CHAPTER - 6
CONCLUSION AND SUGGESTIONS

Rural and urban local bodies of Haryana lead a miserable existence as already highlighted in the memorandum submitted by state government to the 13th Finance Commission. It is due to inadequate and uncertain flow of resources to the local bodies, limited number of taxes assigned to them, inability of the panchayat to administer certain important taxes due to lack of capability, inefficient use of available revenue-raising powers, lack of secretarial support non-viability, and inadequate guidelines from the government functionaries to the elected representatives of in revenue administration.

On the issue of revenue sharing, Ist & IInd SFCs have made recommendations on the taxes like royalty on minor minerals, conversion charges/ change of land use, cattle fairs, stamp duty and registration fees, local area development tax for PRIs and entertainment tax and show tax, tax on vehicles, royalty on minor minerals, local area development tax for urban local bodies.

Recommendations pertaining of the grants-in-aid have also been recommended by both SFCs such as; maintenance grant, sanitation grant, development grant incentive grant, one time grant for PRIs and per capita grant of Rs. 25 (2001 census) for all municipal councils committees per annum to the ULBs.

But the task of tax collection vests in the state agencies and state government is hoped to transfer the share of PRIs and ULBs after making its collection.

During the study, information is collection from concerned officials of block samitis and municipal committees on the issue of total amount received by the concerned local bodies under the recommendations of the 1st, 2nd, 3rd and 4th State Finance Commission of Haryana.

All block samitis and municipal committees supplied information only of grant-in-aid received by them. During personal visit to the concerned officers, it is found that the grants entered in the budget/ about books of local bodies have been categorized under normal grants (committed expenditure), additional grants under
SFC dispensation, central Finance Commission grant, grants from the Union government under centrally-sponsored schemes.

So it is difficult to segregate the grants received from the SFC. But a very few offices of local bodies have categorically made the entries in the register as grant-in-aid under SFCs of Haryana. Meanwhile, the sources of grant-in-aid have not indicated.

Action taken report of state government reveals that the recommendations on revenue sharing and percentage of revenue assignments are either accepted or accepted with modifications or rejected, but a lump-sum amount has been released to local bodies. So it is difficult to take out from the action taken report of state government the exact share of its sources.

In regard to implementation of the SFC’s recommendations accepted by the state government, appropriate steps for follow-up action in terms of legislative administrative and financial measures have not been taken up.

The SFC has to face a lot of problems in the beginning when it could not secure the required data pertaining to income and expenditure of local bodies, the current and upgraded status of existing civic services together with requirements for additional funds, priority areas, special problems and other relevant issues despite of repeated and concerted efforts. In fact, there is no mechanism of centralized data base till date where it can be compiled and processed and made available to the next Commission for use. Under such circumstances, it has to project the receipts and, expenditures of local bodies from its own sources. In view of these constraints, the tenure of Commission has been extended up to December, 2008. Meanwhile it has submitted its interim report on fiscal transfers for the period, 2006 to 2009 on the basis of global sharing formula.

It has recommended that the PRIs should be allowed to utilize their taxation powers and to identify, manage and put the common property resources to productive use with 4% share of the net of the tax revenue of the local bodies in the ratio of 65 : 35 between the PRIs and the ULBs on the basis of composite index comprising population, SC population, number of villages and towns, illiteracy gaps with further distribution of the funds on the same pattern and the share at the district level is to be
distributed among the Gram Panchayats, the Block Samities and the Zila Parishad in the ratio of 75 : 10 : 10 and the interse share at different level of ULBs is to be worked out by the state government. It has also stressed the need of creation of centralized agency in the finance department for collection, processing and analysis of data pertaining to local bodies apart from statistical cells in the department of panchayat and urban development.

But it is pertinent to not that SFCs in Haryana haven't gone far enough in addressing the question of building up the revenue base of local bodies, partly because of lack of political will and partly because of political interference in allocation of funds and grants-in-aid to them. The state government is lukewarm to the process of devolution of powers to local bodies as it has never been serious about the timely constitution of the finance commissions and prompt examination of their reports, the action taken reports are never placed before the legislature well in time and almost every time the recommendations have been accepted or rejected arbitrarily without assigning any cogent reasons.

SFCs have been observed to be treated as offices only to accommodate the defeated political horses or retired civil servants as its members and chairpersons. If ultimately any funds out of the state revenue are allocated to the local bodies, they are generally released by the state government towards the close of the financial year, leaving little time for the local bodies to carry out the actual work.

Therefore, for equitable distribution of the state revenue to the local bodies the SFC should consider the factors of population, economic and social disparities in different districts, fiscal performance/capacity of the local bodies, incentive for local resource generation, size of the body area, level of decentralized planning, literacy gap, backwardness, gender and deprivation etc.

