CHAPTER- II
REVIEW OF LITERATURE

INTRODUCTION:

This chapter begins with the process of pursuing and analyzing the work earlier made on the related problems and its related aspects. This part considers review of literature of various authors regarding various aspects related to the study. Many authors have considered the most important aspect of local bodies i.e., finance.

Aziz Abdul (a) develops a general theoretical perspective based on a review of the actual experience of decentralized planning in the state of Karnataka (1993). Starting with a brief account of the theoretical and methodological issues involved in it, Aziz defined the institutional structure necessary to achieve the ends of decentralized governance. Among the main elements are its capacity to identify both level needs and problems and the aspirations of the people to facilitate peoples participation and to formulate and implement appropriate projects. Local bodies are dependent on the state government for an over willingly large share of their budgetary resources but the proportion of funds which they can freely draw upon for their own schemes is woefully inadequate. The author in this book shows that local government bodies in Karnataka implement developmental programmes better than in aspect of formulation.

Aziz Abdul (b) in his another article argues that a cardinal principal of the devolution of finance is that the lower level government should enjoy full
financial autonomy which should imply financial adequacy as well as freedom to spend (1998). It is pointed out that in a federal system local government have tight resources, and that they should have some comfortable level of free outlays.

Girgliani J.M in his paper examines various dimensions of raising resources by the Panchayat Raj finance with 73rd CAA and also present day scenario of finance and sources of PRIs have been discussed (1993). A question has been raised as to why the intermediate tier or the district tier cannot be entrusted with taxation powers? Based on his study, the author raised this question. Based on the study, the author suggested the following: More united funds should be consciously provided to PRIs. Full funds must be provided to PRIs if schemes are transferred to local bodies. Balance between programmes and schemes must be maintained. Flexibility in the diversion of unspent funds under central and centrally sponsored schemes can be considered. Block grants should be given based on local needs and resources. Zilla Panchayat should be given taxation powers.

Singh S K (a) in his paper attempted to discuss the contours of 73rd CAA with important provisions of the Act (1993). The intention of the act is to restructure, reinforce, and revitalize the PRIs. It has been observed that PRIs could not become economically viable due to lack of financial resources. Author says even after getting constitutional status if PRIs powers and functions are not properly devolved then how can they contribute in the development process. He says that the quantum of funds to be developed will
be based on the extent to which personal and functional responsibilities are proposed to be delegated to local bodies.

Singh S K (b) in his paper deals with the role of EFC and SFC in assisting the panchayats which is crucial (2000). He examined fiscal needs of the local bodies and focuses only on rural local government. He has touched upon the pattern of devolution through SFC. Still a pertinent question arises whether there is possibility of developing a single uniform approach in the context of state local fiscal transfer?

Author says clear cut concept of assignment of expenditure must be established which is not easy in the absence of devolution of powers and functional responsibilities. Eleventh Finance Commission may consider equity, incentive, and development aspects while estimating fiscal transfer for panchayats.

Chandran Satish in his paper examines different function of panchayats in Karnataka (1993). He finds that there is lack of financial resource for effective functioning of PRIs. He then argues a systematic case for devolution of different powers and functions to different tiers of panchayats. According to him there is no rational pattern of devolution and commensurate transfer of financial resources.

Kannan K P deals with the framework for rural and urban local bodies laid down in the 73rd and 74th Amendments to the Constitution and the follow-up action that is required at the level of the states for them to function as institutions of self-government (1993). Important points taken up are: existence
of an effective and politically competent local leadership as a prerequisite for realizing the full potential of local-level planning; necessary expertise and most importantly the vigilance and will of the people for the successful working of the PRIs. It also looks into the obstacles like the structure and behavior of the bureaucracy, the reluctance of the ministers to share powers and the increasing sectarian interests of the political parties in the proper functioning of the local self-government institutions. The author argues that for the PRIs to function as effective institutions, there has to be devolution of adequate financial resources as well as necessary political and administrative support systems to the lower levels.

