

**FISCAL DEVOLUTION TO RURAL LOCAL  
GOVERNMENTS IN THE STATE OF HIMACHAL  
PRADESH: AN ASSESSMENT**



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Administration (APPPA)**



**By**

**Brig Gautam Chadha, SM**

**Roll No 4502**

**Under the Guidance of**

**Dr V N Alok**

**45th Advanced Professional Programme in Public  
Administration, 2019-20**

**INDIAN INSTITUTE OF PUBLIC ADMINISTRATION I.P. ESTATE ,  
RING ROAD , NEW DELHI - 110002**

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Date:

(Brigadier Gautam Chadha,SM)

Place: New Delhi

**DECLARATION**

I , the undersigned , hereby declare that this dissertation titled , “ **Fiscal Decentralisation to Rural Local Governments In The State Of Himachal Pradesh : An Assessment**” , is my own work , and that all the sources I have accessed or quoted have been indicated or acknowledged by means of complete references . The dissertation has not been submitted for any other degree of this University or elsewhere.

Date:  
Place: New Delhi

**(Brigadier Gautam Chadha, SM)**  
APPPA – 45; Roll No 4502  
IIPA, IP Estate, Ring Road  
New Delhi – 110002

**CERTIFICATE**

I have the pleasure to certify that Brigadier Gautam Chadha, SM has pursued his research work and prepared the dissertation titled “**Fiscal Decentralisation to Rural Local Governments in the State of Himachal Pradesh: An Assessment**” under my guidance and supervision. The dissertation is the result of his own research and to the best of my knowledge, no part of it has earlier comprised any other monograph, dissertation or book. This is being submitted to the Punjab University, Chandigarh for the degree of Master of Philosophy in Social Sciences in partial fulfilment of the requirement for the Advanced Professional Programme in Public Administration (APPPA) of Indian Institute of Public Administration (IIPA), New Delhi.

I recommend that the dissertation of Brigadier Gautam Chadha , SM is worthy of consideration for the award of M. Phil degree of Punjab University , Chandigarh .

Date:  
Place: New Delhi

**(Dr. V N Alok )**  
Research Supervisor  
IIPA, IP Estate, Ring Road  
New Delhi - 110002

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**FISCAL DECENTRALISATION TO RURAL LOCAL  
GOVERNMENTS IN THE STATE OF HIMACHAL**

**PRADESH :**

**AN ASSESSMENT**

**EXECUTIVE SUMMARY**



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## EXECUTIVE SUMMARY



*My idea of Gram Swaraj is that it is a complete republic, independent of its neighbours for its own vital wants and yet interdependent for many others in which dependence is necessary.*

- Mahatma Gandhi

### Introduction

**G**andhiji's vision of making every village a Republic was translated into reality with the passage of the Constitution (73rd Amendment) Act in 1992. Panchayati Raj institutions were given constitutional status, and a three-tier system was formed to ensure people's participation in rural development. With 630 Panchayats at district level, 6,614 at block level and 2,53,268 at village level, India is today the world's largest functioning democracy. These Panchayats are manned by 31 lakh elected representatives, including 13.75 lakh women, 3.64 lakh Schedule Castes and 2.59 lakh Schedule Tribes (**Raj, 2019**). Since 1992, Panchayati Raj system has come a long way. Today, it is the bedrock of India's rural development and poverty alleviation efforts. It has the potential of building a progressive India in harmony with the felt needs and aspirations of the people. Gram Panchayat is the mirror of the village; it reflects social reality. However, despite a robust organisation the Panchayats have not been able to meet the aspirations of the villager's due to lack of funds and appropriate authority and organisation to implement the development schemes at the village level. This paper endeavours to address the problem of effective and efficient fiscal devolution and utilisation of funds by the village level Panchayats, taking an example of the state of Himachal Pradesh.

### **73rd and 74th Constitutional Amendments**

2. 73rd and 74th Constitutional Amendments were passed by Parliament in December, 1992. Through these amendments local self-governance was introduced in rural and urban India. The Acts came into force as the Constitution (73rd Amendment) Act, 1992 on April 24, 1993 and the Constitution (74th Amendment) Act, 1992 on June 1, 1993. **These amendments added two new parts to the Constitution, namely, 73rd Amendment added Part IX titled “The Panchayats” and 74th Amendment added Part IXA titled “The Municipalities”.**

### **Himachal Pradesh Panchayati Raj Act 1994**

3. The Himachal Pradesh Panchayati Raj Act, 1994, came into force on 23<sup>rd</sup> April, 1994, in place of the Himachal Pradesh Panchayati Raj Act, 1968, within one year from the date of the constitutional amendment. New rules were framed under the new Act. Simultaneously, the State Election Commission was also established and the two-tier Panchayati Raj System, namely Gram Panchayat and Panchayat Samiti, which was already in existence in the State, gave way to the establishment of a three-tier Panchayati Raj system

### **Income Source of PRIs in the State of Himachal Pradesh**

#### **Financial Resources of Panchayats:**

- ✓ Grants in aid from the Govt.
- ✓ House tax.
- ✓ Tax on extraction and export of sand, stone, Bajri and slates.
- ✓ Liquor cess @ Re.1/- per bottle sold in rural areas.
- ✓ Land revenue.
- ✓ 1% contingency.

- ✓ Interest money.
- ✓ Teh-bazari from the shopkeepers.
- ✓ Service fee.
- ✓ Income from own assets such as shops, orchards etc.
- ✓ License fee for fishing.
- ✓ Duty on Mobile Communication Service towers.

### **Panchayat Samitis and Zila Parishads**

4. Panchayat Samitis and the Zila Parishads have not been empowered to levy taxes and fees, as per the provisions made under the Himachal Pradesh Panchayati Raj Act, 1994. However, **these two tiers of Panchayati Raj Institutions derive income from sources like rent on properties, income from interest, income from auctions and income from other miscellaneous items.** It, however, needs to be underlined that the revenue accrual from the given resources to these bodies is very small and is generally just enough to meet their day to day routine expenses.

### **Public Finance of PRIs in Himachal Pradesh**

5. Different tiers of the Panchayati Raj Institutions have to perform certain statutory and delegated developmental functions as contained in Schedule-I and Schedule-II of the Himachal Pradesh Panchayati Raj Act, 1994. The implementation of these functions is primarily carried out by the Gram Panchayats. But the Gram Panchayats are neither financially equipped nor suitably staffed to deal with all the

assigned functions. The institutions of Zila Parishads and Panchayat Samitis normally have supervisory and coordinating roles to play.

6. To meet the financial liabilities for the execution of whatever functions are being performed, the Gram Panchayats utilize Panchayat fund and the grants devolved by the Union Finance Commissions and the State Finance Commissions for the performance of specific assignments. The PRIs also receive proportion of funds as part of the Centrally Sponsored Schemes (CSS) wherein a percentage is financed by the central government and the balance is contributed by the state. Some funds are also transferred to Gram Panchayats by different development departments for maintenance of assets pertaining to their departments. The State Government allocates certain funds at the disposal of Deputy Commissioners at the district level under decentralized planning for carrying out works of immediate need which are of unforeseen nature, the implementation of such minor works is carried out by the Gram Panchayats. The execution of works sanctioned by the District Rural Development Agency under various programmes is also undertaken by the Gram Panchayats, by and large (A case Study of the Finances of the Gram Panchayats in Himachal Pradesh).

### **Committed Expenditure of Panchayati Raj Institutions in Himachal Pradesh**

#### **Gram Panchayats**

7. Panchayati Raj Institutions have certain liability of committed expenditure to defray honorarium to elected representatives, remuneration to field level functionaries and office expenses for the day to day functioning of these institutions. The physical assets owned by the Panchayati Raj Institutions are increasing day by day with the time to time support given by the Central Finance Commissions as well as the State

Finance Commissions. Therefore, the expenditure liability of Panchayati Raj Institutions has been broadly categorized as **(a) Revenue Expenditure and (b) Capital Expenditure**. The liability on account of both these components have been discussed in this chapter

#### **Panchayat Samitis.**

8. During interaction with 4<sup>th</sup> HPSFC, the representative of Panchayat Samitis placed before the Commission that repair and maintenance of Panchayat Samiti buildings is a continuous process and repair of buildings once in five years becomes significant. **The Commission considered this demand as reasonable and decided to provide Rs. 1.50 crore, at the rate of Rs. 1.95 lakh per Panchayat Samiti, for repair and maintenance of Panchayat Samiti buildings.**

#### **Zila Parishads:**

9. The Zila Parishads were provided their own accommodation during 1<sup>st</sup> State Finance Commission period. The average annual non-tax revenue receipt per Zila Parishad is about 3.00 lakh. **The Commission took the view that this revenue be left to be utilized by the Zila Parishads, for preventive upkeep and maintenance of the Zila Parishads Bhavans and other assets created by these institutions at their level. Therefore, no additional funds were recommended for undertaking capital works by the Zila Parishads.**

#### **Field Survey and Gaps**

10. The detailed working for the committed expenditure of the Panchayati Raj Institutions has been elaborated in this report. The detailed working of the resources of

the Panchayati Raj Institutions is also contained in the report and the expenditure requirements for performance of statutory functions and maintenance of assets of Primary School buildings, Middle School buildings, Health Sub-Centre buildings, Allopathic Dispensary buildings, Ayurvedic Dispensary buildings and the Veterinary Dispensary buildings have been worked out in detail in the report. The report also contains recommendations made by 4<sup>th</sup> HPSFC with regard to the capital expenditure which it considered necessary to be provided, based on interaction with the Panchayati Raj department and elected representative of Panchayati Raj Institutions at different levels. **A summary of the revenue receipts, committed revenue expenditure and recommended capital expenditure for the period of 2012-19 has been given in this chapter**

### **Field Survey**

11. A field survey of two blocks i.e. one panchayat in each block was carried out by using a questionnaire for the Gram Panchayat and citizens of the the Panchayats separately , the said questionnaires are enclosed in the report as Annexure 1 and 2 respectively . The outcome of these questionnaires have been compiled and analysed in this chapter.

