maintenance of Block Panchayats markets, Extension of village sites and regulation of buildings, Maintenance of statistics related to birth and deaths, Improvement of agriculture and agriculture stock, Promotion and encouragement of cottage industries, etc. It has to unstill among people within its jurisdiction with a sprit self help and initiative and work for raising standard of living, providing support for implementation of development programmes, Execution of welfare and development activities and utilizing village housing project funds and loans.

Finances

Basically the Panchayat Union cannot levy any tax. The revenues of a Panchayat Union consist of the Following:

a. Non-tax revenues

License fees, market fees, receipt from rentals and properties, fines and penalties.

b. Assigned and shared revenues

Local cess surcharge and entertainment tax (30 per cent share).


c. Grants-in-aid

The Central and State Finance Commission Grants, Development Grants under Centrally Sponsored Schemes and State Schemes, Grants for maternity centres and rural dispensaries. The Panchayat Union can sanction and execute works up to Rs.5 lakhs from their general funds without any external approvals. However for centrally sponsored and state schemes, prior administrative sanction of the District Collector is necessary.

The tax collection of the Panchayat Union are confined to local cess, local cess surcharge and entertainment tax, while the Panchayat Union have a limited freedom in fixing the rates of the local cess surcharge [Limited freedom in the sense that the ceilings for the levy of the surcharge have been prescribed by the state government], in respect of local cess and entertainment tax, there is no role for the Panchayat Union with regard to the tax to be collected. It may be noted that all these taxes were collected by the state government. The local cess surcharge is entirely assigned to the Panchayat Union and the other two taxes are shared between various institutions such as Village Panchayats, Block Panchayats and the state government.

a. Local cess

Local cess is levied as per the provisions of section 115 of the Tamil Nadu Panchayats Act 1958. This was levied at the rate of 45 paise in every rupee of land revenue payable to the state government in respect of any land. Four ninths of the local cess has to be allocated to the Panchayat Union Education Fund. The town Panchayats, if any, which lie within the jurisdiction of the Panchayat Union will receive 2/9th of the local cess amount collected within their area. Out of the remaining
amount, a portion will be credited to the Village Panchayats fund and it will not be less than 20 paise per capita. The balance at the end will be paid into the Panchayat Union general fund.

b. **Local Cess Surcharge**

Section 116 of the Tamil Nadu Panchayat Act in question enables a Panchayat Union to levy a local cess surcharge, subject to a maximum of Rs. 2.50 per rupee of land revenue, as an addition to the local cess levied under section 115. The local cess and local cess surcharge were paid in advance in quarterly installments by the District Collector on the basis of anticipated collections. Once the Jamabandhi was over, orders were issued for the final adjustment of local cess and local cess surcharge.

c. **Entertainment Tax**

The Panchayat Unions are required to maintain four accounts, viz.

1. Local Fund Deposit No. I (General Fund Account)
2. Local Fund Deposit No. III (Education Fund Account)
3. Local Fund Deposit No. V (Nutritious Meal Fund Account)
4. Local Fund Deposit No. IX (Scheme Account)

The above accounts are operated through Treasury and amounts released through state budget are deposited in them. The amounts received direct from Government of India for certain schemes are deposited in Banks.

Village Panchayats
The Village Panchayats is the basic and importance tier of RPRIs. It was constituted under the section 3 (1) (b) of Tamil Nadu Panchayat Act 1958, for minimum of five hundred population with its membership ranging from minimum of five to maximum fifteen thousands. The Village Panchayats ward members and the President is to be elected directly by all the voters. The Vice-President is to be elected indirectly by and from among the elected ward members. According to the State Finance Commission there were 12,618 Village Panchayats in the state and only 53 (0.4) per cent had a population up to 500 and 7, 629 (60.6) per cent had population ranging between 1001-3000. And an average population per Village Panchayats is 2,583.