Mukaraji, Nirmal argues that, “The fundamental question before panchayats everywhere in the country has for long been whether they are there for development functions only or for the wider purpose of self-government. The central objective of the Constitution (73rd Amendment) Act must, therefore, be seen as self-government, unabridged by the quite unnecessary references to economic development and social justice” (1993). The author argues that the amended constitution requires the states to constitute panchayats as institutions of self-government not only for villages but also at intermediate and district levels. Consequently there will be, henceforth, three strata of government: the union, the states, and the panchayats. According to the author a more radical change is difficult to visualize. Its implications are far-reaching, perhaps not fully grasped even by those who legislated the measure.
Singh Hoshiar describes the conceptual aspects of local government, its workings and shortcomings and discusses the features of the Act (1994). The author argues that a comprehensive understanding of local government is needed today. It must involve both development and planning components in it. Panchayati Raj in India has to work as an agency of decentralization having both political and administrative powers. PRIs must be encouraged and developed for mass participation and self-governance. Therefore, he says that there is a need to strengthen the planning process at the micro-level for overall rural development and to provide opportunities for the poor to participate in the decision-making process in the local bodies.

Gulati I S considers role of State Finance Commission for recommending devolution of finance and functional power to local bodies (1994). Author has raised following questions in his paper.

1) What conditions the state legislature may impose on local bodies for financial devolution?

2) Whether the magnitude and allocation of plan funds from the state government to local bodies should also be considered by the State Finance Commission?

He says that the question of augmenting the finances of the state government to enable them to devolve adequate finance and financial power to local bodies will have to be faced immediately. Functional decentralization will remain only on paper if a corresponding financial devolution is not made at the same time.
The publication of Ministry of Rural Development contains papers on different aspects related to powers and functions that are to be assigned to the Panchayat Raj bodies by the State Governments (1994). They have been written by experts in the field of Panchayati Raj and officers of the Ministry of Rural Development, to facilitate further deliberation and to assist in evolving a suitable framework for distribution of powers and functions to the Panchayati Raj bodies. The chapters are centered on the following: With the passing of the Constitutional 73rd Amendment Act, State Governments are required to pass new enactments or bring out necessary changes in their existing Panchayati Raj Acts. After the conformity of acts, the states must hold elections and suitable administrative arrangements should be made to entrust local bodies with the necessary infrastructure so that the assigned duties given to the different tiers of PRIs’ are performed. Therefore it is necessary for all State Governments and others concerned to develop a scheme and time schedule for devolution of powers and functions in a more judicious manner to the different tiers of Panchayati Raj.

Narendra Kumar in his paper deals with two major aspects they are framework of fiscal decentralization and the status of decentralization (1994). Focus of this paper is on fiscal decentralization through devolution and its implementation dynamics. He says low level of organizational capacity is a major concern and also biggest hindrance in improving the overall efficiency of local bodies in their operations.
Oommen's (a) work this is one of the first works on devolution of financial resources from the state to the Panchayati Raj institutions (1995). The author has evolved norms for the fiscal transfers to the PRIs. The subjects he has taken up are: state conformity acts and the issue before the State Finance Commissions (SFCs); normative evaluation of instruments of transfers, viz. tax assignments, revenue sharing, and grants. The assumption is that the fiscal transfers should promote horizontal equity. The author concludes, “The regime of Panchayati Raj has added a new dimension to Indian federal finance. The question of evolving a normative scheme of devolution to these categories is by any reckoning not easy. The era of discretionary transfers must end.” It has a useful appendix on state-wise distribution of enabling provisions from the State Panchayat Acts regarding tax assignment/fees, tax sharing and grants-in-aid.

Oommen’s (b) in his another paper deals with resource mobilization and intergovernmental resource transfer, which are two sides of the same coin (1996). Resource mobilization cannot be seen independent of the functional task each layer of government has to perform. He says that there is a mismatch between responsibilities and own resource availability. Here number of assigned taxes and non-tax source that matters but for there most effective and rational use. According to the author the best way to ensure inter-panchayat equity is considerable appeal in working towards a fiscal equalization principle. He suggests that to evolve an appropriate rule based criteria, which benefits the PRIs must be the task of State Finance Commission.
Oommen’s (c) other work is a comparative study of State Finance Commission (SFC) Reports of Karnataka, Kerala, Punjab, Rajasthan and West Bengal (1998a). This paper deals with the constitutional tasks of SFCs, expenditure and revenue assignments, tax assignment, non tax revenue, borrowings, inter-governmental transfers, revenue-sharing, fiscal effort and financial autonomy and grants. It has an elaborate section dealing with a synoptic critic on the approach of the five SFCs. In the conclusion it compares the local government finances of industrial countries and developing countries.

