CHAPTER - I
CHAPTER I

INTRODUCTION

1.0 Evolution of Panchayati Raj System in India

1.1 The Panchayati Raj System During Pre-Independence Period

The Panchayati Raj System is not new to the Indian society. The system has been a part of the society and has existed in one form or the other since times immemorial. In fact, it is the only institution that has managed to survive against several odds and challenges. However, with the advent of British Rule and the centralized pattern of administration, the panchayat system started declining in the importance. The British initiated a scheme of decentralization with the aim of strengthening local bodies, for various other reasons. Lord Mayo’s famous Resolution of 1882 which has been regarded as the Magna – Carta of local self-government in India,\(^1\) pleaded for the transfer of more powers and resources to the local bodies. It advocated the introduction of non-official component in the committees of local bodies subject to the overall control of provincial legislative. The Resolution also pleaded for the widest budgetary freedom to the local bodies\(^2\). The next important step was the appointment of the Royal Commission on Decentralization in 1909. The Commission stressed the total absence of the representative element and inadequate powers of these bodies which were responsible for their ineffective functioning. The Montague Chelmsford Report published in 1910 contained proposals for the straightening of the local bodies. Several popular Governments which assumed office under the Government of India Act of 1919 also tried to introduce radical reforms in the form and structure of rural local bodies. But the efforts of all these Governments failed as it was observed that the panchyats set up under the Act of 1920 were merely a pale shadow of the glorious institutions that flourished in the villages in the ancient period. The measures initiated by the Government of India Act of 1935 to reform the local bodies had no impact on these bodies. Thus, it can be said that the local bodies that existed during the pre-Independence period had only a nominal existence. They could not emerge as effective centers of power and failed to serve the needs of the people due to several deficiencies and short comings.
1.2 Panchayati Raj System After Independence

During the freedom movement, the concept of Panchayati Raj became a part of the philosophy of "Purna Swaraj and Gram Swaraj". Mahatma Gandhi and Nehru breathed into this concept inexorable and practical patriotic inputs during the struggle for Independence. At the time of framing of the Indian Constitution, it was held that the concept of Village Panchayats was not a remote and hoary historical concept. It was a part of a historical legacy of Indian freedom struggle and its quest for its own tradition and identity. After Independence, the Constitution of India directed the State Governments to constitute Panchayats and vest them with necessary powers and authority to enable them to function as responsible units of local self-government. In accordance with this directive, the establishment of grassroots democratic institutions for the advancement of the rural development was first contemplated by the First Five Year Plan. Under this Plan, the Community Development Programme and National Extension Scheme were launched with the aim of promoting the all-round development of rural areas with peoples involvement. The Community Development Programme was considered as the method and the rural extension service as the spirit for the achievement of the goal of promoting socio-economic development of rural people. However, these institutions had failed to deliver the goods up to the expectations due to various organizational and administrative lapses. This drew attention in the Second Five Year Plan which stressed the need for creating well organised democratic institutions at different levels within the district for undertaking general administration as well as for developmental and other functions necessary for the improvement of the conditions of the people of the area. Subsequently, the National Extension Service and to suggest an administrative structure at the district level for undertaking various functions on the lines suggested by the Second Five Year Plan.
1.2.1 Balwantrai Mehta Committee Recommendations

The National Development Council (NDC) appointed, in January 1957, a Team for the Study of community projects and National Extension Services. The Committee, popularly known as the Balwantrai Mehta Committee, after the name of its chairman, submitted its report in November 1957. The basic principles emphasized by the Mehta committee were:

i) a three-tier structure of rural local self-governing Panchayat Raj bodies from the village to the district level to be created and these bodies should be organically linked up. The institutions envisaged were the gram panchayat at the village level, the Panchayat Samiti at the block level and the Zilla Parishad at the district level;

ii) there should be a genuine transfer of power and responsibility to these institutions;

iii) adequate resources should be made available to these institutions to enable them to discharge their responsibilities efficiently;

iv) all development programmes at the three levels should be channeled through these bodies; and

v) the system of rural local government evolved should be such as to facilitate further devolution and dispersal of powers and responsibilities in future.

The Union as well as the State Governments welcomed the committee's recommendations and with the National Development Council also endorsing them, efforts were made for constituting Panchayati Raj Institutions (PRIs) in the States. Rajasthan was the first state to adopt the system on 2nd October 1959. Thereafter, a majority of the states including Andhra Pradesh passed the necessary legislation to set up the PRIs.

Andhra Pradesh is one of the first two states, which had introduced the three-tier Panchayati Raj system, following the recommendations of the Balwant Rai Mehta Committee. By the end of 1963-64, Gram Panchayat, Panchayat Samithis and Zilla Parishads were constituted in the state. In establishing a middle tier at block level in November 1959, and in replacing
the District Boards with Zilla Parishads in December 1959, the existing structure of gram panchayats was not materially altered. Even after 1959, the gram panchayats continued to be governed by the existing statutes until 1964 when a single comprehensive and uniform statutes to Government all gram panchayat in the state.

1.2.2 The Ashok Mehta Committee Recommendations

In 1977, the Ashok Mehta Committee was appointed by the then Janata Party Government to enquire into the working of the PRIs and to suggest measures to strengthen them. The following were some of the recommendations made by the Committee to bolster the stature and standing of Panchayat Raj.\(^8\)

i) creation of a two-tier system of Panchayat Raj with Zilla Parishad at the district level and a Mandal Panchayat for a group of villages covering a population of 15,000 to 20,000;

ii) at the village level, the people were to be involved in Mandal Panchayats through Village Committees. The Village Committees entrusted with municipal and related welfare activities would consist of the following categories of members: (i) members elected to Mandal Panchayat from the respective electoral unit; (ii) members elected to Zilla Parishad from the respective electoral units; (iii) representatives of small and marginal farmers;

iii) open participation of political parties in PRIs through elections conducted on a party basis;

iv) PRIs elections to be conducted by the Chief Election Officer of the State in consultation with the Chief Election Commissioner;

v) all development functions relating to the district, hitherto being discharged by the State Government, to be transferred to the Zilla Parishads;

vi) Mandal Panchayat to have an increasing role to play in the sphere of municipal and welfare functions and are also to be responsible for the implementation of the schemes and projects assigned by Zilla Parishad; and

vii) reservation of seats in PRIs for SCs and STs on the basis of their population.
However, with the Janata Government collapsing in 1980 and the report not being acceptable to its successor, the Congress Government, no progress could be registered in the direction of implementing the recommendations of the committee though Karnataka and Andhra Pradesh borrowed many suggestions like that of the Mandal Panchayat from the Ashok Mehta Committee recommendations.

1.2.2.1 Some Early Attempts at Implementing Ashok Mehta Recommendations

In 1986, following the recommendations of the Ashok Mehta Committee, there was a structural reorganisation of the middle tier of the Panchayat Raj system in the state. The Panchayat Samithis were bifurcated into Mandals, each with a population ranging from 35,000 to 50,000. Thus the 324 Panchayat Samithis were replaced by 1,124 Mandal Praja Parishads as the middle tier with effect from January 15, 1987. The newly created middle tier of Panchayat Raj was made coterminous with the revenue Mandal. Thus, the Panchayat Raj Institutions in the State were governed by two different statutes, namely, the A.P Gram Panchayat Act of 1964 and the A.P Mandal and Zilla Parishad Act of 1986, till the A.P Panchayat Raj Act of 1994 came into force, subsequent to the 73rd Constitutional Amendment Act.

Before the Act of 1994 was brought into force, the Panchayat Raj pattern of rural government in the state had a three-tier structure with 22 Zilla Parishads, 1,110 Mandal Praja Parishads, and 19,517 gram panchayats functioning at the district, Mandal and village level respectively. On an average, each Zilla Praja Parishad (ZPP) covered 50 Mandal Praja Parishads (MPP) and a population of 20 lakh. Its strength varied between 33 and 65 members consisting of elected Chairman, Vice-Chairman, Presidents of all MPPs, MPs concerned, and one member belonging to minorities. The Chairman was directly elected by the entire rural electorate of the district. As a matter of State Government policy, of the total number of elective posts of Chairmen in the state, 6, 15, 9 and 20 percent were reserved for Scheduled Tribes, Scheduled Castes, Women and Backward classes respectively. The term of office of all the three tiers of Panchayati Raj continued to be 5 years.
The Chief Executive Officer of a ZPP was designated as District Development Officer who is a State government employee on deputation. Each ZPP had six Standing Committees, one each for Development, Education, Social Welfare, Women Welfare, Works, and Finance through which the ZPP carried out the responsibilities cast on it. All Standing Committees consisted of the Chairman of the ZPP, District Collector (ex-officio member), and approximately an equal number of members elected by the members of the ZPP from amongst themselves. It was further stipulated that each Standing Committee, other than the social welfare and women welfare, should have one elected member belonging to Scheduled Castes or Scheduled Tribes or backward classes or minorities or women.

Each gram panchayat, on an average, covered 1.3 revenue village and a rural population of 2,200. Its strength ranged from 5 to 21 consisting of the Sarpanch, Vice-Sarpanch and Ward members. The Sarpanch and the ward members were directly elected by the entire electorate of the village (s) concerned. Depending upon the strength of the gram panchayats, two or four seats reserved to them were made contingent on their respective populations. However, it was stipulated that at least one seat of these weaker sections should be reserved in all gram panchayats where their combined population constitutes not more than 50 percent of the total population of the gram panchayat. No provision for reservation of seats for members was made where their combined population is more than 50 percent of the total population of the gram panchayat. Gram panchayats were divided into two broad categories, namely, Notified and Non-notified. A notified gram panchayat is one which has a normal annual average income of Rs.40,000/-.