### **Recommendations and Conclusion**

12. **If sufficiently empowered, Panchayati Raj Institutions can drive change from the bottom up. India must, therefore, endeavour to implement Panchayati Raj in both letter and spirit, if the vision of an Indian democracy that is truly “of the people” and “by the people” is to be realised. But, the competitive elections have politicized the environment of all villages.**



14. Thus, to conclude, it can be stated that the devolution of power to the people without requisite development of character, training and capacity had been found to be a major handicap in the functioning of democratic institutions in our country and there were apprehensions that this new step in democratic decentralization, envisaged to be a blessing, would turn out to be the bane of the people in the villages. The success of the step more than anything else depends on the quality of elected representative of these institutions.

**FISCAL DECENTRALISATION TO RURAL**  
**LOCAL GOVERNMENTS IN THE STATE OF**  
**HIMACHAL PRADESH :**  
**AN ASSESSMENT**

## **CHAPTER 1 : INTRODUCTION**

*"When the Panchayat Raj is established, public opinion will do what violence can never do." -Mahatma Gandhi*

**G**andhiji's vision of making every village a Republic was translated into reality with the passage of the Constitution (73rd Amendment) Act in 1992. Panchayati Raj institutions were given constitutional status, and a three-tier system was formed to ensure people's participation in rural development. With 630 Panchayats at district level, 6,614 at block level and 2,53,268 at village level, India is today the world's largest functioning democracy. These Panchayats are manned by 31 lakh elected representatives, including 13.75 lakh women, 3.64 lakh Schedule Castes and 2.59 lakh Schedule Tribes (**Raj, 2019**). Since 1992, Panchayati Raj system has come a long way. Today, it is the bedrock of India's rural development and poverty alleviation efforts. It has the potential of building a progressive India in harmony with the felt needs and aspirations of the people. Gram Panchayat is the mirror of the village; it reflects social reality. However, despite a robust organisation the Panchayats have not been able to meet the aspirations of the villager's due to lack of funds and appropriate authority and organisation to implement the development schemes at the village level. This paper endeavours to address the problem of effective and efficient fiscal devolution and utilisation of funds by the village level Panchayats, taking an example of the state of Himachal Pradesh.

### **Statement of the Problem**

2. The State legislatures have been empowered to devolve powers to the Panchayats. However, the Panchayats cannot fulfil their functions without enough funds and financial autonomy. Many states are not transferring funds to the Panchayats for the subjects devolved upon them. Only some States have granted financial autonomy to the PRIs. Financial autonomy to the Panchayats would give them financial powers to release funds without any technical clearance or approval from BDOs or district officials.

3. The Panchayats should get enough funds to function effectively in accordance with their new role as self-government institutions. The funds should match the functions devolved upon them. Article 243-I provides for constitution of a State Finance Commission to make recommendations to the Governor on the subjects mentioned in Article 243-H.

4. Since Panchayati Raj Institutions are Constitutional entities. Hence, in order to enable PRIs to discharge the responsibilities entrusted to them under Schedule XI, they require both financial and functional autonomy. PRIs receive funds mainly from three sources: -

(a) From Consolidated Fund of the State as per the recommendations of the SFCs.

(b) From Central Government via Centrally Sponsored Schemes (CSSs).

(c) Grants-in-Aid as per the Central Finance Commission award.

5. The State Finance Commissions (SFCs) were set up with the objective of making specific recommendations for making the panchayats financially viable. All States barring Arunachal Pradesh and NCT of Delhi have constituted SFCs but in some States, the recommendations are still under consideration of the State

Governments. The recommendations of the State Finance Commissions can be divided into three categories:-

- (a) Assignment of taxes, duties, levies and tolls to local bodies.
- (b) Sharing of revenue proceeds.
- (c) Transfers on account of grants-in-aids and other financial assistance. It is hoped that State Governments implement the SFC's recommendations expeditiously.

6. Generally, the PRIs have a poor fiscal base. The resource mobilisation by the PRIs is limited as taxes like land revenue, house tax etc. transferred to them by the State Governments are less buoyant in nature. More buoyant taxes like excise are kept out of the purview of the PRIs. Further, the responsibilities regarding collection of most of these taxes have been assigned to gram panchayats, which have no support system to levy and collect them. The PRIs have paid little attention to the issues pertaining to financial autonomy & management and auditing procedures, as they are not generally aware of these issues.

7. In view of this, it is imperative to provide PRIs with revenue raising powers of their own in order to reduce their excessive dependence on the Centre and State Governments. But until such time that they are financially dependent on funds from the State Government, these should be in the form of untied funds. The State budgets should specify the amount earmarked for district sector plan under PRI as also the distribution of these among the three tiers. This in turn will lead to a more effective, efficient and financially viable governance as envisaged by the founders of our constitution.

**Objectives**

8. Against the backdrop of the research topic the objectives of the study are as follows:-

- (a) To critically analyse the fiscal decentralisation to rural local self-governments in the state of Himachal Pradesh.
- (b) To assess its effectiveness in social and economic development of rural areas in the state.
- (c) To re-assess the short comings in design and process.
- (d) The suggest measures for effective fiscal devolution at the grass root level.

**Justification**

9. The Panchayats should get enough funds to function effectively in accordance with their new role as self-governing institutions. The funds should match the functions devolved upon them. Article 243-I provides for constitution of a State Finance Commission to make recommendations to the Governor on the subjects mentioned in Article 243-H. Article 243-I (1) of the Constitution provides that the Governor of a State shall as soon as may be within one year from the commencement of the Constitution (73rd Amendment) Act, 1992 and thereafter at the expiration or every fifth year constitute a Finance Commission to review the financial position of the Panchayats and to make recommendations to the Governor as to :-

- (a) The principles which should govern :-
  - (i) The distribution between the State and the Panchayats of the net proceeds of the taxes, duties, tolls and fees leviable by the State, which may be divided between them under this part and the allocation between the Panchayats at all levels of their respective shares of such proceeds.

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

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

(b) The measures needed to improve the financial position of the Panchayats.

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

10. Consequent to this, the Government of Himachal Pradesh amended the Himachal Pradesh Panchayati Raj Act, 1994 in sync with the spirit of the Constitutional amendment under which the State Finance Commission came into existence. The first Himachal Pradesh State Finance Commission was set up in the year 1994 and since then Four SFCs have submitted their reports and the Fifth SFC has been notified. Given the financial resources, expenditure and functional performance of the Panchayats in the State, the SFCs have observed that the financial position of these institutions in the State has generally remained poor. The Gram Panchayats are in no position to meet even the nominal committed expenditure they were supposed to meet in respect of the functions that have been delegated to the Panchayati Raj Institutions in Himachal Pradesh relating to 15 departments and delegated developmental programmes and maintenance functions.

11. Hence, the rationale of this study is:-

(a) To assess adequacy of fiscal devolution by the state finance commissions in Himachal Pradesh to rural local self-governments.

(b) To benefit future SFCs and planners in improving local public service delivery to the rural population of the state.

### **Research Design**

12. The research design is intended to be descriptive in nature applying both qualitative and quantitative methods for collection of data.

### **Research Questions**

13. The research questions intended to be addressed by the study are as under:-

- (a) What is the actual requirement of funds for socio economic development of Gram Panchayats in HP?
- (b) To what extent the financial devolution has succeeded in fulfilling the financial needs of panchayats in HP?
- (c) What are the potential instruments for mobilising financial resources for the panchayats in HP?

### **Scope / limitations / Delimitations**

14. The scope of the research is limited to the study of effectiveness or otherwise of the fiscal decentralisation to Panchayats in the state of Himachal Pradesh as it represents a varied and wholesome topographical, cultural and ethnic perspective of rural local self-governments. The physical limitations of access to remote villages and panchayats would, however, prevail in a mountainous state like Himachal.

### **Literature Review**

15. The following literature has been reviewed:-

#### **(a) Articles**

- (i) Alok V N , A Gist of Major Recommendations of Fourth State Finance Commissions and their Implementation Status. Indian Journal of Public Administration © 2018 IIPA SAGE Publication , 64(2) 254–305.

(ii) Satyanarayan , Chikam . (2015) Devolution of functions, functionaries and funds to Panchayat Raj Institutions -A perspective. International Journal of Academic Research ISSN: 2348-7666 Vol.2, Issue-2(5), April-June.

(iii) Alok V N . 22 October 2011 , Role of Panchayat Bodies in Rural development since 1959 . Theme Paper for The fifty-fifth members' annual Conference, Indian Institute of Public Administration , New Delhi.

**(b) Online Sources**

(i) Government of India Fund Allocation to Gram Panchayats , Available at <https://www.indiangovtscheme.com> Posted by [Annu Priya](#) on [July 02, 2019](#) , Accessed on 04 September 2019.

(ii) Concept Of Village Panchayat: Constitutional Analysis , February 19, 2019 By Nidhi Kumari, CNLU , <https://www.lawctopus.com/academike/>, Accessed on 05 September 2019.

(iii) Report for Study to Assess the Status of Fiscal Devolution to the PRIs in the States of Uttar Pradesh and Himachal Pradesh Submitted to the Ministry of Panchayati Raj , Government of India , New Delhi by Santek Consultants Private Limited , Delhi 110091 , <https://www.panchayat.gov.in> , Accessed on 08 September 2019.

(iv) A case Study of the Finances of the Gram Panchayats in Himachal Pradesh , Chapter 4 , <https://shodhganga.inflibnet.ac.in> , Accessed on 07 September 2019.



### **Methodology and Data Sources**

16. The qualitative methods would include questionnaires in / with the District/Block/Panchayats in the state of Himachal Pradesh. The survey would incorporate relevant stake holders to get a balanced perspective.

17. The quantitative methods would include data from the Department of Panchayati Raj , Rural Development Authority and the State Finance Commission Reports of the state of Himachal Pradesh.

### **Chapterisation Scheme**

18. The Chapter Scheme is intended to be as follows :-

- (a) Chapter 1: Introduction.
- (b) Chapter 2: Panchayati Raj System in India.
- (c) Chapter 3: Constitutional Provisions of Panchayati Raj .
- (d) Chapter 4: Income Source of PRIs in the State of Himachal Pradesh.
- (e) Chapter 5: Forecasting of Provisions and Financing of PRIs in Himachal Pradesh.
- (f) Chapter 6: Committed Expenditure of PRIs in Himachal Pradesh.
- (g) Chapter 7: Field Survey and Gaps.
- (h) Chapter 8: Recommendations and Conclusion.