There are 12,618 Village Panchayats in the State spread across the 32 districts and the 385 Unions. The average number of Village Panchayats per district is 435 and per Unions are 32. The Nilgiris district (35), Kanyakumari (99), Theni (130) and Karur (158) are some of the districts with fewer Village Panchayats while Villupuram (1099), Thiruvannamalai (860), Vellore (753), Cuddalore (681) and Kancheepuram (648) are some of the districts with a large number of Village Panchayats. As can be seen from Table 4 below, the populations of Village Panchayats in Tamil Nadu are widely varying with some Village Panchayats having populations even below 500 while others have populations exceeding 25,000.
### Table: 3.1 Classification of Village Panchayats on the basis of Population

<table>
<thead>
<tr>
<th>S. No.</th>
<th>Population</th>
<th>Number of Village Panchayats</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Below 500</td>
<td>66</td>
</tr>
<tr>
<td>2.</td>
<td>501-3,000</td>
<td>8,370</td>
</tr>
<tr>
<td>3.</td>
<td>3,001-10,000</td>
<td>3,902</td>
</tr>
<tr>
<td>4.</td>
<td>10,001-25,000</td>
<td>174</td>
</tr>
<tr>
<td>5.</td>
<td>Above 25,000</td>
<td>12</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>12,524</strong></td>
</tr>
</tbody>
</table>


Similarly, wide variations are also noticed in the income levels of the various Village Panchayats as can be seen from Table 3.2.

### Table: 3.2 Income-wise Classifications of Village Panchayats

<table>
<thead>
<tr>
<th>S. No.</th>
<th>Income Range</th>
<th>Number of Village Panchayats</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Upto Rs.50, 000</td>
<td>16</td>
</tr>
<tr>
<td>2.</td>
<td>Rs.50, 000 to Rs.1 lakh</td>
<td>142</td>
</tr>
<tr>
<td>3.</td>
<td>Rs.1 lakh to Rs. 5 lakhs</td>
<td>7,003</td>
</tr>
<tr>
<td>4.</td>
<td>Rs. 5 lakhs to Rs 10 lakhs</td>
<td>3,693</td>
</tr>
<tr>
<td>5.</td>
<td>Rs. 10 lakhs to Rs. 25 lakhs</td>
<td>1,400</td>
</tr>
<tr>
<td>6.</td>
<td>Rs.25 lakhs to Rs.50 lakhs</td>
<td>195</td>
</tr>
<tr>
<td>7.</td>
<td>Rs.50 lakhs to Rs. 1 crore</td>
<td>45</td>
</tr>
<tr>
<td>8.</td>
<td>Rs.1 crore to Rs.3 crores</td>
<td>29</td>
</tr>
<tr>
<td>9.</td>
<td>Above Rs.3 crores</td>
<td>1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>12,524</strong></td>
</tr>
</tbody>
</table>

At present, 3.48 per cent (6 per cent of 58 per cent) of the State Finance Commission Grant is earmarked as Equalization Fund to weaker Village Panchayats. There is need to enhance the size of the Equalization Fund. This Government has also announced the all Villages Anna Renaissance Scheme as per which the financially weaker Village Panchayats will get priority in the implementation of the scheme.

The Tamil Nadu Panchayat Act 1994, two SFCs were constituted. These two commissions had assessed the development that had so far occurred at the village level, identified gaps in developmental needs and recommended devolution of funds to the RPRIs to fulfill the gap between the total requirements and actual availability of funds. The Third SFC to study the financial position of the Rural and Urban PRIs as of 31.03.2005 in harmony with Article 243 of the Constitution and Section 198 (1) of Tamil Nadu Panchayats Act 1994 has been formed. The Terms and Reference of the Third SFC cover the entire gamut of issues ranging from collection of user charges for services rendered to governing principles in the distribution of finances between the state government and RPRIs. It will focus on the enhancement of efficiency in the functioning of the PRIs and demarcation of functions of the state government and that of the local body at the existing levels of delegation of administrative power dimension of the debt-servicing burden of the local bodies, etc.

