



Theme Paper



Role of Panchayat Bodies in Rural Development since 1959



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ROLE OF PANCHAYAT BODIES IN RURAL DEVELOPMENT SINCE 1959

I

THE CONTEXT

Within the Indian federal architecture panchayat is the closest to the notion of direct democracy distinct from the representative democracy of the Union and States, due to its proximity to the community it serves. Panchayat has deep faith in democracy in which the common man in the rural area has huge capacity to have a good living for himself and the community under the healthy environment that the State creates. If a common man appears to be indifferent to the high economic growth, it is because he is devoid of the mainstream national development and has not been provided equal opportunity to participate in activities for his own betterment. The objectives of a panchayat include organizing common men in the process of developing themselves through their own efforts on a continuing basis, at the same time, enhancing their capacity and self-reliance. This begins with 'citizen participation' in political processes and 'service delivery' of local public goods, e.g. potable drinking water, general sanitation, primary health, elementary education, maintenance of public properties etc. Hence, the key objective of the panchayat is to balance the two values of 'citizen participation' and 'service delivery', the basic goals of decentralized democracy¹ envisaged in the Report of Balvantray Mehta Study Team (1957) and the subsequent 73rd Amendment to the Constitution of India. The Amendment arguably envisions citizen participation within service delivery. The spirit echoes the following expression "*removal of various sources of unfreedom, poverty as well tyranny, poor economic opportunities as well as systematic social deprivation, neglect of public facilities as well as intolerance of over-activity of repressive states*" (Sen 1999, p. 3).

In 1959, on Mahatma Gandhi's birth anniversary on 2 October, the first Prime Minister of India, Pandit Jawaharlal Nehru formally launched the new system of Panchayati Raj at Degana village in Nagaur district of Rajasthan. At the same time, a panchayat was created in Andhra Pradesh as well. In 1959, Nehru led Congress Party had an overwhelming majority at the union and was ruling in all states. Hence, appropriate legal provisions for panchayats were made all across rural India. In the subsequent years, during the regimes of Pandit Nehru and his successor – Lal Bahadur Shastri (1964-66) the panchayat evolved. The new system at the local level has undergone many ups and downs thereafter. The panchayat moved, within the Constitution, from the Directive Principles of State Policy in 1950 to Part IX, exclusively devoted to panchayat provisions in 1992. How far this modern system of panchayat succeeded to fulfill its objectives, has been examined in this paper. It also reviews the developments in the engineering of panchayats to make them true catalysts to rural development. Besides, the introduction, section II traces the foundation of panchayats in India particularly in the British India. Section III briefly reviews the developments regarding panchayats and rural development since 1959 when the modern panchayats was created. Section IV presents the structure and finances of panchayats with respects to its design in the constitution and its evolution in various states for the last 19 years. The last Section presents some issues for discussions and debates.

¹Appleby (1962) made the distinction between the two phrases, i.e. 'decentralized democracy' and 'democratic decentralization' V.K.N. Menon, then Director, the Indian Institute of Public Administration, suggested to him the former. Peter R. de Souza (1999, 2000) also made this distinction and clarified that the former is concerned with democratic practices that exist at the base whereas the latter denotes democratic practices which promote the base.

II

THE FOUNDATION

The rural local government in India is called the *panchayat*, which literally means an assembly of five persons.² These five elderly, nominated persons, over the course of time, were vested with sacred authority and with judicial and executive powers. These village³ communities were the centers of administration and the custodians of social harmony. Evidence suggests that self-governing village communities have always existed in India. Their roots can be traced in the *Rig Veda*⁴ as dating back to approximately 1200 BC. Panchayat in present India has inherited though little from those native local institutions of Indian society which was predominantly rural in character in the mediaeval period. Urban communities came up due to political or religious factors. The headquarters of governments,

²“Panchayat comes from panch, ‘five,’ but the body so called is not limited to this number. Many castes in towns and villages have also their own panchayats, which deal with business, social, and religious matters common to the caste” (Royal Commission 1909, p 236).

³The Royal Commission describes the village in India as under “The typical Indian village has its central residential site, with an open space for a pond and a cattle stand. Stretching around this nucleus lie the village lands, consisting of a cultivated area and (very often) grounds for grazing and wood-cutting. . . . The inhabitants of such a village pass their life in the midst of these simple surroundings, welded together in a little community with its own organization and government, which differ in character in the various types of villages, its body of detailed customary rules, and its little staff of functionaries, artisans, and traders. It should be noted, however, that in certain portions of India, i.g., in the greater part of Assam, in Eastern Bengal, and on the west coast of the Madras Presidency, the village as here described does not exist, the people living in small collections of houses or in separate homesteads.”

The villages above described fall under two main classes, viz:-

(1) The ‘severalty’ or raiyatwari village, which is the prevalent form outside Northern India. Here the revenue is assessed on individual cultivators. There is no joint responsibility among the villagers, though some of the non-cultivated lands may be set apart for a common purpose such as grazing, and waste land may be brought under the plough only with the permission of the revenue authorities, and on payment of assessment. The village government vests in a hereditary headman, known by an old vernacular name, such as patel or reddy, who is responsible for law and order, and for the collection of the government revenue. He represents the primitive headship of the tribe or clan by which the village was originally settled.

(2) The joint or landlord village, the type prevalent in the United Provinces, the Punjab and the Frontier Province. Here the revenue was formerly assessed on the village as a whole, its incidence being distributed by the body of superior proprietors, and a certain amount of collective responsibility still as a rule remains. The village site is owned by the proprietary body, who allow residences to the tenantry, artisans, traders and others. The waste land is allotted to the village and, if wanted for cultivation, is partitioned among the shareholders. The village government was originally by the panchayat or group of heads of superior families. In later times one or more headmen have been added to the organization to represent the village in its dealings with the local authorities; but the artificial character of this appointment, as compared with that which obtains in a raiyatwari village, is evidenced by the title of its holder, which is generally lambardar, a vernacular derivative from the English word ‘number.’ It is this type of village to which the well-known description in Sir Maine’s Village Communities is alone applicable, and here the co-proprietors are in general a local oligarchy with the bulk of the village population as tenants or labourers under them.” (Imperial Gazetteer, Vol.IV, p279-80 quoted in Royal Commission of Decentralization 1909, Vol 1 p 236-7)

⁴The Rig Veda is the oldest religious scripture in the world and the most revered of the Vedas. It consists of more than 1,000 hymns addressed to gods. It refers to rituals, such as marriage and funeral rites, that differ little from those practiced today in Hinduism. It is the source of much Indian thought, and many consider its study essential to understanding India.

essentially an urban area, located at strategic places, expanded in size due to increased political, judicial, economic, administrative and military activities. Agra, Delhi, Hyderabad, Lahore, Lucknow, Multan and Poona (Pune) were among the important cities. Temple cities of Hinduism, such as Kashi (Varanasi), Mathura, Prayag (Allahabad) and Madura are few examples of those religious factors. Most towns were small market places. The Mughals essentially an urban people in India, preferred to develop urban administration (Saran 1941)⁵. They interfered very little with the ancient customs of village governments. For them the village was a unit for revenue and police.

In that era, each village society made its own laws due to the isolation of each village from the neighboring hamlets. There were threats from the landlord, the robber or the invader. these intimidations strengthened the requirements of a village organization such as panchayat. These bodies took charge of almost all the matters of village including disputes and apportioned taxes. Panchayats gave dignity and order to village life, and their deliberations had the great weight of religion and custom (Drummond 1937). In western terms, these village government have never been 'democratic'. However, the old panchayat whether as a caste tribunal or as a judicial or administrative body, normally conducted its deliberations in the presence of all who cared to attend. All the time the reactions of the listening crowd would be registered and would have their influence. If one of the elders showed partiality or foolishness, this would be remembered by his friends (Tinker 1954). These judicial powers of the panchayats were considerably curtailed under Mughul Rule. In short, the panchayats in ancient India were different in character than the notion advanced in the West:

In ancient India the king was head of the state, but not of the society. He had a place in the social hierarchy, but it was not the highest place. As a symbol of the state, he appeared to the people like a remote abstraction with no direct touch with their daily life, which was governed by the social organization. (Mookerji 1958, p.4)

Panchayat under British Rule

The British rule in India witnessed the beginning of many modern institutions that sustained and formed the base for the post colonial governments to build upon. The local civic body⁶ cultivated by the imperial government is one such example. The first municipal body in India was created in Madras (now Chennai) through a Royal Charter issued on December 30, 1687 by King James II on the advice of the Governor of the East India Company, Josiah Child to mobilize resources through local taxes and to control the powers of then Governor of Madras, Elihu Yale who amassed a fortune in his lifetime, largely through secret contracts with Madras merchants, against the East India Company's directive⁷. The municipal corporation was made responsible for many civic functions including the upkeep of town-hall and a school. The Corporation could not come up to the expectations as the citizens objected to new taxes. The first experiment with municipal institution did not pay dividends. The second municipal charter was issued in 1726 to set up municipalities for Calcutta and Bombay and to reconstitute the Madras municipality.

⁵In the words of Sir Jadunath Sarkar as documented in Saran, 1941, p231-5.

⁶In British India, rural bodies were 'District Boards', 'District Local Boards' and 'District Councils'. Local authorities were often referred to as 'boards' (Tinker 1954). The phrase 'Provincial Government' had been substituted for the phrase 'local government'. This misled to those not versed with the official terms of British India (Royal Commission 1907).

⁷See wikipedia for detail.

Meanwhile, there was a transformation in the British rule from the management of a few trading posts into the government of Indian sub-continent. The local bodies developed in a haphazard manner without the legislative sanction or centralized direction. In the North-Western Provinces (now Uttar Pradesh), 'local agencies' were appointed in big towns to assist the District Magistrate in mobilizing the resources for police, conservancy and road repairs. The new systems of rural local government had no connections with the ways of old panchayats. The institution of District⁸ Magistrate became the key unit of local governance and was the central institution of the revenue system. However, concern for panchayats were shown by some British rulers which can be traced from the following remarks of Sir Charles Metcalfe, based on his experience as provisional governor general of India from 1835 to 1836,

"The village communities are little republics, having nearly everything they can want within themselves, and almost independent of any foreign relations. They seem to last where nothing else lasts. Dynasty after dynasty tumbles down; revolution succeeds to revolution; ... but the village community remains the same.... This union of the village communities, each one forming a separate little state in itself, has, I conceive, contributed more than any other cause to the preservation of the peoples of India, through all the revolutions and changes which they have suffered, and is in a high degree conducive to their happiness, and to the enjoyment of a great portion of freedom and independence". (Mookerji 1958, p. 2).

Subsequently, Sir George Birdwood echoed that earlier expression:

"India has undergone more religious and political revolutions than any other country in the world; but the village communities remain in full municipal vigor all over the peninsula. Scythian, Greek, Saracen, Afghan, Mongol, and Maratha have come down from its mountains, and Portuguese, Dutch, English, French, and Dane up out of its seas, and set up their successive dominations in the land; but the religious trades-union villages have remained as little affected by their coming and going as a rock by the rising and falling of the tide". (Mookerji 1958, p.2).

At the same time in 1936, Sleemen recorded the following quote of an old Mossulman Trooper: "*the British have no pleasure in building anything except factories, courts of justice and jails*" (Sleemen 1893).

The aftermath of 1857 revolt saw severe financial stress in the imperial administration. Public debt was mounting. James Wilson was sent from Britain to deal with the crises as Finance Member. Responsibilities for roads and construction were passed on to municipal bodies. Fiscal Decentralization was one of his solutions. This is reflected in his budget speech of 1861,

"It is of the first importance to break through the habit of keeping everything in dependence on Calcutta and to teach people not to look to Government for things which they can do far better themselves"

The details of the proposal were left to the newly created provincial legislatures. Municipal acts were passed in all the major provinces, viz Bengal, Bombay, Madras, Punjab, North West Provinces and

⁸Each district was split up into two smaller areas generally designated tahsils or taluks and in the immediate charge of native officers. British India contained more than 250 districts. The average area of a district was 4,430 square miles, and the average population 9,31,000 .