A separate fiscal domain is to be created for the local bodies, public private partnership in high cost projects is to be encouraged and it is to be made mandatory for the states to make laws for developing powers to the local bodies given in 11th and 12th schedules by amending Article 243 Z. To ensure proper budgeting, timely utilization of the funds be there, the funds allocated should reach the accounts of the respective units of the local bodies and with the global sharing being at least 8% on
the lines of Tamil Nadu and the share of PR1s and ULBs being in the ratio of 80 : 20 if the rural infrastructure is to be developed for preventing the rapid migration to cities. The local bodies are thus recommended to have flexibility in selection of programmes and their prioritisation identification of beneficiaries auditing and monitoring etc. The SFC should finalise report well in time so that devolution of funds can be decided at an appropriate time. Further, funds for all development schemes at grassroot level need to be rotated through the local bodies by eliminating all other authorities, bodies etc. in between with transfer of their functions to the local bodies.

Internal resources of the local bodies need to be augmented. After the abolition of octroi in Haryana, property tax can be the important source of revenue for local bodies to widen their revenue base. The assessment of areas developed by the city authorities, unauthorized constructions, properties under Article 285 etc. require to be brought under the jurisdiction of the local bodies with powers to collect service charges in respect thereof. In order to improve the efficiency in collection of property tax, mapping of all properties should be done with the details of property tax placed in public domain to avoid confusion between the assessing authorities and the property owners. It has become obligatory to explore other avenues of revenue like imposing penal charges on advertisements and hoardings set up illegally by the trading houses; taxing telephone towers, cable operators, use of land by power utilities and other agencies of the centre and the state governments, and levy of professional tax, fee on entry into fairs and royalty on sand and registration fee for sale of animals etc. Removal of encroachment from shamlat lands, leasing of panchayat land at competitive rates and powers to impose tax on hawkers and other traders visiting the village to sell their goods are other areas which can be exploited for enhancing the revenue receipts of the local bodies. Fees, fines and other charges too need to be reviewed and revised periodically so as to augment the revenue of the local bodies and the power of leaving congestion charges should be given to the municipalities on the pattern of Municipal Corporation, Hyderabad.

Then these are other avenues of revenue, commonly called sources of non-tax revenue. Important sources in this area are user charges. However, the local bodies are
reluctant to collect fair rates for fear of becoming unpopular. The assessment of fair rates of user charges is not made because of lack of required economic and-financial expertise. Moreover, the poor paying capacity of a segment of population is used as an excuse for not charging even others who can and should pay. In the current scenario, local governments be made to borrow at their own level by giving a clear picture of their assets and liabilities and adopting sound practices of fiscal management. They can also raise their resources by floating municipal bonds on the pattern of Municipal Corporation of Bangalore and Ahmadabad. Municipalities should access the capital market on the strength of their own credit worthiness. Further, asset management system in municipalities is dominated by development authorities which are not at all interested in fiscal decentralization. Unless the development authorities are merged within the urban local bodies, a certain percent of their proceeds should be given to the municipalities on the pattern of Rajasthan and Maharashtra. In order to improve the tax collection efficiency of local bodies, data base management, proper unkeep of the records and understanding of tax administration be encouraged.

Haryana government has failed to submit action taken report on the recommendations of the commission. Therefore, ATR should be submitted within a given time-frame on the pattern of A.P. The decisions of the government on the recommendations whether accepted or rejected along with cogent reasons and pending decisions should be taken within a period of six months. Moreover, all recommendations should be placed before the cabinet for decision. The state government should appoint eminent persons with background of economics/finance, commerce and public administration to stream line the functioning of SFC.

The report of the commission should be examined by the state government promptly so that funds and functionaries can be transferred well in time and recommendations can be implemented. An implementation committee should be constituted and he led by the Chief Secretary to ensure the proper and prompt implementation of all recommendations within three to four months of the submission of report.
There should be a separate panchayat sector line in the state budget. State plan outlay should have a provision for plans and programmes formulated by local bodies on the pattern of Kerala. There should be a demarcation of funds for state sector plans and district sector plans on the lines of M.R. The state government should categorize the grants source-wise at the time of its release so that the impact of recommendations of the SFC on the state finance can easily be calculated. The state budget under each head should be divided into state-wide allocation and district wise allocation. The allocation for each district should be shown separately in the district wise allocation. District wise allocation under various heads should be brought together which may evolve into a district budget. An annual report containing full details of finances of local bodies should be published at the district level. The funds should be released while adhering to a time frame and in equitable installments, i.e. twice in a year April and October. The mode of funds transfer to local bodies should be through banks on the pattern of Karnataka/It has been observed that grant in aid has not been segregated into maintenance grant, sanitation grant, development grants etc. as recommended by the SFC, which has created a lot of flaws on the execution front. The different categories of grants received by PRIs source-wise is not indicated by the state government. In such a situation, it becomes difficult to segregate the grants. Execution of grants is made in accordance with the state guidelines and probability of alteration in most of the cases can't be ruled out.. There are instances when the amount recommended for PRIs by the IInd SFC was diverted to the development of model villages by the state government.