All other gram panchayats are classified as non-notified. The number of notified gram panchayats in the State did not constitute more than 6 percent of the total number of gram panchayats in the State. Though, in terms of functional responsibilities there is no difference between these two categories of gram panchayats, the State government appoints a full-time Executive Officer for each notified gram panchayat. In the Non-notified gram panchayats, the Sarpanch acts as its Executive authority also. Realising the difficulty of the Sarpanches of smaller gram panchayats in managing
executive functions, the State government has attempted at appointing group executive officers, one each for two or three such panchayats. However, this experiment did not last as it resulted in frequent frictions between the Sarpanch and the CEO, particularly, in matters relating to withdrawing of funds from the treasury/bank and in terms of statutory in matters relating to withdrawing of funds from the treasury/bank. In terms of statutory provisions, each gram panchayat has to constitute three functional committees, one each for agriculture, public health and sanitation, and communications. Other Committees are to be constituted by the gram panchayats if the state government directs them to do so. The statute further stipulates that one person belonging to the SC/ST who is not a member of the gram panchayat but eligible to become such a member should be co-opted to each its Functional Committee. Also 9 persons who are not the members of the gram panchayat but are interested in the subject dealt with by a Committee can be co-opted to the said Committee, by the gram panchayat.

1.3 The 73<sup>rd</sup> Amendment to the Constitution

The Congress Government under P.V. Narasimha Rao that took charge in June 1991, modified the Amendment proposed earlier on the basis of mandal recommendations drastically and reintroduced it in the Parliament in September 1991 in the shape of the 72<sup>nd</sup> Constitutional Amendment Bill. The Bill was referred to a Joint Parliamentary Committee consisting of members drawn from both Houses of the Parliament. The Joint Parliamentary Committee, after discussions presented its report to the Parliament in July 1992. Following its ratification by more than half of the State Assemblies, the President gave his assent to the Bill on 20 April 1993 and the Act was brought into force by a Government notification on 24<sup>th</sup> April 1993 as the 1992 Constitution (73<sup>rd</sup> Amendment) Act. A new part, Part IX has, therefore, been now added to the Constitution that contains provisions regarding the panchayats.
The 73rd Constitution Amendment Act which lays the foundation for a strong and vibrant panchayat Raj system by constitutionally ordaining devolution of powers, functions and resources by state governments to the PRIIs came into being keeping in view the following objectives:

- to place more and more powers in the hands of the rural people to determine their own destiny;
- to enhance the capabilities of the rural people to involve themselves in the process of planning from below;
- to decentralise execution of all kinds of developmental activities with effective participation of the people; and
- to orient development administration based on the philosophy of popular participation.

The Constitutional Amendment, hence, *inter alia*, provides for the constitution and composition of Panchayat at the village, intermediate and district levels; reservation of seats for weaker sections and women; regular elections; devolution of powers and resources; constitution of a Finance Commission in each state to review the financial position of Panchayats; regular maintenance and audit of Panchayat accounts; etc.

### 1.3.1 Powers and Functions of Panchayati Raj Bodies under 73rd Amendment Act

The powers and responsibilities entrusted to the PRIIs under the 73rd Constitution Amendment Act are laid down in Article 243 G. The legislature of a state, may by law, endow the Panchayats with such powers and authority as may be necessary to enable them to function as institutions of self-government and such law may contain provisions for the devolution of powers and responsibilities upon panchayats at the appropriate level, subject to such conditions as may be specified there with respect to:
- the preparation of plans of economic development and social justice; and
- the implementation of schemes for economic development and social justice as may be entrusted to them including those in relation to matters entrusted in the Eleventh Schedule.

The financial resources contemplated to be assigned the Panchayat Raj Institutions in the Act are laid down in Article 243 H. This article reads thus: "The Legislature of a state may by law:

- authorise a Panchayat to levy, collect and appropriate such taxes, duties, tolls and fees in accordance with such procedure and subject to such limits;
- assigns to a Panchayat such taxes, duties, tolls and fees levied and collected by the State Government for such purposes and subject to such conditions and limits;
- provide for making such grants-in-aid to the Panchayats from the Consolidated Fund of a State; and
- provide for the constitution of such funds for crediting all moneys received, respectively, by or on behalf of the Panchayats and also for the withdrawal of such monies there from, as may be specified in the law".

The 73rd Constitution Amendment Act provides for the constitution of a Finance Commission in each state to review the financial position of the Panchayats Article 243 I reads as follows:

(1) "The Governor of a State shall, as soon as may be with in one year from the commencement of the Constitution (73rd Amendment) Act, 1992, and thereafter at the expiration of every fifth year, constitute a Finance Commission to review the financial position of the Panchayats and to make recommendations to the Governor as to:
(a) the principles which should govern:

(i) the distribution between the State and the Panchayats of the net proceeds of the taxes, duties, tolls and fees leviable by the State, which may be divided between the Panchayat at all levels of their respective shares of such proceeds;

(ii) the determination of the taxes, duties, tolls and fees which may be assigned to, or appropriated by the Panchayats; and

(iii) the grants-in-aid to the Panchayats from the Consolidated Fund of the State;

(b) the measures needed to improve the financial position of the Panchayats; and

(c) any other matter referred to the Finance Commission by the Governor in the interests of sound finance of the Panchayats.

(2) the Legislature of a State, may by law, provide for the composition of the Commission, the qualifications which shall be requisite for a appointment as members there of and the manner in which they shall be selected;

(3) the Commission shall determine their procedure and shall have such powers in the performance of their functions as the legislature of the state may, by law, confer on them; and

(4) the Governor shall cause every recommendation made by the Commission under this article together with all explanatory memorandum as to the action taken thereon to be laid before the legislature of the State."

To reinforce the institution of the Finance Commission, provided for in Article 243 I of the Constitution, the 73rd Amendment Act inserts sub-clause (bb) after sub-clause (b) in clause (3) of Article 280. Article 280 (3 (bb)) now stipulates that it shall be the duty of the Central Finance Commission to suggest the measures needed to augment the Consolidated Fund of a State to supplement the resources of the panchayats in the state on the basis of the recommendations made by the Finance Commission of the State.
1.3.2 Implications of Constitutional Amendment

Following the Constitutional Amendment, the Panchayati Raj bodies have acquired permanence. It has become mandatory to hold elections to the three tiers of Panchayati Raj once in 5 years. Each layer of the Panchayati Raj system is assigned specific functional responsibility and fiscal powers. Besides, the new Act provides for transfer of certain resources from the State and Central Governments in the form of assigned revenues, tax shares, and grants. Following the new Panchayati Raj Act, the State Governments are required to transfer specific subjects, projects, programmes and schemes to the three layers of Panchayat bodies, but broadly falling within 28 subjects listed under Article 243 (G) of the constitution.

Gram panchayat continues to be the most important of the three Panchayat Raj bodies under the New Act as well as the Old Act. They are at the cutting edge level and interact with the public on a regular basis. In fact, in terms of functional responsibilities and fiscal powers, there is very marginal change in respect of gram panchayats after the New Act. The 1994 Act, has only made elections to the gram panchayats mandatory ensuring their perpetuity. They cannot be dissolved at the discretion of the State Governments. But in terms of their functional domain, the changes are only qualitative. The effectiveness of the qualitative changes that are sought to be introduced by the 1994 Act would, however, depend on the effective expenditure decentralisation that takes place at the gram panchayat level. Equally important is the degree of revenue decentralisation that would take place at the gram panchayat level.

Local autonomy consists in the devolution on local bodies of certain important powers and functions which they can perform without outside interference. Further, it involves in the provision of adequate financial resources to these bodies necessary for carrying out their functions. This holds good in the case of Panchayati Raj bodies which constitute the rural local Government in India. In fact, of the financial resources of the Panchayati Raj institutions would depend upon the number and nature of functions, which
they carry out. However, such devolution depends upon the degree of decentralization of governmental functions which the state is willing to allow. In case the state chooses to delegate to the PRIs only a few functions of minor importance, even the limited financial resources which they could mobilize are adequate for their activities. The problem in this case is not inadequacy of financial resources but the limited vision underlying the spirit of democratic decentralization. Keeping this in view, several States in India have surrendered to the PRIs certain important functions in order to promote genuine democratic decentralization. However, it is true that till 1996 several states with a few exceptions have continued to have strong reservations about the prospect of genuine sharing of powers with the PRIs. In 1996, the States were expected to revise their PRI Acts to make them conform to the requirements of the 73rd Amendment Act.

1.3.3. Devolution of Powers and Functions to the PRIs

Keeping in view the spirit of the Eleventh Schedule of the Constitution incorporated by the 73rd Amendment, almost all State Governments have devolved several powers and functions on the Panchayati Raj bodies, particularly the village Panchayats. In pursuance of this Act, several State Governments have enacted conformity Acts to give effect to the 73rd Constitutional Amendment Act. But different states have adopted different approaches in the devolution of powers and functions on the Panchayati Raj bodies. In most of the states, the Village Panchayats were given first priority while the intermediate and top level tiers were given second priority in the scheme of devolution. The functions of Panchayats have been, in several states like Tamil Nadu, Andhra Pradesh, West Bengal, Karnataka divided into obligatory functions and discretionary functions. While the obligatory functions are binding, subject to availability of funds, the discretionary functions can be undertaken by the Panchayats at their option.15

The state governments are expected to adopt the scheme of devolution of functions on the Panchayati Raj Institutions functioning in their respective States. The 73rd Amendment Act envisages the powers and functions which
the state governments have to pass on the Panchayati Raj bodies to enable them to become fully functional. Article 243 (G) of the Constitution visualizes the Village Panchayats as institutions of self-government but leaves the extent of devolution of powers and functions of the Panchayati Raj bodies to the will of the State legislatures. It devolves powers, functions and responsibilities on the Panchayats in respect of 29 items to prepare and implement programmes of economic development and social justice. Article 243 (G) of the Constitution of India reads thus: 16

"Subject to the provisions of the Constitution, the legislature of a State may, by law, endow the Panchayats with such powers and authority as may be necessary to enable them to function as institutions of self-government and such a law may contain provisions for the devolution of powers and responsibilities upon Panchayats at the appropriate level, subject to such conditions as may be specified herein, with respect to (a) the preparation of plans for economic development and social justice: and (b) the implementation of such schemes for economic development and social justice as may be entrusted to them including those in relation to the matters listed in the Eleventh Schedule".