Central Provinces and every major town became a municipality. Forty nine municipal committees were constituted; twenty eight were elected by trade or caste panchayats. The prime concern of these committees was octroi collection, conservancy and road maintenance. Subsequently, Lord Lawrence decided that the cost of town police forces would be borne by the inhabitants of the town and made the following declaration in his resolution:

The people of this country are perfectly capable of administrating their own local affairs. The municipal feeling is deeply rooted in them. The village communities ... are the most abiding of Indian institutions. They maintained the framework of society while successive swarms of invaders swept over the country. In the cities also, the people cluster in their wards, trade guilds and panchayats and show much capacity for corporate action... Holding the position we do in India, every view of duty and policy should induce us to leave as much as possible of the business of the country to be done by the people... and to confine ourselves to ... influencing and directing in a general way all the movements of the social machine (Gazette of India 14 September 1864, as in Tinker 1954, p.36).

At the same time, after the Mutiny, the panchayats in rural areas also received an stimulus. Education and road cesses on land revenue were attempted through legislation in many provinces in India. Principle of representation was introduced in rural areas through the Bombay Local Fund Act of 1869. District and Taluk Local Fund Committees, as advisory bodies, were also constituted. District Magistrate was the chairman of District Committees which administered the cesses on land revenue, largely utilized for road construction⁹. Many believed that hardly any member was elected despite the statutory provision of election and committees were functional for the convenience of District Magistrate. Funds were too small to be utilized to render appropriate civic services. In 1870 -71, the Government of Lord Mayo made over to the various provinces the financial responsibility for the administration of police, jails, medical services, registration, education, roads and building, and assigned to each a fixed sum from which such expenditure was to be met. It marked a great step in the direction of fiscal and administrative devolution. Lord Mayo's fiscal scheme was deliberately intended to lead to the development of local self-government by means of municipalities and local boards¹⁰. Meanwhile, in 1870, the Bengal Village *Chaukidari* Act created 'unions' comprising about ten or twelve square miles. Panchayats were responsible to raise funds to pay for the village police in these 'unions'. The citizens regarded these panchayats as the agents of the British Government.

Thereafter, Lord Ripon's Resolution on Local Self Government of 18 May 1882 proved to be the most enduring influence on the subsequent debates and discussions on local self-governments in India. Ripon was determined that (i) political education, and (ii) administrative efficiency should be central in the perspective of local self-governments. These two objectives are clearly enunciated in the following paragraphs of the Resolution:

“Political education is the primary function of local government, of greater importance than administrative efficiency (Paragraph 5)

⁹District Committee Acts: 1869, Bombay; 1870, Madras; 1871, Bengal, North Western Provinces, Punjab.

¹⁰Local board was used to denote sub-district boards only while in Madras and Bombay it included both district and sub-district boards.

As education advances there is rapidly growing up all over the country an intelligent class of public spirited men who it is not only bad policy but sheer waste of power to fail to utilize (Paragraph 6).

Rural Boards are to be set up, similar to municipal boards: the units of administration to be small -- the subdivision, tehsil or taluka (Paragraph 10).

All boards should contain a two third majority of non- officials; these should be elected whenever possible. Elections to begin immediately in more progressive towns; gradually and by informal experimental methods in smaller towns and the countryside. (Paragraphs 12, 13, 14)

Systems of election should be adopted to suit 'the feelings of the people' (Paragraphs 14 & 15)

Control should be exercised from without rather than within (Paragraph 17).

The chairmen of all local boards should accordingly be non-officials whenever possible (Paragraph 18)”(Tinker 1954, p.44-8).

Lord Ripon assumed the office of Viceroy after thirty years' experience of Politics in Whitehall. But all his intellect and experience were accompanied by “*a lack of stamina, an inner uncertainty*” (Tinker 1954, p.43) that created roadblocks for Ripon to bring his ambitious schemes into fruition. Most Englishmen in India argued that his idea of political education should “*evolve out of local circumstances; if it has to be created artificially, at least it should be planned in detail by local administrators, and not be imposed ready-made by the central government*” (Tinker 1954, p.43). The provincial governments and district officers were reluctant to put Ripon's idea into practice.

O'Malley equated Ripon's language with that of A.O. Hume, Founder of the Indian National Congress, who advocated wider franchise, based upon 'class as well as ward representation'.

“There is a somewhat remarkable similarity in the language used by Lord Ripon and A.O. Hume to describe the situation caused by the impact of western civilization..... It was necessary to provide an outlet for the ambitions and aspirations which had been created by the education, civilization and material progress introduced by the British.”
(O'Malley 1941, p.745-6)

On the other hand, Wolf in his work on 'Life of Ripon' wrote that Ripon had later realized that the freedom of panchayat would come at the cost of efficiency in a short run. According to Wolf, Ripon was not the great votary of ballot box, he wanted “*to revive and extend the indigenous system of the country and to make use of what remains of the village system*” (Wolf 1921, p.100).

A network of rural local bodies was part of Ripon's proposal. He proposed to create a 'two tier' system, with district boards¹¹, and sub-division or the *tehsil*. The sub-division, *taluk* or *tehsil* would form the maximum area under a local board. The district board was only a supervisory or coordinating authority.

¹¹District Board was headed by the District Magistrate/Collector in all provinces except the Central Provinces. However, the provision of election did exist in the legislation of most regions.

However, district board in all regions except a few was assigned powers with all the funds and almost all the local functions despite provisions in the Acts regarding the delegation of power and responsibility to the local bodies. In practice, the district boards passed some routine works to the sub-district boards.

Lord Ripon's emphasis to build the local self-government upon the ancient foundation of the village system did not work as the local self-government was "*imposed from above, and the village was the last place to feel its influence*" (Tinker 1954, p.55). However, Gopal Krishna Gokhale, the then Congress President observed in 1906 that local self-government "*still remains all over the country where it was placed by Lord Ripon a quarter of a century ago and in some places it has even been pushed back*"¹²

The 'Royal Commission upon Decentralization in India' was set up in 1907 to enquire whether the system of government might be improved by measure of decentralization. The Commission was mandated to study the financial and administrative relations between the Government of India, provincial governments and subordinate statutory bodies. The Commission was presided over by Sir Henry William Primrose with five other members who were senior I.C.S. officers. Romesh Chunder Dutt was the only Indian member. Subsequently, C.E.H. Hobhouse, Under-Secretary of State for India became the chairman after the resignation of Sir Henry. The Commission recorded huge evidences and submitted several volumes of its report in 1909.

Once again, development of local self-government was viewed as a sub set of administrative devolution. The Commission, dismissed, the popular demand and affirmed '*we do not think it possible, even it were expedient, to restore the ancient village system*' but "*an attempt should be made to constitute and develop village panchayats for the administration of local village affairs*" (Royal Commission 1909, p.239). The new system should be introduced 'gradually and cautiously'.

The Commission strongly recommended to keep the panchayat under the district authorities to ensure that "*the movement should be completely under the eye and hand of district authorities*" (Royal Commission 1909, p.240) particularly *tehsildars* and sub-divisional officers. Local officers were entrusted to supervise and guide the panchayat. The sub-district boards were suggested to give grants to panchayat for village sanitation, the construction of minor public works, the management of village schools and petty civil and criminal jurisdiction.

Urban municipal bodies created by British, on the other hand, received a liberal treatment. The Commission recommended chairman and majority of other members in urban bodies to be non-official. The Report stated, "*the chairman should usually be an elected non-official*" (Royal Commission 1909, p.282). The attempt succeeded to shift the attention from panchayat to urban municipal bodies. Like the Royal Commission (1909), the Report of Montagu and Chelmsford on Constitutional Reforms (1918) and the Government of India Resolution (1918) emphasized monitoring and control and strengthened administrative structure at the district level. All these developments made a mockery of 'political education' - a central idea of Ripon's Resolution.

Legislations for local self government particularly in the early days of Dyarchy, provided inadequate provisions due to poor drafting. Powers of taxation were not well defined. It provided enough scope for confusion about the level of administration to introduce the new taxes or change the existing rates. The working relationship of board and staff as well as the local officers was never defined. Government officers were given emergency powers over boards. There was no provision to enforce the decision of departmental audit.

¹²Collected speeches of the Hon. G.K. Gokhale (Madras, n.d.), Appendix, p. 149 in Tinker 1954, p. 49.

Many amendments or reforms in the legislation proved to be patchwork and complicated the matter. As a result, local self government found it difficult to hire technically qualified staff and provide efficient services to citizens.

The first half of twentieth century witnessed freedom movement and little progress in devolution and the economy. In overall, the average annual growth rate of India, from 1914 to 1947 is calculated between 0.73% to 1.22%. (Chandra 1997, p.12).

Box 1: Milestones in the Evolution of Panchayats in India

1687	Royal Charter for the creation of Madras Municipal body
1842	Act X to provide first formal measure of municipal bodies
1857	The aftermath of Mutiny saw severe financial stress. Fiscal decentralization was considered one of the solution.
1870	Lord Mayo's scheme of fiscal and administration devolution. Enactment of Bengal Chowkidari Act.
1882	Lord Ripon's Resolution on Local Self-Government.
1907	The Royal Commission on Decentralisation was constituted.
1948	Debates between Gandhi and Ambedkar on Gram Swaraj, (self-rule)
1957	Balwantray Mehta Commission –Recommended Panchayat structure at district, block and village levels, elected bodies for 5 year, devolution of powers to panchayats. Post of Block Development Officer (BDO) was created.
1963	K. Santhanam Committee – recommended limited revenue raising powers to panchayats to raise revenue and setting up of State Panchayati Raj Finance Corporations.
1978	Ashok Mehta Committee –Recommended that the District serve as the administrative unit in the Panchayat structure and two tier panchayats be created at district and block levels.
1985	G.V.K. Rao Committee –Recommended that the block development office (BDO) should be strengthened to assume broad responsibility for planning, implementing and monitoring rural development programmes.
1986	L.M. Singvi Committee – recommended that local self-government should be constitutionally enshrined, and the Gram Sabha (the village assembly) should be the base of decentralised democracy.
1993	The 73rd Amendment to the Indian Constitution – panchayats at district, block and village levels was created through Constitution. Part IX for Panchayats was inserted in the Constitution with 11th schedule that enumerated 29 matters for panchayats.
1996	PESA– Powers of self-government were extended to tribal communities in 'Fifth Schedule' areas.
2004	Union Ministry of Panchayati Raj was created.
2009	Thirteenth Finance Commission recommended share of panchayats in the Union Revenue Divisible Pool.

Panchayats in the Constituent Assembly

During the struggle for freedom that culminated with independence on 15 August 1947, Mahatma Gandhi stressed the need for *village swaraj* (independent republic): “*My idea of village swaraj is that it is a complete republic, independent of its neighbors for its own vital wants, and yet interdependent for many others in which dependence is a necessity*” (Gandhi 1962, p.31).

Gandhi’s vision of village swaraj has had perhaps the most powerful influence on the subsequent debates and discussions on panchayats. In the immediate post independence period, during the debates on the drafting of India’s constitution, sharply discrepant views on panchayats were expressed. In the Constituent Assembly on November 4, 1948, Dr. B. R. Ambedkar, chairman of the Drafting Committee, called village community “a sink of localism, a den of ignorance, narrow-mindedness, and communalism” (Malaviya 1956, 97). Panchayats did not find a place in the first draft of India’s constitution. At the insistence of a few Gandhians namely Alladi Krishnaswami Aiyar, N G Ranga, K Santhanam, Shibbanlal Saxena and others, a compromise was arrived at, and panchayats were included only in the nonjusticiable part of the constitution, under Directive Principles of State Policy, as Article 40, which reads, “*The state shall take steps to organize village panchayats and endow them with such powers and authority as may be necessary to enable them to function as units of self-government.*” Without any reference to panchayats, the term local government also crept into item five of the State List in the constitution. These provisions are, at best, only discretionary.