## **CHAPTER 2 : PANCHAYATI RAJ SYSTEM IN INDIA**

**M**ahatma Gandhi, the father of the nation, often emphasized that India lives in villages (at the time of independence, about 82.7 per cent population of India lived in villages) and unless the village life is revitalized, the nation as a whole cannot make progress. These ideas and Article 40 of the Constitution of India, which declared that ‘the state shall take steps to organize Village Panchayats and to endow them with such powers and authority as may be necessary to enable them to function as the units of self-government,’ paved the way for the introduction of Panchayati Raj—a scheme of ‘democratic decentralization’ in India.

2. The present Panchayati Raj system is the result of the failure of the Community Development Projects (CDPs)—a kennel programme of rural development launched in 1952 as an arm of five-year plans. It was felt that the scheme of CDP failed because of the lack of proper governance. In the context of this crisis of governance (inefficiency, corruption, lack of accountability, mounting disillusionment of the citizens towards government institutions and officials), decentralization was widely accepted as a powerful means to instill confidence and revive trust of people in government programmes.

3. It was seen as a means to deepen democracy, make governance accountable and responsive. Not only would it enhance the effectiveness of public policies and service delivery, but also give greater voice to citizens. It is against this backdrop, the idea of ‘democratic decentralization’ emerged which was based on the Gandhi’s cherished vision of ‘self-governing’ villages. This was a transfer of power and initiative for social and economic development of villages. The then government constituted a

committee headed by Balwant Rai Mehta to review the CDP and suggest changes (Kumari, 2019). Thus, the Panchayati Raj came into being.

4. Indeed, the prosperity of entire country depends on the prosperity and self-sufficiency of the villages. The Panchayati Raj system fulfills the long felt need of making the village administration truly independent and genuinely representative of the popular will, and putting village people in direct charge of their affairs. It mainly aimed to foster democratic participation, involve villagers in the development efforts and ease the administrative burden on the states. This system was also considered necessary for the growth of a sturdy democracy in India.

5. This could be possible only when the villagers are able to organize themselves to think, plan, work and pay for the necessities and amenities for their welfare. To those, who have considered the villages the real India, the innovation was rational, overdue and beyond criticism. It was hoped that the experiment of the Panchayati Raj would be able to harness and develop the better characteristics of the average villagers in spite of their illiteracy and restricted range of experience. It was also expected that this system will bring new aspiration and fresh stimulus to national self-respect (Consultants, 2007). Pioneer rural sociologist **A.R. Desai** spelled the objectives of PR system as follows: **‘Panchayati Raj is claimed as a real democratic political apparatus which would bring the masses into active political control from below, from the vast majority of the weaker, poor sections of rural India.’**



**Figure 1: Women Empowerment in PRIs**

6. The Panchayati Raj system has many benefits. These can be summarized as under (Satyanarayana, 2015):-

- (a) Panchayats can best carry out the uplift programmes, such as mending roads, terrace, and embank the fields, building bunds, digging drains, provide fresh drinking water, etc.
- (b) They are best constituted to organize voluntary labour for social uplift and economic amelioration.
- (c) Panchayats are the best agencies which can supply the political talent. They are the potential schools of political training for the rural masses.
- (d) They can also serve as the schools of social service, health care, popular education and social progress.
- (e) Panchayats can impart cheap litigation, speedy and substantial justice to the villagers.
- (f) Panchayats are best fitted to be representative and spokesperson of the villagers.

7. **Phases of Development:** The story of Panchayati Raj has been a story of ups and downs. It seems to have passed through four distinct phases in its short span of life (**Alok, Theme Paper , Role of Panchayat Bodies in Rural Development Since 1959, 2011**):

- (a) The phase of ascendancy (1959-1964)
- (b) The phase of stagnation (1965-1969)
- (c) The phase of decline (1969-1983)
- (d) The phase of revival (1983 onwards)

8. Revival and renovation of Panchayati Raj is associated with the government of Rajiv Gandhi (1985), the then Prime Minister. He infused a new blood in this institution by removing certain hurdles and handicaps. He constituted a committee under the chairmanship of L.M. Singhvi to write a concept paper on Panchayati Raj. The Singhvi Committee found that the PR system was not functioning owing to the lack of political will, lack of proper evaluation and feedback, and indifference to corrective measures.

9. The apathetic attitudes of the bureaucracy and the elected representatives have crushed the spirit of the PR system. The official hierarchy failed to inspire confidence among the village people. Bureaucrats were unwilling to transfer power to elected representatives. They did not release funds in time. The Janata Party government (1990) appointed Ashok Mehta Committee to enquire into the causes of decline of the PR system and suggest changes in the pattern of the PR system recommended by B.R. Mehta Committee.

10. However, it was felt that there were some shortcomings in the structure and functions of the PR system. The performance of PRIs had been vitiated by political factionalism, corruption, inefficiency, political interference, parochial loyalties, motivated actions, power concentration, arrogant attitude of bureaucratic officials, lack of feeling of service, etc. All these had made the common villagers averse towards the PR system. To revitalize the PR system, the Rajiv Gandhi government (1989), V.P. Singh government (1990) and Narasimha Rao government (1991) proposed some amendments in it. **As a result, the 73rd Constitution Amendment Act, 1993 was passed.**



**Figure 2 : Gram Sabha**

11. After this, PRIs have got the constitutional legitimacy. It was, therefore, adopted by all the states. The present Panchayati Raj differs from the B.R. Committee's pattern mainly in two respects. First, the earlier PR system was not a political institution but only an implementing body. In the previous system of Panchayati Raj there was no role of political parties. People used to contest election on individual basis. The new Act allows political parties to enter into election fray. Second, the present system is not an implementing body of the development programmes. It is a decision-making

body that rules over the governance of the village. One very conspicuous aspect of this Act is that the present system empowers the women and the weaker sections (SC and ST people) of village by giving them representation by a fixed quota at all three levels (Bank, 2008).

12. Politically speaking, it became a process of democratic seed-drilling in the Indian soil, making an average citizen more conscious of his rights than before. Administratively speaking, it bridged the gulf between the bureaucratic elite and the people. Socio-culturally speaking, it generated a new leadership which was not merely relatively young in age but also modernistic and pro-social change in outlook. **Finally, looked at from the developmental angle, it helped a rural people cultivate a developmental psyche'** (Report of the Committee on Panchayati Raj Institutions, Government of India, 1978).

## CHAPTER 3 : CONSTITUTIONAL PROVISIONS OF

### PANCHAYATI RAJ



**Figure 3 : Constitutional Status to PRIs**

#### **73rd and 74th Constitutional Amendments.**

**7** 3rd and 74th Constitutional Amendments were passed by Parliament in December, 1992. Through these amendments local self-governance was introduced in rural and urban India. The Acts came into force as the Constitution (73rd Amendment) Act, 1992 on April 24, 1993 and the Constitution (74th Amendment) Act, 1992 on June 1, 1993. **These amendments added two new parts to the Constitution, namely, 73rd Amendment added Part IX titled “The Panchayats” and 74th Amendment added Part IXA titled “The Municipalities”. The Local bodies –‘Panchayats’ and ‘Municipalities’ came under Part IX and IXA of the Constitution after 43 years of India becoming a republic.** Salient Features of the 73rd and 74th Constitution Amendment Acts are:-

- (a) Basic units of democratic system-Gram Sabhas (villages) and Ward Committees (Municipalities) comprising all the adult members registered as voters.



- (b) Three-tier system of panchayats at village, intermediate block/taluk/mandal and district levels except in States with population below 20 lakhs (Article 243B).
- (c) Seats at all levels to be filled by direct elections [Article 243C (2)].
- (d) Seats reserved for Scheduled Castes (SCs) and Scheduled Tribes (STs) and chairpersons of the Panchayats at all levels also shall be reserved for SCs and STs in proportion to their population.
- (e) One-third of the total number of seats to be reserved for women. One third of the seats reserved for SCs and STs also reserved for women. One-third offices of chairpersons at all levels reserved for women (Article 243D).
- (f) Uniform five year term and elections to constitute new bodies to be completed before the expiry of the term. In the event of dissolution, elections compulsorily within six months (Article 243E).
- (g) Independent Election Commission in each State for superintendence, direction and control of the electoral rolls (Article 243K).
- (h) Panchayats to prepare plans for economic development and social justice in respect of subjects as devolved by law to the various levels of Panchayats including the subjects as illustrated in Eleventh Schedule (Article 243G).
- (i) 74th Amendment provides for a District Planning Committee to consolidate the plans prepared by Panchayats and Municipalities (Article 243ZD).

(j) **Funds: Budgetary allocation from State Governments, share of revenue of certain taxes, collection and retention of the revenue it raises, Central Government programmes and grants, Union Finance Commission grants (Article 243H).**

(k) **Establish a Finance Commission in each State to determine the principles on the basis of which adequate financial resources would be ensured for panchayats and municipalities (Article 243I).**

2. **Other Important Provisions of Part IX of the Constitution.** Part IX contains Article 243 and Articles 243A to 243-O. Article 243 defines various terms as follows:

- (a) **“District”** means a district in a State;
- (b) **“Gram Sabha”** means a body consisting of persons registered in the electoral rolls relating to a village comprised within the area of Panchayat at the village level;
- (c) **“Intermediate level”** means a level between the village and district specified by the Governor of a State by public notification to be the intermediate level for the purposes of this Part;
- (d) **“Panchayat”** means an institution of self-government constituted under article 243B for the rural areas;
- (e) **“Panchayat Area”** means the territorial area of a Panchayat;
- (f) **“Population”** means the population as ascertained at the last preceding census of which the relevant figures have been published;

(g) “**Village**” means a village specified by the Governor by a public notification to be a village for the purposes of this Part and includes a group of villages so specified.