1.3.4. Devolved of Powers and Functions to the PRIs

Even though the three tier system is broadly similar throughout the country, there are considerable variations in their structural and functional patterns. While the powers and functions of the Village Panchayats were broadly similar throughout the country, there were several variations in the functions and powers of the remaining two tiers the Panchayat Samithis and Zilla Parishads. In some States, the Zilla Parishads, the top tier were given more powers and functions whereas in other states the Panchayat Samithis, the middle tier had greater powers and functions than the Zilla Parishads.

Notwithstanding these variations, the powers and functions of the three tiers of Panchayati Raj bodies throughout the country are similar which can be broadly be summarized in the following way:
i) **Village Panchayats**: (i) supply of drinking water (ii) construction and maintenance of roads, bridges and drains; (iii) street lighting, (iv) sanitation and removal of garbage. (v) maintenance of markets, cattle ponds; (vi) construction of parks, libraries etc., (vii) prevention of epidemics (viii) registration of births and deaths.

In some states, besides the above civic functions the Panchayats are also entrusted with some developmental functions like promotion of agriculture, cooperation, cottage industries, elementary education, preparation of Village Plans etc.

ii) **Panchayat Samithis**: Preparation and execution of plans-and programmes for the development of agriculture, animal husbandry, irrigation, cooperation, cottage industries, education and social education, public health, communications, social welfare, fisheries etc. Besides, they were also vested with powers to supervise and coordinate the activities of village panchayts and carry out the functions entrusted to them by the Zilla Parishad or the Government.

iii) **Zilla Parishads**: In certain states ZPs were, entrusted with only advisory functions i.e., advising the Government on all matters relating to the rural development. Further, they were given with supervisory and coordinating functions and approval of the budgets of the Panchayat Samithis. In other states along with the above functions, they were also made responsible for the establishment and maintenance of secondary, vocational and secondary schools, construction and maintenance of inter-village roads, preparation of district Plans etc. In certain other states they had developmental functions' like the promotion of welfare of weaker sections of women and of children, rural water supply, provision of health and medical facilities, development of cottage industries, cooperation, irrigation and others.
The above discussion on the powers and functions of the Panchayati Raj bodies across the country reveals that:

- the Village Panchayat functions were mainly of civic nature. However, in a few states they had a few developmental functions, particularly those relating to the development of agriculture;

- the Panchayat Samithis were conceived as executive agencies to implement the developmental plans and programmes prepared by the State Government or Zilla Parishad, and

- the Zilla Parishads were confined to an advisory role. They had to advise the Government on matters relating to rural development. They were also endowed with coordinating, supervisory and controlling powers in respect of the Panchayat Samithis in their respective areas. However, in Maharashtra and Gujarat the Zilla Parishads were made developmental agencies with the responsibility of execution of all developmental plans and programmes at the district level.

1.3.4.1 Specific Functions of Village Panchayats

The functions entrusted to the Panchayati Raj bodies in different states under the new Panchayat Raj Acts can be divided into three categories:

- General Administration functions;
- Developmental and Social functions; and
- Civic and Maintenance functions.

The above functions are discharged by the different tiers of Panchayati Raj differently which can be discussed as follows:
Under the new Panchayati Raj Acts, in several States, the gram panchayats discharge the following General Administration functions:

(i) Preparation of annual plans for the development of the Village Panchayat; (or villages)
(ii) preparation of annual budget;
(iii) mobilising relief in natural calamities;
(iv) removal of encroachment on public properties;
(v) organising voluntary labour and contribution for community works;
(vi) maintenance of statistics of villages including the numbering of premises, taking of census; and
(vii) preparation of statistics of unemployment, maintenance and upkeep of records and the registration of births, deaths and marriage.

The panchayats are also required to carry out any other general administrative functions entrusted to them by the Panchayat Samithis, Zilla Panchayats or State or Central Government. Certain general administrative functions, namely, village defence, information and publicity and constitution of Nyaya Panchayats are carried out by the Panchayats in certain States Andhra Pradesh, Maharastra and West Bengal.

In general, a wide range of developmental functions are carried out by the Village Panchayats in almost all the states. The common developmental functions carried out by these bodies in all these states include agriculture, social forestry, animal husbandry, provision of rural housing and education (adult and non-formal). They also look after social welfare, women and child development, poverty alleviation programmes and khadi, village and small scale industries. Village panchayats are also in charge of developmental activities like cooperation and rural insurance in a few states like Andhra Pradesh, Gujarat, Maharashtra and West Bengal.
In the States, the civic functions are taken care of by the Panchayats. About 33 items are included in this category of functions. The civic functions commonly assigned to the gram panchayats in all the States include supply of drinking water, street lighting, construction of roads and culverts, removal of garbage, registration of birth and deaths, rural sanitation, establishment of markets and fairs, maintenance of other community assets and so on. In certain states, public health and family welfare, libraries, cultural and sports activities are also assigned to the Village Panchayats. Functions like regulation of liquor shops, regulation of construction of houses and properties are discharged by the Panchyats in states like Andhra Pradesh, Gujarat, Madhya Pradesh and West Bengal. Similarly, functions such as the construction of jhuggies and destruction of stray animals etc., are entrusted to the Village Panchayats in Andhra Pradesh, Gujarat, Maharashtra and West Bengal.18

1.3.4.2 Specific Functions of Panchayat Samithis

The earlier Acts entrusted the Panchayati Samithis with all the functions necessary for the promotion of socio-economic development of the rural areas. They were required to prepare and implement programmes for the development of about 15 sectors including agriculture, animal husbandry, education, primary health, social welfare, women welfare, cottage industries, communications, emergency, relief, self-help schemes and collection of vital statistics. Thus, Panchayati Samithis had the responsibility of achieving the all round development of the relevant areas.

After the introduction of Mandal Praja Parishads in the place of Panchayati Samithis, the Mandals were assigned some more functions, particularly the elimination of rural poverty. They were involved in the implementation of several Central Government sponsored anti-poverty programmes launched during Five Year Plans like the National Rural Employment, Programme, Rural Labour Employment Guarantee Programmes, Integrated Rural Development Programme (IRDP), IAY, EAS etc. They were also entrusted with the implementation of state sponsored programmes like the Grameena Kranti Pathakam (rural development programme) and so on.
The functions of the Panchayat Samitis, Mandal Praja Parishads under the new Panchayati Raj Acts in the major states can be classified into three categories:

- General administrative function;
- Developmental and social functions; and
- Maintenance works.

An analysis of the working of the new Panchayati Raj Acts in several States reveals that there are about ten administrative functions entrusted to the Panchayat Samithis in these States. They include providing relief during the time of natural calamities and other works entrusted by the Zilla Parishads or the Government. In a very few States these bodies deal with, trusts, social education, village defense corps and so on. Those under the category of developmental functions include agriculture, animal husbandry, fisheries, social farming and forestry, drinking water, adult and non-formal education, women and child development, social welfare, khadi, village, cottage and small scale industries and cooperation which are carried out by the Panchayati Samithis in almost all the States in the country. In addition, the supply of credit, sanitation - medical care, cultural activities and sports are entrusted to the Panchayati samithis in several states. Added to these functions, construction and maintenance of public places like Dharmashalas and Chawwadis are assigned to the Panchayat Samithis in few States such as Maharashtra and Tamil Nadu.

1.3.4.3 Functions of Zilla Parishads/Zilla Panchayats

Under the New Panchayati Raj Act, the major functions entrusted to the Zilla Parishads, in almost all the States in the country include supervision, coordination, consolidation, integration and review of developmental programmes and schemes implemented by the Panchayati Samithis. Further, preparation of plans and schemes for the promotion of economic development and social justice in the district, and ensuring the execution of these plans, projects and schemes are also their major responsibility. However, in Gujarat, Maharashtra and West Bengal, Zilla Parishads
discharge certain additional and technical functions, implementation of relief measures and publicity.\textsuperscript{21} The developmental functions of these bodies in a number of states include agriculture development including extension, horticulture animal husbandry, dairying and poultry, social forestry, minor forest produce, fuel and fodder, primary and secondary education and so on. However, in Gujarat, the function of development of village sites including the building of a model village is also entrusted to the Zilla Parishad. In certain other States, they also perform functions relating to health, hygiene and family welfare, medical and sanitation. In \textit{Maharastra}, maintenance of \textit{Dharmashalas}, rest houses, traveler's bungalows, sarais and chawadis, burial and cremation grounds, conduct of public functions and sammelans, propagation of \textit{Gramdan} and \textit{Bhudan} movement are entrusted to these bodies.\textsuperscript{22}

A study which reviewed the scheme of devolution of powers and functions on the Panchayati Raj bodies effected by different states in pursuance of the 73\textsuperscript{rd} Constitutional Amendment Act has revealed the position existing in these states as follows\textsuperscript{23}:

(i) In Gujarat, the top tier or the district level body the Zilla Panchayats have been vested with several powers and functions relating to the 29 subjects included in the XI Schedule of the Constitution. The Zilla Panchayats in turn devolved a number of their functions on the intermediate their taluk Panchayats and the village Panchayats.

(ii) In Karnataka, the Zilla Parishads were given more powers than were the two lower tiers. The Taluk Panchayats, the middle tier, were charged with the implementation of poverty alleviation programmes while the village Panchayats concern themselves with the traditional civic functions along with a few new ones like as identification of beneficiaries for the poverty alleviation programmes. All the remaining subjects under the Zilla Parishads and, other welfare agencies in the District included in the Schedule of the State Act except the public distribution system, rural housing and rural electrification were assigned to the Zilla Panchayats.
(iii) In Maharashtra, the Zilla Parishads have been made the main target of devolution of powers, entrusted with all the vital powers concerning all the subjects included in the XI Schedule of the Constitution. The Panchayat Samithis were made the executive agencies, implementing the programmes and schemes prepared by the Zilla Parishads. The Village Panchayats are assigned mostly with civic functions and very few developmental functioning.

(iv) In Tamil Nadu, the Village Panchayats were made the executive authorities concerning the 39 items included in the XI Schedule. The Village Panchayats were given a more vital role than were the other two tiers with regard to these subjects.

(v) In Madhya Pradesh, as many as 23 functions listed in the XI Schedule were allotted to different Panchayati Raj Institutions. Besides, the Panchayati Raj Institutions can exercise administrative control over the Departments in the implementation of developmental schemes and programmes.