The Village Panchayats is lowest tier of RPRIs in India. According to Montague-Chelmsford report claimed on, “the provincial governments to be given the widest independence from superior control of in legislative, administrative and financial matter which is compatible with the due discharge of their own responsibilities by the government of India”, and also further observed that,
“responsible government the provinces to be attained first by the devolution of responsibility in certain subject and then by gradually increasing the devolution by successive stages until complete responsibility is reached”. [Charan, Umeshwari-1985]. The 73rd Constitutional Amendment Act given Powers, Functions and Finances and details of expenditure in the Village Panchayats, as are follows:

The Village Panchayats have three types of devolutions;

1. Devolution of Powers
2. Devolution of Functions, and
3. Devolution of Finances

Devolution of Powers

The decentralization and delegation of powers to Village Panchayats is a continuous and dynamic process. This Government is always open to the idea of delegating even more powers to the RPRIs, especially the Village Panchayats and Panchayat Unions. In this connection, it is worth pointing out that this Government has always pressed for a two tier Panchayat Raj system with strong and vibrant Village Panchayats and Panchayat Unions, as they existed under the old Tamil Nadu Panchayats Act, 1958. This Government is of the opinion that the reasons, which led to the abolition of old District Boards, are still valid and applicable to the third tier of District Panchayat. This Government will press the Union Government to bring in Constitutional Amendments to give states the necessary leeway to have Panchayats either at the Union level or at the District level or both, as deemed fit, while making the lowest tier of Village Panchayats mandatory for all the States.
According to Gandhi says about the power of Village Panchayats in his own word on, “the greater the power of the Panchayats, the better for the people. Moreover, for Panchayats to be effective and efficient, the level of people’s education has to be considerably raised. I do not conceive the increase in the power of the people in military, but in moral terms”. [Narayan, Shriman-1968-p.452].

The Village Panchayats are giving more powers for their independent and efficient functioning of Village Panchayat President is the executive authority. He is empowered to incur expenses up to Rs. 2,000 for works without estimate. Expenses can be incurred above Rs. 2,000 with proper estimate on the basis of Village Panchayat approval. The Presidents can be draw cash, advance up to Rs. 500 for carrying urgent work\(^\text{13}\). The Village Panchayat has power to carry out the repairs and maintenance of water supply works locally after following normal procedure.

Since the Village Panchayats have only part-time staff, the President himself has been designated as the Executive Authority. Cheques for payment have to be signed jointly by the President and Vice-President. Where the relationship between the two is not cordial, the Collector, in his capacity as Inspector of Panchayats, can designate any other member of the Village Panchayat as joint Cheque signing authority along with the President. The Village Panchayats do not need external approvals for administrative sanction for taking up works up to Rs.1 lakh from their General fund. However, the Collector’s prior administrative sanction is necessary in respect of all Centrally Sponsored and State Schemes. Village Panchayats have also been given freedom to execute urgent works up to Rs.2, 000 at a time and up to Rs.5, 000 for a year without any technical approval. The President can draw Self-Cheque
up to Rs.500 to meet contingent expenditures. The Village Panchayats have been
given necessary delegation of powers to enable them to attend to repairs and
maintenance of hand pumps, power pumps and street lights promptly. They can spend
upto Rs.7, 500 per power pump per year without reference to engineers for
preparation of estimates or passing of bills. They can buy street light materials
meeting the prescribed quality norms on their own.

This Government is committed to ensuring that the Village Panchayats
function as effective institutions of RPRIs. In 1996, soon after the conclusion of first
ordinary elections to the three tiers of Panchayats, the government constituted a
Committee under the Chairmanship of L.C. Jain, Member of the State Planning
Commission to give recommendations on the entrustment of powers to the three tiers
of Panchayats. The Committee submitted its report to the state Government in April
1997. Many of the recommendations of the L.C. Jain Committee have been
crystallized into action towards empowering the Panchayats. Apart from the Rural
Development Department, various sectoral departments such as Agriculture, Animal
Husbandry, Forests, Social Welfare, Revenue, Khadi and Village Industries,
Education, Health and Family Welfare, Adi-Dravidar Welfare, Cooperation, Food
and Consumer Protection, have issued government orders for devolution of functions
in their respective spheres to the three tiers of Panchayats.

After the first phase of entrustment of powers, the state Government
constituted a High Level Committee in November, 1997 with the Chairmanship of
Ko.Si.Mani, the then Minister for Rural Development and Local Administration with
experienced persons including sitting M.L.As of various political parties as members
of the Committee to recommend additional devolution of powers to the Panchayats. This High Level Committee submitted its report on 11.1.1999 with 1209 recommendations to the Government. The Government accepted 718 recommendations and issued orders for implementation.