Oommen’s (d) paper focused on EFC and local bodies with reference to the responsibilities of 73rd CAA (1998). Task of the EFC with reference to local bodies are considered. He says that rational flow of funds is the key to rational fiscal relations. The nature and, magnitude of the flow of funds to local bodies depends on the degree of fiscal decentralization envisaged and sought to be practiced, while the constitution provides the framework for decentralization the lack of political will and the negative vision of the bureaucracy vis-à-vis local bodies continue to be deterrent in the evolution of local bodies.

Oommen’s (e) another article reviewed literature which seeks to understand and raise some issues relating to fiscal decentralization in India in the context of 73rd and 74th constitutional amendments (2005). The task of fiscal decentralization in India is to put public finance in order in the emerging federalism in the country. His review is done in the background of the received theories and is organized under two broad heads: (i) fiscal decentralization: a theoretical resume, and, (ii) fiscal decentralization in India.
Oommen’s (f) paper analyses the trend in fiscal decentralization in India (2006). He said that the decline in the ration is due to the lower growth rate of the expenditure of the local bodies. Some questions are raised here

1) What has been the state wise scenario?

2) What interstate differences are in the structure and pattern of transfers by state to local bodies?

3) What role has the SFC constitution created to rationalized sub-state level fiscal relations and transfers in the context of decentralization played?

The percentage of local government expenditure in relation to total government expenditure has declined significantly. The progress of expenditure in all the states appears to be on the decline. The revenue devolution trend is also no better. The average rate of growth in the tax revenue of local bodies in most of the states had been negative or declining provides a wrong signal. State revenue and expenditure overall trend has been very discouraging, although there are significant exceptions.

He suggests that economically poor GPs will have to be helped in providing comparable services through equalizing allocation (grants) which will compensate for genuine revenue raising problems and cost disadvantages. Economic efficiency is best ensured when function among the different levels are organized on the basis of comparative advantage followed by state sub-state level needs drastic reform. It is the state government who should bear the major responsibility about the poor progress of fiscal devolution in the country.
Oommen’s (g) paper deals with tenth Finance Commission (2005). The argument of TFC is that the transfer of functions to sub-state level government would involve concomitant transfer of funds and functionaries and not involve any additional financial burden is not valid in so far as there is no clear functional mapping. Here two questions are raised that seems to be crucial in regard to the grants to the local bodies are:

1. How far does the inter-se distribution contribute to horizontal equity
2. How far does it help or encourage the process of decentralized governance in the country?

Srivastava K B deals with state-panchayat fiscal relations issues before SFC (1995). His paper seeks to examine in general the various fiscal issues which would govern the relationship between the state and the local bodies and to outline the task of the State Finance Commission in perspective. Analysis of the finances of the panchayats reveals that in raising their own resources the performance of the local bodies was not encouraging in relation to the task assigned to them.

R C Choudhury’s paper deals with resources and financing of local bodies (PRIs) (1996). He says PRIs depend on state government’s grants due to negligible resource mobilisation, as it is great constraint. Some principles have to be followed while recommending division of revenue resources between different layers of government. He suggests that there is an urgent need for expanding the resource base of panchayats to improve their fiscal position and resources base of central devolution to states.
Sweta Mishra examines in her paper the finance of PRIs in historical perspective and an attempt has been made to give a brief account of constitutional basis of panchayat finance and sources of finance of local bodies (1996). Various committee recommendations have been considered for local bodies finance along with 73rd CAA. It is observed that local bodies mainly depend on Grants-in-Aid for financial assistance. It is suggested that if local bodies have to match with their responsibilities, they have to mobilize more resources and participate in the development activities. Provision has to be made to provide grants for newly set up local bodies as well as financially poor PRIs. Giving more fiscal authority to local bodies then allowing them to depend on grants from higher level government.

Varadan Amit’s work mainly deals with local bodies finance (1996). Different sources of finance do not bring in sufficient funds for the local bodies. Some recent initiatives have been discarded. The real question exists is whether or not states would be willing to share their financial resources with panchayat raj institutions? There is no proper tax collection machinery with local bodies so they starve for funds.