3. Under Article 243A, a Gram Sabha is empowered to exercise such powers and perform such functions at the village level as provided by law. As per Article 243C, the Legislature of a State is empowered to make provisions with regard to composition of Panchayats. The Panchayat area shall be divided into territorial constituencies. The State is empowered to provide for the representation of the chairpersons of the Gram Panchayats, at the village level, the intermediate level or, in the Panchayats at the district level; and MPs of LS / RS, and MLAs/MLCs at a level other than the village level in such Panchayat; where they are registered as electors in Panchayat at the intermediate level and in Panchayat at the district level. The chairperson of a Gram Panchayat shall be elected in such manner as provided by law, and of a Panchayat at the intermediate level or district level shall be elected by, and from amongst, the elected members.



**Figure 4 : Panchayt Elections**

4. Under article 243J, the Legislature of a State is empowered to make provisions with respect to the maintenance and auditing of accounts of the Panchayats.

5. Article 243L provides that the provisions of the Part IX shall apply to the Union territories.

6. Under article 243O, the Courts are barred from interfering in electoral matters such as the validity of any law relating to the delimitation of constituencies or the allotment of seats to such constituencies. No election to any Panchayat can be called in question except by an election petition as provided under any law made by the Legislature of a State.

**Specific Provisions for Tribal and Scheduled Areas**

7. Article 243M (1) provides that this Part shall apply to the Scheduled Areas referred to in clause (1) and the tribal areas referred to in clause (2) of article 244.

(a) (2) This Part shall apply to (a) the States of Nagaland, Meghalaya and Mizoram; (b) the hill areas in the State of Manipur for which District Councils exist under any law for the time being in force.

(b) (3) Nothing in this Part (a) relating to Panchayats at the district level shall apply to the hill areas of the District of Darjeeling in the State of West Bengal for which Darjeeling Gorkha Hill Council exists under any law for the time being in force; (b) shall be construed to affect the functions and powers of the Darjeeling Gorkha Hill Council constituted under such law.

(c) (3A) Nothing in article 243D, relating to reservation of seats for the Scheduled Castes, shall apply to the State of Arunachal Pradesh (83rd Amendment, September 08, 2000).

(d) (4) However, the Legislature of a State referred to in sub-clause (a) of clause (2) may, by law, extend this part to that State, except the areas, if any,

referred to in clause (1), if the Legislative Assembly of that State passes a resolution to that effect by a majority of the total membership of that House and by a majority of not less than two-thirds of the members of that House present and voting;

(e) Parliament may, by law, extend the provisions of this Part to the Scheduled Areas and the tribal areas referred to in clause (1) subject to such exceptions and modifications as may be specified in such law and no such law shall be deemed to be an amendment of this Constitution for the purposes of article 368. As required under Part IX of the Constitution, all the States and UTs have enacted/amended their Panchayati Raj Acts incorporating the provisions of Part IX.

(f) The Provisions of the Panchayats (Extension to the Scheduled Areas) Act, 1996 Enactment of “The Provisions of the Panchayats (Extension to the Scheduled Areas) Act, 1996” (PESA) was a step taken by the GOI to provide for the extension of the provisions of the Part-IX of the Constitution relating to the Panchayats to the Fifth Schedule Areas with certain modifications as provided under Article 243M (4)(b) of the Constitution. This legislation has not only extended the development, planning and audit functions to the GS in the Fifth Schedule Areas but has also endowed it with the management and control of natural resources and adjudication of justice in accordance with traditions and customs. Efforts Made towards Democratization in Non-Part IX States, the MoPR was established primarily to oversee the implementation of Part IX of the Constitution, the PESA Act and Article 243ZD of Part IX-A relating to the District Planning Committees. Although the Panchayats have historically been an integral part of rural life in India, these Acts have

institutionalized the PRIs at the village, intermediate, and district levels as the third tier of government. The aim of MoPR has been to combine social justice with effective local governance, with an emphasis on reservation of seats for the deprived classes of population, including of the leadership positions.

### **Gram Panchayat Development Plan (GPDP)**

9. Devolution of powers i.e. funds, functions and functionaries (3 Fs) to the PRIs and revision of CSS guidelines for providing roles and responsibilities to the PRIs for planning, monitoring and implementation are the important aspects of decentralised planning. Article 243G of the Indian Constitution mandates preparation of plans for economic development and social justice by Panchayats and through this process Panchayats are expected to evolve into institutions of local self-governance. For optimum utilisation of resources for the benefit of their citizens, preparation of integrated development plans by GPs has become a necessity. A typical GPDP consists of following steps –

- (a) Identification of Resources (Financial and Human) in the GP.
- (b) Generation of Environment for Participatory Planning through Mass Media / local interactions etc.
- (c) Situational Analysis by assessing infrastructure, civic amenities, human, economic and social development, natural resources and Participatory Planning
- (d) Project formulation by prioritizing activities and assigning the appropriate persons, timeline, performance indicators and expected outcome
- (e) Finalisation of Development Plan of GP for both annual and five years
- (f) Technical and Administrative approval

- (g) Institutional Support including MIS
- (h) Capacity Building for Participatory Planning

### **Himachal Pradesh Panchayati Raj Act 1994**

10. With the passage of the 73<sup>rd</sup> Constitutional Amendment Act, 1992, the Himachal Pradesh Panchayati Raj Act, 1994, came into force on 23<sup>rd</sup> April, 1994, in place of the Himachal Pradesh Panchayati Raj Act, 1968, within one year from the date of the constitutional amendment. New rules were framed under the new Act. Simultaneously, the State Election Commission was also established and the two-tier Panchayati Raj System, namely Gram Panchayat and Panchayat Samiti, which was already in existence in the State, gave way to the establishment of a three-tier Panchayati Raj system. (State Election Commission, 2015)



**Figure 5 : Consultative Governance at PRIs**

11. The salient features of the Himachal Pradesh Panchayat Raj Act, 1994 are as under :-

- (a) Gram Sabha will be a body consisting of persons registered or qualified to be registered in the electoral roll of Legislative Assembly relating to a village.
- (b) Every Gram Sabha shall hold four general meetings in a year on the predetermined dates i.e., 1<sup>st</sup> Sunday of January, April, July and 2<sup>nd</sup> October.

Family will be the unit for determining the quorum of the Gram Sabha meeting.

(c) For every ward, Up- Gram Sabha shall be constituted which will meet twice a year. Up-Gram Sabha besides discussing the local issues shall also nominate its members to represent it in general meetings of the Gram Sabha.

(d) The Act provides for the establishment of a three tier system of Panchayati Raj i.e. Gram Panchayat at village level, Panchayat Samiti at intermediate level and Zila Parishad at district level.

(e) It provides for direct elections for Pradhans, Up-Pradhans and the Members of Panchayats. Whereas, the Chairperson and Vice-Chairperson of Panchayat Samiti and Zila Parishad are to be elected indirectly from amongst their elected members.

(f) The Act provides 50% reservation for women in PRIs.

(g) In all the Panchayats, seats of members and offices of Chairpersons are to be reserved for Scheduled Castes and Scheduled Tribes in proportion to their population. One half of the total number of seats and offices would be reserved of women. Enabling provision has also been made for reserving the seats to the person belonging to Other Backward Classes.

(h) The number of members in a Gram Panchayat shall be determined on the basis of population which may range from 5 to 3 excluding Pradhan and Up-Pradhan. The Member of Panchayat Samiti representing a part of whole of the Gram Sabha area shall also be the member of concerned Gram Panchayat (s) and shall have the right to vote. The number of the elected members of the



Panchayat Samiti shall consists of persons elected from the territorial constituencies in the Samiti area as may be notified from time to time by the Government at the rate of one member for every 3500 population or part thereof subject to minimum of 15 members. The number of the elected members of the Zila Parishad shall consists of persons elected from the territorial constituencies in the district as may be notified from time to time by the Government at the rate of one member for every 25000 population or part thereof subject to minimum of 10 members.

(i) Every Panchayat unless sooner dissolved, shall have a uniform term of five years and elections to constitute new Panchayats shall be completed before the expiry of the term of the existing Panchayats and before the expiration of a period of six months from the date of dissolution.

(j) Enabling provisions have been made under the Act for delegation of powers, functions and responsibilities to the PRIs.

(k) Section 11 (1), 81 and 92 of the Act provides certain mandatory functions to be performed by the Gram Panchayats, Panchayat Samities and Zila Parishads, respectively.

(l) Section 11(2), 82 and 93 of the Act empowers the State Government to provide more functions to the PRIs.

(m) Gram Panchayats have also been empowered to perform judicial functions.

(n) Gram Panchayats have been empowered to levy taxes, duty, cess and fees in their area of jurisdiction.

(o) A Finance Commission shall be constituted at expiration of every fifth year to review the financial position of Panchayats and to recommend the resource transfers to PRIs from the Consolidated Fund of the State.

(p) The Act provides for establishing an independent State Election Commission for superintendence, direction and control of the electoral process and preparation of electoral rolls.

(q) Every district shall have a District Planning Committee. A Minister or Speaker/Deputy Speaker of Vidhan Sabha, to be chosen by the State Government, shall be the Chairperson of District Planning Committee.

(r) PRIs at all the level shall prepare development plan for their area of jurisdiction which will be submitted to the District Planning Committee who is required to consolidate the plans prepared by the urban and rural bodies and prepare a draft development plan for a district as a whole and forward the same to the State Government.

(s) For the efficient functioning of the PRIs, provisions have been made for the constitution of the standing committees.

12. The Himachal Pradesh Panchayati Raj Act, 1994 was also brought in conformity with the provisions of the Central Act No 40 of the Panchayats (Extension to Scheduled Areas) Act, 1996, Special provisions relating to Gram Panchayats, Panchayat Samities and Zila Parishads located in the Scheduled Areas were incorporated by inserting Chapter-VI-A vide Act 1 of 1998.

### **Gram Sabha/Up-Gram Sabha**

13. Gram Sabha which forms the core of the democratic decentralization have been given utmost attention. There is a provision to constitute an Up-Gram Sabha for each ward of the Gram Sabha under the Act. It may deliberate on issues relating to its area and make recommendations to the Gram Panchayat or Gram Sabha. Efforts have been made by the State Government to strengthen these institutions by making following provisions :-

- (a) Gram Sabha has been empowered to form vigilance Committee (s) from amongst its members to supervise Gram Panchayats works, schemes and other activities.
- (b) To select beneficiaries under various poverty alleviation programs.
- (c) Gram Sabha will authorize Gram Panchayat to issue utilization certificate of funds spent on the implementation of the plans, projects and programs undertaken in the Gram Panchayat area.

