

# INTERNATIONAL JOURNAL OF RESEARCH IN COMMERCE & MANAGEMENT

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**STATEMENT OF THE PROBLEM**

**OBJECTIVES**

**HYPOTHESES**

**RESEARCH METHODOLOGY**

**RESULTS & DISCUSSION**

**FINDINGS**

**RECOMMENDATIONS/SUGGESTIONS**

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**FINANCES OF PANCHAYAT RAJ INSTITUTIONS IN KARNATAKA STATE**

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**ABSTRACT**

Local Self-government is the people elected institution which is created for performing the basic functions of local area. Local self-government generally provides basic services like roads, sanitation, street light, education, health etc. therefore, a sound and systematic administrative structure has to be built up by the local self-governing institution. Decentralization has been a major feature of the development landscape since the mid 1980s. The local self-governments i.e., panchayats and municipalities in both rural and urban areas are the best instruments of democratic decentralization in India. After the 73<sup>rd</sup> amendment to the Indian Constitution. Panchayat Raj System has occupied a pivotal place in the Indian democratic system. In India rural development has been envisaged through democratic decentralization. For this purpose a three tier panchayati raj institutions (PRIs) has been set up. Different types of powers, functions and responsibilities have been assigned to the panchayati raj bodies. Karnataka was created on November 1, 1956, with the passing of the States Reorganisation Act. The important provisions of the 73<sup>rd</sup> Constitution Amendment Act brought out in the year 1992. Based on this Act, a three-tier panchayat raj system- Grama Panchayat (GP) at the village level, Taluk Panchayat (TP) at the taluk/middle level and Zilla Panchayat (ZP) at the district level, was established. The finance is fuel which is indispensable for working the engine in the form of panchayats raj institutions. The PRIs cannot become effective institutions of local self governance unless they have a strong financial base with clearly defined sources of revenues and the revenues are properly managed to optimize the resources. PRIs should have the power to levy tax, a share in State taxes and duties, and grant-in-aid from higher level governments to discharge their duties effectively. In the absence of this, the panchayats would face severe problems of fiscal gap, leading to deficiencies in the provisions of services to the people. This paper critically examines the financial resources of PRIs; identify the functions and financial resources of panchayats with special reference to the Panchayati Raj System in Karnataka.

**KEYWORDS**

Panchayat finances, local finance.

**INTRODUCTION**

The initiative of Karnataka in 1987 was a first in decentralization reforms with a central theme being the creation of strong district level local governments. Karnataka transferred all the district sector plan schemes to these institutions which were being implemented by the respective line departments of state government. Government of Karnataka has devolved all the functions laid down in the Eleventh Schedule of the Constitution to the PRIs. The functions assigned to each tier of PRIs have been incorporated in Karnataka Panchayat Raj Act, 1993. These functions consist of many schemes and programmes related to social and economic sectors. The financial analyses of PRIs, there are three methods of inter-governmental transfers from the higher level government to the lower level government in the state of Karnataka. These are: 1. Assignments of taxes, fees and user charges to GPs. 2. Block Grants to GPs. 3. Specific purpose grants to ZPs, TPs and GPs.

**OBJECTIVES OF THE STUDY**

1. To describe the organization and functions of PRIs.
2. To examine the financial resources of PRIs.
3. To analyze deficiencies of the PRIs in Karnataka.

**METHODOLOGY**

The present study is conducted with the help the secondary data. The secondary data was collected from the annual reports, books, web site and other available literatures.

**GRAMA PANCHAYATS**

The GPs have to perform functions as envisaged in section 58 of Karnataka Panchayat Raj Act, 1993. There are 17 functions listed in this section- providing sanitary latrines to not less than ten percent of the households every year supply of drinking water, sanitation, road construction and maintenance and maintenance of records relating to census and persons below poverty line are some main functions included. There is provision to assign more functions to GPs vide section 59. Powers have been given to GPs to perform all these functions as per section 60. In Schedule I of the Act, preparation of annual plan, budget, maintenance of essential statistics, agriculture, horticulture and other functions are entrusted to GPs.

**RESOURCES OF GPs**

Income from collection of tax, cess, fees et cetra; Government grants and scheme bound funds are the resources of GPs.

**FUNCTIONS OF GPs**

Functions assigned to the GPs are given in Section 58 and Schedule I of Karnataka Panchayat Raj Act, 1993. The main functions are given below:

- Preparation of Budget and Annual Plan
- Supply of drinking water
- Sanitation
- Street lights
- Houses/House sites distribution
- Selection of beneficiaries under poverty alleviation programmes
- Construction and maintenance of roads and culverts
- Implementation of schemes like SJSY, NREGA, SGRY etc.

**TALUK PANCHAYAT**

The TPs have to perform functions as envisaged in section 145 of Karnataka Panchayat Raj Act, 1993. In addition to the functions assigned as per Schedule-II, the TPs are also given the responsibility related to drinking water supply, supervision over functioning of all the GPs in the taluk, providing adequate number of class rooms in primary schools, sanitation and acquiring land for locating manure pits away from the dwelling houses in the villages. Section 147 gives the

general powers to TPs to perform its functions. Schedule-II prescribes the functions of TPs; this includes agriculture, soil conservation, minor irrigation, animal husbandry, cottage industries, rural housing, drinking water, roads, education, markets, women and child development, public distribution system, libraries and others. Taluk Panchayats have no powers to impose taxes.