III

PANCHAYAT AND RURAL DEVELOPMENT: EXPERIENCE OVER TIME

In the early 1950s, Gandhi’s village swaraj was kept on the back burner in the overall development plan, which was deeply committed to industrialization, economic growth, and income redistribution (Kohli 1987). The thrust on local governance started with community development which occupied the central place in rural administration in the Fifties. S.K. Dev (a former oil sector business executive) was made Minister of Community Development. There was confusion in the Fifties and in Sixties due to ambiguous status of panchayats. Some official documents showed panchayats as a culmination of the process initiated in 1882 by Lord Ripon and consummated in Article 40 of the Constitution. Others considered panchayats to be the offspring of the Community Development Programme (Jain 1962) due to some common features between community development and panchayats. Both emanates from the desire of the “*people to serve their common ends largely through their own efforts*” (Mukherji 1962). It further argues that in the absence of community development programme, panchayat would have been treated as traditional kind of local self-government, under British Rule, to serve the administration of the State Government than as self-governing institutions of the people.

In the late 1950s, community development projects failed to evoke people’s participation. On this issue Balvantray Mehta Study Team was appointed to review the working of the Community Development Programme. The Team showed dissatisfaction over the centralized functioning of the programme and recommended that public participation in community work should be organized through statutory representative bodies. Some of the main recommendations are as follows:-

- a) A three-tier structure (village, block and district) of institutions of democratic decentralization,

i.e. Gram Panchayat at the village level, Panchayat Samiti (the basic unit of democratic decentralization since the area of jurisdiction of the panchayat bodies should be optimum, not too large and not too small) and Zila Parishad at the district level.

- b) Establishment of elected local bodies for 5 years by indirect elections from the village panchayats.
- c) Devolution of necessary resources, power and authority to these bodies.
- d) These bodies would form part in the implementation of various departmental schemes.
- e) Zila Parishad would play an advisory role under the chairmanship of the District Collector for necessary coordination. All Presidents of panchayat samities, Members of the State Legislature and Member of the Parliament representing a part or whole of a district whose constituencies lie within the district and district level officers would be members of the Zila Parishad. One of the officers of the District Collector would be the Secretary.
- f) The following would be the main resources of village panchayat:
 - *“Property or house-tax as is considered locally suitable;*
 - *Tax on daily, bi-weekly or weekly markets, bazars, hats or shandies, whether located on private land or otherwise;*
 - *Tax on carriages, carts, bicycles, rickshaws, boats and pack animals;*
 - *Octroi or terminal tax;*
 - *Conservancy tax;*
 - *Water rate;*
 - *Lighting rate;*
 - *Income from cattle-pounds;*
 - *Fees to be charged for registration of animals sold within the local area, for the use of Sarais, slaughter house, etc.”*(GoI 1957, p.15-16).

A panchayat structure at the district and block levels was also envisioned at this time. An important post of the Block Development Officer (BDO) was created to support old revenue unit of the Tehsil or Taluk and develop every village in the respective block. However, this gave rise to a complex system of multiple controls. In the implementation of rural development schemes, the BDO has to seek directions of (i) elected pradhan (ii) elected zila pramukh (iii) district collector (iv) chief executive officer, zila parishad (v) district level officers connected with line departments of states (vi) director/commissioner, panchayats (vii) secretary – in- charge of the concerned district (viii) divisional commissioner (ix) elected member of the samiti (x) MLA (xi) M.P (xii) Minister-in- charge of the concerned district. (Hooja 2010). In fact, confusion and tension at the district level administration prevailed during this period (Chaturvedi 1964).

As mentioned earlier, on October 2, 1959, India's first prime minister (Pandit Jawaharlal Nehru) inaugurated independent India's first panchayati raj institution (PRI) at Nagaur in Rajasthan¹³. At

¹³During the occasion, Nehru said, “To uplift lakh of villages is not an ordinary task.....The reason for slow progress is our dependence on official machinery. An officer is probably necessary because he is an expert. But this work can be done only if the people take up the responsibility in their own hands.... The people are not merely to be consulted. Effective power has to be entrusted to them..... Real change comes, of course, from within the village, from the very people living in the village, and is not imposed from outside.” (Aiyar 2011, p. 11)

the same time, a panchayat was created in Andhra Pradesh. By the mid 1960s, PRIs began to be established in all parts of India. To promote decentralized democracy, there was commencement of panchayat elections. By the year 1963, Panchayati Raj legislation had been enacted in 12 States and Panchayat Samities and Zila Parishads had been established in 10 States. By March 1962, 204,000 village Panchayats had been established, and these served about 95 per cent of the rural population. Zila Parishads was considered to be of the utmost importance for the rural development. The Third Five Year Plan (1961-66) laid considerable stress in rural sector to make India self sufficient for food products. Particular attention had been given to the administrative and functional aspects of Panchayati Raj in the initial two years. To carry out the responsibilities entrusted to them, PRIs at each level were in a position to secure adequate resources both from the State Government and at the local level (GoI 1963). An important contribution of the panchayat movement had been to make available teams of trained workers to serve at block and village level. However, shortage in certain categories particularly women village level workers continued. During this period, four study teams were constituted to study the issues related to a) panchayati raj finances, b) district, block and village plans, c) budgetary and accounting procedures, and d) role and functions of the Gram Sabha.

In a number of States, Panchayati Raj Institutions had set up special committees to look after the interests of weaker sections. Thus, till the end of the third plan in 1966, panchayati raj flourished. The congress lost many seats in early 1967 General Elections. As a result, Prime Minister, Indira Gandhi attempted to consolidate her position by a process of centralization of political and administrative powers. "*In the process panchayat went through a phase of desuetude*" (Aiyar 2011, p. 14).

In the Fourth Five Year Plan (1969-74), an outlay of Rs. 115 crores was provided for the schemes of Community Development and Panchayats. Out of this amount, Rs. 98 crores were allocated for the plan schemes of various States and Union Territories. Among all the central sector schemes, the progress of expenditure had been very slow in many schemes particularly (i) composite programme for women and pre-school children, (ii) orientation of school teachers in Community Development. In the centrally sponsored sector, the scheme relating to the Applied Nutrition Programme was making satisfactory progress (GoI 1971).

Panchayati Raj started declining as most initiatives for developments came from the central leadership and sub-national governments fell in line. The word '*panchayati raj*' almost disappeared in various policy documents. Panchayats were marginalized as elections of these bodies were seldom held and elected bodies were not allowed to take office or dismissed if allowed.

After the 1975-77 Emergency, Indian National Congress led by Mrs Indira Gandhi lost the General Election in March 1977. Considering the fact that panchayats had not succeeded to the expectations, the Janata Party Government constituted the committee headed by Ashok Mehta to review the working of panchayats and to suggest measures for their strengthening so that an effective decentralized system of rural development could be evolved. The Ashok Mehta identified post 1959 panchayat experience into the following 3 phases:

- (i) panchayat ascendancy (1959-64)
- (ii) panchayat stagnation (1965-69)
- (iii) panchayat decline (1969-77)

The factors including a) absence of political will b) resistant bureaucracy c) lack of involvement in planning d) ambiguity with respect to the role and status of panchayats, and e) the domination of

rural elite on panchayats were considered responsible to undermine PRIs (GoI 1978). The main recommendations of the committee as summarized by (Hooja 2010, p.8-9) are as follows:

- (a) “Creation of a two-tier system of Panchayati Raj, with Zila Parishad at the district level and, below it, the Mandal Panchayat consisting of a number of villages and having a population of 15,000 to 20,000
- (b) Nyaya Panchayat, presided over by a qualified judge, to be kept as a separate body;
- (c) Open participation of political parties in PRIs through elections contested on a party basis;
- (d) PRI elections to be organized by the Chief Electoral Officer of the state in consultation with the Chief Election Commissioner of the country;
- (e) Zila Parishad to be made responsible for planning at the district level;
- (f) Reducing the dependence of PRIs on the state funds and, instead, endowing them with powers of taxation;
- (g) Development functions to be transferred to Zila Parishads;
- (h) State Government not to supersede the PRIs on partisan grounds; and
- (i) Appointing in the Council of Ministers of the State Government of a Minister for Panchayati Raj, to look after the affairs of the PRIs”.

There were a number of supplementary even dissent notes appended with the Report. M.G. Ramachandran, a Member, opposed the concept of the Mandal Panchayat and argued that this would reduce effective and widely prevailing Directly Elected People's participation. S.K. Dey echoed similar sentiments in his supplementary note. E.M.S. Namboodiripad, another Member, criticized, among others: the recommendation with respect to the compulsory levy of land cess, surcharge on stamp duty, taxes on commercial crops etc. by the panchayats - *“Making these compulsory for the Panchayati Raj Institutions is a proposition with which I can not agree”* (GoI 1978, p. 170). Siddharaj Dhadda found lacuna due to the absence of village panchayat in the Report. He expressed it strongly in his note of dissent.

The Ashok Mehta Committee was the first to recognize the need of constitutional provisions for panchayats. However, the Report remained the part of the bookshelf due to a shift in priorities of the top leadership amidst hectic political activities that led to the fall of Morarji Desai's government in July 1979 and the subsequent fall of Charan Singh's government in the same calendar year. Indira Gandhi led Indian National Congress came back to power in January 1980 after the General Election. As usual, powers remained centralized till the assassination of Mrs Gandhi on 31 October 1984.

During the regime of Mrs Indira Gandhi, the panchayat was marginalized and weakened. Programmes for rural development were passed without a reference to panchayats. A conventional chapter on 'Community Development and Panchayat' was absent from the Planning Commission documents. However, the phrase 'community development' was substituted with 'rural development.' The absence of panchayats could even be noticed in the Seventh Plan (1985-90) document: About 9000 crore outlays was allocated for rural development in the 7th plan and no role was assigned to panchayats even in the Minimum Needs Programmes (MNP) related to rural sanitation, rural roads, rural health, rural housing, rural energy etc.(GoI 1985-90)

After the assassination of Mrs Gandhi, her son Rajiv Gandhi became the Prime Minister. After an early election, he came back to power with more than two third majorities in Lok Sabha. A committee

headed by G.V.K. Rao was appointed by the Planning Commission on March 1985 to review the existing administrative arrangements for rural development and poverty alleviation programmes and to recommend structural mechanisms for the planning and implementation of these programmes in an integrated manner. The Committee submitted its report in December 1985 and recommended to activate “Panchayati Raj bodies, viz. the *Zila Parishad*, *Panchayat Samities*, *Mandal* or Village Panchayats (GoI, 1985). The Committee emphasized to strengthen the role of block development office in the rural development process.

Another major attempt to regenerate PRIs was made with the appointment of the L. M. Singhvi Committee in 1986. The committee recommended that PRIs should be enshrined in the constitution and ‘Gram Sabha’ be the base of decentralized democracy. The Committee showed its displeasure over the irregularity of panchayat elections and dealt with the issue of the role of political parties in panchayat elections. The Committee suggested that non-involvement of political parties should be consensual rather than through legislation. On this issue the supporters of panchayats had two opinions. The Gandhians supported party less democracy while others argued the involvement of political parties to support candidates with weak economic background. (Wadhvani and Mishra 1996). Notwithstanding, the democratic momentum did not find pace to cater to the requirements of rural development.