(vi) In Uttar Pradesh, the Zilla Parishads have no functions relating to the subjects listed in the XI Schedule such as agriculture, minor irrigation, animal husbandry, rural housing, drinking water, poverty alleviation programmes while, the Village Panchayats and Panchayat Samithis were entrusted with the supervisory powers relating to all the 29 items in this Schedule.

The study concluded that the devolution of powers and functions on the Panchayats Raj bodies has taken place in a limited way in the selected states. It also noted that since the process is still continuing it is difficult to get a clear picture on the position in different States.

In the devolution of functions effected by the 73rd Constitutional Amendment Act, the gram panchayats were accorded highest priority, while the remaining, two tiers received secondary importance. Under the 1994 Act, a total numbering 151 functional responsibilities were entrusted to the three tiers of Panchayati Raj Institutions in the State. Of these, 135 functions related to the 24 subjects included in XI Schedule of the Constitution. The subjects in respect of which no specific responsibilities are entrusted to these bodies include: fisheries, minor forest produce, small scale industries, technical trainees and family welfare.
Though the 73rd Amendment Act conceived PRIs as "units of self-government" covering nearly all aspects of a local self-government system, there are inherent inadequacies such as the absence of the definition of the concept of 'self-government', vagueness in the status and functions of gram sabha, and absence of a time-frame within which various provisions are to be put into effect as visualised in the Act. Further, certain vital aspects like the degree of autonomy and of the devolution of functional and financial powers to be granted to the various Panchayat Raj bodies are left to the discretion of the State Governments. As a result, several contradictions have taken place in the different states after the enactment of new Panchayati Raj Acts. Some of these contradictions include: (a) Panchayati Raj institutions have been viewed as mere agencies of the State Government at lower levels this has resulted in the dilution of the concept of 'units of self-government'; (b) functional and financial autonomy in specific terms to these institutions (c) the stranglehold of the bureaucracy over the elected bodies/representatives is retained, (d) reluctance of political leaders to give up control over the implementation of development schemes and allocation of funds, and (e) absence of a national consensus on the status and direction of PRIs in different States, in spite of the common organisational structure of Panchayati Raj system in different states. A review of the actual operationalisation of the new Panchayati Raj Acts enacted in various States clearly indicates the absence of an identical framework regarding the Panchayati Raj system across the nation. This is essentially due to the fact that each State has taken its own politico-administrative situation into consideration while framing the Panchayati Raj Act. For example, while some states have considered the Panchayati Raj system essentially as an organisational set up for the provision of 'democratic decentralization', the other States have treated them merely as the 'agencies' for the implementation of rural development programmes, This approach has destroyed the spirit of the Panchayati Raj bodies as "units of self-government". As a result there are as many models of Panchayati Raj as there are states which, in a way, reflects the federal nature of our polity.
One of the common anomalies found in the devolution of powers and functions in several states is that there is always a gap between the powers given and powers actually exercised, and between functions included in the Schedule incorporated in the concerned Acts and functions actually carried out. This is more noticeable at the gram panchayat level, in most of the states, village panchayats. In practice, however, most of these functions are of the carried out by the Panchayats.

However, one positive feature of the devolution of powers and functions effected by the 73rd Amendment Act is that all the State Governments have initiated efforts to demarcate functions between the different tiers of the Panchayati Raj by adding or deleting certain activities, programmes and schemes to the concerned schedules to streamline the allocation of functions. Several State Governments have denied several regulatory, supervising, and controlling powers to the Panchayati Raj bodies. This is contrary to the spirit of decentralized governance. In several states the recruitment and transfer of the personnel of the Panchayati. Raj Institutions are still vested with the State Government. Further several line departments are still independent of Panchayati Raj bodies although they come under Panchayati Raj administration.

The state of Andhra Pradesh is no expansion to this. The enabling legislation passed in 1994 enumerates several key functions and powers to the PRIs, but the fiscal powers and expenditure functions continue to be concentrated in the state agencies. The successive governments have not transferred the fiscal powers as well as resources from the state budget to enable the PRIs to discharge their constitutional mandate. Besides, the government has not effected the transfer of programmes, projects and functionaries to enable the PRIs to discharge their functions. As a result, the PRIs remain as ineffective institutions not able to deliver the services expected of them.
2.0 Focus of the Present Study

2.1 Finances of PRIs in A.P.

Andhra Pradesh is one of the two Indian states which had taken the lead in institutionalizing PR system, in 1959 itself, basing on the recommendations of the Balwant Rai Mehta Committee, and later on the recommendations of the Ashok Mehta Committee, in 1987. Notwithstanding the early initiatives, the financial and functional powers of the Panchayati Raj Institutions remained very limited. Even after the enactment of the Constitutional Amendment Act of 1993, the devolution has remained less than satisfactory. The A.P. Panchayat Act of 1994 has made some beginning but its contribution to the financial strengthening of the PR bodies has remained very limited. Even the recommendations made by the State Finance Commission were not fully accepted by the State Government. As a result, the finances of the Panchayati Raj bodies have remained virtually stagnant, resulting in enhanced dependence on the discretionary transfer of grants made by the State Government. Added to this is the reluctance of the Panchayati Raj bodies to mop up resources from their own sources. The proximity of the Panchayati Raj bodies to the local electorate has acted as a constraint to raise additional resources. The reluctance of the State Government to transfer powers, functions and functionaries to the Panchayati Raj bodies has virtually marginalized their role and made them dependent on the State government. Further, the tendency on the part of the elected legislators to usurp the rights of the constitutionally elected Panchayati Raj bodies is another factor that has led to the decay of the Panchayat Raj Institutions. It is in this context that the present study is undertaken. The study seeks to assess the financial position of Zilla Parishad, Mandal Parishad and gram panchayat vis-à-vis their functional/ expenditure responsibilities, basing on the experience of sample Panchayati Raj Institutions drawn from Kumool. The study is however not first of its kind. A few attempts have been made to assess the fiscal situation of Panchayati Raj bodies in different states, but most of them are either dated or undertaken prior to the passing new Panchayati Raj Acts as a sequel to the Constitutional amendment. Even in the
context of Andhra Pradesh, a few studies conducted are dated and had not focused on financial powers of the Panchayati Raj Institutions vis-à-vis their constitutionally determined functions. Further, the study has been undertaken on the finances of three tiers of Panchayati Raj Institutions to get a comprehensive picture of their fiscal position. A brief review of literature is presented in the following, which justifies the present study.

2.2 Review of Literature

Over the years, there has been an enormous growth of literature pertaining to the functions and finances of Panchayati Raj Institutions throwing light on various aspects such as political, administrative, financial and functional. An attempt is made in this section to review a few studies and their findings pertaining to the fiscal position of the panchayat bodies.

2.2.1 Reports of Study Team at Government of India Level

Though local government is a state subject under the Constitution, the Government of India has evinced keen interest and has constituted a number of Committees from time to time to deal with the various issues involved in the strengthening of Panchayat Raj finances. These include, the team for the study of Community Projects and National Extension Service, 1957 (Chairman: Balwantrai Mehta); Study team on Panchayati Raj Finances, 1963 (Chairman: K. Santhanam), The Committee on Panchayat Raj Institutions, 1978 (Chairman: Ashok Mehta). The Ashok Mehta Committee 1978, in particular analysed the finances of gram panchayats on the basis of all-India data for the year 1976-77. The Committee broadly estimated the total receipts of the gram panchayats to be of the order of about Rs.113 crores in 1976-77, the receipts from taxes and fees accounting for about Rs.39 crores. The average receipts of the gram panchayats worked out to be Rs.5,000/- per panchayat per annum. The committee, however, observed that an average figure was over Rs.1.1 lakh while that of Uttar Pradesh was only Rs.0.64 thousand. On the basis of data made available to the Committee by eight major states for the period from 1962-63 to 1977-78, a trend analysis worked
out by the Committee indicated that the proportion of receipts from tax income to the total income was not going up substantially. The Ashok Mehta Committee, therefore, observed that the gram panchayats in different states except Kerala suffer from paucity of resources to function as per the expectations of the people. The Committee, hence, strongly felt that besides budgetary support from the state governments, the panchayats should mobilise enough resources on their own as no democratic institution can continue to maintain its operational viability by depending only on external resources. It, therefore, recommended that certain taxes like house tax, entertainment tax, special tax on land and buildings and certain fees like various market fees should be compulsorily levied by the Panchayat Raj Institutions at the appropriate level. It further suggested that the minimum and maximum rates of taxes and fees leviable by the Panchayat Raj Institutions be statutorily prescribed.

Earlier, the Local Finance Enquiry Committee (1951), the Taxation Enquiry Commission (1953-54) and the Santhanam Committee (1963) had suggested such levy of compulsory taxes by the Panchayats, though the list of taxes recommended two mandatory taxes: (i) house-tax or chula tax or circumstances and property tax, and (ii) general sanitary cess. The taxes suggested by the Taxation Enquiry Commission (1953-54) for the exclusive utilization by or for local bodies include: (a) taxes on lands and buildings, (b) octroi, (c) taxes on non-mechanical modes of transport, (d) taxes on animals and boats, (e) taxes on professions, trades, callings and employment, and (f) taxes on advertisements other than advertisements published in newspapers. The Santhanam Committee endorsing the recommendations of the Taxation Enquiry Commission recommended that house tax, profession tax and vehicle tax should be the compulsory taxes of Panchayats.

The Santhanam Committee had also suggested that every State Government should establish a Panchayati Samitis and Zilla Parishads for starting remunerative enterprise and thereby increase the scope of their non-tax revenues. But, the Ashok Mehta Committee (1978) did not favour such a proposition. This Committee, however, agreed in principle to the constitution
of a State Finance Commission in each state to decide upon the distribution of finances between the state government and the panchayat but with certain reservations. It felt that the constitution of the State Finance Commission was advisable, provided it did not entail recourse to the cumbersome process of a constitutional Amendment of a detailed nature. Towards this suggestion, the Amendment made to Article 280 of the Constitution by the Constitution (Seventy-third) Amendment Act, 1992 enjoining the Central Finance Commission to recommend measures to augment the Consolidated Fund Commission (SFCs). Consequently, the Tenth Finance Commission despite the non-availability of the recommendations of the SFCs, suggested *ad hoc* augmentation of the Consolidated Fund of the states. It has made available for all the states as a whole Rs.4,380.93 crores of grants for a period of four years starting with 1996-97. This amount was distributed among all the three tiers of the Panchayat Raj institutions in the states.

