ORIGINAL RESEARCH PAPER

Arts

AN OVERVIEW OF FINANCES OF PANCHAYATS RAJ INSTITUTIONS IN KARNATAKA

KEY WORDS: PRIs, Finance commission, Karnataka local Government.

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ABSTRACT

The 73rd and 74th Amendments to the Indian constitution have cast heavy responsibilities political leaders, economic planners and administrative bureaucracy of the country in a measure much greater than is apparently being realized. The vision of decentralized governance from the 73rd constitutional Amendments authority to the panchayat raj Institutions Karnataka's journey in this process has been admirable up till now not complete in terms of curbing the intra state disparities. This article seeks to Assessment of finances of panchayat raj institution in Karnataka. This paper based on secondary source of information.

0.1 INTRODUCTION

An event of almost epochal importance in the recent history of local government institutions in India is the enactment of the 73rd and 74th Constitutional amendments. In the main these acts conferred upon Panchayat Raj Institutions. PRIs and Urban Local Bodies/ULBs constitutional status for which a demand had been being articulated for several decades. In fact historically the demand was first advocated in independent India in the Constituent Assembly. The principal concern of this paper is with PRIs. What the constitutional amendment did was to enable them to enjoy a sense of legitimacy and authority that was lacking earlier. Perhaps the most important contribution it has made is to stipulate by law that elections are held once in five years. Again this does not guarantee that in practice this is followed but since the law mandates it there is always the prospect of approaching the judiciary seeking enforcement of the provision. Further the fact that the judiciary is now demonstrably highly developed makes the position of PRIs potentially strong.

In various states panchayats under the post-73rd amendment Act more than one term has been completed by the PRIs. Some of the states are at the threshold of conducting the next round of elections to the panchayats and some have recently completed the elections. The State Finance Commissions in most states have submitted reports to the respective state governments. The state governments except in some states have already taken action on these reports. Theoretically and to an appreciable degree the process of functional and financial devolution to panchayats has gained impetus.

Karnataka is often cited as an important example of a pro-decentralisation state. This is mainly due to the earlier legislation passed by the state during 1983 which was regarded as a landmark step. After the 73rd Amendment to the Constitution, Karnataka was the first State to pass the Karnataka Panchayat Raj Act, 1993, as per the 73 rd Amendment and conducted elections to gram panchayats in December that year. This was the beginning of a full-fledged three-tier system of panchayat raj in Karnataka, making use of the 11th Schedule in the Constitution to decentralise power and functions to panchayat raj bodies at all the three levels.

The Karnataka Panchayat Raj Act, 1993 provides for three tier structure of PRIs – Zilla Panchayats at district level, Taluk Panchayat at intermediate level and Gram Panchayat at village level. The other salient features are providing reservation for women, Other Backward Classes and Scheduled Castes and Scheduled Tribes. This reservation applies not only to election of members but also to the election of office-bearers or chairpersons of these institutions. The gram sabhas and the ward sabhas in Karnataka are the soul of panchayat raj and the idea is to progressively strengthen their functioning to ensure full participation of the people and responsibility.

Karnataka has been a pioneering state in nurturing PRIs. Prior to the 73rd amendment to the Constitution, Karnataka had put in place a unique two-tier system of decentralized local governance, through the Zilla Parishads and Mandal Panchayats. In the wake of the 73rd Amendment, which nationally institutionalized Panchayat Raj as a distinct tier of Governance, Karnataka was the first state in the country to enact the Karnataka Panchayat Raj Act, on May 10, 1993 within a few days of the 73rd Constitution Amendment being adopted. The last elections to the three tiers of panchayat raj institutions have been completed during 2010. Politically, there is a broad consensus in favour of decentralisation that finds a place in the ideologies of all political parties in the State.

0.2 REVIEW OF LITERATURE

Jayaramaiah, N. (2005), ***"Finances of Gram Panchayats: A Study of Karnataka",*** analyzed the resource position of Gram Panchayats in Karnataka State. Most of the tax items are inelastic and of narrow base. The Gram Panchayats need to earn public confidence before initiating resource mobilization and delivery of services. Maintenance of transparency and accountability are pre-requisites for the success of local initiatives. His analysis is based on quantitative and qualitative information. The secondary data was collected from a sample of six Gram Panchayats. The measures to improve the tax collection are needed-provide satisfactory level of services to the population, elected representatives pay the taxes in time, well coordination between elected representatives and officials, to revise tax rates once in four years, to hold gram Sabhas regularly.

Vyasulu, Vinod (2003), "***Panchayat Finances***" in his paper reflects on the current position of the Panchayat finance system in India. When funds, functions and functionaries are transferred to the appropriate level of local government is called true devolution to local governments. Such transfer has to be made in the form as well as substance. It has to go together. This paper explores this complex issue from the local finance aspect. He explains the background to local finances in the states. He briefly looks at Karnataka, Madhya Pradesh and Uttar Pradesh States experiences. After reviewing of the current state of decentralization of local finances, he concludes and recommends. Decentralization seems to take place when the state governments take an interest for some special reason.