There were various reasons for this such as: (i) political and bureaucratic resistance at the state level to sharing of power and resources with the local level institutions, (ii) under the existing social structure and property relations, the rural elite appropriated a major share of benefits from development schemes, (iii) low capacity at the local level, and (iv) lack of political will of the local political representatives. Local institutions scored well as long as they were concerned with issues such as primary schools, health centers, village roads etc (Rao 1989).

In 1989, Prime Minister Rajiv Gandhi proposed to assign constitutional status to PRIs and introduced the 64th Constitutional Amendment Bill. This bill was opposed, because it was viewed as an instrument for the union (central) government to deal directly with PRIs and bypass the state governments. The bill was passed in the Lok Sabha (lower house of parliament) but failed in the Rajya Sabha (upper house of parliament) by two votes on October 15, 1989.

Over time, consensus in favor of PRIs grew among all political parties. The National Front government that came into power for a short period introduced a bill for PRIs on September 7, 1990. Finally, the Congress government, led by Narasimha Rao, which came back to power after the assassination of Rajiv Gandhi, introduced a constitutional amendment bill for PRIs in September 1991. After debate and discussion it was passed in the Parliament on 22 December 1992, it became the Constitution (73rd Amendment) Act 1992 (the CAA) on April 24, 1993 after ratification by most State Assemblies.

IV

PANCHAYATS: ORGANIZATION AND FINANCE

The Legal Framework

With the passage of the CAA, panchayats were recognized in the statute book as institutions of self-government¹⁴. Under the CAA, it became mandatory for each state to enact conformity acts and make the following provisions:

- The establishment of three-tier panchayats with elected members at village, intermediate, and district levels. The intermediate rung need not be constituted in states with a population under 2 million.
- Direct elections to all seats in panchayats at all levels.
- One-third of seats reserved for women and marginalized communities—scheduled castes (SCs) and scheduled tribes (STs)—in all panchayats, according to the population. This provision also applies to the office of chairperson.
- A uniform five-year term in all panchayats, with elections held within six months in cases of premature dissolution.
- Constitution of a State Election Commission to supervise and organize free and fair elections to panchayats at all levels.
- Setting up of a State Finance Commission at a regular interval of five years to review and revise the financial position of panchayats.
- Establishment of district planning committees.
- Establishment of a Gram Sabha (village assembly) in each village, to exercise such powers and perform such functions at the village level as the state may provide by law.

The state is also expected to assign responsibilities on various matters including those listed in the 11th Schedule. (see Box 2). The state is also required to devolve concomitant powers and authority to panchayats to carry out the responsibilities conferred on them.

¹⁴Special legal dispensation under the Panchayats (Extension of the Scheduled Area) Act 1996 is given to the panchayats in tribal areas of nine states: Andhra Pradesh, Bihar, Chhattisgarh, Gujarat, Himachal Pradesh, Madhya Pradesh, Maharashtra, Odisha, and Rajasthan. Accordingly, the provisions of the CAA have been extended to those areas, with certain modifications respecting the traditional institutions of the areas and recognizing the rights of tribal population over natural resources (Singh 2000)

Table 1: Numbers of Elected Institutions in India by States/UTs
(As on 1 July, 2011)

S. No.	States	Number of Seats in		Number of Municipalities	Number of Panchayats			Area per Village Panchayat (km ²)	Population per Village Panchayats
		Parliament	State Assembly		Village (a)	Intermediate (b)	District (c)		
1	Andhra Pradesh	42	294	124	21,809	1,097	22	13	2,540
2	Arunachal Pradesh	2	60	n.a.	1,751	150	16	48	497
3	Assam	14	126	89	2,202	185	24	36	10,543
4	Bihar	40	243	138	8,463	531	38	11	8,781
5	Chhattisgarh	11	90	162	9,820	146	16	14	1,695
6	Goa	2	40	14	189	n.a.	2	20	3,582
7	Gujarat	26	182	168	13,738	224	26	14	2,310
8	Haryana	10	90	76	6,187	119	19	7	2,429
9	Himachal Pradesh	4	68	49	3,243	75	12	17	1,691
10	Jammu & Kashmir	6	76	82	4,139	NA	NA	54	1,843
11	Jharkhand	14	81	39	4,562	212	24	17	4,593
12	Karnataka	28	224	219	5,652	176	29	34	6,173
13	Kerala	20	140	58	999	152	14	39	23,598
14	Madhya Pradesh	29	230	338	23,040	313	48	13	1,926
15	Maharashtra	48	288	249	27,916	351	33	11	1,998
16	Manipur	2	60	28	165	4	6	135	9,641
17	Meghalaya (d)	2	60	6	n.a.	n.a.	3	n.a.	n.a.
18	Mizoram(d)	1	40	1	707	n.a.	n.a.	30	633
19	Nagaland(d)	1	60	19	1,110	n.a.	n.a.	15	1,484
20	Odisha	21	147	103	6,234	314	30	25	5,019
21	Punjab	13	117	135	12,447	141	20	4	1,293
22	Rajasthan	25	200	138	9,184	237	32	37	4,714
23	Sikkim	1	32	12	163	n.a.	95	44	2,951

24	Tamil Nadu	39	234	719	12,618	385	29	10	2,768
25	Tripura	2	60	13	513	23	5	20	5,172
26	Uttar Pradesh	80	403	628	52,000	820	70	5	2,532
27	Uttarakhand	5	70	63	7,227	95	13	7	873
28	West Bengal	42	294	127	3,354	341	18	26	17,218
Union Territories									
29	Andaman & Nicobar Islands	1	NA	NA	67	7	1	123	3,581
30	Chandigarh	1	NA	NA	17	1	1	7	5,419
31	Dadra & Nagar Haveli	1	NA	NA	11	n.a.	1	45	15,457
32	Daman & Diu	1	NA	NA	14	n.a.	1	8	7,204
33	NCT of Delhi (e)	7	70	NA	n.a.	n.a.	n.a.	n.a.	n.a.
34	Lakshadweep	1	NA	NA	10	n.a.	1	3	3,368
35	Puducherry	1	30	NA	98	10	n.a.	5	3,324
	India	543	4,120	3,797	239,649	6,113	649	14	3,098

SOURCE: Ministry of Panchayati Raj, Government of India and State Governments; Thirteenth Finance Commission Report; Election Commission of India and Census of India, 2011.

a. In almost all states, it is known as the gram panchayat.

b. The name of the intermediate rung differs from one state to another. It is known as Mandal Parishad in Andhra Pradesh, Anchal Samiti in Arunachal Pradesh, Anchalik Panchayat in Assam, Janpad Panchayat in Chhattisgarh and Madhya Pradesh, Taluka Panchayat in Gujarat and Karnataka, Panchayat Union in Tamil Nadu, Block Panchayat in Uttar Pradesh, Uttarakhnd and Kerala, and Panchayat Samiti in many states, including Bihar, Haryana, Himachal Pradesh, Jharkhand, Maharashtra, Odisha, Punjab and Rajasthan.

c. It is also known as Zilla Panchayat (ZP)/Parishad in many states.

d. For traditional village and autonomous district councils that exist in these states.

e. Panchayat has yet to be revived.

Note: NA: Data not available from given sources.

n.a.: not applicable

The legislature of a state may authorize the panchayats to levy, collect, and appropriate certain duties and fees and may assign to them the revenues of certain state-level taxes, subject to such conditions as are imposed by the state government. Further, grants-in-aid may also be provided to these bodies. As a result of the CAA, the numbers of panchayats stands at 246,411 of which 239,649 are village panchayats, 6,113 are intermediate panchayats, and 649 are district panchayats (Table 1).

The addition of these democratic institutions has broadened the Indian federal system. The panchayats are seen as the third tier of government. They have also made India the most representative democracy in the world. Today, about 2.8 million representatives stand elected to the three levels of panchayats. About 37 per cent are women, and 30 per cent belong to SCs and STs. (Table 2) At the village panchayat level, each elected person's constituency comprises about 340 people or 70 families (Government of India 2006).

Box 2: *Classification of Functions Listed in the 11th Schedule*

Core functions

- Drinking water
- Roads, culverts, bridges, ferries, waterways, and other means of communication
- Rural electrification, including distribution of electricity
- Health and sanitation, including hospitals, primary health centers, and dispensaries
- Maintenance of community assets

Welfare functions

- Rural housing
- Non-conventional energy sources
- Poverty alleviation program
- Education, including primary and secondary schools
- Technical training and vocational education
- Adult and informal education
- Libraries
- Cultural activities
- Family welfare
- Woman and child development
- Social welfare, including welfare of the handicapped and mentally retarded
- Welfare of the weaker sections, and in particular, of the Scheduled Castes and Scheduled Tribes
- Public distribution system

Agriculture and allied functions

- Agriculture, including agricultural extension

- Land improvement, implementation of land reforms, land consolidation, and soil conservation
- Minor irrigation, water management, and watershed development
- Animal husbandry, dairying, and poultry
- Fisheries
- Social forestry and farm forestry
- Minor forest produce
- Fuel and fodder
- Markets and fairs

Industries

- Small-scale industries, including food processing industries
- Khadi, village, and cottage industries.

Note: The 11th National Finance Commission gave these classifications to the functions enumerated in the 11th Schedule

Table 2: Representation of Weaker Sections and Women in Panchayats

(As on 1 July, 2011)

S. No.	States/UT	Panchayats at all levels: Number of Elected Representatives								
		General (Non-SC/ST) Categories	SC		ST		OBC No.	Total	Women	
			No.	%	No.	%			No.	%
1	Andhra Pradesh	172,136	34,025	15.2	17,842	8.0		224,003	74,019	33.0
2	Arunachal Pradesh	NA	NA	NA	8,260	100.0		8,260	3,183	38.5
3	Assam	23,206	1,344	5.3	886	3.5		25,436	9,903	38.9
4	Bihar	109,767	19,440	14.9	884	0.7		130,091	70,400	54.1
5	Chhattisgarh	76,062	17,553	10.9	66,933	41.7		160,548	54,159	33.7
6	Goa	1,378	NA	NA	181	11.6		1,559	534	34.3
7	Gujarat	83,982	7,970	7.0	22,235	19.5		114,187	38,068	33.3
8	Haryana	54,786	15,019	21.5	NA	NA		69,805	25,503	36.5
9	Himachal Pradesh	16,706	6,575	26.8	1,300	5.3		24,581	9,552	38.9
10	Jammu & Kashmir	NA	NA		NA			NA	NA	
11	Jharkhand	NA	NA		NA			NA	NA	
12	Karnataka	67,920	17,859	18.6	10,311	10.7		96,090	41,210	42.9
13	Kerala	16,256	1,997	10.8	229	1.2		18,482	6,518	35.3
14	Madhya Pradesh	231,246	59,106	14.9	106,350	26.8		396,516	136,196	34.4
15	Maharashtra	176,874	25,269	11.0	27,597	12.0		229,740	76,581	33.3
16	Manipur	1,656	39	2.2	41	2.4		1,736	758	43.7
17	Odisha	52,333	16,007	17.3	24,114	26.1		92,454	33,630	36.4
18	Punjab	62,614	28,349	31.2	NA			90,963	31,809	35.0
19	Rajasthan	22,296	25,432	21.2	21,466	17.9	50,357	120,247	42,543	35.4
20	Sikkim	483	57	5.8	446	45.2		986	394	40.0
21	Tamil Nadu	91,958	23,653	20.3	877	0.8		116,488	39,364	33.8
22	Tripura	3,914	1,509	26.3	310	5.4		5,733	1,986	34.6
23	Uttar Pradesh	578,984	191,950	24.9	727	0.1		771,661	299,025	38.8
24	Uttarakhand	44,450	11,077	19.3	1,973	3.4		57,500	21,517	37.4
25	West Bengal	37,434	17,112	29.1	4,282	7.3		58,828	21,351	36.3
Union Territories:										
26	Andaman & Nicobar Islands	856	NA		NA			856	296	34.6
27	Chandigarh	153	34	18.2	NA			187	62	33.2
28	NCT of Delhi									
29	Dadra & Nagar Haveli	7	3	2.4	115	92.0		125	49	39.2
30	Daman & Diu	81	2	2.1	14	14.4		97	37	38.1
31	Lakshadweep	4	NA		106	96.4		110	41	37.3
32	Puducherry	784	237	23.2	NA			1,021	370	36.2
	All India	1,928,326	521,618	18.5	317,479	11.3		2,818,290	1,039,058	36.9