**Devolution of Functions**

The Village Panchayats has been assigned a variety of functions, which have been mentioned in the 11\textsuperscript{th} Schedule of the Indian Constitution. In Gandhian views regarding Village Panchayats functions, “in my opinion, there is no law which can stop a Panchayat from functioning wherever the people want it. Every group (of village) or it member can have the Panchayat system whether the rest of India has it or not. True rights come as a result of duty done. No one can snatch away such rights. The Panchayat is there to serve the people. In the true democracy of India, the unit is the village. Even if one village wants Panchayati Raj, which is called republic in English, no one can stop it”. Then pointed out about the functions, “it is the function of the Panchayats to revive honesty and industry. And also to teach the villages to avoid disputes, if they have to settle them. That would ensure speedy justice without any expenditure. Then, the Panchayats should see to cattle improvement. They should show steady increase I the milk yield. The Panchayats should also see to an increase in the quantity of foodstuffs grown in their village. That is to be accomplished by properly manuring the soil. Then, they must see to the cleanliness of their village and its inhabitants. [Narayan, Shriman-pp-450-452].

**Gram Sabha**
The Grama Sabha is the grass-root level democratic institution in each Village Panchayat. A vibrant Grama Sabha is essential for the effective functioning of Village Panchayats by promoting transparency and accountability in administration, enhancing public participation in the planning and implementation of schemes, and paving the way for social audit. The Government has ordered the conduct of Grama Sabha meetings a minimum of four times a year i.e. on 26th January, 1st May, 15th August and 2nd October. This Government is also taking steps to further improve the functioning of the Grama Sabha by introducing sub-quorums for the participation of women and SCs/STs, conduct of Grama Sabha meeting in each of the wards by rotation, and for keeping photographic record of the proceedings.

The general functions include, Preparation of annual plan for the development of the Village Panchayat area, Preparation of annual budget, Power for mobilising relief, Removal of encroachment on public places. The other functions of the Village Panchayat include; Repaired and maintenance of Village Panchayats’ Roads, Lighting of public roads and streets, Burial and cremation grounds, Providing inputs for Agricultural production, Animal Husbandry, Fisheries, Social farm foresting, Khadi, Village and Cottage industries, Construction of Rural Housing and public buildings, Providing water for drinking, Washing, bathing and irrigation purposes, Non-conventional energy, Implementation of Poverty Alleviation Programmes, Primary education, Sanitation and drainage facilities, Primary health care and women and child welfare, Welfare of the weaker sections, Public Distribution System and Maintenance of community assets and such other duties, as may be notified by the State Government.
Devolution of Finances

The Village Panchayats has some important sources of revenues such as, i. Tax-Revenue, ii. Non-Tax-Revenue, iii. Assigned and shared Revenues, and iv. Grants-in-aid.

i. Tax-Revenue

The Village Panchayats alone has the power to levy taxes. House tax, Profession tax, Water tax and Advertisement tax are the commonly levied taxes.

ii. Non-Tax Revenue

The Licensing fees for building plan and lay out approval, fees and charges on Dangerous & Offensive trades, water charges, fees on cart-stand, social forestry auctions, fishery rentals, 2C patta fees, income from markets and fairs, fines and penalties and so on.

iii. Assigned and Shared Revenues

The Local cess, surcharge on stamp duty, entertainment tax (70 per cent share), seigniorage charges on mines and minerals

iv. Grants-in-aid

The Village Panchayats also getting Grants-in-aid it is devolved to the Village Panchayats to implement the Poverty Alleviation Programmes at Village Panchayats level. The Grants-in-aid devolved with the recommendation of CFC and SFC in the name of Centrally Sponsored and State Development Schemes.

Details of Revenue of Village Panchayats
The Tamil Nadu Panchayats Act, 1958 provides the Village Panchayats to levy and collect the following taxes, such as, House Tax, Profession Tax and Water Tax, which are the major sources of income to Village Panchayats. Pool ‘A’ and Pool ‘B’ are two categories to which the SFC grant has been devolved. Pool ‘A’ category includes surcharge on stamp duty, local cess and local cess surcharge, seigniorage fees on minor minerals and 90 per cent of entertainment tax based on place of origin. Pool ‘B’ category forms all state taxes except entertainment tax. Under Pool ‘B’, 8 per cent of total tax available excluding entertainment tax is divisible as grants to PRIs (87 per cent) and reserve, equalization and incentive fund (13 per cent). The RPRIS and UPRIs share the grants on 58:42 rates. Similarly reserve, equalization and incentive fund is also shared on the same ratio. Funds set up part for RPRIs are shared on the ratio of 47:45:8 between Village Panchayats, Panchayats Unions and District Panchayats respectively.