Ahmad Nesar, (1998), in his paper entitled ***"A study of Panchayat Finance in India"*** attempted to understand the system of Panchayat Finance taking into account the Kerala and Rajasthan states in India. The study has covered the finance of PRIs as well as decentralization of the fiscal process of these two States. He concluded that Kerala PRIs are enjoying a greater level of functional and financial autonomy and also people participation in developmental planning has been given a campaign mode.

The study by Dhonde S.V, (2000), entitled "***Study of Village Panchayat Finance,"*** attempted to study the finance of village panchayats and review their revenue and expenditure pattern of six villages in Jawali Taluka of Satara District. These villages are Kudal, Sartale, and Saigaon, Dare (Bk) and Anewadi. The study was attempted to analyze the revenue composition, expenditure analysis, and study of the tax structure of the Village Panchayat. The study is mainly based on secondary data gathered from the official records of the Village Panchayats and data collected, tabulated, and interpreted with the help of necessary statistical tools. The main findings are Village Panchayats have been playing a vital role at the village level in improving the living conditions and status of the people.

Gulati, I.S. (1994), ***"Financial devolution to local bodies: Role of State Finance Commissions",*** pointed out that there is a need to supplement the funds of the state governments. It is possible to make adequate devolution to local bodies. His paper explains the conditions of financial devolution, state finance commissions, plan allocations. That functional decentralization will remain only on paper if a corresponding financial devolution is not made at the same time. Devolution problem will have to be referred to the tenth finance commission. When a new finance commission is appointed, with a small cello in the finance ministry doing the followup to the award is certainly not the most efficient way of doing such a major exercise. The question of augmenting the finances of the state governments to enable them to devolve adequate finances and financial powers to the local bodies will have to be faced immediately, if decentralized is meant to be pursued in earnest.

0.3 OBJECTIVES OF THE STUDY

1. To know the Functions of Gram Panchayats in Karnataka.
2. To study the Assessment of finances of PRIs in Karnataka

0.4 METHODOLOGY

The study is based on secondary data gathered from Journals, Articles, News Paper and relevant websites etc.

0.5 RESEARCH GAP

There are number of research paper related panchayat raj institutions and present study focused on the Gram panchayat functions and finances. So this study is attempted.

0.6 Analysis and Interpretation

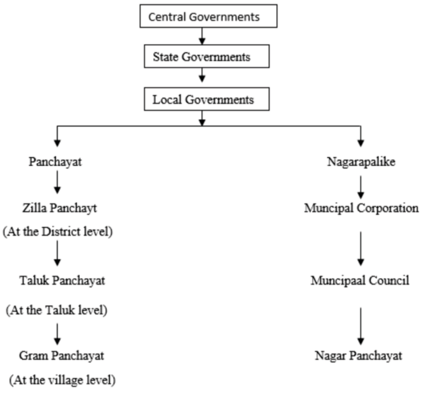
The Gram Panchayat is the basic or lowest level of Panchayat Raj in Karnataka. It has jurisdiction over a group of villages. Gram panchayat represents an assembly of the village elders who are directly elected by the citizens of the village. This panchayat unit is headed by a chairperson who is known as Sarpanch.

The representatives of the Gram Panchayats are elected for five years. While the members are directly elected from wards, the Sarpanch is elected by the members. There are seats reserved for women, scheduled castes and scheduled tribes in Gram Panchayats.

For ease of administration Karnataka state is divided into:

- Four administrative or revenue divisions
- 49 sub-divisions
- 30 districts
- 220 taluks
- 747 hoblies or revenue circle
- 5,628 grama panchayats

Different Levels of Government



Functions of Gram Panchayat

The Gram Panchayat has to perform the following functions:

- Provide sanitary latrines to at least one-tenth of the households every year
- Construct and maintain sufficient community latrines for use by men and women
- Maintain water supply works on its own or through annual contract
- Revise and collect taxes, rates and fees at fixed periods
- Ensure enrolment of children in primary school
- Ensure immunisation of children
- Confirm swift registration and report of births and deaths
- Provide sanction for proper drainage
- Construct, repair and maintain public streets
- Remove encroachments on public streets or public places
- Provide sufficient number of street lights
- Make payments for electricity charges on a regular basis
- Fill up sanitary depressions and reclaim unhealthy localities
- Capture and destroy rabid and ownerless dogs
- Maintain all community properties vested in it
- Maintain records related to population census, cattle census, crop census, census of unemployed people and people below poverty line
- Assign places away from the village dwelling areas for dumping manure and refuse

Assessment of finances of PRIs

Karnataka state has brought out activity mapping clearly laying down roles and responsibilities for different levels of PRIs. The devolution of functions to the PRIs becomes meaningful and effective only when the required financial support is provided. These devolutions are constitutionally mandated to be decided on the recommendations of the SFC. One of the major amendments in the KGS and PR Act 1993, (2015) brought into force from 25 provisions in the act itself for the levy, revision, and the procedure for assessment of t fees, etc., by the Gps.