He suggests proper tax collection machinery at the level of PRIs. PRIs must get a share of more elastic and productive taxes.

Bava Noorjahan has considered financial autonomy which is the task before SFC and focused on 73rd constitutional amendment (1996). Several tasks have been laid before SFC in this article. She focuses on decentralization as an essential requirement for development and task before State Finance
Commission. Functions are not transferred with requisite finance to the PRIs. The real powers and authority through effective devolution of functions for PRIs is lacking as observed.

Mishra S N in his paper deals with 73rd CA and local resource base of local bodies (1996). The author says that the important reason for the decline and stagnation of PRIs is their fragile fiscal health. More functions and inadequate finance to local bodies is observed. Apparently 73rd constitutional amendment does not devolve any source of revenue to PRIs. He says that there is a need for a true devolution for innovation to bring about deliberate change in PRIs for better results and effective devolution of powers from centre to state and state to local bodies to exercise in true sense. A question has raised, will the PRIs be in a position to sustain the expectations created out of the 73rd constitutional amendment act? Even after the 73rd CAA question remains still unanswered as to whether these enabling provisions will help accelerate in improving the financial health of PRIs. He is of the view that in coming years, the PRIs will be standing on their own feet. So far as financial aspects are concerned and suggested that PRIs to take up more and more development activities and getting more funds from state exchequer.

L C Jain's paper deals with 73rd constitutional amendment act (1996). It is related to finding financial resources necessary for local bodies to discharge the functions expected of them. He raised a question as to what are the functions expected of the panchayats? Here the thrust of the argument is the existing weeds in the pattern of local bodies (like DRDA, DRDS) which must be
removed timely and forthwith and local bodies have been devolved powers, functions and authority in administrative and financial matters as envisaged in 73rd amendment without any interpretation and dilution by any authority. He says that no choice has been left for the administration and academics to debate about the nature of the functions to be assigned to the local bodies.

Baidyanath Misra’s paper mainly focuses on powers, functions, and finances of local bodies (1996). He discussed essential attributes of local bodies, financing of PRIs with 73rd CAA considering the resource position of the local bodies. There is lack of adequate resources for local bodies for effective functioning to meet the local needs and also to improve the economic base of the local areas. He is of the opinion that local bodies should properly utilize their funds which has been provided to them.

Abhijit Dutta’s paper deals with local bodies and low fiscal autonomy (1996). Inadequacies of financial resources of local bodies is a major problem for there effective functioning. She considered 73rd constitutional amendment to strengthen resource base and to give more fiscal autonomy.

Mahi pal in his paper deals with financial resources of PRIs (1996). She has considered various committees and commissions for suggesting the measures for establishing financial autonomy to the local bodies. Factors responsible for rendering panchayat resources deficit have been discussed. She suggests that a clear-cut demarcation of power and functions has to be done before examining the requirement and availability of the financial resources at different levels. The argument here is that the functions must be matched with finance. It is
observed that their, exists great variation in own resource mobilized of the panchayat with few exceptions.

Mahi Pal her paper considered EFC terms of reference included the responsibility to suggest measures to make panchayats functionally, financially and administratively viable institutions (2000). To what extent will be the recommendations of the commission ensure that panchayats will function effectively as the third tier of government? The analysis of the SFC report carried out by the EFC itself indicates that states have not taken the devolution issue seriously. Here the key problem is that the constitution is amended again to clearly specify the power of the Gram Panchayat, Taluk Panchayat and Zilla Panchayat, the ultimate power would always remain with the person sitting on the chair.

C P Vithal’s article is based on the analysis of Panchayat Acts of 20 states including some Union Territories (1997). The author looks at the problem of finance in local bodies and the lack of adequate resources for the Gram Panchayats to carry out their obligatory functions like provision of drinking water, maintenance of roads, sanitation etc. The panchayats are given wide-ranging powers of taxation but they are unable to efficiently mobilize their own. He analyzed the pattern of finance as provided in the new panchayat act. PRIs are not sufficiently able to cope with the every increasing function. It is observed that there is a significant variation in the tax structure and allocation of resources among the panchayat raj bodies. PRIs have developed lukewarm attitude of effectively mobilising the resources. They lack in utilization of
taxation provisions. He suggested to setup proper administrative machinery at grassroot level for effective tax collection.