### **Gram Panchayat**

14. Gram Panchayats in the State are constituted for a village or a group of villages having population ranging from 1000 to 5000. In the Scheduled and far flung areas, Gram Panchayats are also constituted for the populations of less than 1000. The Himachal Pradesh Panchayati Raj Act 1994 empowers the Gram Panchayats for removal of encroachments and nuisance, control of erection of buildings, to enquire and make report about misconduct of officials, to contract for the collection of taxes and other duties, to introduce prohibition, manage fairs and markets etc.

### **Panchayat Samiti**

15. Panchayat Samiti is the intermediate body of the three tier panchayati raj System in the State. This institution is co-terminus with the development blocks. The members of the Panchayat Samiti are elected directly whereas the Chairperson and Vice-Chairperson are elected indirectly by the elected Members.

### **Zila Parishad**

16 This is the uppermost body of the Panchayati Raj System. Consequent upon 73<sup>rd</sup> Constitutional Amendment Act, the Zila Parishads were constituted for the first time in the State after the enactment of new law relating to Panchayati Raj system. The members of Zila Parishad are elected directly by the people however the Chairpersons and Vice-Chairperson are elected by the elected members indirectly.

17. The present structure and the status of Panchayati Raj System/Institutions in the State are given in the table below :-

**Table 1 : Structure and Status of Panchayati Raj System/Institutions in Himachal Pradesh**

<b>Level of Panchayat</b>	<b>Name used</b>	<b>Numbers</b>
District Panchayat	Zila Parishad	12
Intermediate Panchayat	Panchayat Samiti	78
Village Panchayat	Gram Panchayat	3243
Gram Panchayat	Gram Sabha	3243
Ward Panchayat	Up-GramSabha	19413



**Figure 6 : Map of Himachal Pradesh**

**Powers and Functions Specified Under the Himachal Pradesh Panchayati Raj Act, 1994 and the Rules there Under** (Panchayati Raj Department, 2018)

- ✓ **Gram Panchayats** have been empowered to enquire and make report about misconduct of certain officials such as Peon, Bailiff, Constable, Head Constable, Chowkidar/ of the Irrigation Department, Forest Guard, Patwari Vaccinator, Canal Overseer, Game Watcher and Panchayat Secretary, etc.
- ✓ **Gram Panchayats** have been empowered to hear and decide cases relating to minor offences under the I.P.C., the Vaccination Act, 1880, the Cattle Trespass Act, 1871, the Himachal Pradesh Juveniles (Prevention of smoking Act), 1952 and the Public Gambling Act, 1867 and also to hear and decide applications for maintenance under section 125 of the Cr. P.C.
- ✓ **Gram Sabhas** have been empowered to approve the Annual Budget of the Gram Panchayat as well as to consider and take appropriate action in respect of the Annual Statement of Accounts of the Gram Panchayat, report of the

administration of the preceding financial year and the last Audit Note and the replies, if any, made thereto;

- ✓ **Gram Sabhas** have been empowered to approve plans, programmes and budget prepared by the Gram Panchayat for economic development and social services and also to authorize, after being satisfied, issuance of utilization certificates of funds spent on the implementation of the plans, projects and programmes of the Gram Panchayat.
- ✓ **Gram Sabhas** have been empowered to constitute Vigilance Committees to supervise the Gram Panchayat works, schemes and other activities and to place reports concerning them in its meeting and shall also send a copy of the said report to the BDO.
- ✓ **Panchayats at all the three levels** have been empowered to execute developmental works. However, technical sanction of Takniki Sahyaks, Junior Engineer, Assistant Engineer and Executive Engineer as per the limits specified in Appendix-D of the Himachal Pradesh Panchayati Raj (Finances, Budget, Accounts, Audit, works, Taxation and Allowances) Rules, 2002, is required.
- ✓ **Panchayats at all the three levels** have been empowered to constitute standing committees.
- ✓ **Panchayats at all the three levels** have been empowered to raise loans for creation of income generating assets without previous sanction of the Government if the project is assessed by the financial institutions as economically/financially viable. However the Gram Panchayat shall be required to obtain prior approval of the Gram Sabha for raising a loan and further to intimate the State Government regarding raising of loan for a particular project.

- ✓ **The Gram Panchayats** have been empowered to protect public property such as sign boards, mile stones on public roads, paths, irrigation and water supply schemes, public taps, public wells, hand pumps, community centers, mahila mandal Bhawans, school buildings, health institution buildings. In case of violation of the orders of the Gram Panchayats in the matter, the Gram Panchayat can also impose penalty upto Rs.1000/- and in case of recurring breach, further penalty @ Rs.10/- per day with maximum upto Rs. 5,000 can be imposed.
- ✓ **Panchayats** have been authorized to levy taxes, fees, fines and cess.
- ✓ It has been made mandatory that the village level functionaries of the Agriculture, Animal Husbandry, Primary Education, Forest, Health and family Welfare, Horticulture, Irrigation & Public Health, Revenue and Social Justice and Empowerment Department shall attend the meetings of the Gram Sabha.
- ✓ With a view to strengthen democracy at the grass root level and to make the PRIs viable institutions of self-governance, the State Government has devolved powers, functions and responsibilities relating to 15 departments, namely Agriculture, Animal Husbandry, Ayurveda, Education, Food & Supplies, Forest, Health & Family Welfare, Horticulture, Industries, Irrigation & Public Health, Public Works, Revenue, Rural Development and Social Justice & Empowerment to the Panchayati Raj Institutions on 31st July, 1996 covering 29 subjects as mentioned in the 11th Schedule of the Constitution.
- ✓ Besides the above, the Government has also delegated following powers by way of executive orders to the PRIs:-
  - Preparation of Micro-Plans by Gram Panchayats.
  - Powers to decide about location of Institutions of public utility.

- Village level committees of the department to be integrated with the standing committees of the PRIs set up.
- Selection of beneficiaries under various schemes shall be done through Gram Sabha.
- PRIs have been empowered to report about the physical attendance of Ayurvedic, Allopathic and Animal Husbandry Doctors, School Teachers, Patwaris, Forest Guards etc. at their places of posting.
- Chairpersons of Zila Parishads have been designated as the Chairpersons of the Governing Body of the respective DRDAs.
- Pradhan or Up-Pradhan of Gram Panchayats has been empowered to issue fishing license to the anglers for sport fishing. Chairpersons and Vice-Chairpersons of Panchayat Samitis have been authorized to issue license to professional fishermen for general and trout fishing and the money realized as license fee would be retained by the concerned Panchayats as its revenue.
- Cess of Rs.1/- per bottle of liquor sold in the rural areas is collected and transferred to the Gram Panchayats for utilization in developmental activities.
- Before grant of any lease for minor minerals, a resolution from the concerned Panchayat has been made compulsory.
- Zila Parishads have been empowered to appoint Assistant Engineer on contract basis for giving technical guidance to PRIs.
- The Gram Panchayats have been made the appointing authority in respect of the grass root level functionaries such as Panchayat Chowkidars, Tailoring Mistresses, Water Guard and Water Carrier etc.



Panchayat Sahayak and Panchayat Secretaries (contract) are appointed by Zila Parishad.

- Ownership of Primary School Buildings has been transferred to the Gram Panchayats and the maintenance/repair and control of Primary School buildings is the responsibility of Gram Panchayats.
- Zila Parishad and Panchayat Samitis have been empowered to supervise the duties and functions regarding revenue matters to assist the revenue officials in identification of landless/houseless persons and formulation of policies for utilization of government land and giving no objection certificates for such land on lease at district and Block level.
- Gram Sabha resolution has been made compulsory before granting of mining lease and installation of mineral based industry. The Gram Panchayats have also been given powers to issue permits for the personal bonafide use for extraction of sand, stone, bajri and slates.

### **Constitution of District Planning Committees**

20. One of the major activities enshrined under Article 243 ZD of the Constitution of India is the constitution of the District Planning Committees. Necessary provision for preparation of Development Plans and constitution of District Planning Committees have been incorporated in the Himachal Pradesh Panchayati Raj Act, 1994 vide section 184 and 185, respectively. In compliance to these provisions, District Planning Committees have been constituted in all the districts for preparation and consolidation of district development plans. Local Bodies, as institutions of self governance have been empowered to prepare plans for economic development and social justice and to implement the schemes relating thereto including those that are included in the Eleventh and Twelfth schedules of the Constitution. But as per the

status report received from the Department of Panchayati Raj and Urban Development the District Planning Committees are fully functional only in two Backward Region Grant Fund (BRGF) districts viz.Chamba and Sirmaur and are preparing the draft development plans in compliance to the provisions of the Himachal Pradesh Panchayati Raj Act, 1994. (HPSFC, 2014 (2012-2017))

## **CHAPTER 4 : INCOME SOURCE OF PRIs IN THE**

### **STATE OF HIMACHAL PRADESH**

**H**imachal Pradesh came into being as a Part “C” State of the Indian Union on 15<sup>th</sup> April, 1948 by integration/ merger of 30 big and small hill states and was conferred statehood on 25<sup>th</sup> January, 1971. The State is situated between 30° 22’ 40” to 33° 12’ 20” north latitudes and 75° 45’ 55” to 79° 04’ 20” east longitudes. The altitude in the Pradesh, a wholly mountain region in the lap of Himalayas, ranges from 350 meters to 6975 meters above mean sea level. It is surrounded by Jammu and Kashmir on the north, Tibet on the north east, Uttarakhand on east/ south east, Haryana on south and Punjab on south west/ west. The State has an area of 55,673 Sq. Kms which is only 1.69% of the total geographical area of India. The total population of the state is 68.57 lakh as per 2011 census (HPSFC, 2014 (2012-2017)).