**Tax Revenue**

**i. House Tax**

The collection of house tax is under the Section-171 (1) of the Tamil Nadu Panchayats Act, 1994 empowers the Village Panchayats to levy the house tax. Section-172 (1) of the Act, prescribes the Village Panchayats to levy of house tax either on the basis in which such tax was levied in the local area concerned immediately before the commencement of the Act or on the basis of classified plinth area at the rates as specified below. Section-172 (4) of the Act, enable the Government, to prescribe the rules for assessment and collection of House Tax in respect of Village Panchayats.
ii. Profession Tax

The Profession Tax is levied by 198 (A) to (I) of the Act. The Government has framed the rules for the levy and collection of Profession Tax [Performance Budget-2002-03]. A Village Panchayats shall levy a Profession Tax, every half year on every company, which transacts business and on every person who exercises a profession or transacts business within such village for not less than sixty days in aggregate. The Village Panchayats determines the tax to which each person or each company is liable subject to the minimum and maximum rate prescribed by the government. As per an amendment brought forth in 1976, the Village Panchayats may also direct every employer to deduct from the salary or wages of any person employed by him the amount of Profession Tax. According to the Expert Committee (1990), [Rukmani-1995-p-67], recommended to change in the rate of profession tax and also suggested that a penal provision be introduced for delay in payment of the tax beyond the half year concerned.

iii. Water Tax

A suitable provision may be made in the Tamil Nadu Panchayats Act. In 1994 enabling the compulsory levy of water tax as an addition to house tax in village Panchayats. In the case of house connections, user charges can be claimed at a flat rate as applicable to the neighboring urban or rural local body. The Government may permit the house connections in village Panchayats where adequate water is available for supply, so that there will be more yield in revenue.
Non-Tax-Revenue

Assigned Tax-Revenue

The levy of duty on transfer of property, local cess and a share of entertainment tax are the assigned revenues of Village Panchayats.

Assignments of Local Cess, Surcharge on Stamp Duty, Entertainment Tax and Mines and Minerals have been discussed in detail under “Panchayat Unions” and recommendations made there under will apply to VPs.

2-C Patta

Wind fallen trees should be auctioned by a committee consisting of representatives of PU Council, Panchayat, PU Commissioner and Revenue official concerned. The auction should be decided by the Committee, to ensure better price. The auction amount may be remitted to the PU Council Treasury for credit to the Village Panchayat funds. In respect of Town Panchayats, the amount may be directly credited to town Panchayat Funds. In case of dead trees, the Panchayats should be given powers to report the fact and initiate action to remove them from the roads and sell them, ensuring quick disposal of the trees and realization of better revenues.

i. Stamp Duty

A Village Panchayats may levy a duty in the form of a surcharge on the duty imposed by the Indian Stamp Act, 1899 that is in force in Tamil Nadu for sale or exchange or gift or mortgage or lease of immovable property within its jurisdiction. The amount collected in every Village Panchayats in the entire Panchayat Unions is pooled every year and distributed among all the Village Panchayats in the Union in proportion to the land revenue of the Village.
ii. Local Cess

In every Panchayat Unions levied a local cess at the rate of 45 paise on every rupee of land revenue payable to the state government, in accordance with the 1958 Act. An amendment to the Act in 1992 revised it to one rupee on every rupee of land revenue. A percentage of the proceeds of the local cess is collected in the Panchayat Unions shall be credited to the Village Panchayats fund. The percentage shall be enforced by the Panchayat Unions in such a way that the total income derived by all the Village Panchayats in the Panchayat Unions does not fall short of 20 paise per each individual of the village population.