Vithal, C P and M Sarumathi analyzed the Panchayati Raj finances in the two southern states of India, Andhra Pradesh, and Karnataka (1996). This study underlines that the crux of the problem of local bodies is finance. Although the PRIs in general have a formidable list of functions to discharge, they do not have the necessary financial resources to cope with these functions. The need is to maintain a balance between the expanding functions and the role entrusted to the local bodies' vis-à-vis their financial resources. A review of the pattern of finances in both the states points out that own resources of the Zilla Parishads are a meagre source of income and they constitute less than one per cent to their total receipts. Grants-in-aid constitute over and above 90 per cent of the total receipts of the Zilla Parishad. The own resources of the Gram Panchayats, which include tax revenue and non-tax revenue, constitute a significant source of income to the Gram Panchayats. The authors conclude that the bulk of the expenditure at the grassroots level is on the development schemes and public works targeting the welfare of the people.

Rajaraman, Indira, OP Bohra and VS Renganathan in their paper argue that the new tier of local governance mandated by the 73rd Constitutional Amendment cannot be visualized merely as a shift in the point of delivery of certain functions previously discharged by higher levels of government (1996). If the problem of fiscal devolution has to be simplified to one of ensuring a fiscal transfer to match the functional transfer, there has to be some revenue
additionally to cover incremental establishment costs. The paper links improved delivery with the need for additional revenues, concentrating in the rural sector. The paper also examines taxes presently leviable by panchayats.

Bardhan Pranab’s paper deals with an evaluation of the various advantages and disadvantages of decentralization (1996). The conditions that predispose towards success or failure in beneficial assignment of the efficiency and equity effects of such assignment of control rights and how they operate differently under different initial conditions is considered. He has discussed the political and administrative aspects of decentralization from that of the issues of fiscal decentralization. He has focused on the argument that in governance structure control rights should be people who have the requisite information and incentives and at the same time will bear responsibility for the consequences of their decisions.

Abraham Joseph’s paper aimed at presenting a framework for the financial resources (1996). Planning is done for local bodies for giving various actual and potential sources of financial resource flow for better functioning. Financial resources are also analyzed and deal with various panchayat financial aspects.

Rao and Sen review the theory and practice of fiscal decentralization within the framework of the received literature on fiscal federalism and make a strong plea for a reexamination of fiscal federalism in the context of the emerging economic reform in the country (1996). This study however fails to include the third tier in its analytical framework. Several important suggestions for fiscal
transfers (including a formula) that can help to reduce vertical and horizontal imbalances are presented in the study.

The World Bank's three-volume study on rural decentralization is probably the most comprehensive project undertaken so far in India in terms of reviewing of literature as well as in terms of the range of issues analyzed in one place (World Bank 2000, Vol I, II, and III). The findings of the study that political decentralization in India has made considerable headway and taken root while administration, fiscal and accountability mechanisms remain well below the desired levels is valid and well-grounded. The growing literature on rural decentralization, both official and non-official keep emphasizing the goal of ushering in a more efficient, equitable, and accountable system of local governance as desirable for India.

Matura and Dubey's paper deals with augmenting the resource flow and redefine and rationalize various aspects of State-PRIs fiscal relationship (1997). This paper examines the recommendations of SFC relating to tax/revenue sharing, tax devolution, pattern of grants in aid, internal revenue mobilization and resource flow to PRIs. Based on the study question has been emerged, whether the 73rd CAA and the consequent setting up of State Finance Commission had affected the state-PRIs financial relationship?

A Krishna Rao and M Sarojini in their paper emphasized the need for developing a rational approach for allocating the resource to the panchayat bodies (1998). They reiterate the view that there has to be a balance between the allocated function on the one hand and the financial resources on the other. They argue that not much can be gained by transferring the power to levy and
collect any of the state taxes to the local bodies. They argue that financial transfer among the different local bodies should be mainly based on carefully chosen criteria reflecting their relative fiscal needs.

Sujatha Rao suggests that ideally a major part of revenue collection and expenditure should be left in the hands of the panchayat raj institutions (1998). The district level bodies may be most appropriate for the task as they are administratively viable and it is easy to equip them with the requisite expert manpower. When there is an increased stress on the basic needs, specific resource transfers must accompany the additional responsibilities imposed on the local bodies.