SOURCE: Ministry of Panchayati Raj, Government of India**Note:** Manipur, Meghalaya and Nagaland are excluded from the purview of 73rd Amendment Act of the Constitution

able: 3 Population per Elected bodies in India by States/UTs
(As on 1 July, 2011)

S. No.	States	Number of Elected Representatives to:						Population per Elected Representatives to:			
		Parliament	State Assembly	Panchayats			Parliament	State Assembly	Panchayats		
				Village (a)	Intermediate (b)	District (c)			Village (a)	Intermediate (b)	District (c)
1	Andhra Pradesh	42	294	208,291	14,617	1,095	2,015,846	287,978	266	3,790	50,595
2	Arunachal Pradesh	2	60	6,485	1,639	136	691,306	23,044	134	531	6,398
3	Assam	14	126	22,898	2,148	390	2,226,377	247,375	1,014	10,808	59,529
4	Bihar	40	243	117,397	11,537	1,157	2,595,116	427,180	633	6,442	64,232
5	Chhattisgarh	11	90	157,250	2,977	321	2,321,836	283,780	106	5,592	51,863
6	Goa	2	40	1,509	n.a.	50	728,862	36,443	449	n.a.	13,542
7	Gujarat	26	182	109,209	4,161	817	2,322,447	331,778	291	7,628	38,850
8	Haryana	10	90	66,588	2,833	384	2,535,308	281,701	226	5,305	39,139
9	Himachal Pradesh	4	68	22,654	1,676	251	1,714,127	100,831	242	3,271	21,842
10	Jammu & Kashmir	6	76	NA	NA	NA	2,091,488	165,117	n.a.	n.a.	n.a.
11	Jharkhand	14	81	NA	NA	NA	2,354,731	406,991	n.a.	n.a.	n.a.
12	Karnataka	28	224	91,402	3,683	1,005	2,183,239	272,905	382	9,473	34,715
13	Kerala	20	140	16,139	2,004	339	1,669,384	238,483	1,461	11,764	69,541
14	Madhya Pradesh	29	230	388,829	6,851	836	2,503,364	315,642	114	6,478	53,087
15	Maharashtra	48	288	223,857	3,922	1,961	2,341,104	390,184	249	14,222	28,443
16	Manipur	2	60	1,675	NA	61	1,360,878	45,363	950	n.a.	26,079
17	Meghalaya (d)	2	60	n.a.	n.a.	n.a.	1,482,004	49,400	n.a.	n.a.	n.a.
18	Mizoram (d)	1	40	n.a.	n.a.	n.a.	1,091,014	27,275	n.a.	n.a.	n.a.
19	Nagaland (d)	1	60	n.a.	n.a.	n.a.	1,980,602	33,010	n.a.	n.a.	n.a.
20	Odisha	21	147	85,367	6,233	854	1,997,493	285,356	367	5,020	36,636
21	Punjab	13	117	88,132	2,622	209	2,131,095	236,788	183	6,139	77,017
22	Rajasthan	25	200	113,713	5,494	1,040	2,744,840	343,105	381	7,880	41,628

23	Sikkim	1	32	891	n.a.	95	607,688	18,990	540	n.a.	5,063
24	Tamil Nadu	39	234	109,308	6,524	656	1,849,717	308,286	319	5,353	53,234
25	Tripura	2	60	5,352	299	82	1,835,516	61,184	496	8,874	32,359
26	Uttar Pradesh	80	403	703,294	65,669	2,698	2,494,768	495,239	187	2,005	48,798
27	Uttarakhand	5	70	53,988	3,152	360	2,023,350	144,525	117	2,002	17,529
28	West Bengal	42	294	49,545	8,563	720	2,174,946	310,707	1,166	6,744	80,207
Union Territories											
29	Andaman & Nicobar Islands	1	NA	759	67	30	379,944	n.a.	316	3,581	7,998
30	Chandigarh	1	NA	162	15	10	1,054,686	n.a.	569	6,141	9,212
31	Dadra & Nagar Haveli	1	NA	114	n.a.	11	342,853	n.a.	1,491	n.a.	15,457
32	Daman & Diu	1	NA	77	n.a.	20	242,911	n.a.	1,310	n.a.	5,043
33	NCT of Delhi (e)	7	70	n.a.	n.a.	n.a.	2,393,319	239,332	n.a.	n.a.	n.a.
34	Lakshadweep	1	NA	85	n.a.	25	64,429	n.a.	396	n.a.	1,347
35	Puducherry	1	30	913	108	n.a.	1,244,464	41,482	357	3,016	n.a.
	All India	543	4,120	2,645,883	156,794	15,613	2,228,717	293,736	281	4,735	47,556

Source: Ministry of Panchayati Raj, Government of India and State Governments; Election Commission of India and Census of India, 2011.

Note: NA: Data not available from given sources.

n.a.: not applicable

Table 4: Affirmative Action in Representative Democracy in India

(As on 1 July, 2011)

S. No.	States	Elections to Panchayats held	Percentage of Elected Women			Percentage of Elected SCs			Percentage of Elected STs		
			Village (a)	Intermediate (b)	District (c)	Village (a)	Intermediate (b)	District (c)	Village (a)	Intermediate (b)	District (c)
1	Andhra Pradesh	1995, 2001, 2006	33	34	33	15	18	18	8	7	8
2	Arunachal Pradesh	2003, 2008	39	35	33	n.a.	n.a.	n.a.	100	100	100
3	Assam	2005	39	37	35	5	4	3	3	4	5
4	Bihar	2001, 2006, 2011	55	49	50	14	20	17	1	1	1
5	Chhattisgarh	1995, 2000, 2005, 2010	34	34	34	11	11	12	42	42	39
6	Goa	1997, 2002, 2007	34	n.a.	40	n.a.	n.a.	n.a.	12	n.a.	n.a.
7	Gujarat	1996, 2001, 2007	33	34	34	7	7	7	19	20	21
8	Haryana	1995, 2000, 2005, 2010	37	34	35	22	22	21	n.a.	n.a.	n.a.
9	Himachal Pradesh	1995, 2000, 2005, 2010	39	36	37	27	25	25	5	6	8
10	Jammu & Kashmir	2011	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
11	Jharkhand	2010	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
12	Karnataka	1995, 2000, 2005, 2010	43	41	37	19	18	18	11	9	8
13	Kerala	1995, 2000, 2005, 2010	35	35	35	11	11	10	1	1	1
14	Madhya Pradesh	1994, 2000, 2005, 2010	34	35	37	15	16	18	27	28	28
15	Maharashtra	1993, 2010	33	33	33	11	11	11	12	12	13
16	Manipur	1997, 2002, 2007	44	n.a.	46	2	n.a.	3	2	n.a.	3
17	Meghalaya (d)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
18	Mizoram (d)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
19	Nagaland (d)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
20	Odisha	1997, 2002, 2007	36	35	35	17	17	17	26	28	26
21	Punjab	1994, 1998, 2003, 2008	35	33	33	31	32	33	n.a.	n.a.	n.a.
22	Rajasthan	1995, 2000, 2005, 2010	35	38	38	21	20	19	18	19	19
23	Sikkim	1997, 2002, 2007	40	n.a.	40	6	n.a.	5	45	n.a.	49

24	Tamil Nadu	1996, 2001, 2006	34	35	35	35	20	21	21	1	1	n.a.
25	Tripura	1994, 1999, 2004, 2009	35	35	35	34	26	26	28	5	5	5
26	Uttar Pradesh	1995, 2000, 2005, 2010	39	38	42	42	25	25	24	n.a.	n.a.	n.a.
27	Uttarakhand	1996, 2003, 2008	38	34	33	33	19	19	19	3	3	3
28	West Bengal	1995, 1998, 2003, 2008	37	34	34	34	29	28	28	7	7	7
Union Territories												
29	Andaman & Nicobar Islands	2005	34	37	33	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
30	Chandigarh	1999, 2003, 2008	33	40	30	17	27	30	n.a.	n.a.	n.a.	n.a.
31	Dadra & Nagar Haveli	2005	39	n.a.	36	3	n.a.	n.a.	92	n.a.	91	
32	Daman & Diu	1995, 2000, 2005, 2010	39	n.a.	35	1	n.a.	5	16	n.a.	10	
33	NCT of Delhi (c)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	
34	Lakshadweep	1997, 2002, 2007	38	n.a.	36	n.a.	n.a.	n.a.	96	n.a.	96	
35	Puducherry	2006	36	37	n.a.	24	18	n.a.	n.a.	n.a.	n.a.	
	All India		37	37	37	18	21	17	12	7	11	

SOURCE: Ministry of Panchayati Raj, Government of India and State Governments and Census of India, 2011.

Note: NA: Data not available from given sources.

n.a.: not applicable

Functional Domain

Article 243G of the Constitution empowers panchayats to function as institutions of self-government for the purposes of preparing plans and implementing schemes for economic development and social justice in their respective areas for various matters, including those listed in the 11th Schedule which is merely illustrative and indicative. Unlike the division of powers and functions enumerated in the Union List and State List, no clear demarcation exists between the state and panchayats. It is for the state legislature to make laws regarding the devolution of powers and functions to the panchayats.

Almost all states and union territories claim that they have transferred responsibilities in varying degrees to the panchayats, by enacting laws in conformity with the CAA. However, the functional domain of panchayats pertains only to traditional civic functions in several states. In those states where either the intermediate panchayats or the district panchayats were absent for decades, the functional domain of panchayats does not include adequate developmental responsibilities. States where panchayats have existed for a long time, have repeated the provisions of the old statutes in their new laws with few adjustments. Moreover, many state governments have not framed relevant rules or guidelines as a follow-up measure. A few states realized that the transfer of additional functions requires the transfer of concomitant funds and functionaries to panchayats, enabling them to perform the specified responsibilities. However, panchayats are not very clear about the role they are expected to play in the new federal setup. Almost all of the subjects enumerated in the 11th Schedule are state concurrent, involving duplication and overlapping.

Another challenge before the state government has been the allocation of activities to the appropriate tier of the panchayat system. Traditionally, the lowest-level panchayat—the village panchayat—has been the most active in almost all states. Generally, the village panchayats carry out major functions, including core functions, whereas intermediate and district panchayats in most states are “allotted supervisory functions or act mainly as executing agents for the state government” (Jha 2004, 3). A task force of the Union Ministry of Rural Development on devolution of powers and functions to Panchayats has developed an activity-mapping model on the principle of subsidiarity, which states that any activity that can be undertaken at a lower level must be undertaken at that level in preference to being undertaken at any higher level.¹⁵

In most states, the functions devolved to Panchayats are subjects rather than activities or sub activities. Only some states like Andhra Pradesh, Kerala, Gujarat, Karnataka, Madhya Pradesh have broken the 29 subjects into activities and sub activities. In Kerala, complementary legislation has even been issued to change the roles of key line agencies (World Bank 2004).