The PRIs have three tiers, namely ZPs, TPs and GPs. The ZPs and TPs have no power to tax. They have to depend on state and central government for statutory and non-statutory funds. They have a few non-tax sources such as rent from buildings, assets etc. The discussion about the tax revenue here confines only to Gps.

1. Tax revenue

The taxes that can be levied by the GPs are (i) taxes on property (ii) taxes on vacant lands (iii) taxes on non motorized vehicles (iv) taxes on advertisement and hoarding (v) entertainment taxes and others.

(a) Property Tax -The property tax (land tax and building tax) being a major source of revenue shows an increasing trend during 2012-13 to 2014-15. It has increased from 150.03 crore in 2012-13 to. 221.81 crore in 2016-17 registering a growth of 47.84 per cent. However, the growth has not been steady. It is said that the potential of this tax is huge. But GPs have not been able to manage it effectively. Poor tax collection may be on account of many reasons such as drought, lack of initiative by the GPs, quality of the delivery of basic services, vacancies in the staff position, etc.,

(b) Taxes on advertisement- The collection of this tax is seen to be on a decreasing trend. Therefore, to augment this, amendment in the KGS and PR Act, 1993 (2015) prescribed the rates in the act itself to avoid any ambiguity. However as per government notification the levy of advertisement tax vide clause of the schedule has been omitted from 12.7.2017.

(c) Entertainment tax- The act also provides for levy of entertainment tax on entertainments other than cinematography. The revenue from this does not appear to be substantial.

(d) Vehicle tax- There is a provision under the same act for levying vehicle tax but the yield is not impressive.

(e) Water rate and water usage charges- The KGS and PR Act, 1993 (2015) provides for collection of water rate on the service of water supply, which is a good source of revenue. This could be seen from Table 7.2, the collection trends in both water rates and water usage charges is on the increase but for 2016-17. It is found that majority of the water connections are not metered. This needs to be enforced on priority.

(f) Street light charges-As seen from collection of street light charges is on the increase except in 2016-17.

(g) Other taxes-The KGS and PR Act, 1993 (2015) provides for collection of tax for mobile towers, wind mills and solar parks and fees for laying optical cables from 1.04.2016. The potential of this source has to be tapped. Pilgrims fee can also be levied where such facilities are provided for the tourists and the pilgrims.

II. Non tax revenue

The act provides for levying certain fees on markets, bus-stands etc. In all there are 34 items of non-tax sources. As could be seen from Annexure 7.1 the collection is not steady. The total non-tax revenue in 2012-13 was `. 17.75 Crore and it has increased to .33.07 crore in 2016-17 registering a growth of 86.30 per cent during the same period. Thus, it can be suggested that some more efforts in this line could improve the collections.

(a) Fees- There is a provision for a collection of fees for providing services of different types such as issue of licenses, warrants sale of assets, seizures of assets, etc., and for maintaining animals.

(b) Royalty- Another important revenue source is the share of the local body on the collection of royalty on minor minerals. Mainly this refers to the royalty on sand which is the main minor mineral extracted in the villages. As ascertained, for the year 2014-15 government has assigned `.5 crore under this royalty to the GPs and `. 5.35 crore in the year 2016-17.

(c) Minor revenues- Certain minor revenues are realized on the investment made by GPs in the form of interests, dividends, rents, etc.

Transfers from state government

The devolution of funds to PRIs is made based on the recommendations of the SFC as a per cent of NLNORR on global sharing basis. The statutory grants are recommended as untied grants. In chapter 2 of this report the recomme ndations of earlier SFCs of Karnataka have been discussed in detail. Apart from SFC grants there is one specific grant exclusively to TPs, namely, assigned tax on stamps and registration fee. This is levied and collected by the government but assigned to TPs. The assigned tax revenue on stamp and registration fee has increased from :37.26 crore in 2013-14 to. 44.50 crore in 2017-18.

Transfers from central government

The central government implements many specific central sector and centrally sponsored schemes. The share of expenditure on these schemes by the central government and the state government are pre-determined and of late the centre has taken a stand that all expenditure under the centrally sponsored schemes is in the ratio of 40: 60 If the centrally sponsored schemes are under the district sector, the funds given for these schemes, transferred to the state government are released to the local bodies as provided in the budget. But central funds are released to the bodies by the concerned departments.

0.7 Suggestions

1. The subjects should divide and assigned to the different tiers on the basis of accountability to the public.
2. States like Karnataka and Kerala have taken some steps in this direction but overall progress has been highly uneven.
3. **Training should be provided to local representatives** to develop expertise so that they contribute more in planning and implementation of policies and programmes.

0.8 CONCLUSION

An attempt is made in this article to analyze and assess the finances of PRIs. ZPs and TPs have to depend on grants from state and central governments for they do not have own sources of revenue. However, GPs have own sources of revenue and they also receive funds from the state and central governments. The focus in this article is on the finances of GPs. It is pertinent to know that the collection in GPs account just 18.13 per cent against demand and this shows the poor status and resource base of GPs so far as own revenue is concerned.

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