O P Bohra's while analyzing the financial resources of the panchayats, he argue that tax assignments, sharing of taxes and grants in aid play a vital role (1998). Keeping fiscal autonomy in view, the buoyant and income elastic sources should be assigned to the PRIs. The state taxes having local base of collection need to be shared justly with the local bodies. Some appropriate distribution criteria by the State Finance Commission for distribution of grants in aid to the various levels of PRIs.

O P Bohra's article mainly deals with decentralization and devolution of power and functions of panchayats along with 73rd CAA (2000). The type of functions required to be performed by the level of PRIs is not clear between different layers of government. He also deals with tax assignment and tax sharing, discussed with respect to village panchayats only. Grants in aid that exists at various levels of PRIs have also been touched which plays a vital role.
Proper distribution criteria must be evolved from state to local bodies. Author raised a question how financially powerful are the PRIs?

Noorjahan Bave argues for the need to look at the entire issue of resource generation of the local bodies in an inter disciplinary perspective by responding to the needs and parameters of democracy (1998). The letter and spirit of the 73rd and 74th amendment to the constitution of India in the ultimate analysis depend on the political will of the state level politicians and attitudinal change of the bureaucracy. She argues that the centre should devolve more financial power to the states to facilitate the latter to transfer adequate funds to the local bodies.

Bhagabata Patrons while analyzing the inter state disparity in fiscal capacity (1998), he argues that it is necessary to equalize the fiscal capacities of the states and make them capable of sacrificing units. According to the author overlapping of functions between the states and the local government is required to be avoided.

Sharma Rajiv brings out the complexities involved in the allocation of resources to local bodies in view of the limited sources at the disposal of the state government (1998). He argues that more emphasis needs to be given to the effective utilization of resources at all levels. In this regard the author suggested that innovative ideas for private participation and investment need to be explored.

Gnaneshwar V argues that a well articulated system of financial transfers could not emerge mainly due to reluctance on the part of the state government
to share financial resources (1998). Therefore, in the changed circumstance a rational structure is delayed. It is equally important that the State Finance Commission visualize the long-term implications while recommending the allocation of financial resources to local bodies.

R P Joshi’s edited book is an academic probe into the dynamics of changes brought about by the 73rd Constitutional Amendment and resultant changes in legislation governing Panchayati Raj system in the country, more particularly in the state of Rajasthan (1998). Asha Kaushik in the chapter ‘Constitutionalization of Panchayati Raj in the Gandhian Perspective’ focuses on the Gandhian perspective in the context of constitutionalization of Panchayati Raj and contends that the attempt to realize ‘Gram Swaraj’ through the 73rd Amendment is a hasty conception which ignores the political reality in India as well as the key premises of the Gandhian framework. P C Mathur in ‘Constitutional Panchayats of India: A Radical Innovatory Improvement over the Pre-1993 Developmental PRIs?’ is of the view that Article 243-G has a non-mandatory status and leaves the PRIs at the mercy of state legislatures. The author says that the conferment of a constitutional status upon the PRIs is neither a radical-structural nor a radical-functional innovation in rural India and their gains in democratic improvement in organization of local-level panchayats are not commensurate with the functional agenda of the panchayats as units of self-government. Iqbal Narain and PR Sharma in their chapter ‘Panchayati Raj and Reservation Policy’, through a well-researched survey of two panchayats in the Jhalawar district of Rajasthan have built up the argument
that except in case of caste, other variables like sex, age and education are not very significant in forming opinion about reservations. They conclude that the upper castes and classes find reservation as a challenge to their power, which they were enjoying for a long time.

Sivanna N (a) deals with the 73rd Constitutional Amendment (1998). Panchayati Raj Institutions have acquired a statutory status as an integral part of the Indian polity and have come to be recognized as ‘institutions of self-government’. This has given an impetus to decentralized governance and planning as strategies for the development of rural infrastructure and the improvement of living conditions of the weaker sections of society. The experience of Karnataka viewed in a longer time frame shows that local government bodies have had a chequered career. As a result of efforts by successive government regimes to rejuvenate, reinvigorate, and change the panchayats in that State. The panchayats have in significant measures enjoyed political and financial autonomy -- sin qua non of decentralized governance. The author is of the view that there is a need for constitutional compulsion to make the state commit to develop more powers, functions, and resources so that panchayati raj might fulfill its mandate.