It is a general perception that panchayats are financially and technically under equipped to perform even the core functions, much less the welfare functions and other economic functions related to agriculture and industries (see Box 2). Hence, many of the core functions that traditionally belonged to panchayats—drinking water, rural roads, street lighting, sanitation, primary health, and so forth—have not been transferred fully in some states; they are being performed by the line departments of the state Government or the parallel parastatals. As a result, the per capita total expenditure of panchayats remains abysmally low in all states except Andhra Pradesh, Chhattisgarh, Goa, Gujarat, Karnataka, Kerala, Maharashtra, and Tamil Nadu (Table 5).¹⁶

¹⁵The Union Ministry of Panchayati Raj, created on May 27, 2004, responsible for the monitoring of the implementation of the CAA, provides technical assistance and expertise if sought by state governments to accomplish activity mapping within the timeframe. There was a consensus, during the roundtables, among all states to complete activity mapping.

¹⁶However, the data pertaining to local governments in the reports of National Finance Commissions are not consistent. It must be kept in mind that fiscal data for Panchayats from any two sources are not comparable.

Table 5: Per Capita Expenditure in Panchayats (all Tiers)

S. No	State	Per capita (₹)			Annual Growth of Total Expenditure 2003--2008 (%)
		1990-91	2000-01	2007-08	
1	Andhra Pradesh	205.7	792.9	345.6	14.5
2	Assam	1.1	3.2	800.3	29.6
3	Bihar	18.2	4	43.0	38.2
4	Chhattisgarh	NA	360.8	1202.5	23.7
5	Goa	30.1	198.2	153.7	-7.8
6	Gujarat	399.4	1,293.50	1929.6	10.3
7	Haryana	54.7	142.1	585.1	31.6
8	Himachal Pradesh	8.6	41.2	397.9	16.3
9	Jharkhand	NA	NA	1.9	1.4
10	Jammu & Kashmir	NA	750	NA	n.a.
11	Karnataka	402.6	1,296.2	2827.4	20.9
12	Kerala	46.1	644.9	823.3	17.4
13	Madhya Pradesh	44.5	113.9	1031.2	84.7
14	Maharashtra	298.4	685.8	2141.2	10.7
15	Manipur	7	25.5	493.1	10.4
16	Meghalaya	81.6	51.6	379.8	15.3
17	Nagaland	NA	NA	557.5	46.3
18	Odisha	65	37	544.1	18.4
19	Punjab	70	85	130.9	5.4
20	Rajasthan	218.9	361.6	66.9	10.9
21	Sikkim	NA	78.6	198.8	27.5
22	Tamil Nadu	59.7	164.7	1325.2	11.7
23	Tripura	5.3	186.1	1320.8	27.3
24	Uttar Pradesh	40.9	46.9	165.6	14.9
25	Uttarakhand	NA	49.3	0.4	-34.3
26	West Bengal	24.5	107	539.9	25.9
	All (26 States)	148	324	327.8	17.7

SOURCE: Updated from Alok (2006)

Note: NA: Data not available from given sources

n.a.: not applicable

Own-Source Taxes

The power of panchayats to impose taxes was considered imperative to enshrine in the constitution under article 243H, to impart certainty, continuity, and strength to panchayats. The Union Minister of State for Rural Development, G Venkat Swamy said while moving the Constitution (73rd Amendment) Bill in Parliament,

“Constitution (Seventy-third) Amendment cast a duty on the centre as well as the states to establish and nourish the village panchayats so as to make them effective self-governing institutions.... We feel that unless the panchayats are provided with adequate financial strength, it will be impossible for them to grow in stature”.

Devolution of taxes to panchayats can easily be linked with the activities assigned to them, which vary from state to state. From various lists including the list of the 11th Schedule, certain basic functions could be said to be in the exclusive domain of panchayats. Even these essential services require huge funds. To this end, the devolution of taxes to the three tiers of the panchayats needs to be linked to the activity mapping for the devolution of functions and functionaries .

Table 6 shows that a variety of taxes have been devolved to different levels of panchayats. The relative importance of these taxes varies from state to state. The intermediate and district panchayats are endowed with powers to collect very few taxes, whereas village panchayats are given substantial taxing powers. In a number of cases, under the tax rental arrangement, the village panchayats collect taxes and pass them on to the higher level of panchayats (Jha 2004). Property tax, cess on land revenue, surcharge on additional stamp duty, tolls, tax on professions, tax on advertisements, nonmotor vehicle tax, octroi, user charges, and the like contribute the maximum to the small kitty of own-source revenue, which contributes only 6 to 7 per cent of the total expenditure of panchayats (Alok 2006). In most states, the property tax contributes the maximum revenue. However, this tax remains inelastic because of inefficient administration in its collection. Its assessment is based on the annual rental value of taxation and its associated evil: under declaration of rentals. However, some progressive states have reformed the tax structure and use the unit area method in determining the tax base.

Table 6: Revenue Power of Panchayats in States at Each Tier

Tax or fee	Andhra Pradesh	Assam	Bihar	Gujarat	Haryana	Himachal Pradesh	Karnataka	Kerala	Madhya Pradesh	Maharashtra	Odisha	Punjab	Rajasthan	Tamil Nadu	Uttar Pradesh	West Bengal
House or property tax	V	V	V	V	V	V	V	V	V	V		V	V	V		V
Surcharge on house or property tax								V		D						
Tax on agriculture land for specific purpose	V															
Cess on land revenue or surcharge	V, I	I		V		V		V	V						V	
Surcharge on additional stamp duty	V	V			I	V	V		I	D				V		V
Tax on professions, trades, calling, and so forth		V, I	V, D	D		V	V		V	V		V			D	
Octroi				V						V			V			
Entertainment tax		V	D	V			V	V	I			V			V	V
Pilgrim tax or fees		V		V			V			V			V			
Tax on advertisements	V						V	V								
Education cess				I								I	I			
Tolls	V	I, D	I, D	V										V	D	V, D
Tax on sale of firewood and slaughter houses		V									V					
Tax on goods sold in a market, haat, fair, and so forth			I, D		I	V					V					
Tax on shops and services		V			V	V										
Vehicle tax	V	V		V			V		V	V	V		V		V	
Animal tax				V					V	V	V				V	
Conservancy rate	V	V	V	V				V	V		V	V			V	V
Lighting rate	V	V, D	V, I, D	V		V		V	V	V	V	V	I		V, I, D	V, I, D
Water rate	V	V, D	V, I, D	V	V, I	V	V	V		V, I, D	V	V, I	V, D		V, I, D	V, I, D
Drainage rate	V			V				V			V				V	V
Special tax for community civic services or works					V	V		V	V			V	V, I			
Surcharge on any tax imposed by village panchayat	I			I, D									I			I

SOURCE: Alok (2006)**Note:** V = village panchayat, I = intermediate panchayat, D = district panchayat. More than one sign indicates the concurrent power of panchayats for the respective tax.

After own-source revenues, assigned revenues are the most efficient in the dispensation to panchayats. Such revenues are levied and collected by the state government and are passed on to panchayats for their use. Some states deduct collection charges. The practices in assigning revenue are marked by large interstate variation. However, typical examples of assigned revenue are the surcharge on stamp duty, cess or additional tax on land revenue, tax on professions, and entertainment tax. In many states, these taxes form part of the own-source revenue of panchayats.

Borrowing

No reference is made in the CAA to loans and borrowing by panchayats. Urban local governments, with the approval of their state governments, have floated bonds in the market. In contrast to the general belief that panchayat are not empowered to raise loans (Gulati, 1994, Oommen 1995, Rajaraman 2003 and Jha 2000), Local Authorities Loans Act, 1914, a Central Act does exist enabling the grants of loans to local authorities including panchayats (Alok 2009).

Intergovernmental Fiscal Transfers

Proceeds from internal sources contribute an abysmal share to the panchayat pool (Table 7). Panchayats rely more on fiscal transfers from the state government in the form of shared taxes and grants (Tables 8 and 9). State taxes are shared according to the recommendations of the State Finance Commission (SFC). Constitution of the SFC at a regular interval of five years is a mandatory requirement for states.¹⁷ Besides tax sharing, the SFC is assigned the task of reviewing the financial position of panchayats and making recommendations on the assignment of various taxes, duties, tolls, fees, and grants-in-aid to be given to panchayats from the consolidated fund of the state (See Alok 2004, 2008 for details).

¹⁷The Conformity Acts of the CAA provide for the composition of the SFC, the qualifications of its members, and the manner of their selection. Every recommendation of the commission is to be laid before the state legislature. However, many states have not taken these provisions seriously. The 12th Finance Commission and the National Commission to Review the Working of the Constitution have advised those states to provide criteria for the membership of the SFC similar to the provisions of the Union Finance Commission (Alok 2004). Poor treatment of the SFC by many states compelled the prime minister to make this statement: “As far as funds are concerned, the awards of the State Finance Commissions should be fully honored. There are reports that State Finance Commissions are not constituted, of them not giving awards in time, and of these awards not honored when given, all of which erode panchayat raj” (Government of India 2004b). However, all but three states (Arunachal Pradesh, Bihar, and Jharkhand) have received their first SFC report, and a few states (Andhra Pradesh, Haryana, Kerala, Punjab, Rajasthan, Uttar Pradesh and West Bengal have even constituted their third commissions.

Table 7: Own Revenue of Panchayats (all tiers) as % of Respective State Own Revenue

(₹ Crore)

S. No.	State	Sum of Own Revenues (2005-08)	States Own Revenue (2005-08)	Own Revenue of Panchayats as % of State Own Revenue
1	Andhra Pradesh	415.4	30057.0	1.38
2	Arunachal Pradesh	NA	465.0	n.a.
3	Assam	13.1	5176.0	0.25
4	Bihar	5.5	4639.8	0.12
5	Chhattisgarh	26.3	6472.4	0.41
6	Goa	13.2	2156.2	0.61
7	Gujarat	111.5	22986.6	0.49
8	Haryana	270.4	14590.2	1.85
9	Himachal Pradesh	6.1	2986.8	0.20
10	Jammu & Kashmir	0.8	2653.4	0.03
11	Jharkhand	0.4	4566.1	0.01
12	Karnataka	198.0	26419.8	0.75
13	Kerala	292.7	12824.4	2.28
14	Madhya Pradesh	56.4	13070.3	0.43
15	Maharashtra	582.3	50523.1	1.15
16	Manipur	0.3	273.7	0.12
17	Meghalaya	54.3	468.7	11.59
18	Mizoram	NA	194.7	n.a.
19	Nagaland	NA	221.1	n.a.
20	Odisha	10.1	8232.3	0.12
21	Punjab	125.9	15147.2	0.83
22	Rajasthan	15.2	14995.1	0.10
23	Sikkim	NA	838.3	n.a.
24	Tamil Nadu	258.5	30014.6	0.86
25	Tripura	1.3	427.4	0.30
26	Uttar Pradesh	88.0	27364.8	0.32
27	Uttarakhand	6.9	3000.8	0.23
28	West Bengal	58.0	12983.4	0.45
	All States	2610.6	313749.3	0.83

SOURCE: Basic data obtained from Panchayati Raj Department of various States, the XIII Finance Commission and Finance Accounts of the C&AG

Note: NA: Data not available from given sources
n.a.: not applicable

Table 8: Per Capita Own Revenue of Panchayats (All Tiers)

(₹)