2. Since 1<sup>st</sup> September, 1972, there has been no change in the administrative structure of Himachal Pradesh except carving out new sub – divisions, sub – tehsils, upgrading of sub– tehsils to the level of tehsils within the district boundaries. Presently, there are 12 districts, 53 sub- divisions, 84 tehsils and 34 sub- tehsils in Himachal Pradesh. From development point of view, the Pradesh is divided into 77 developments blocks. The smallest unit of development-cum-administration is Gram Panchayat. The State has a three tier Panchayati Raj structure comprising 12 Zila Parishads, 77 Panchayat Samities and 3243(3226 in 2015) Gram Panchayats.

3. Article 243 (I) and Article 243 (Y) of the Constitution envisages constitution of a State Finance Commission at the expiration of every fifth year to review the financial position of the Panchayats and the Municipalities and make recommendations to the State Government for strengthening the financial position of these institutions. (FFC, 2018) The First State Finance Commission was constituted by the State Government in the year 1994. The Fourth State Finance Commission was constituted vide Himachal Pradesh Government Notification No Fin-IF(C)-A (3) 4/2004 dated 20<sup>th</sup> May, 2011. The Commission was to make recommendations to the Government as to:-

(a) The principles which should govern-

(i) The distribution between the State and Panchayats of the net proceeds of the taxes, duties, tolls and fees leviable by the Government which may be divided between them and allocation between all levels of the Panchayats/ Municipalities of their respective shares of such proceeds;

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

(iii) The grant-in-aid to Panchayats/ Municipalities from the consolidated fund of the State;

(b) To suggest measures needed to improve the financial position of the Panchayats/Municipalities;

(c) The Commission should make a normative assessment of needs based on the actual devolution of functions to each tier of the PRIs and assessment of potential fiscal capacity based on the tax and non-tax resources available to PRIs in making any recommendations on devolving united grants or share of State taxes of these bodies.

(d) The Commission should make an assessment of recurring grants for specific schemes of the State Government relating to support for honorarium and expenses of elected representative and employees of PRIs and suggest improvements in three schemes in order to promote the exercise of fiscal autonomy and responsibility by the PRIs.

(e) The Commission should suggest appropriate ways to take forward the process of devolution of function, funds and functionaries to the PRIs keeping in view the existing-delivery system and the financial capacity of the State Government. It may make specific suggestions with regard to:

- (i) Support for pilots to hand over responsibility for delivery of primary education, primary health, water and sanitation and rural roads to appropriate level of PRIs;
- (ii) Changes in legislation and procedure necessary to enhance the tax and non tax capacity of the PRIs consistent with accepted principles of taxation at the local level.
- (iii) Strengthening of administrative capacity of PRIs by placing under their control relevant categories of employees either by way of

recruitment at the level of relevant tiers of the PRIs or by seconding of existing State Government staff to them.

(f) Any other matter referred to the 4th H.P State Finance Commission by the Government in the interest of sound finances of the Panchayats and Municipalities.

(g) The commission shall devise its own procedure and appoint such advisers, Institutional Consultants as it may consider necessary. It may call for such information and take such evidence as it may consider necessary.

(h) The Commission shall make its report available by 31<sup>st</sup> December, 2011 covering a period of five years commencing from 1<sup>st</sup> April, 2012.

(i) The Planning Department would be the nodal department for functioning of the Commission on the pattern of 1<sup>st</sup>, 2<sup>nd</sup> and 3<sup>rd</sup> State Finance Commissions.



**Figure 7 : Gram Sabha in the Hills**

4. The composition of the Fourth State Finance Commission was modified several times the State Government vide notification No Fin-IF(C)-A(3) 4/2004 dated 26<sup>th</sup> February, 2013 appointed the following as the Chairman and Members of the Fourth State Finance Commission:

- |                         |                               |
|-------------------------|-------------------------------|
| 1. Shri Sudripta Roy,   | Chairman                      |
| Chief Secretary         |                               |
| 2. Dr. A.R. Sihag,      | Member (Ex-Officio)           |
| Pr, Secretary (PR & RD) |                               |
| 3. Dr. Maneesh Garg,    | Member Secretary (Ex-Officio) |
| Advisor (Planning)      |                               |

5. The composition of the Fourth State Finance Commission was further modified upon proceeding of Dr, A.R. Sihag, I.A.S. Member on deputation to the Government of India. In his place Mrs. Upma Chowdhry, I.A.S., Principal Secretary (Rural Development & Panchayati Raj) remained the ex-officio Member of the Commission and held the charge throughout the tenure of the Commission. On proceeding of Sh Maneesh Garg, I.A.S. Adviser Planning-cum Member Secretary, State Finance Commission on long term foreign training in U.K, Dr Amandeep Garg, I.A.S officiated as Member Secretary of the Commission. (HPSFC, 2014 (2012-2017))

6. Later on proceeding of Sh, Sudripta Roy, I.A.S, Chief Secretary-cum-Chairman, Fourth State Finance Commission on medical leave, Sh Kuldeep Kumar, Member of Legislative Assembly was nominated as Chairman of the Fourth State Finance Commission vide Notification No. Fin-IF (C)-A (3)4/2004 dated 21<sup>st</sup> October, 2013.

7. The tenure of the Fourth State Finance Commission was notified up to 31<sup>st</sup> December, 2011 vide notification No. Fin-IF(c)-A (3)4/2004 dated 20<sup>th</sup> May, 2011, this was done in view of the fact that the recommendations of the Third State Finance Commission were from 2007-08 to 2011-12 and the recommendations of the Fourth Finance Commission were to start from the year 2012-13. As per the notification, the Fourth State Finance Commission was to submit its report by 31<sup>st</sup> December, 2011, but it was not possible for the Commission to submit the complete report in a short period of six months that too without staff. After the notification, it took about one year to make the Secretariat of the Commission fully functional.

8. The main reasons attributed to this delay were the non- availability of surplus staff with other Departments/ Boards/ Corporations and inordinate delay at the government level for according approval to change the approved mode of recruitment for staff. **The tenure of the Commission was extended four times**, first upto 19 May, 2012 vide notification No. Fin-IF(C)-A (3)4/2011 dated 12<sup>th</sup> January, 2012, and then upto 30<sup>th</sup> June, 2013 vide notification No dated 22<sup>th</sup> June, 2012 and thereafter upto 31<sup>st</sup> December, 2012 vide notification dated 8<sup>th</sup> July, 2013 and lastly upto 31<sup>st</sup> March, 2014 vide notification dated 24<sup>th</sup> December, 2013.



**Figure 8 : Panchayat in Solan**



### **Resources of the Panchayati Raj Institutions**

9. The institution-wise status and estimate of revenue accrual from tax, non-tax revenue and fees of the Panchayati Raj Institutions, is discussed in the following paragraphs:

#### **Gram Panchayats**

10. Among all the three tiers of Panchayati Raj Institutions, the Gram Panchayats have been empowered to levy taxes, fees, cess etc. As per the provisions under the Himachal Pradesh Panchayati Raj Act, 1994 and broad existing classification, the revenue receipts of the Gram Panchayats can be categorized as under:

- (a) Taxes that can be levied & collected by Gram Panchayats at their level.
- (b) Taxes that can be levied by the Gram Panchayats with prior approval of the State Government.
- (c) Assigned Taxes/Fees.
- (d) Non Tax Revenue.
- (e) Other Fees and Levies.

#### **Taxes : Taxes that Can be Levied & Collected by Gram Panchayats at their Level**

##### **House Tax/Property Tax:**

11. Section 100(I) of the Himachal Pradesh Panchayati raj Act, 1994 empowers the Gram Panchayats to levy property tax at such rates and in such manner as it may deem fit on residential and commercial buildings, in the Sabha area. As per the data collected from the Gram Panchayats, not even a single Gram Panchayat has reported receipt from Property tax. However, House Tax is the major tax which is being

collected, by and large, by every Gram Panchayat, The State Government has fixed maximum rates for its collection vide notification No. PCH-HA (2) 2/95-20381/680 dated 2<sup>nd</sup> November, 1999. The rates fixed are as under:

**Table 2 : Property Tax Rates**

<b>Sr. No</b>	<b>Particulars</b>	<b>Maximum rate of House Tax (Rs. Per Annum)</b>
1.	Where the person is liable to house tax , own house having the total build up area upto 40 sq. Mtrs.	10
2.	Where the person is liable to house tax, own house having the total built up area upto 40 to 100 Sq. Mtrs.	25
3.	Where the person is liable to house tax, own house having the total build up area above 100 Sq. Mtrs.	50

12. The data collected reveals that House Tax was being collected by almost all the Gram Panchayats and it has now widely been accepted. According to the data, the actual collection of House Tax for 2007-08 to 2011-12 remained as under:

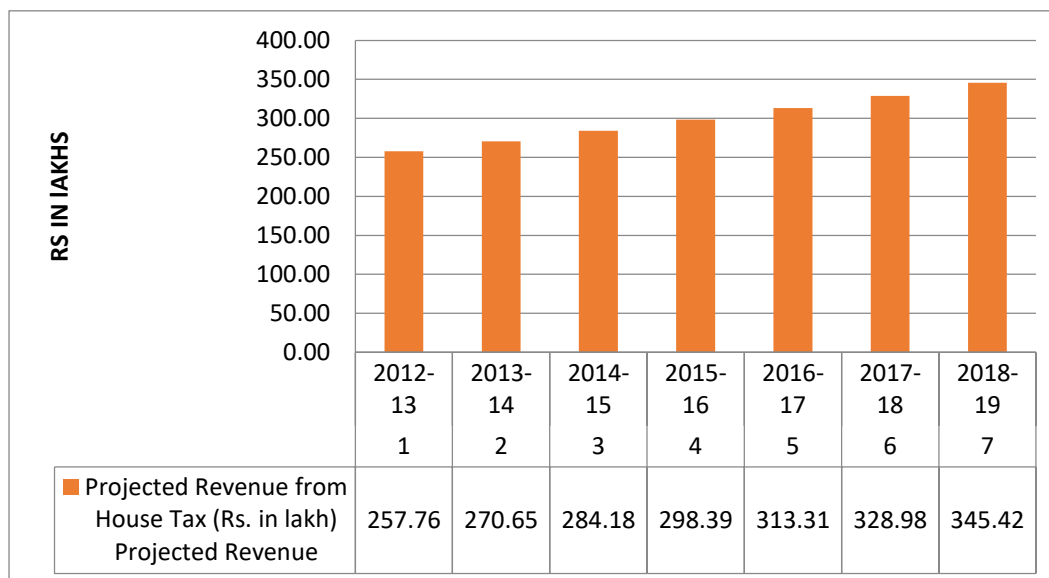
**Table 3 : Actual Collection from House Tax**