### 2.2.2 Study Teams Appointed by Government of Andhra Pradesh

The Government of Andhra Pradesh has also constituted committees to inquire into the financial position of gram panchayats and to suggest remedial measures. The High Power Committee on Panchayati Raj, 1972 (chairman: C.Narasimham), State Committee on Panchayati Raj Institutions, 1981, (Chairman: C.Narasimham), Expert Committee on Panchayati Raj Institution 1992 (Chairman: B.P.R.Vithal) are some such committees appointed by the Andhra Pradesh Government. The State Committee on Panchayati Raj Institutions (1981) chaired by C. Narasimham, in particular, undertook a detailed examination of the financial resources of Panchayati Raj bodies and observed that the major problem facing these institutions was the lack of finances with the Panchayats subjected to the maximum financial hardship. The Committee quoted a study by Y. Ramaswamy Naidu to emphasize this point. Naidu's study undertaken on the income and expenditure of gram panchayats in Andhra Pradesh, *inter alia*, revealed the following general trends: (a) the per capita income of select Panchayats varied from Rs.0.11 to Rs.7.66; (b) per capita expenditure of most Panchayats in Andhra Pradesh is less than Re.1/- on an average; (c) the expenditure on
management is most of the Panchayats was of the order of 20% to 30% of the income. In 17 of the 50 gram panchayats taken up for the study, the expenditure on establishment was found to be as high as 80% to 90%; (d) expenditure on remunerative enterprises was less than 3% of the income. The Committee further observed that the gram panchayats in the state depended mostly on one or two inelastic tax revenues and relied largely on the Government revenues and matching grants to meet the cost of their ever widening functions.

The Committee commented that one of the main reasons for the poor financial position of gram panchayats is that they were somewhat reluctant to either discharge their statutory powers vested in them to impose taxes or to revise the rates of levy in spite of the rising costs of administration and maintenance of services. It, therefore, made several recommendations for generating resources for the Panchayats some of which are: (a) raising the minimum and maximum rates of the levy of house-tax, profession tax, license fee, rates of installation of power operated machinery; (b) compulsory levy of general property tax (consisting of property tax for general purpose, property tax for water supply and property tax for drainage) and vehicle tax; (c) enhancing the rate of local cess/land cess and surcharge on stamp duties; (d) matching grants should be given for impressive tax collections; (e) constitution of a State Finance Commission to recommend the distribution of revenues between the state government and its local bodies; (f) setting up of a Panchayat Raj Finance Corporation to prepare bankable schemes for raising resources for the Panchayati Raj Institutions. The B.P.R Vithal Committee (1992), however, was strongly against the establishment of such a corporation.

2.2.3 Individual Studies

In addition to the reports of various committees constituted by the Central and State Governments on the resource position of gram panchayats, several research institutions and individuals also have looked into this aspect and some of these studies are discussed below.
In an in depth study, Siva Subrahmanyam (1973) examined the statutory powers and resource mobilisation by the Panchayati Raj bodies in the state of Andhra Pradesh. Based on certain Government reports and his own study of the finances of selected Gram Panchayats, Panchayat Samitis and Zilla Parishads in East Godavari and Srikakulam districts, the author concluded that all the three tiers of the Panchayat Raj system did not make any significant progress in the area of resource mobilisation. Although the state-level data for the years 1960-61 to 1970-71 exhibited a steady increase in the tax resources of the panchayats in the state, the micro-analysis of a majority of the selected Panchayats presented a rather disturbing picture. Though panchayats, had the power to levy a few obligatory and optional taxes, they practically relied on two or three taxes only with some of the non-notified or minor panchayats not levying any tax at all. Where levied, the tax rates were kept as low as possible and the tax collection was deplorably poor. The author points out that predominance of political and personal considerations was one of the reasons for reluctance on part of the Sarpanches to levy and collect taxes. The author felt that the indifference, illiteracy, inefficiency of the Sarpanches and the lack of enthusiasm on the part of the villagers in civic affairs due to apathy or ignorance were largely responsible for the inadequate or negligible civic service levels in many non-notified Panchayats covered by this study. The study finally concluded that political and personal considerations rather than economic considerations exert an overwhelming influence on the revenue and expenditure decisions of the local authorities. Studies conducted in 8 states (including Andhra Pradesh) during the years 1978-79 and 1981-82 throw light on the structure, functions, and finances of Panchayati Raj bodies in these states.

The main focus of the NIRD studies was to present the analysis of finances of gram panchayats based on micro-level data instead of macro-level data as analysed earlier by the Ashok Mehta Committee. The NIRD studies revealed that the resource base of the gram panchayats in many of the states continued to be poor and they are heavily dependent on the grants-in-aid from the State governments. The studies have further pointed out that though the gram panchayats are entitled to levy certain taxes (both obligatory and
optional taxes), unfortunately the elected leaders of these Panchayats have shown great reluctance to impose such taxes for fear of unpopularity. Poor tax collection by the panchayats is another universal feature in these states.

*Sivalinga Prasad’s study (1981)* is essentially an investigation to describe and analyse the organisation and working of Panchayats to arrive at its operational dynamics in achieving rural development. As such, Prasad examined how a Panchayat (located in the Warangal district of Andhra Pradesh) mobilised financial resources and utilised them for developmental purposes. His study is confined to only gram panchayat and covers the period 1959-60 to 1976-77. During the period of study, tax revenues constituted the most important sources of receipts for the Panchayat with house-tax alone, contributing 98% of the income from taxes. The study revealed that the Panchayat made no effort from the very beginning to tap other sources of income. The reason for this was that the leadership was afraid that the levying of new taxes would make them politically unpopular. Also the Government grants and assigned revenues did not yield much income to the Panchayat. The Panchayat could not even mobilise public contributions to augment its income. The analysis of the expenditure pattern revealed that the Panchayat lacked a proper perspective plan in the use of its scarce resources. Larger amounts were spent on civic and welfare activities rather than on developmental activities. The author concluded that one possible reason for this emphasis could be that the image conscious politician prefers to spend more on civic or welfare activities rather than investing in projects, which has a long run pay-off.

Still another study carried out by Karunakaran Pillai (1988) for Kerala analysed the relative importance of each sources in the fiscal structure of Panchayats. While doing so, an attempt was made to make inter Panchayat comparisons of the different sources and the factors underlying such differences. The trends and patterns of expenditure of the Panchayats were also examined along with the extent of the factors responsible for variations in functional expenditures. This study covers a period of 16 years from 1960-61 to 1975-76. Further, an analysis of the financial resources of the lowest tier of
local bodies revealed that the Panchayats in Kerala were leaning more and more heavily on own resources for revenue, particularly on tax revenue. The property taxes (building tax, stamp duty on transfer of property and cess on land) were the most important sources of revenue for the Panchayats. However, it was found that poor assessment and exemption of various kinds in the levy of property taxes had deprived the Panchayats from realising the tax potential from this source. As far as indirect tax resources were concerned, the study found out that the amount realised was very less.

Bhadouria and Dubey (1989) in their work - "Panchayat Raj and Rural Development" - made an analysis of the expenditure and revenue of selected Gram Panchayats, Panchayat Samitis and Zilla Parishads in Andhra Pradesh and Uttar Pradesh for the years 1975-76 to 1979-80. The analysis revealed certain common characteristics in the finances of gram panchayats in Andhra Pradesh and Uttar Pradesh, which are as follows: (a) Though the gram panchayats in both the states had the statutory powers to levy quite a number of taxes, this power was not made use of by a majority of the panchayats under study. This feature was more pronounced in the case of Panchayats of Uttar Pradesh; (b) in many of the selected gram panchayats it was not the case of expenditure riding roughshod over revenues. Rather, in some of the years, it was observed that the gram panchayats were left with a surplus income. The main differences observed in the analysis of the revenue and expenditure structure of the Panchayats in the two states were as follows. (a) Tax revenues contributed substantially to the total receipts of the gram panchayats in Andhra Pradesh followed by non-tax revenue and then by grants. While in Uttar Pradesh, the grants from Blocks were the main sources of recurring income for the selected Panchayats; (b) In Uttar Pradesh, it was seen that the total expenditure of the selected gram panchayats as a proportion of the total receipts was very small, the gram panchayats in some years spending less than Rs.100/- per annum and in some cases even less than Rs.50/- per annum.
Having analysed the working of gram panchayats in the states of Andhra Pradesh and Uttar Pradesh, the study by Bhadouria and Dubey also called for restructuring of the Panchayati Raj institution's finances so as to make them viable units of administration and development at the grassroots level. For that, the study, inter alia, favoured (a) the compulsory levy of certain taxes, (b) better exploitation of the existing sources of revenue, (c) assignment of new tax resources, (d) handing over the entire proceeds of land revenue, land cess, land development tax and surcharge on stamp duty to the Panchayats, and (e) appointment of a Local Finance Enquiry Committee in each state similar to the State Finance Enquiry Committee appointed by the states. The main task of such a Committee would be to assess the needs and the means of the rural local bodies and to determine the share to be met by the State Government with special reference to rural development programmes. Similar suggestions had been made earlier by Ramaswamy Naidu (1974).