S. No.	States	2001-02	2004-05	2005-06	2006-07	2007-08
1	Andaman & Nicobar	NA	NA	NA	NA	NA
2	Andhra Pradesh	27.2	57.4	62.4	65.7	83.4
3	Arunachal Pradesh	NA	NA	NA	NA	NA
4	Assam	3.1	3.8	3.8	5.3	6.7
5	Bihar	1.0	NA	NA	0.8	1.2
6	Chandigarh	NA	NA	NA	NA	NA
7	Chhattisgarh	34.3	13.5	14.0	14.6	15.6
8	Dadra & Nagar Haveli	NA	NA	NA	NA	NA
9	Daman & Diu	NA	NA	NA	NA	NA
10	NCT of Delhi	NA	NA	NA	NA	NA
11	Goa	113.0	134.6	170.3	201.5	202.0
12	Gujarat	23.7	37.5	25.7	31.5	41.6
13	Haryana	46.2	127.2	163.1	173.8	165.6
14	Himachal Pradesh	6.1	10.9	10.2	10.5	10.8
15	Jammu & Kashmir	NA	0.3	0.3	0.3	2.2
16	Jharkhand	NA	NA	NA	NA	NA
17	Karnataka	19.1	23.5	34.8	44.4	83.8
18	Kerala	92.2	103.8	121.5	126.4	105.8
19	Lakshadweep	NA	NA	NA	NA	NA
20	Madhya Pradesh	31.6	12.1	13.7	9.7	11.2
21	Maharashtra	58.4	105.1	92.0	98.4	107.5
22	Manipur	NA	2.2	1.9	1.9	2.0
23	Meghalaya	NA	190.6	259.7	267.8	292.8
24	Mizoram	NA	NA	NA	NA	NA
25	Nagaland	NA	NA	NA	NA	NA
26	Odisha	2.9	3.0	3.0	3.1	3.1
27	Puducherry	NA	NA	NA	NA	NA
28	Punjab	49.9	92.8	91.8	107.2	27.9
29	Rajasthan	8.4	3.3	3.2	3.4	3.0
30	Sikkim	NA	NA	NA	NA	NA
31	Tamil Nadu	16.6	67.8	73.1	83.2	80.2
32	Tripura	1.8	2.8	3.7	5.2	5.0
33	Uttar Pradesh	4.4	5.2	6.1	5.5	6.5
34	Uttarakhand	7.7	12.3	14.2	16.0	0.4
35	West Bengal	5.6	11.3	12.1	16.3	0.0
	All States	16.3	29.2	33.7	36.9	35.9

SOURCE: Updated from Alok (2006) with the data from Panchayati Raj Department of various states and the XIII Finance Commission

Note: NA: Data not available from given sources

Table 9: Own Revenue of Panchayats (all Tiers)

(₹ Crore)

S.No.	States	2005-06	2006-07	2007-08	Annual Growth in 2003-2008 (%)
1	Andaman & Nicobar	NA	NA	NA	n.a.
2	Andhra Pradesh	363.7	386.8	495.7	11.4
3	Arunachal Pradesh	NA	NA	NA	n.a.
4	Assam	9.4	13.1	16.7	13.1
5	Bihar	0.0	6.7	9.7	n.a.
6	Chandigarh	NA	NA	NA	n.a.
7	Chhattisgarh	24.8	26.0	28.1	5.2
8	Dadra & Nagar Haveli	NA	NA	NA	n.a.
9	Daman & Diu	NA	NA	NA	n.a.
10	NCT of Delhi	NA	NA	NA	n.a.
11	Goa	11.6	13.8	14.1	12.0
12	Gujarat	86.0	106.5	142.2	13.9
13	Haryana	260.2	280.6	270.3	24.1
14	Himachal Pradesh	5.9	6.1	6.3	0.4
15	Jammu & Kashmir	0.2	0.2	1.8	58.7
16	Jharkhand	0.4	0.4	0.5	14.1
17	Karnataka	125.8	161.5	306.7	29.6
18	Kerala	299.1	313.8	265.0	7.5
19	Lakshadweep	NA	NA	NA	n.a.
20	Madhya Pradesh	66.0	47.5	55.8	1.0
21	Maharashtra	535.0	577.0	635.0	2.1
22	Manipur	0.3	0.3	0.3	10.2
23	Meghalaya	51.0	53.2	58.8	18.7
24	Mizoram	NA	NA	NA	n.a.
25	Nagaland	NA	NA	NA	n.a.
26	Odisha	9.9	10.1	10.4	2.5
27	Puducherry	NA	NA	NA	n.a.
28	Punjab	152.2	178.8	46.7	-9.5
29	Rajasthan	14.9	16.2	14.5	1.8
30	Sikkim	NA	NA	NA	n.a.
31	Tamil Nadu	242.9	273.0	259.6	5.3
32	Tripura	1.0	1.5	1.4	27.4
33	Uttar Pradesh	87.2	80.5	96.2	7.6
34	Uttarakhand	9.5	10.9	0.3	-33.0
35	West Bengal	73.7	100.3	NA	n.a.
	All States	2430.7	2664.6	2736.4	8.4

SOURCE: Updated from Alok (2006) with the data from Panchayati Raj Department of various states and the XIII Finance Commission

Note: NA: Data not available from given sources
n.a.: not applicable

The most critical function of the SFCs is to determine the fiscal transfer from the state to local governments in the form of revenue sharing and grants-in-aid. Since the 80th Constitutional amendment, following the recommendation of the 10th Finance Commission (1995–2000), a certain percentage of all union taxes has been devolved to the states. Many SFCs have also adopted this system for the following reasons: First, the system has a self-policy feature; the local body automatically shares in the buoyancy of state taxes and levies. Second, the system has built-in transparency, objectivity, and certainty; local bodies can anticipate, at the beginning of each fiscal year, their share in the divisible pool. Third, the system enables local bodies to understand the entire economy and take considered views to make their own annual budgetary exercises. In other words, it induces local bodies to generate their own revenue generation and to mobilize additional resources. Fourth, the state government can be neutral in pursuing tax reforms without considering whether a particular tax is sharable with local bodies.

National Finance Commission

So that the SFC does not deter the state legislatures in transferring responsibilities and revenue to the local governments, the CAA goes out of the way to provide that the National Finance Commission should suggest measures to augment states' consolidated funds in light of the recommendations of SFCs. So far, four National Finance Commissions (the 10th, 11th, 12th and 13th) have made their recommendations¹⁸. All these commissions were severely constrained for reasons emanating partly from the practice and partly from the design of the new fiscal arrangement: the lack of synchronization of the periods covered by the SFCs with those covered by the National Finance Commission; the absence of a timeframe for action by the state government on the recommendations of the SFC; a lack of clarity in assigning functions, finances, and functionaries to local governments; and heterogeneity in approach, content, and period covered by the various SFCs.

Nevertheless, all the Commissions except the 13th Finance Commission recommended ad hoc lump sum grants to panchayats. The 10th National Finance Commission made a provision for Rs 4381 crore, at Rs 100 per capita, to be passed on to panchayats between 1996 and 2000. In the absence of formal disbursement certificates by the state governments, the Central government could release only Rs 3570 crore. Further, the 11th National Finance Commission recommended a grant of Rs 10000 crore for its award period, on the basis of a formula given in Table 9. Certain institution-building activities such as maintenance of accounts, creation of databases, and audits were made the first charge of the fund. The intention of the grant was to induce the panchayats to act as institutions of self-government. The Central government accepted the recommendations, with a caveat compelling panchayats to raise suitable matching resources.

The grant could not be fully utilized. Many state governments and panchayats raised this point during their interactions with the 12th National Finance Commission¹⁹. The commission had to emphasize the issue in its report: "*The central government should not impose any condition other than those prescribed by us, for release or utilization of these grants*" (Government of India 2004d, 262). In its recommendations, the commission attempted to adopt the equalization principle and allocated Rs

¹⁸The 10th National Finance Commission was not mandated to make recommendations for local governments. Because the CAA became effective before the commission submitted its report, it made recommendations for the newly inserted subclauses of article 280(3) regarding local governments.

¹⁹State governments also raised this point in the memoranda that they submitted to the 12th National Finance Commission (see <http://www.fincomindia.nic.in>).

20000 crore to improve service delivery by the panchayats primarily for water supply and sanitation. The grants of the National Finance Commission are generally ordained for operation and maintenance and therefore differ from those of the union ministries and the Planning Commission. Through this transfer, the commission intended for the panchayats to take over all of the central schemes related to drinking water, including Swajaldhara, which had not been operational because funds were not available for operation and maintenance.

Table 10 Criteria Adopted by National Finance Commissions for Distribution of Grants to States for Panchayats

Criteria	Weight assigned by		
	11th National Finance Commission	12th National Finance Commission	13th National Finance Commission
Population	40	40	50
Area	10	10	10
Distance	20	20	20
Decentralization/ Devolution index	20	Not adopted	15
Revenue efforts	10	20	Not adopted
Deprivation index	Not adopted	10	Not adopted
SC/STs Population	Not adopted	Not adopted	10
FC grants utilization index	Not adopted	Not adopted	5

SOURCE: Government of India 2000, 2004d, 2009.

The 13th Finance Commission made a major departure from the ad hoc practice adopted by the previous commissions of recommending lump sum grants to local governments both panchayats and municipalities. According to the recommendation of the 13th Finance Commission, the grant would be calculated from the volume of the Union divisible pool of the previous year. In this context, the percentage share would gradually increase from 1.5 per cent in 2010-11 to 2.28 per cent in 2010-15. The respective population of panchayats and municipalities would determine their share in the grant.

The grant as recommended by the Commission has two components – a basic component and a performance-based component. The basic is equivalent to 1.50 per cent of the previous year's divisible pool. All states are entitled to have access to this grant for all the five years, as per the criteria and weights recommended by the Commission. The performance grant-effective from 2010-12 will be 0.50 per cent for the year 2011-12 and one per cent thereafter, up to 2014-15. Only those states which meet the nine stipulations outlined by the Commission have access to the performance grant (Government of India 2009).

This is a major development with regard to the predictable devolution of finances to panchayats. This is also a positive step towards creating/enhancing the fiscal capacity of Panchayats. In a memorandum to the 13th Finance Commission, the Ministry of Panchayati Raj pleaded the 13th Finance Commission to recommend five per cent share in the union divisible pool to the states for panchayats that could be earmarked, *inter alia*, for operation and maintenance of panchayats. Similarly, the Ministry of Urban Development also urged three per cent share to the states, for municipalities in the divisible pool to meet the O&M costs of municipalities. Interestingly, seven states made the same request in their

official memoranda. Similar views were expressed in a number of seminars and conferences organized by the 13th Finance Commission (Alok, 2008, 2009; IIPA 2009; Shylendra and Rajput 2009).

Vertical Schemes

The Union Government, through the state governments, provides a majority of panchayat finances in most states. These grant-based transfers from the Planning Commission or union ministries are made in the form of centrally sponsored schemes (CSSs)²⁰. These schemes are quite large in number. Many pertain to the 29 subjects being implemented by different ministries and departments of the union government. The viability of many schemes has been questioned time and again. The Task Force of Officials in Charge of Panchayati Raj in States has given the following summary of the shortcomings of the implementation of CSSs (Government of India 2004c, 3):

- Rigid conditionalities
- Inconsistent approach to institutional arrangements—CSSs could be panchayat friendly, panchayat parallel, panchayat ignorant, or panchayat unfriendly
- Obsession with financial presentations
- Inefficient and ineffective monitoring and evaluation of outcomes
- Administrative overload on departments leading to inefficiency in processing requests for funding and delayed financial releases
- Lack of transparency in financial releases

It has been argued that CSSs should be converted to block transfers. The request of the prime minister, in his speech to all chief ministers on 29 June, 2004, to “consider if we should adopt a system of providing block grants to districts based on their incidence of poverty to plan and implement strategies that optimize their resource potential” (Government of India 2004b, 8) can be seen in that perspective.

In a landmark development on September 7, 2005, the government of India enacted the National Rural Employment Guarantee Act, to ensure employment of adult unskilled manual workers for a minimum of 100 days in a financial year. With the union and state governments, panchayats at all levels participate actively in the implementation of the Act.

Hence, substantial tied funds are being transferred to the panchayats through the centrally sponsored schemes (CSSs) and additional central assistance (ACAs). For long, the CSS transfers were administered and utilized mainly by the line departments. In recent years, the panchayats are being increasingly recognised as implementing institutions for the plan schemes of line ministries. The most important of these is the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA), where the panchayats at the district, intermediate and village levels have been given specific responsibilities as principal authorities for planning and implementation. Village panchayats are required to take minimum 50 per cent value of the works. Progress reports from states show an even more encouraging number of 72 per cent.