The article while tracing the rise in growth of PRIs under the different panchayat act and different regimes in Karnataka makes an effort to raise issues that have a significant bearing on decentralized governance and planning. The author takes the view that even after the 73rd amendment, the panchayats are still lacking in both political and financial autonomy. Therefore the states have to act wholeheartedly in ensuring that the local tiers of government is given
more powers than is now so as to enable these institutions to function as envisaged by the constitutional mandate.

Shivanna N (b) analyses Karnataka’s experience in the area of decentralized governance and planning, particularly under the new panchayat raj Act of 1993 starting with evolution pf panchayats in Karnataka (2002). He has considered income and expenditure pattern of all the three tires. According to the author, the process has both positive and negative points. They are:

With regard to devolution of power and functions, the government by constituting a High Power Committee and passing two necessary orders, has been able to sort out the confusions prevailed in the allocation of functions between the three-tires of panchayats. In regard to devolution of financial resources, the panchayats, by and large, depend on the grants released by the government and funds devolved to them. In order to ensure financial autonomy and to streamline the financial transfers and exchange, the government should consider and implement some of the other recommendations made by State Finance Commission.

V Upadhyay’s paper considered paper laws of panchayats (2000). But these laws do not respond to the spirit of the 73rd amendment and even where they do, they cannot be implemented because enabling rules an orders have not been framed. Here the basic problem seems to be absence of clarity on the roles of PRIs with regard to functions devolved to them. Despite a categorical constitutional imperative the functional domain of the PRIs more or less remain unaltered even after a decade of the 73rd amendment.
Jos Raphael's book is an empirical study on decentralized planning with reference to Karnataka and Kerala (2000). Decentralized Planning in Karnataka – This chapter explains the structural arrangements for decentralized planning in the state of Karnataka according to the various acts of the state. The various supporting arrangements for decentralized planning created by the state government are also described. By using the criterion of pre-requisites for decentralized planning the adequacy of the structural arrangements in the state is analyzed to find out the structural gaps that exist in the system. The operational aspects of decentralized planning in the rural district of Bangalore with the help of case studies are dealt with in the book. The various supporting arrangements of decentralized planning created by the state government are also explained.

Vyasulu Vinod paper considers background remarks of the 73rd amendment, decentralization before and after the amendment and how it should be (2002). The main focus is on fiscal aspect of decentralization and how necessary changes under constitutional amendment have to be done. The relevance of the paper come from a related question.

1. What finances of the state should be devolved to local bodies?
2. Should the state government retain the largest share?
3. Should devolution be limited to own resources, excluding transfer from the union?

Reddy and Bandhi considered structure of panchayat, devolution of finance and function (2003). They said that schedule of the 1993 act had a clear mention of devolution of power or division of responsibility as such an
overlapping financial issues of the three-tier of panchayat. Upper two tiers do not have much entitlement to collect any taxes or generate their revenue. There is no transparency and accountability in local administration.

Bandyapadhyay D considered some issues of the Twelfth Finance commission in regard to its task of making recommendations to augment the consolidated fund of the state in order to supplement the resources of the panchayats (2003). EFC was troubled by the constitutional stipulation embodied in the working on the basis of recommendations made by the Finance Commission of the state.

Shikha Jha deals with current status of functions transferred to PRIs in the wake of the 73rd amendment to examine whether the resources transferred to them are adequate to perform these functions and fulfill their responsibilities (2004). GP in Karnataka have neither the access to funds from state nor the power to make their own decisions about their requirements while higher level rural governments fix the priorities and spend the funds.

Shikha Jha addresses directly the question of fiscal decentralization in rural India following the 73rd constitutional amendment and the conformity acts passed by the legislatures (2000). Lack of progress and the absence of administrative and technical capacity have weakened the process of fiscal decentralization in many cases. The basic dictum of devolution that functions, finance, and functionaries should be devolved down in toto is observed in the breach. Although a formula-based devolution is welcomed by most state finance commission, the criteria by them relate largely to population and area.
In a recent work, M.G. Rao (2001) tries to analyze fiscal decentralization in Indian federalism within the three-tier framework.