Shah (1990) in his study - "Panchayati Raj: The Role of Panchayats in Integrated Rural Development" - discussed the financial position of Panchayats with references to the Kumoan region of Uttar Pradesh. The study concluded that the financial resources of the Panchayats were very weak and this had hindered their proper and efficient functioning. Even the compulsory taxes and fees were not levied by most of the Panchayats of the region. Majority of the Panchayats have in fact failed to raise their annual income from their own local resources. With the result, they could not meet the minimum administrative expenses, let alone initiate any developmental schemes. It has been observed that whatever developmental schemes have been undertaken by the Panchayats they were largely financed by grants from the higher tiers of local Government. The author, therefore, emphasizes that there is an imperative need for evolving a new financial structure of grants and loans with a view to make certain minimum funds available on a uniform pattern to every Panchayat and also to promote a certain measure of discretion to them in utilising funds according to local needs.
Pande (1994) in his study of the Bankala gram panchayat of Sirmaur district of Himachal Pradesh analysed the pattern of the flow of funds of the Panchayat during the entire Seventh Five Year Plan period from 1985-90 and also examined whether this flow was in consonance with the needs/priorities of the local populace. The Bankala Panchayat during the years 1985-90 spent Rs.69.18 lakhs of which only 0.50% was contributed by the Panchayat’s own resources. Nearly 93% of the total flow of funds had come from the Government as department schemes while about 7% had come by way of institutional finance. The scrutiny of the expenditure pattern showed that nearly 44% was spent on rural water supply programmes and 30.75% on minor irrigation while community development, health and rural sanitation received very negligible amounts (0.08%, 0.25% and 0.52% of the total investment respectively). The flow of funds during the Seventh Plan period was not entirely according to the felt needs of the people and the local requirements. For instance, though an inadequate road was perceived to be one of the main problems by the sampled households, it remained neglected during the Plan period. Another inference drawn from the study is analogous to the earlier works of gram panchayats. It was observed that the finances at the disposal of the selected gram panchayats were far too meager for it to discharge its functions and subsisted largely on grants-in-aid from the government.

Oommen (1995) in his paper - "Panchayat Finance and Issues Relating to Inter-Governmental Transfers" - discussed some basic principles of inter-Governmental transfers of finance with special reference to rural local bodies in India. He reviews the tasks of the State Finance Commissions vis-à-vis the Union Finance Commission and makes a strong case for the creation of a permanent Union Finance Commission (membership reviewed every five years) to review federal finance. Further, the author asserts that the State Finance Commissions set up in each state may have to review and spell out the expenditure responsibilities and revenue assignments at each tier in a district as well as the state to ensure some measures of vertical fiscal balance. The State Finance Commissions have to take an integrated view of Panchayat finance. The author opines that the
traditional "gap filling" approach pursued by the Union Finance Commission of the past may be irrelevant and even problematic as a method of transfers of finance to the Panchayati Raj Institutions. Principles such as economic efficiency, equity, adequacy, fiscal autonomy, fiscal prudence, predictability and transparency may govern the inter-governmental fiscal transfers. The author then observes that tax sharing, tax assignment and distribution of grants-in-aid must be based on criteria which each State finance Commission backwardness and measures of tax effort. The author also suggests some measures for improving the finances of Panchayats. The measures suggested include raising of non-tax income by assigning more land to them (i.e. Panchayats) and creation of permanent assets, income from agriculture, economy in resource use and public contribution(8).

Vithal (1996) analysed the finances of Panchayati Raj institutions in Andhra Pradesh and Karnataka. The analysis revealed that although the taxation powers are exclusively given to the gram panchayats, there has been a poor drive on their part to effectively mobilise their own resources and, hence, like the Panchayat Samiti's and the Zilla Parishads. They are also virtually dependent on the State Governments of grants. Thus, grants constitute the bulk of the income of the gram panchayats. On the expenditure side, the study showed that Jawahar Rozgar Yojana (JRY) schemes were the major items of the expenditure of the gram panchayats. The establishment charges including salaries of public health staff and other obligatory functions like roads and street lighting also incur considerable part, of the expenditure to the Panchayats both in Andhra Pradesh and Karnataka.

Vithal (1995), in an earlier study emphasized that the state tends to usurp more powers. Despite the demand for more decentralization of powers to the duly elected grassroots level democratic institutions, the State has usurped more powers under various provisions of the new Act. The result is that the Government can suspend or cancel any resolution passed by the Panchayati Raj Institutions or the Standing Committees if they are not in conformity with the legal framework or against public interest. This apart, if the Panchayati Raj Institutions fail to exercise their powers, or abused powers
conferred on them the Government can dissolve such Panchayats. The Government has also assumed powers for the removal of Sarpanch, Vice-Sarpanch, President, Vice-President, Chairman and Vice-Chairman. The enormous powers given under various provisions of the Act to the Government to remove and suspend the non-officials of the Panchayati Raj Institutions may enable it to have effective control and supervision over these bodies. At the same time, doubts have been expressed in certain quarters that these provisions would destabilize these bodies due to political overtones or even hamper their functional autonomy.

Raj Singh (1998) observed that the institution of Panchayats in India is as old as Indian civilization. The Panchayats were fairly vibrant bodies but eventually various socio-political factors caused a decline of these bodies. The constitution of free India envisaged organization of village Panchayats and endowed them with such powers and authority as may be necessary to enable them to function as units of self-government. The constitutional status accorded to Panchayat bodies will definitely check the state to tamper with the life of these institutions as has been the case so far. This will enable them to function as instruments of vibrant and viable rural local self-government and acquire the capacity to learn, to respond to change and to mobilize better people’s participation in managing their own affairs. The Gram sabha, the soul of Panchayats consisting of all adults to discuss and decide about their own problems will enhance people’s participation in various development programmes in a democratic way. This will foster maximum accountability and transparency of administration and public awareness. The author suggested there are two opposite temptations that the Centre and the States must respectively avoid. One is the temptation for national leaders to engage in a direct appeal to lower levels without permitting intermediate structures to grow. The other is in the opposite direction, namely the growth of regional overlords through the increased power of the states which is not shared further down. To steer clear of both these it is essential to agree that greater autonomy for the states is at once part of a larger process of decentralization and an essential prerequisite thereof.
According to Harsh Mander (1995), the 73rd constitutional Amendment in 1993 for the first time created a statutory imperative for the establishment of legally empowered gram sabhas in India, although such direct democracy was integral to the Gandhian vision of Panchayati Raj even earlier. Most State legislatures accordingly provided for the establishment of gram sabhas, but the statutes remained vague and half-hearted about procedures and rows, and in the absence of political mobilization and awareness about the potential of gram sabhas, they have, for the most part, remained dysfunctional and empowered institutions. Most states have statutorily empowered gram sabhas for development planning and social audit. However, it is only Kenda that a massive devolution State plan resources to the gram sabha and enormous mobilisation and capacity building have allowed the gram sabhas to realise their potential. The author found out although almost all the state Acts have provided for the gram sabha, its functions and authority have not been spelt out in detail. Consequently, these institutions, by and large, continue to function ineffectively. Though the meetings are generally held as prescribed, the purpose is hardly served. The absence of clear and direct mandates more often, there is a tendency to conduct the meetings in a formal manner and finalise the proceedings in haste. The prescribed quorum is also not given its the due importance.

According to Aslam (1999), in order to revitalize grass root democracy, the gram sabha has not to be recognized as the heart and soul of Panchayati Raj system. It has to develop as an institution where common people can get an opportunity to participate in the process of self governance. It is, therefore essential to take necessary steps for creating condition~ which are conductive for the, process of self-governance to flourish at the gross roots level. There are two ways of implementing these one way is that the Central Government may facilitate discussion among State Governments to agree on a uniform code to decide the role an responsibilities to be given to gram sabha, which can be legislated later. The other way is to amend 73rd constitutional amendment to make the above changes mandatory like reservations. Unless the gram sabha is made to function effectively, the dream of “Gram Swarajya” can not be achieved.
According to Sujit Dutta (1999), the institution of gram sabha is dormant in most of the North Eastern states precisely because its peer group i.e., the gram panchayat is non-existent. However, in Tripura gram panchayat does exist and it is the executive body of the gram sabha. Here, the members of the gram sabha actively participate in all the village affairs and developmental activities. Even in implementation part of any scheme, the gram sabha ensures community participation, collective decision making, monitoring and evaluation.

There is an urgent need to look into the above mentioned problems faced by the gram sabhas. Otherwise, the gram sabha will never be a vibrant institution. This is required mainly to strengthen their executive body i.e., the gram panchayat which is the real support of the rural people. The people in the villages generally look for the support but it does not mean that they in turn get dependent. Hence, it is the gram sabha which can strengthen people by exhorting their potentiality which will culminate in the form of self-reliance. Once they attain self-reliance they would be in a position to get involved in the decision making process in the ongoing multifaceted activities. Simultaneously, they are required to mobilise their own resources for strengthening themselves further. Self-reliance and resource mobilisation alone cannot sustain this institution unless they are in a position to build their own capacity and capability in order to sustain as an institution of self-governance.

In the article "gram sabha in Rajasthan Mathur (1999) has shown that for several decades the political leaders and policy makes of Rajasthan have been making sincere effort to develop the gram sabha as a vibrant organ of people's participation. Of the three-tier Panchayati Raj structure gradually coming to standstill within a decade of their launching, the gram sabha remained a neglected appendix of PRIs. However, it goes to the credit of the gram sabha in Rajasthan that the BPL identification process has been year after year, fair and fully in conformity with the prescribed guidelines.
Even since the *Antyodaya* Scheme was launched during 1977-80, the *Rajasthan* Government has been utilizing the *gram sabha* as a public forum for selecting beneficiaries. It goes to the credit of *Rajasthan gram sabha* that, in the whole, the BPL identification process has been, year after year, scrupulously fair and fully in conformity with the pragmatic guidelines. Be it as it may, the Government of Rajasthan shall certainly take credit for not only organizing all the *gram sabhas* in the state on the same day and at the same hour and getting their mandate for opening 16,000 new primary schools most of which have, indeed, started functioning since 1st July, 1999 adding *gram sabhas* in Rajasthan.

In the author's view, *gram sabhas* are nothing but organs of the State Government and no matter with how high fidelity they are organized with how high a frequency, the attainment of *Gram Swarajya* would remain a distant dream as the *Gram Sabha* institutions are concerned.

To George Mathew (1999), the *gram sabha* in the Panchayati Raj system is the basic unit of Indian democracy. It is the assembly of all voters residing in a village. Although villages are defined differently according to the habitation of the people, it is well known that the *gram sabha* is the only forum which can ensure direct democracy. It is very important to make our democracy a vibrant participatory system. The author felt that the *gram sabha* should be at the centre-stage in the Panchayat System. Its jurisdiction should be enlarged to cover several aspects of governance like revenue, regulatory functions, village policing etc. Also we have to go a long way in charging the social character of the *gram sabha* itself. We have to take special measure, to invest in people, their education and enhancing their capabilities. No less important is to strengthen forces of social change to bring into the system those sections of society who were suffering exclusion.