iii. Entertainment Tax

As per the Tamil Nadu Entertainment Tax Act of 1939, 90 per cent of the proceeds of the entertainment tax are to be assigned to the RPRIs (Except District Panchayats) while 10 per cent was to be retained by the state government towards collection charges. In the year 1961, a levy of surcharge on the entertainment tax was also introduced. In the year 1977, however, the entire structure of the entertainment tax was altered and a compounded taxation was brought in. According to the compounded tax the total revenue derived was shared between the state government and the Village Panchayats and Panchayat Unions in the ratio of 40:30:30 respectively. In this regards the Expert Committee (1990), [Rukmani-1995-p-68], recommended that the apportionment of the entertainment tax to RPRIs (Except District Panchayats) may be restored to 90 per cent of the collection – 50 per cent to the Village Panchayats concerned and 40 per cent to Panchayat Unions.
iv. Fairs and Festivals

Levy of Pilgrim/Tourist Tax has been discussed under Municipal Corporations. They may be applied to Village Panchayats also. In view of the difficulty in getting a share on expenditure during festivals from the temples, as an alternative, the temples having a sizable income throughout the year through pilgrims may be required to share or contribute to the expenditure on civic amenities to be provided by the local bodies concerned. The temple at Tiruchendur has been contributing from its own funds for lying of roads etc. and a similar attempt can be made in respect of other big temples in Tamil Nadu. Or The Temple may collect additional fees along with their entrance tickets for the Local Body and pass on that money to concerned Local Body.

Penalties and Fines

The revised rates proposed by Damodaran Committee (1990) in lieu of rates indicated in Schedules II and III of the Tamil Nadu Panchayats Act, 1994, and suitably revised by SFC may be adopted and the Act amended suitably.

GRANTS

House Tax Matching Grant

The new system of devolution of funds other than statutory grants takes into account the tax performance as one of the criteria for devolution of funds. The existing system of House Tax matching grant can also be linked to collection performance instead of providing equal amount. Based on the categories of village Panchayats now evolved, the question of considering higher percentage to the lowest
categories can be thought of by keeping the present level of matching grant as the base for the higher categories. Specific recommendations may be adopted.

**Grants for Water Supply and Street Lighting**

Till a decision is taken on the recommendation on divisible pool the present method of assistance by way of grant for street lighting and for water supply will have to continue on a regular basis. The consumption charges in public lighting and also the repair chargers for water sources may be met by Government in full.

**Development Grants**

The grants intended for Village Panchayats may be directly adjusted to the Panchayat Funds by the District authorities to avoid delay in routing through the Panchayat Unions. If freedom is given to the local bodies, they may utilize the funds under Employment schemes for priority items in the area rather than sticking to the purpose indicated for the grant. This will be a major policy decision to be taken at the higher levels of government.

**Remunerative Enterprises**

In village Panchayats with higher population/income, remunerative schemes like shops, markets, bus stands and stalls and community centers may be encouraged with assistance from Government. The Assistance should not be entirely on loan basis as in urban bodies but should be on the basis of Grant-cum-Loan. The freedom to implement the schemes should be left to the Panchayats except for technical guidelines and supervision. These aspects have been dealt with under “Municipal Corporations”. They may be extended to Village Panchayats also. The Panchayat Union Commissioner may be the liaison as well as supervisory authority for
implementation, auction and other related matters in respect of “Remunerative Enterprises”.

**Grants-in-aid**

**i. Central Finance Commission**

The Eleventh Finance Commission Grants has also been devolved to rural Panchayats to meet the cost of maintaining civic services including primary education, primary health care, safe and potable drinking water, street lighting, sanitation including drainage and scavenging facilities etc.

**ii. State Finance Commission**

Funds of the SFC grants are devolved to the local bodies under two categories namely Pool-A includes and Pool-B. Pool- A revenue consists of surcharge on stamp duty, local-cess and local-cess surcharge, seigniorage fees on minor minerals and 90 per cent of entertainment tax based on place of origin to be assigned fully to the local bodies. Pool-B includes revenue consists of all state taxes except entertainment tax of the State Total Tax pool minus entertainment tax 8 per cent is devolved to the local bodies. The SFC grant is distributed to three tier local bodies in the ratio of 47:45:8 to Village Panchayats, Panchayat Unions and District Panchayats respectively.

**Village Panchayats maintain four accounts**

The accounts are required to be maintained in any of the following Banks in that order of priority and operated jointly by the President and Vice-President of the Village Panchayats.

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