Above all, the local self governments should be allowed to head the district administration as visualized in the 73rd & 74th amendments. The elected members of the local leader should be given salary, emoluments and amenities on the, lines of MLAs and MPs.

A rising tide to citizen's expectations for high quality and low cost citizen-friendly services is sweeping the countries of the world and Indian citizens are not immune to these expectations. Local government institutions are directly in touch with citizens, so they are best suited to meet these rising expectations of citizens. Decentralization thus offers solutions not only to India's problems of ineffective
service delivery, but also provides long-term solution for growing it from a developing country to a developed one.

Conditions for efficient decentralized social service provision

The following conditions could lead to improved efficiency in service provision:

- Authority to respond to local needs as well as adequate means of accountability.
- Functions need to be devolved to a low enough level to improve efficiency.
- Citizens should have channels to communicate their preference and get their voices heard in local governments to effectively influence its activities.

In India, the important constitutional amendments (73rd and 74th) in 1992, provided an illustrative list of functions that are henceforth considered appropriate for local government, e.g. planning for economic and social development, urban poverty alleviation and even urban forestry.

Limitations of the Study

- Firstly, keeping in view of various grants-in-aid which have been allocated under various heads, none sort of demarcation between grant-in-aid and the share of which had been contributed by the various sources of taxes is found.
- It has been observed that the grant-in-aid has not bifurcated into maintenance grant, sanitation grant, development grant, incentive and one time grant as recommended by the SFCs. So this superimposing system has created considerable pitfalls on the execution front.
- Regarding the other recommendation of SFC including the augmentation of internal resources which again posed a problem to make a analytical study on related various issues. This type of problem have given rise to make headwise monitoring of related projects which surfaced on different heads.
- It has been observed that the PRIs and ULBs have not imposed suitable levies as recommended by the SFCs.
- It has been observed that the existing mode of resources allocation have given rise to superimposing the related problems and have not led to get the desired results.
Suggestions

- The time of reference of a SFC should invariably be specified in the notification appointing the chairman and members and the period should not be extended from time to time.
- State government must clearly state in their action taken report, the reasons for any modifications or rejections.
- State government should bring out a white paper every year indicating the recommendations accepted, the specific action taken by the state government, and reasons for failure to implement the SFCs recommendations before the budget of state of each succeeding year.
- The 2nd and 3rd SFCs have not made a thorough review of the financial position of state. So they should clearly understand the acrobatics of state economy and made a thorough review of both the state and local bodies finance.
- SFCs have not gone far enough in addressing the question of building up the revenue base for PRIs and municipalities. So, in future the SFCs should pay attention on the revenue potentials of the local bodies.
- State government must categorize the grant source-wise at time of its releasing to local bodies.
- SFC should not include the grants of Central Finance Commission in its recommendations.
- Favouritism in sanctioning of grants is visible through the response of general public.
- Revenue from stamp duty and electricity duty, tax on vehicles collect by state agencies is transferred to the ULBs, is not covered under any ‘head’ of SFC grant in municipal registers.
- Under the 3rd SFC grant Rs. 11.642 crore and 13.531 crore have been sectioned for the year 2013-14, 2014-15 for Rohtak municipalities. But nothing was received under 1st SFC. So, it can be seen that method of allocation of grants is totally on political ground.
• Share of PRIs & ULBs in state tax is expected to be transferred after its collection by state government agencies. Transfer of revenue from state taxes to the local bodies still depends on the sweet will of the state government. So it should make a provision for its collection through local bodies by appointing required staff, which may return its share.

• Central Finance Commission grants are included in grants of SFCs by both the 1st and IInd. But the total grant of the latter must be separated from CFC.

• State government should transfer the functions contained in Schedule XI, XII with functionaries and finance to the local bodies.

• The report of the commission should be tabled in the state legislature.

• Provision of proper tax collection machinery should be made for augmenting the resources base of local bodies.

• Funds which are transferred to local bodies be budgeted separately and devolved directly on the basis of some transparent formula.

Therefore, SFC recommended for creating a centralized agency in finance department, for collection and analysis of statistical data on local bodies. This agency should be fully equipped with qualified manpower and modern technology so as to work as repository of data on local government and also to monitor the implementation recommendations of SFC.

• There should be some legal provisions pertaining to fiscal responsibility of local bodies dealing with assignment and collection of revenue/borrowing and mode of incurring expenditure.

• District planning and budgetary be encouraged to make the fiscal decentralization realistic and practical.

• An annual report at district level containing full details of finances of local bodies should be published every year.

Thus we observe that the centralized data base, statutory mechanism to monitor implementation of State Finance Commission’s recommendations, synchronization of SFCs with CFC and five year plans, professional independent
approach by SFCs, creating convention of accepting SFC recommendations, public option building and permanent administrative setup for State Finance Commission. So, it is the way to accomplish the desired results for the decentralized democratic principle.