<b>Sr. No</b>	<b>Year</b>	<b>Revenue from House Tax</b>
1.	2007-08	190.39
2.	2008-09	210.14
3.	2009-10	241.86
4.	2010-11	262.42
5.	2011-12	322.62
<b>Annual Average Receipt</b>		<b>245.49</b>

13. The projections made by the Gram Panchayats for the period 2012-13 to 2016-17 showed an erratic trend. The Commission and this study was of the view that the income from House Tax was not going to increase as per the projections made by the

Gram Panchayats, therefore, **it decided to assume a growth of 5% per annum on the average annual receipt of the past five years and made the projections for the award period and this study has extrapolated the same rate beyond that.**

**Table 4 : Projected Revenue from House Tax**



**Taxes that can be levied by the Gram Panchayats with prior approval of the**

**State Government**

**Profession Tax/Occupation Tax:**

14. As per the provisions made under the Himachal Pradesh Panchayati Raj Act, 1994, the Gram Panchayats, with the prior approval of the State Government, have been empowered to levy a **tax on persons carrying on any profession, trade, calling and employment other than agriculture in the Sabha area; provided such tax has not been levied in the Sabha area by any other local authority under any law for the time being in force.** As per the data collected from the Gram Panchyats, not even a single Gram Panchayat has imposed the profession tax in their of jurisdiction. However, a few Gram Panchayats are levying Occupation Tax. **The income from this**

**tax is negligible, therefore the commission decided not to take this income into account for forecasting the resources for the Gram Panchayats.**

**Duty on Transfer of Property:**

15. Section 100 (2) (b) of the Himachal Pradesh Panchayati Raj Act, 1994 empowers the Gram Panchayats to levy a duty on transfer of property in the form of a surcharge on the duty levied under the Indian Stamp Act 1899, in its application to Himachal Pradesh, on instruments of sale, gift and mortgage with possession of immovable property situated in the Sabha area at such rate as may be fixed by the Government not exceeding two percent on, as the case may be, the amount of the consideration, the value of the property or the amount secured by the mortgage, as set forth in the instrument. (HPSFC, 2014 (2012-2017)) **The data collected from the Gram Panchayats revealed that not even a single Gram Panchayat has shown income from this source.** The Commission discussed this matter with the Panchayati Raj Department. As per the feedback received from the department, the department had taken up the matter with the Revenue Department for necessary concurrence on the rate of surcharge to be fixed but the response from revenue department was awaited. **Therefore, the Commission did not assume revenue from this source during the award period.**

**Assigned Taxes/ Fees**

**Land Revenue:**

16. Gram Panchayats have been empowered to collect the land revenue from the land owners/right holders and Gram Panchayats use the collected revenue at their level. The revenue earned under this head is **distributed between Gram Panchayats and lambardars in the ratio of 70:30** respectively. The Commission decided to

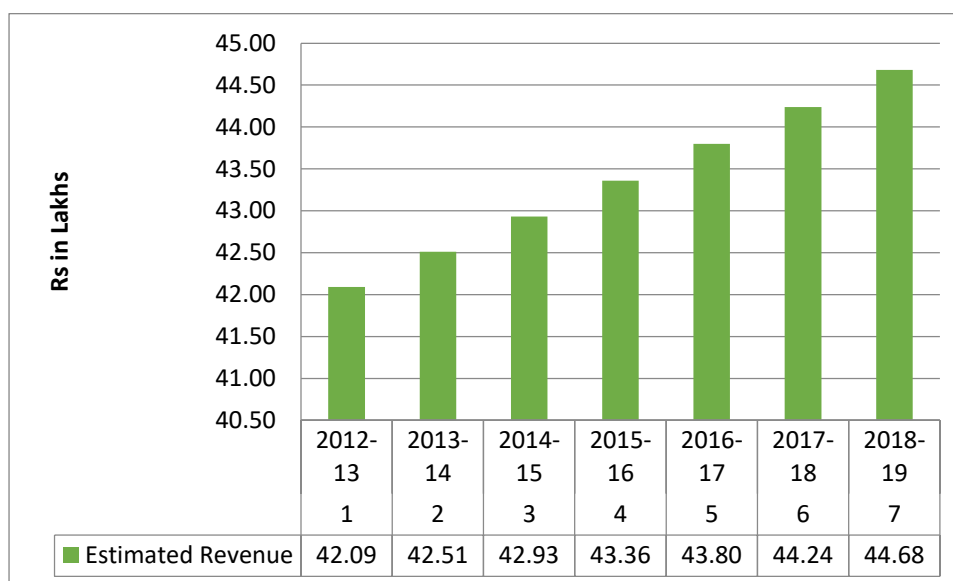
assess revenue under this head from the data collected from the Gram Panchayats.

The actual land revenue for the years 2007-08 to 2011-12 remained as under:

**Table 5 : Actual Accrual from Land Revenue**

Sr. No	Year	Revenue Receipts
1.	2007-08	43.77
2.	2008-09	42.31
3.	2009-10	29.54
4.	2010-11	42.68
5.	2011-12	50.04
<b>Average Annual Receipt</b>		<b>41.67</b>

16. **Land being a constant factor**, the receipts from this source are not going to increase like other sources of revenue. The projections made by the Gram Panchayats from this source of revenue for the forecast period was inconsistent, therefore, the **Commission decided to take the average annual receipt for five years as base and assumed a growth of 1% per annum**, by giving weightage to collection efficiency factor and projected the receipts from this source for the award period. The estimates made by the Commission and this study for the period 2012-13 to 2018-19 are as under:

**Table 6 : Estimated Accrual from Land Revenue****Cess on Liquor:**

17. One of the major sources of revenue of Gram Panchayats is the share in cess on liquor. The cess is charged at the rate of Rs. 2 per bottle, out of which Re. 1 is retained by the Government and Re. 1 is distributed in the ratio of 80:20 to Gram Panchayats where a liquor vend is functioning and where there is no liquor vend, respectively.

18. The methodology of collection of this cess is based on quarterly sale of liquor. The lessee on the basis of quarterly sale deposits cess in the State exchequer which is calculated at district level. The Assistant Excise and Taxation Commissioners raises the demand through Deputy Commissioner concerned with Excise and Taxation Commissioner for arranging releases from the Government. The budget allocated by the Government is then disbursed to Gram Panchayats in consultation with the Deputy Commissioner by the Assistant Excise and Taxation Commissioner in the ratio of 80:20 as given in the above paragraph. **In this process, the actual collection of a**

**financial year is effectively transferred to the Gram Panchayats in the next financial year. (HPSFC, 2014 (2012-2017))**

19. On the basis of above methodology, the Excise and Taxation department disbursed an amount of Rs. 1850.69 lakh during three years to the Gram Panchayats, the year wise details of which are as under:

**Table 7 : Actual Revenue Transferred to Gram Panchayats as Cess on Liquor**

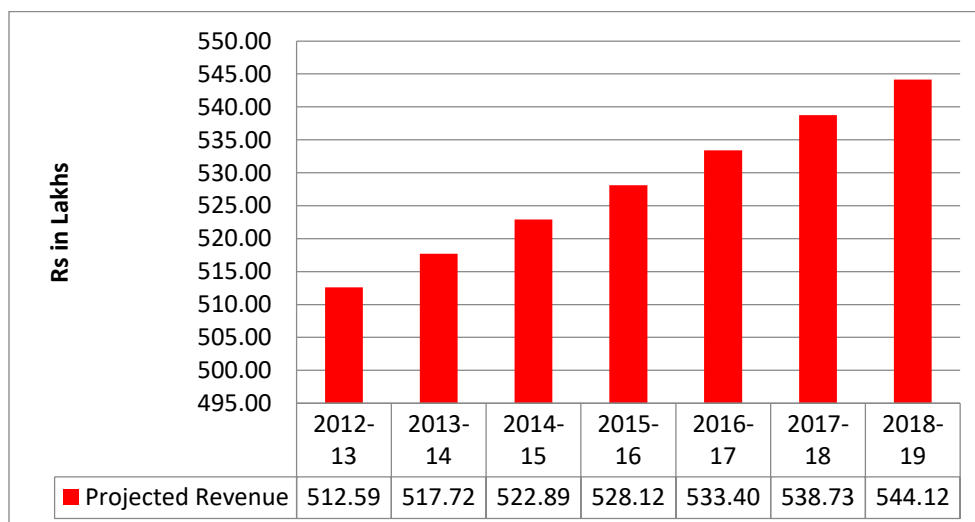
Sr. No	Year	Annual Disbursed
1.	2010-11	417.30
2.	2011-12	919.80
3.	2012-13	512.59

20. The base for this tax is the consumption of liquor. The data received from the department of Excise and Taxation reveals that the consumption level of liquor in the State in the last 3-4 years has attained saturation level and therefore any further increase in terms of consumption of liquor during 2013-14 and onwards will be very slow. Himachal Pradesh already ranks 7<sup>th</sup> highest in the country in terms annual per capita consumption of liquor as per survey conducted by the National Institute of Public finance and Policy, New Delhi. As per the given estimates, **the annual increase in excise revenue would not be more than 7% in future, that too mainly due to the increase in the rates of liquor.**

21. Keeping the above facts in mind, the Commission decided to **take the figure of 512.59 lakh of 2012-13 as the base for estimation of resources and assumed a**

growth of 1% per annum on account of revenue accrual from this source for the remaining years of the award period and beyond. :

**Table 8 : Projected Revenue from Cess on Liquor**



22. The methodology of distribution of cess of liquor amongst Gram Panchayats is in the ratio of 80 percent where the vend is functioning and 20 percent where there is no vend. The Commission was of the view that the methodology being adopted by the State Government for distribution of cess on liquor doesn't require any major change/modification because the local bodies where the liquor vends exist deserve to be compensated more for the adverse social repercussions due to existence of vends in their area of jurisdiction. **However the existing ratio of 80:20 may be changed to 70:30, to discourage consumption of liquor in the State.** (HPSFC, 2014 (2012-2017))

**Tax on Extraction and Export of Sand, Stone, Bajri and Slates:**

23. The Government of Himachal Pradesh has allowed Gram Panchayats to levy tax on the extraction and export on sand, stone, bajri and slate to the maximum rate specified as given under:



(a) On extraction and export of **sand, stone, bajri to be Rs. 10 per truck and Rs. 5 per trolley;**

(b) On slate to be **Rs. 50 per truck.**

24. The total revenue realization from this source over five years, as given by the Geological Wing of Department of Industries, was of the order of Rs. 497.57 lakh.