²⁰The states' contribution to the CSSs was generally 50 percent in the eight decades, which was reduced to one-fourth in the 1990s because of the tight fiscal situations of the states. The share of the states is being reduced further. Some of the schemes are entirely funded by the national government.

Table 11: Allocation of Each Scheme that Entails a Role of the Panchayats

(₹ Crore)

Scheme	2004-05	2008-09
National Rural Employment Guarantee Scheme/SGRY	10000	16000
National Rural Health Mission		11974
Mid Day Meal	1507	8000
Sarva Shiksha Abhiyan (SSA)	4754	13100
Pradhan Mantra Gram Sadak Yojana	2468	7530
Accelerated Rural Drinking Water Supply Programme (ARDWSP)	2900	7300
Integrated Child Development Scheme (ICDS)	1934	5665
Indira Aawas Yojana (IAY)	2500	5400
Swarnjayanti Gram Swarozgar Yojana (SGSY)	1000	2150
Rajiv Gandhi Grameen Vidyutikaran Yojana		5055
Backward Region Grant Fund (BRGF)		4670

SOURCE: IIPA (2009) Draft Joint Memorandum on behalf of Panchayats to the 13th Finance Commission prepared by a Technical Committee of the Ministry of Panchayati Raj,(Chairman: V Ramachandran)

Since 2004, schemes, as shown in the Table 11, have started assigning a range of responsibilities to the panchayats and depend upon them for grassroots implementation. In addition, there are several important flagship programmes of the Union, which aim at provisioning basic essential services across the country through the panchayats. Since 2004, the allocations to the programmes, entailing the involvement of the panchayats, have shown a substantial growth. It is a good augury that the institutional mechanisms tend to provide centrality to the panchayats in their planning and implementation.

Uneven Development

Over a period of time panchayats evolved differently across states with respect to its structure, achievements and accountability. Since panchayat is the derivative of the state, “it is the state which has to devolve its power and authority, functions and functionaries, rights and duties, and the funds to the structure below, and thus bring the government to the doorstep of the people” (Alok and Chaubey 2010, p.44). It has been done in a variety of ways since states vary in their complexion. Table 12 presents a comparative scores each states have achieved with reference to the dimensions of functions, finances and functionaries in addition to a dimension of ‘Framework’ dealing with the mandatory provisions of the constitution.

Table 12: Panchayat Devolution Index (DI) and Sub-indices

Rank	State/UTs	D1	D2	D3	D4	Devolution Index
		Framework	Functions	Finances	Functionaries	
1	Kerala	86.21	79.07	66.58	63.14	70.01
2	Karnataka	54.16	68.20	78.53	39.73	62.39
3	West Bengal	76.56	59.52	66.24	45.00	59.56
4	Rajasthan	52.07	70.00	52.31	45.86	53.89
5	Maharashtra	48.15	64.67	49.97	52.83	53.58
6	Tamil Nadu	68.46	67.69	38.55	58.82	53.45
7	Madhya Pradesh	74.50	71.19	35.14	56.65	52.74
8	Gujarat	45.22	73.54	41.35	40.04	47.78
9	Andhra Pradesh	50.41	63.64	43.80	41.33	47.69
10	Chhattisgarh	51.61	54.56	41.76	49.60	47.66
11	Haryana	56.31	55.83	39.10	40.18	44.49
12	Himachal Pradesh	45.06	53.79	41.80	29.50	40.83
13	Orissa	63.22	40.35	18.35	61.01	40.03
14	Uttar Pradesh	54.37	48.35	23.17	22.83	31.22
15	Puducherry	17.01	40.51	36.20	19.17	30.03
16	Uttarakhand	25.82	26.80	30.05	27.50	28.21
17	Bihar	54.69	54.78	20.56	3.33	25.65
18	Goa	32.56	24.67	16.34	18.33	20.23
19	Jharkhand	35.00	12.00	2.00	16.67	11.70
North Eastern States						
1	Sikkim	70.60	65.58	41.96	50.88	60.22
2	Tripura	60.90	42.50	32.77	33.00	45.60
3	Manipur	57.54	34.70	36.54	13.33	39.31
4	Assam	38.35	29.20	33.51	0.00	31.08
5	Arunachal Pradesh	12.81	11.97	17.56	3.33	19.70
	National Average	51.32	50.55	37.67	34.67	42.38

SOURCE: MoPR-IIPA (2011)

From the analysis conducted under the Panchayat Empowerment and Accountability and Incentive Scheme, the panchayat in the state of Kerala have been found far ahead of panchayats in other states with respect to their capacity, autonomy, accountability and achievements. Other states including Karnataka, West Bengal, Maharashtra are close to Kerala.

V

SOME ISSUES

The experience with decentralization raises many issues of different dimensions. A few are listed below:

- *Autonomy versus Dependency:* Realization is growing that Panchayats have an important role to play in deepening democracy by mainstreaming the poor into development. It is also being felt that panchayats can help mobilize resources by introducing local solutions and meeting people's basic requirements. However, the degree of success of panchayati raj as an institution of self-government essentially depends on the extent of administrative and financial devolution, coupled with the autonomy within the constitutional framework.

In many states panchayats are, to some extent, burdened with a historical legacy of subservience. For example, at the state level, under the existing budgetary procedures, significant control and discretion for making financial allocations to panchayats rests with the state government officials. Similar powers are vested in district-level officials. As a result, the funds are parked for a considerable period sequentially in the state treasury and then in the district treasury. This practice prevents panchayats from receiving their share of funds in amounts as well as on time. As a consequence, the quality of expenditure is adversely affected. Over time, a dependency syndrome is created.²¹

This example is consistent with one of the points taken for action in the chief ministers' conference:

Panchayats are starved of finances in virtually all states. This has led to a situation where there has been a constitutionally mandated devolution of powers and responsibilities to the local bodies, but with no real means, financial or statutory, with which to implement the plethora of schemes and programmes devolved. This chicken and egg syndrome has led to panchayati raj and municipality administrations almost everywhere being discredited by mainline developmental administration, leaving elected members disillusioned and frustrated by their very powerlessness and impotence. (Government of India 2004a, 3)

In many cases, panchayats must seek permission from the local authorities to spend even the available funds. In some cases, they are not subject to any clearance up to a certain amount. For example, Panchayats in Kerala and Madhya Pradesh can undertake a project worth up to Rs 100,000 and Rs 300,000, respectively, without any outside clearance.

However, issues related to the fiscal autonomy of panchayats are subject to debate. It is argued that fiscal autonomy cannot be built into the regime of grants in aid. Tax assignments with clear taxing powers and tax sharing play a more significant role for self-rule and fiscal autonomy than untied funds, public contributions, and project-tied loans (Oommen 1999). Others assert that own source revenues are not essential for panchayats in their efficient and effective operations. Fiscal transfers from higher level governments can serve this purpose. "so

²¹Recognizing this problem, the 12th National Finance Commission specified a time limit of a maximum of 15 days for the state governments to transfer the grants to local governments. The commission asserted that the union government should take noncompliance seriously.

long as the panchayats have the autonomy to decide how the money gets spent” (Johnson 2003, 22).

However, the 12th National Finance Commission in its approach attempted to strengthen the fiscal domain of local governments and advocated the financing of local public goods by the potential beneficiaries. At the same time, the Commission discouraged the reluctance on the part of decentralized authorities to generate revenue. “The principle of equalization extended to the local bodies would mean that while lack of fiscal capacity, at the state level as well as the local level, can be made up, lack of revenue effort should not be made up.” (Government of India 2004d, 26)

- *Integrated view and action.* Legislative, political, fiscal, and administrative dimensions of decentralization are interwoven and need to be addressed simultaneously. Reforms in one aspect of decentralization need to be accompanied by necessary changes in others. Legislative changes made 19 years ago were not coupled with suitable administrative and fiscal reforms. The administration has persisted in old habits and has been hesitant to devolve functions along with concomitant finances and functionaries. In a sequence, finance should follow function (Bahl 1999).
- *Free and fair local elections.* Periodic elections to the Panchayats by the State Election Commission provide responsiveness and accountability on broad social issues. However, identification of these issues necessitates providing quality information to the voter. The passage of the Right to Information Act helps the voter make informed choices. Forceful media already exist in India.
- *Autonomous institutions.* Elected representatives, autonomous SECs & SFCs, and other local institutions are the key to decentralized democracy entailing people’s participation and service delivery. These institutions need to be central and exogenous to the state government for their technical capacity enhancement and true autonomy.
- *Strong fiscal information system.* The system for designing, implementing, and evaluating decentralization policy, including intergovernmental policy, must be strong. The World Bank (2004, 43) commented on the inferior quality of published fiscal data on revenues and expenditures that were drawn in the reports of the national finance commissions and the SFCs. This data is badly flawed and inflates the funds actually managed by panchayats considerably.”²²
- *Higher-level government as role model.* The higher-level government, particularly the union government, needs to abide by its own rules. Delaying the transfer of funds for panchayats to state governments, affixing strange and ambiguous conditionalities to the fiscal transfers, and consequently retaining unspent funds at the union level erode the foundation of decentralized democracy.
- *Authority to identify local needs and preferences.* The Panchayats must have a say in the design of the scheme or grant program. The CAA recognized the significance of identifying local needs and developing capabilities at the local level in the formulation of the panchayats own plan. The provision for a district planning committee was articulated as mandatory under

²²However, the 11th National Finance Commission has initiated the process by advocating for scientific accounts, databases, and computerization. Subsequently, the comptroller and auditor general of India prescribed a format of accounts for the Panchayats. Most states have accepted the format.

article 243 ZD. Planning must be undertaken at all levels of Panchayats; similarly, all urban bodies prepare their own plans. The consolidation of these sets of plans must be undertaken at the district planning committee. The consolidated district plan is then forwarded to the state government for integration into the state plan. Although district planning committees have been constituted in almost all states, such detailed grassroots planning is undertaken nowhere (MoPR and IIPA).

- *Ability to monitor and evaluate the system.* The legislative changes in the form of a central act need to be followed by conformity acts and implementation by various state governments through the creation of an enabling environment for local governments. The union government has to encourage the state governments, through an incentive or reward structure, to create this environment. This action is essential, as the statutory role of the union government is limited to seeing the fulfillment of the mandatory provisions of the constitution.

CONCLUSION

Almost five decades have passed since the establishment of modern PRIs. We are in the twentieth year since the 73th Amendment to the Constitution. The states have been devolving powers albeit in a staggered and non-synchronous manner. Though much remains to be achieved, it is generally recognized that almost all states today have put in place significant changes aimed to achieve decentralized democracy in general and people's participation as sub set of decentralized democracy in particular.

The key question however has as yet not been answered. Have these changes that were aimed at empowering panchayats contributed to India's objective of achieving inclusive progress? And if so, to what extent?

There have been many criticisms related to empowering panchayats; these range from errors of omission and commission to corruption, susceptibility to social biases, strengthening of historical exclusionary power structures, poorly resourced panchayats, absence of quality human capital, etc. At the same time there is a largely free and fair democratic process which is backed by constitutional empowerment as well as (admittedly imperfect) devolution. Democracy and devolution together are a potent combination that has the power to outweigh exclusionary forces, but (a) their impact is felt over a long period and (b) they sometimes do not work well if enabling institutions do not exist. Such institutions are also emerging with varying degrees of success, ranging from the Right to Information Act, Ombudsman to e-Governance initiatives etc.

Hence, the critical question for India's long term success as a free democratic country is closely linked to the success of its panchayats in delivering the outcomes for rural development including greater incomes reduction of poverty, access to local public goods services that include sanitation, drinking water, health care, education, safety and security, rural roads etc, gender empowerment and green environments.

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