According to Meenakshi Sundaram (1999), the case studies from Karnataka point at the dismal functioning of *gram sabhas* on the state. Since *gram sabha* is the bedrock of Panchayati Raj, it should be made more meaningful. For this, it should meet periodically and the subjects placed before it must attract public attention. Concerted efforts are necessary to
equip the *gram sabhas* through devolution of powers. Functions and finance along with necessary training and capacity building. It is in the *gram sabha* that the rural poor, the women and the marginalized get an opportunity to actively participate in decision making. It is the *gram sabha* which ensures transparency and accountability in public life. Concerted efforts are, therefore, necessary to equip the *gram sabhas* through devolution of powers, functions and finance along with necessary training and capacity building. According to the author *gram sabha* is the very bedrock of Panchayat Raj. It is through the *gram sabha* that the elected representative is made accountable to the electorate. This requires two things. Firstly, if the participation on the *gram sabha* has to be meaningful the gathering should meet periodically and the subjects placed before it is such that they attract public attention. It is the *gram sabhas* that the rural poor. The women and the marginalized get an opportunity to actively participate in decision making. It is the *gram sabha* which ensures transparency and accountability in public life. Concerted efforts are therefore, necessary to equip the *gram sabhas* through devolution of powers, functions and finance along with necessary training and capacity building. The political masters the bureaucracy, which has the responsibility to translate decentralisation into action. The non-governmental agencies which are equally keen in the implementation or development programmes and the educated public must play their roles effectively in making the *gram sabhas* functional and responsive. This perhaps is the lesson that one can learn from the States that have experimented so far with the Panchayati Raj movement.

John and Chathukulan (1999), observed that a workable relationship between *gram sabha* and gram panchayat is yet to crystallize in most of the states in India. However, to hasten the process of resting *gram sabha* with greater powers would only entail conflicts between Panchayat and *gram sabha* leading to weakening of the process of decentralisation. An effective *gram sabha* is possible only with the willing cooperation of the representatives of the people, after the Panchayat has been invested with sufficient powers. A workable relationship between *gram sabha* and Panchayat is yet to emerge in most of the states. This is a difficult and long-drawn out process. However, to hasten the process of vesting *gram sabha* with greater powers would
undermine the representative nature of the members and draw them into a conflicting relationship with the gram sabha, a prospect that pleases the detractors of decentralisation. When people voice their concerns relating to matters over which the Panchayat does not have powers, the bitterness is directed against the panchayat members. Even as the Panchayats are fighting for more powers to strengthen gram sabhas, it would only entail conflicts between panchayats and gram sabhas, leading to weakening and perhaps obstruction of the process of decentralisation. Any strategy which seeks to make the elected representatives accountable, should be comparable to processes through which they have come into office is one such mechanism, provided it is exercised selectively. The gram sabha should be seen as a kind of internal decentralisation brought about at the panchayat level to ensure accountability between elections, allow people to obtain information, select beneficiaries and express needs.

According to Jain (1999), a variety of functions have been accorded to the institution of gram sabha in different states while some of the states have perceived its role in terms of activating participatory process for preparation of local development, plan etc., others have assigned more specific responsibilities. The institution of gram sabha has thus become vibrant with the passage of time. It has been observed over the years that the performance of the gram sabha has suffered due to lack or awareness among the people about the concept and utility of the institution of gram sabha, and their own role in making it successful. Any effort directed towards strengthening this institution, therefore, required a very serious active plan for awareness generation about various aspects of working of gram sabha among the people.

Kartar Singh (1999), found that gram sabha, despite being envisaged as the foundation of the Panchayati Raj system and an effective role player in village development, is handicapped due to the lack of clarity of its role in village development vis-à-vis the gram panchayat. However, it has the potential to serve as the basic unit of village governance and could be the most effective forum for involving villagers in planning, implementing and
monitoring village development programmes. None of the State Panchayat Raj Acts empowers the *gram sabha* to have a control over the gram panchayat and to take any final decisions in matters of village development, its role in only advisory. It is not obligatory for the gram panchayat to act as per the suggestions made, or the advice rendered by the *gram sabha*. In a people's institution like a *gram sabha*, the awareness among members about the role and functions of the institution is a prerequisite for its effective functioning. But, sadly in the case of the *gram sabha*, most of villagers are not even aware of the existence of the *gram sabha* as a body different from the gram panchayat not to speak about its role and function.

Shakuntala Narasimhan (1999), analysed the Grama Sabha and advocated that women in particular and more specifically, rural poor and illiterate women never get portrayed as agents of change. In almost all plans for poverty alleviation and women become a target in developmental activities rather than a group to be co-opted as active participants. Yet, if innumerable success stories spearheaded by women can be identified, proving that women who are poor in money terms need not necessarily be poor in terms of capacity for initiating change.

According to Sreekumar (2000), Panchayati Raj in Andaman & Nicobar Island was in an infancy stage, the three-tier system being a novel experiment in these islands. Many persons who are elected to the local bodies lack adequate knowledge regarding their functioning. Moreover the programmes envisaged for execution under the Panchayati Raj system require people's participation about which these members are not really aware of. To secure adequate people's participation in the rural areas of these remote islands the Panchayat Raj institutions should be provided with infrastructural and training facilities. The Andaman and Nicobar Administration is doing its best to strengthen the Panchayat Raj Institutions by providing infrastructure and training facilities so that the Panchayati Raj Institutions can ensure community participation in rural development programmes. The Panchayati Raj Institutions in these islands should be fully empowered so that there will be adequate people's participation.
had their own staff/personnel. After the 73rd Amendment Act, there is need to examine the issue de novo. For making Panchayats economically viable they may be remodelled with having population around 5000. In hilly areas of the state not population but accessibility might be considered as one of the major factors for deciding demographic size of gram panchayat.

According to Pravin Seth (2001), Gujarat, despite its long tradition of Panchayati Raj institutions, has not been very successful in providing to its village level institutions. The Gujarat Panchayat Acts of 1961 and 1993 and the Panchayats (Amendment) Act, 1998 have fallen far short of providing meaningful empowerment to Panchayats. The dilution of the decentralized district planning scheme introduced in 1980, the disproportionate provision of duties and resources to the village Panchayats, watering down of the recommendations of the Bhuria Committee Report, delay in submission and implementation of the Finance Commission's recommendations and the half hearted measures suggested by the Commission for devolution of powers and functions to the Panchayats all point towards the reservations of the State in reducing its hold over the local institutions.

According to Gupta (2002), democratic decentralization is a great ideology, still to be fully achieved. Therefore, it is desirable that the people living in villages take active part on development activities. Also they should be part in the execution of programmes and take decisions regarding their requirements and priorities. The importance of Panchayat Raj system lays in the fact that expansion of democracy at the grass root and public participation in Government programmes and development activities is only possible through this system. The role of gram sabha is, perhaps, the most important in ensuring the success of Panchayat Raj Institutions at the village level.

Rajiv Dhaka (2002), founded that one cannot deny the fact that Panchayat's have been able to create some infrastructure at the local level. But the Panchayat's capacity and capability to handle rural development problems leaves much to be desired. The bureaucratic interference that existed before the 73rd amendment and made the Panchayati Raj Institutions dysfunctional continues to play its negative role.
Gram Swaraj can only be a reality when the Panchayats have the capacity and capability to discharge their functions. Powers vested with these bodies should be commensurate with the responsibilities. The gram sabha must meet and discharge its obligatory functions. The most important aspect that continues to haunt the Panchayats is the role of gram sabha in decision making and the level of participation in them. The village republics will not survive if this institution remains neglected. Participatory management is the key word of panchayats. Unless the rural people identify themselves with these local level institutions, it would be difficult to reap the fruits of development. The panchayats do not have the capacity to take up developmental tasks and this had led to the dominance of the bureaucracy. Technically, Panchayats do not have adequate expertise, manpower and skill to plan and implement developmental schemes and projects there by increasing further their dependence on the state apparatus which has also been revealed by the present study.

According to Sharma (2002), the fact that Panchayat Raj Institutions have survived on Himachal Pradesh despite attempts suppress them shows that they enjoy a certain levels of status and power. For the common man these institutions have always been the symbols of status and prestige. However, they still lack in powers and authority to which they are entitled. Panchayati Raj in Himachal Pradesh has come a long way from the stage of Quomi (caste) panchayats to that of a statutory local self-government institution. It has become the embodiment of the hopes and aspirations of the under privileged sections of society, particularly women. Generally speaking, it has the potential of fulfilling these aspirations if the state government does not deny it the powers and authority to which it is entitled under the country's constitution.

Ramachandran and Vijayan (2002), found that innovative administrative measures an a remarkable feature of Kerala's decentralization a fact often not realized by many people is that for day to day exercise of powers and functions, mere provisions in the Act would not be sufficient. They have to be backed up with appropriate rules, Government orders, manuals and circulars.
Jain's (2002) study of A.P. essentially represents a case where the Panchayati Raj bodies, after having an initial successful beginning, could hardly regain the status they had enjoyed due to political processes. Though there appears to be total conformity with the provisions of the constitution 73rd Amendment, at least in legal terms, the situation in the field does not confirm Governments commitment to the process of decentralization. At the same time, with the potential which the elected bodies has for accelerating the pace of development these bodied have functioned reasonably well in the initial phase of decentralization. There is no reason why they cannot repeat the performance. What is needed is to free them as much as possible from political considerations and treat them as equal partner in the development process. They concluded that the system of Panchayati Raj in the state has the necessary potential to transform the rural areas but it required a political will, which if used effectively can go along way in facilitating decentralised process of governance and development of all sections of society.