#### RESOURCES OF TPs

- Government grants
- State and Central Plan grants
- Share in stamp duty and others

#### MAIN FUNCTIONS OF TPs

- Preparation of Annual Plan
- Verification of Annual Plans of GPs and submission of consolidated Annual Plans to ZPs
- Preparation of annual budget and others

### ZILLA PANCHAYATS

ZPs have no taxing powers. The ZPs have to perform functions as envisaged in section 145 of Karnataka Panchayat Raj Act, 1993. Functions assigned to ZPs are listed in Schedule-III, this includes agriculture extension and horticulture, soil conservation, minor irrigation, animal husbandry, fisheries, village industries, minor forest produce, rural housing, drinking water, roads, education, markets, women and child development, public distribution system, co-operation, libraries and others. Some more functions may be entrusted as per the provision vide section 185 of Karnataka Panchayat Raj Act, 1993.

#### FINANCIAL RESOURCES OF PRIs

##### GRAM PANCHAYATS

Taxes, fees, rates, etcetera are the main sources of own revenue of GPs. Every GP has been given powers to levy tax upon buildings and lands which are not subjected to agricultural assessment. The user charges for public facilities and infrastructural facilities resources are water rate, lighting fee, street cleaning fee, conservancy fee, drainage fee, sanitary cess for public latrines, pilgrim fee, etc. user charges on hospitals, schools and fee for use of common resources and also non-tax revenues like royalty, rent auction income, sale of sites.

##### TALUK PANCHAYATS

The Taluk Panchayat do not have taxation powers. The government may levy some charge on duties imposed by the Karnataka Stamp Act, 1957 on instruments of sale, gift, mortgage, exchange and lease in perpetuity of immovable properties, situated within the area of Taluk Panchayats, at a rate not exceeding three percent of surcharge of stamp duty.

##### ZILLA PANCHAYATS

The Zilla Panchayats do not have taxation powers. They depend on the transfer of funds from the state government.

### SUPERVISION OF THE ACTIVITIES OF GPs

GPs are taking up works related to central and state governments and from their own resources. Proper implementation, adoption of transparency rules, quality verification and accounts maintenance are very important. Although, the Executive Officer of TP has powers to supervise the activities of all the GPs of taluk, in view of large number of activities and works it is difficult for him to exercise these powers. As a result, an instance of misutilisation is increasing in GPs. As the finances of GPs are maintained in a joint account by the Adhyaksha and Secretary of GP, misutilisations of funds are being recorded before it is brought to the notice of higher level officers.

#### SUPERVISION OF TALUK PANCHAYAT ACTIVITIES

TP activities mainly comprise of human resource development and maintenance aspects. Apart from release of funds for education, health, sanitation and other activities, proper utilization of funds and maintain the quality should be ensured. In addition, supervision of the activities of GPs and maintenance of accounts are the responsibilities of the EO of TP. TP also has the responsibility of supervision and providing guidance in agriculture, rural development, animal husbandry, minor irrigation and watershed area development sectors.

#### SUPERVISION OF ACTIVITIES OF ZILLA PANCHAYATS

Programme implementation by ZPs and its supervision is far from satisfactory. Presently, the Directors in the Rural Development and Panchayat Raj Department are directly monitoring the work of ZPs. Since they have to perform their regular secretariat functions, they are not in a position to review programme implementation and work of field level officers effectively. As such these directors are unable to provide proper guidance to subordinate officers.

### FINDINGS

1. GPs have powers to levy tax. But this is not being properly done due to lack of awareness.
2. GPs implement a few important schemes of state and central governments. National Rural Employment Guarantee Scheme, Ashraya Housing Scheme, Drinking Water Supply Scheme, Sanitation Scheme are some of the major programmes implemented by the GPs. While implementing these schemes wider coverage is not visible in most of the GPs.
3. It is noticed that a few schemes are implemented by the officers of ZP and TP without bringing the same to the notice of GPs. For example, it is informed that GPs are ignored in the implementation of suvarna grama yojana. It is also learnt that many schemes under State and District sectors are being implemented without informing the GPs.
4. In performing functions assigned to the TPs few difficulties have been noticed. As many functions have been assigned to the three tiers of PRIs, it is not clear as to which function has to be performed at what level.
5. It is being said that TPs do not have independent supervision over the departments which come under TPs. The Executive Officer of TP is finding it difficult to discharge duties as Assistant Executive Engineer and others of engineering division are not under his control.
6. ZPs have no powers to formulate and revise its plans as per its requirements. It is felt that state government is formulating plans and ZPs are asked to implement.
7. It is noticed that inspite of ZPs having adequate powers for supervision of activities of TPs and GPs, it is not being effectively utilised.

### SUGGESTIONS

1. It is necessary that schemes are formulated with a wider scope keeping in mind that public should get the benefits. Government should take note of this extend the project to all the PRIs which will result in proper utilization of funds.
2. It is necessary that implementation of any scheme of government should have the involvement of GPs and participation of people since ultimately benefits flow to the people of that area.
3. Suitable action should be taken for maintenance of accounts and computerization.
4. Technical staff should be made available for executing works and they should be held responsible for poor quality of work.
5. Secretary and Adhyaksha should be made responsible for delay in implementation of development works and poor collection of taxes.
6. Independent responsibility should be given to TPs to comprehensively manage the functions assigned constitutionally to them.
7. Transparency should be maintained in implementation of all programmes.
8. Required knowledge about Acts and Rules should be imparted to ZP members and awareness about their responsibility should be created and necessary training should be given to them.

**CONCLUSION**

The PRIs cannot become effective institutions of local self governance unless they have a strong financial base with clearly defined sources of revenues and the revenues are properly managed to optimize the resources. In view of the above, it is clear that the low revenue mobilization by rural local bodies is a serious issue to be seen in the light of the constitution which envisages panchayats as autonomous institutions. Simple reluctance to mobilize revenue, lack of role clarity between tiers, lack of staff support, unviable administration area, creation of parallel channels of flow of funds are some major factors for eroding the autonomy of the panchayats. It is clear from the above that the states have not built up fiscal autonomy and fiscal base of the PRIs.

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