G. Thimmaiah's paper considered recommendation of Finance Commission and central government for Karnataka (2005). Here the question is why did Karnataka lose under TFC? He says Karnataka may not be able to reduce its revenue deficit to zero by 2008-2009.

G. Karunakaran Pillai article has considered SFC, EFC and PRIs (2001). How much improvement has taken place and where it lacks has been checked in this article. Author says FC is more helpful for local bodies in their functioning through amendments. He said fiscal autonomy can be secured only through endowing them with wide ranging taxing powers and freedom to levy tax but this issue has not been adequately addressed by SFCs. Rationalization of grants scheme has not been attempted by the SFCs. EFC has not arrived at its assessment of devolving adequate resources of the panchayats.

Alok. V.N considered evolution, legal framework, functional domain of rural local bodies (2006). He also deals with revenue sources, he is of the opinion that no reference is made in the CAA to loans and borrowings by PRIs. It has been argued that Centrally Sponsored Scheme should be converted to block transfers. He says in practice devolution of taxation to PRIs poses many difficult political and administrative resources.

He concludes by saying that, legislative changes made 10 years ago were not coupled with suitable administrative and fiscal reforms. The system for designing, implementing, and evaluating decentralization policy, including
intergovernmental fiscal policy, must be strong. The inferior quality of published fiscal data on revenue and expenditure drawn in reports of National Finance Commission and State Finance Commission is badly flamed and inflates the funds actually managed by panchayats considerably. Finally planning must be undertaken at all levels of PRIs.

Sudhir Krishna's scheme of resource transfer from the centre to the states has remained as necessary an ingredient for the sustenance of Indian federal structure (2007). It was expected that the transfer would not only reduce the vertical imbalance that exists between the resource position often centre and the state but would also bring about economic parity among the states given the large variation among their resource base and financial needs. Finance Commission transfers are intended to be the major constitutional mechanism to perform their task.

The book explores the nature and extent of the vertical and horizontal fiscal imbalance in the Indian federal system and reviews the existing institutional arrangements for fiscal transfers. It evaluates the trends in the finances of the central and the state governments as well as in the inter-state disparities in terms of various financial and social indicators. It analysis the principles for fiscal transfers adopted by the successive finance Commission and compare the targets determined by the Finance Commission with the actual. Having done that the book identifies the need and scope for reforms required in the system of fiscal transfers and also in the fiscal policies pursued by the governments at the centre as well as the states.
From the above review it is observed that local bodies face problems regarding finance and functioning at their level. Local bodies are dependent on state government for large share of their budgetary resources as they starve for funds. There is low rising of revenue, in local bodies. Proportion of funds available for their own schemes are woefully inadequate to meet the requirements. There is lack of devolution of adequate financial resources and support for local bodies. There are many questions that are raised for which answer has to be found yet.

**Research Gap:**

Various studies, which have been studied, have considered various functions, finance, and 73rd amendment act. Main focus of these study were to study their functions, finance and their working conditions. The common point emphasized in all the studies and reports was the serious miss match between expenditure responsibility and financial resources of the panchayats. So far as devolution has been considered, fewer studies have been undertaken. They have considered devolution as a preliminary aspect of the study. Several reports have been published about this and they were through 73rd amendment act. How the devolution takes place from state to local bodies have not been touched upon. To study the devolution aspect at this moment is felt to be important. The present work is mainly focused on devolution aspect. The work is undertaken to know how this devolution has helped local bodies in their functioning.
The present study and its importance

The present study is mainly based on financial devolution for local bodies in Karnataka. Entire Karnataka rural local bodies have been studied for devolution aspect. Evolution and organization aspects are studied here. To know the financial status and devolution, recommendation for Karnataka First and Second State Finance Commissions Reports are studied. Devolution from state to local bodies is studied in Dharwad District in the present study. Revenue and expenditure pattern of local bodies is studied here to know their financial status and devolution from state government and finance commission grants. How far devolution has taken place and whether the devolved amount is sufficient to fulfill the local bodies’ requirements can be known. Up to what extent local bodies are dependent on state government grants to fulfill expenditure requirements can be known.