According to Samir Ghosh and Madan Mohan Maji (2004), the role of Panchayati Raj system is vital for self governance at grass roots. Eleven provides an ideal forum for decentralized planning and implementation of development programmes in accordance with the people’s needs and aspirations. The empowerment of Panchayati Raj Institutions is of great importance for the economic and social development of villages. The 73rd amendment of the Constitution 1992 provides for the establishment of a three-tier Panchayati Raj structure and for giving constitutional status to the Grama Sabha the general assembly of villagers. The Act provides for regular elections to Panchayats every five years as also proportionate reservation of seats for scheduled castes, scheduled tribes and not less than 33% of seats for women. Most of the State Governments have established the Panchayati Raj System.
The Constitution also provides for the setting up of State Finance Commissions every five years to recommend measures for governing financial powers and resources upon the Panchayat Raj institutions. The State Governments are being persuaded for adequate devolutions of administrative and financial powers to Panchayati Raj institutions. So that Panchayati Raj Institutions can function as institutions of self governance.

Jayaramaiah (2005), in his analysis of the pattern of revenues of GPs in Karnataka brought out that most of the tax items assigned to GPs are inelastic and 'their base is very narrow'. The GPs need to earn public confidence before initiating resource mobilisation and delivery of services. Maintenances of transparency and accountability are pre-requisites for the success of local initiatives. The analysis of pattern of revenues of GPs in Karnataka brings out that most of the tax items assigned to GPs are inelastic and their base is very narrow. Out of many taxes assigned, it seems that except house tax, all others are inelastic in nature. He suggested that the GPs should tap non-tax sources to augment their resources. They should create physical assets like buildings and shops to earn permanent income, besides, with the help of higher tiers and departments. Trees should be raised 'wherever possible and similarity fish should be reared in tanks and ponds which can fetch substantial income to the Panchayats. Another important aspect to be noted is that no GP has so far borrowed funds for development projects. The major reason for this is ignorance on the part of functionaries and the stiff conditions laid down by the State on the borrowings that the panchayats could resort to.

2.3 Objectives of the Study

It is clear from the foregoing review that no comprehensive study has been made on the finances of the three-tier Panchayati Raj Bodies in Andhra Pradesh, after the introduction of the new Panchayat Raj Act in 1994. The new Act envisages substantial devolution of functional responsibilities from the State Government to three-tiers of Panchayat Raj bodies. Despite the constitutional mandate and passage of enabling legislation, the Government
of Andhra Pradesh has not effectively transferred the functions listed under 28 subjects to the gram panchayats and other bodies. Even after the issuance of the Government orders, transferring the functions to the Panchayat Raj bodies, has not happened in terms of actual devolution of financial and manpower resources to carry out the devolved functions. As a result, the functions which ought to have been performed by the Panchayat bodies continue to be performed by line departments of the State Government with the central control and direction. In effect, this has negated the intent of the 73rd Amendment to the Constitution. However, even in terms of devolution of tax and non-tax resources, not much progress has been made. The Panchayat bodies continue to look up to State and Central governments for the same old meager transfers of conditional and unconditional grants. This has created a serious imbalance in the Panchayat Raj system. While the Panchayat Raj bodies have been made permanent with periodic elections, their finances have not improved. The elected representatives are under pressure from the voter public to provide services to meet their increasing aspirations. But the elected representatives are not in a position to provide the services as they are starved of financial resources which continue to be centralised at the state level. Even the recommendations of the State Finance Commission have not been fully accepted and those accepted and implemented have not given any substantial relief to the resource starved Panchayat Raj bodies in the state. As a result, the gap between the expenditure obligations and financial resources is very serious at the gram panchayat level. It is the gram panchayat which is the front line Panchayat Raj unit facing the wrath of the people. The fiscal imbalance is equally serious at the mandal and zilla parishad levels, virtually marginalizing their role in governance. The present study, therefore, seeks to examine the fiscal situation of three tires Panchayati Raj Institutions in Andhra Pradesh, with special reference select bodies drawn from the Kumool district. More particularly, the focus is to examine the fiscal status of the gram panchayats, Mandal and Zilla Parishads and their expenditure behaviour during the pre and post 73rd Amendment Act.
More specifically, the study has been undertaken with the following specific objectives:

i) to assess the extent of devolution of functional responsibilities and fiscal powers to Zilla Parishads, Mandal Parishads and gram panchayats in Andhra Pradesh after the 73rd Constitutional Amendment;

ii) to examine the trends in tax and non-tax revenues of Zilla Parishads, Mandal Parishads and gram panchayats in Andhra Pradesh vis-à-vis their resource endowments;

iii) to assess the trends in expenditures of Zilla Parishad, Mandal Parishad and gram panchayats vis-à-vis their functional responsibilities; and

iv) to analyse the extent of fiscal dependence of three tiers of panchayats on the state government and its implications for their functional effectiveness.

Hypotheses

The following hypotheses have been formulated and tested as part of the study:

1. There is a significant change in the revenue effort and revenue position of the Zilla Parishads, Mandal Parishads and Gram Panchayats after the enactment of Panchayati Raj Act in Andhra Pradesh.

2. There is a significant improvement in the expenditure of the Zilla Parishads, Mandal Parishads and Gram Panchayats on developmental functions after the 1994 Act.

3. There is a significant change in the devolution of fiscal powers to PRIs after the 73rd Amendment to the Constitution.

4. Grants-in-aid and assigned revenues to the PRIs have no significant impact on their own tax/revenue effort.

5. Grants-in-aid and assigned revenues to the PRIs have no significant impact on their expenditures.
Methodology of the Study

The study has adopted a mixed-method approach. It has collected the extensive secondary data from Government of AP, the State Finance Commission and other published and unpublished sources. In addition to the extensive secondary data, the study has undertaken a sample study in Kumool district of Andhra Pradesh, a representative district from Rayalaseema region. Apart from studying the Zilla Parishad of Kumool, the study has sampled three Mandal Parishads, drawn from three agro-climatic zones, and six Gram Panchayats at the rate of two from each sample mandal, for an in depth longitudinal study of their finances. Of the two gram panchayats, one is a major panchayat and another is a minor panchayat to reflect differential revenue and expenditure problems of these bodies. In addition, a sample survey was conducted to elicit the opinions of the Panchayati Raj officials, elected representations and the voters for their opinion on different aspects of Panchayati Raj finances, including revenue raising, fund utilization and service delivery.

Apart from covering the revenues and expenditures of the three-tiers of PRIs in AP, the study has chosen a sample of one Zilla Parishad, three Mandal Parishads and 6 Gram Panchayats for intensive study. The study covers the Kumool Zilla Parishad, Pattikonda mandal from Adoni revenue division, Allagadda mandal from Nandyal division, and Velgodu mandal from Kurnool revenue division. The gram Panchayats covered are:

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<th>S. No.</th>
<th>Mandal</th>
<th>Gram Panchayat</th>
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<tr>
<td>1.</td>
<td>Pattikonda</td>
<td>Pattikonda Gram Panchayat - Notified</td>
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<td></td>
<td></td>
<td>Chinnahulthy - Non-notified</td>
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<td>Allagadda</td>
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<td>S. Lingamdhinny - Non-notified</td>
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<td>3.</td>
<td>Velgodu</td>
<td>Velgodu - Notified</td>
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<td></td>
<td></td>
<td>Regadaguduru - Non-notified</td>
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The new Panchayati Raj Act came into force in 1994. In order to get a comparative pre and post picture of the fiscal position of Panchayati Raj Institutions, the period of study has been chosen from 1990-91 to 2005-06 i.e., sixteen (16) fiscal years. The period is long enough to capture not only pre and post fiscal situation, but also the period covered by two successive State Finance Commission awards. The period is long enough to discern the emerging trends and come up with appropriate policy recommendations.

The data collected have been subject to simple but meaningful comparative analysis in terms of percentages, per capita figures and linear and compound growth rates to discern the emerging trends. The data have been presented in two way and three way tables for comparative purposes.

In order to assess the incentive/disincentive effects of transfers from the higher level government in the form of grants-in-aid and assigned revenues on the expenditure behaviour and tax effort of the PRIs, the following regression model has been formulated and tested:

1. Total Expenditure(TE) = f(grants-in-aid, assigned revenues)
2. Total Expenditure on Development Functions (TED) = f(grants-in-aid, assigned revenues)
3. Total Own Revenue = f(grants-in-aid, assigned revenues)

The following equations have been estimated for each level of PRI, using a log-linear regression model on cross-section-time-series pooled data for 16 years. For Zilla Parishad, the following first equation has been estimated for 16 years. For the three Mandal Parishads, the first equation has been estimated for 16 years, i.e., on 48 observations (cross-section-time-series pooled). Similarly, for the gram panchayats, separate estimates have been made for notified and non-notified gram panchayats.
Where $Y_i = i^{th}$ category of expenditure undertaken by the PRI;

$R_i = i^{th}$ category of own revenue mobilized by the PRI

$X_1 = \text{Grants-in-aid transferred by the government to the PRI}$

$X_2 = \text{Assigned revenue made to the PRI}$

$a = \text{intercept}$

$b_1 = \text{estimated value of co-efficient of } X_1$

$b_2 = \text{estimated value of co-efficient of } X_2$

$e_i = \text{error term}$

Outline of Thesis

The thesis is presented in six chapters. The first chapter traces the evolution of the Panchayat Raj System, Review of Literature, Focus, Objectives and Methodology of the Study and its Limitations. Chapter-II presents a detailed description of Panchayat Raj System in Andhra Pradesh and the Progress of Functional and Financial Devolution. Chapter-III examines the Finances of Kurnool Zilla Parishad, while the finances of Mandal Panchayats are analyzed in Chapter-IV. The Chapter-V makes as in depth study of the Finances of gram panchayats. The Summary and Policy Implications flowing from the study are examined in Chapter-VI.

Limitations of the Study

The study, as any other Ph.D. Thesis, has certain inherent limitations. The study is limited to a 16 years period and the sample study is limited to Kurnool district. Second, no effort has been made to assess the impact of expenditures or services delivered by Panchayati Raj Institutions on the public. The comparisons between mandal and gram panchayats are made only in forms of fiscal variables and not in terms of service variables. The administrative efficiency parameters and their impact on fiscal position of Panchayati Raj Institutions too, have not been examined. These limitations are not unusual of a doctoral dissertation and do not affect the conclusions and policy implications emerging from the study.
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