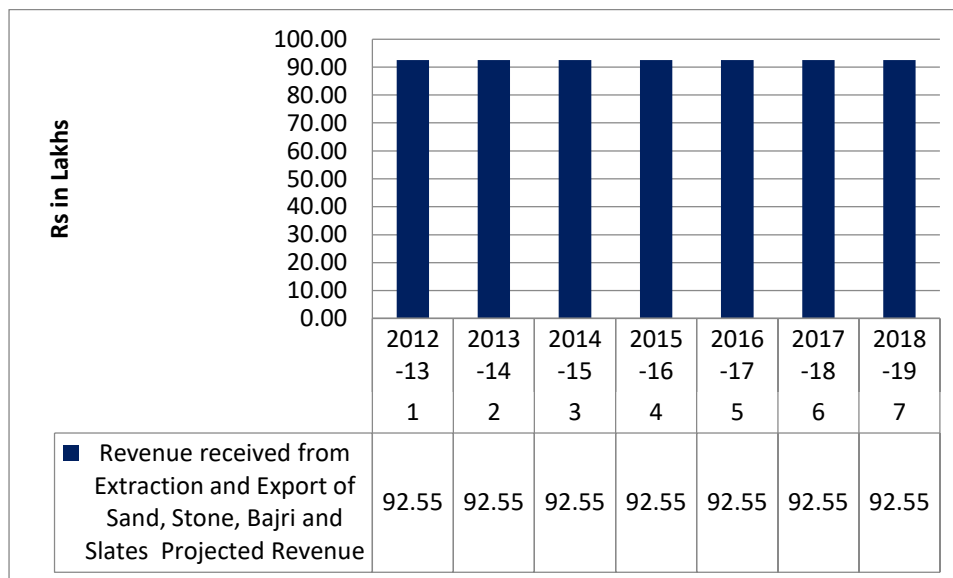
The year-wise details of the same are given as under:

**Table 9 : Revenue received from Extraction and Export of Sand, Stone, Bajri and Slates**

Sr. No	Year	Amount Received
1.	2007-08	79.70
2.	2008-09	126.52
3.	2009-10	100.24
4.	2010-11	102.64
5.	2011-12	89.47
<b>Total</b>		<b>498.57</b>

25. The revenue accrual of Rs. 92.55 lakh for the year 2012-13 was also reported by the department. Keeping in view the concern expressed by the Hon'ble High Court of Himachal Pradesh and directions given to the State Government to control and regulate unscientific mining in the state, **the Commission and this study has assumed a constant revenue accrual of Rs. 92.55 lakh per annum for the period 2012-19. The devolution to concerned Gram Panchayats on this account is made on year to year basis and there is no spill over to next financial year from this source of income.** (Priya, 2019)

**Table 10 : Revenue received from Extraction and Export of Sand, Stone, Bajri and Slates**



**License for Fishing:**

26. The Department of Fisheries vide notification No Fish-A(3)-1/97 dated 30<sup>th</sup> January, 2001 conferred powers of Fisheries Officers to the members of Panchayati Raj Institutions and empowered the following to issue Fishing License to anglers for sport fishing and to professional fisherman for general and trout water in their area of jurisdiction **excluding lakes and reservoirs:**

Gram Panchayat Pradhan	For issuance of Fishing license to anglers for sport fishing
Chairman or Vice Chairman of Block Samiti	For issuance of fishing license to professional fisherman for general and trout water.

27. The revenue realized on this account is to be retained by the concerned Panchayati raj Institution. These institutions have also been authorized to check illegal fishing in their area of jurisdiction. **The data collected from the Gram**

**Panchayats reveals that not even a single Gram Panchayat has shown income from this source of revenue. As per the status submitted by the Department of Fisheries, the powers given are neither being exercised by the Gram Panchayats nor by the Panchayat Samities. Therefore, the Commission and this study have not assumed revenue from this source of income during the award period 2012-17 and beyond.**

**Permit Fee on Export of Minor Forest Produce:**

28. For the collection of fee on minor forest produce, the Pradhan, Gram Panchayats were appointed as Forest Officers to carry out the purpose of Rule 11 of Himachal Pradesh Forest Produce Transit (Land Route) Rules, 1978 for the issuance of passes for transportation of minor forest produce collected from the forest in respect of following 38 items/species:

**Table 11 : Minor Forest Produce Collection Rates**

<b>Sr. No</b>	<b>Botanical Name of the Minor Forest produce</b>	<b>Local Name of the item</b>	<b>Export Fee (Rs. Per Quintal)</b>
1.	Alnslea aptera	Sath Jalori	50/-
2.	Plerorhiza kurroo	Karoo	540/-
3.	Jurinea macrocephala	Dhoop	500/-
4.	Angalica glauca	Chora	125/-
5.	Viola odorata	Banafsha	2,250/-
6.	Valeriann wallichii	Mushk Bala	600/-
7.	Thalletrum spp.	Mamiri	335/-
8.	Thymus sephylum	Ban Ajwain	100/-

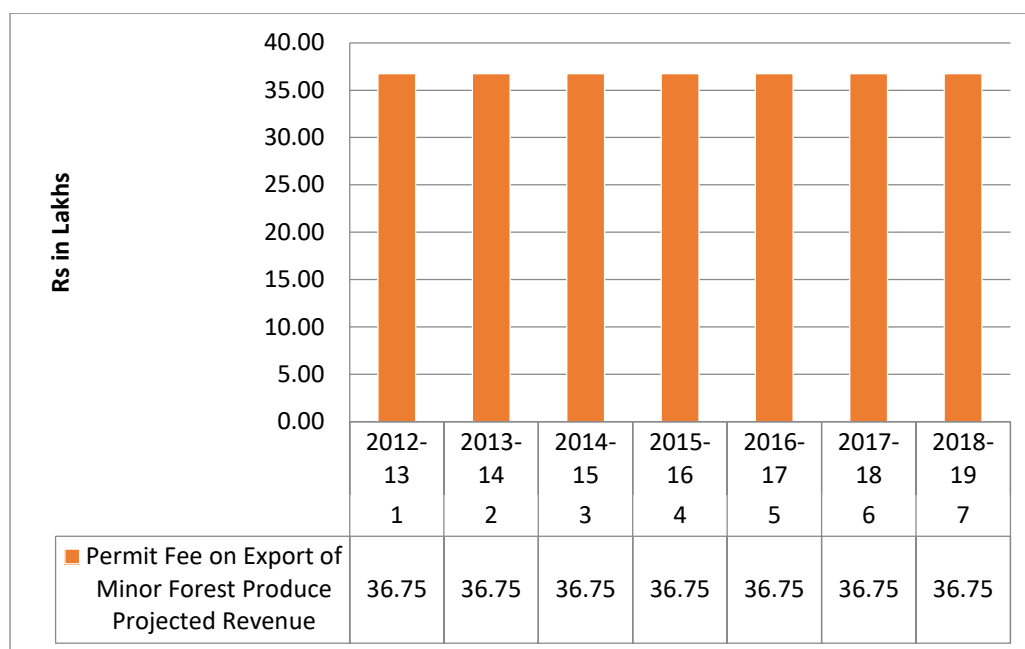
9.	<i>Morchella esculante</i>	Guchhi	10,000/-
10.	<i>Potentilla nepalensis</i>	Dori	40/-
11.	<i>Pistachla integerina</i>	Kakarsinghi	1,000/-
12.	<i>Polygonatum verticillatum</i>	Salm Mishri	1,000/-
13.	<i>Salvia moorcroftiana</i>	Thuth	180/-
14.	<i>Banium persicum</i>	Kala zira	2,000/-
15.	<i>Selinium veginstrum</i>	Butkesh	400/-
16.	<i>Tinospora cordifolia</i>	Gleo	100/-
17.	<i>Orchis latifolia</i>	Salam Panja	6,000/-
18.	<i>Valeriana hardwichii</i>	Nihanj	600/-
19.	<i>Acorus calamus</i>	Buch	130/-
20.	<i>Pinus wallichiana</i>	Kali cones	1,000/-
21.	<i>Adiantum lanulatum</i>	Dusgtuli	80/-
22.	Lichens	Chalora	225/-
23.	<i>Abies webbiana</i>	Taispatra	85/-
24.	<i>Hedychium acuminatum</i>	Kapper Kuchri	70/-
25.	<i>Heraclisum</i> spp.	Patishan roots	25/-
26.	<i>Corardiana heterophylla</i>	Bichhu Buti	150/-
27.	Cedar rosette	Deodar Rossette	150/-
28.	Birch pine	Kush Cones	150/-
29.	<i>Cehrella</i> spp.	Bari phool	50/-
30.	<i>Pyrus pashia</i>	Kainth	30/-
31.	<i>Colebrookea oppositifolia</i>	Bindi phool	50/-
32.	<i>Rhododendron</i> spp.	Brass Phool	150/-

33.	Coleus aromaticus	Pthan Bail	30/-
34.	Lichens & Mosses	Green Mous ghass	250/-
35.	Hypericum patulum	Khaarera/Basanti	250/-
36.	Curcuma spp.	Ban Haldi	50/-
37.	Juniperus recurva	Bether Patta	100/-
38.	Pine Needles	-	

29. **The above rules stood repealed vide Notification No FFE-B-A (3)-2/2013 dated 27<sup>th</sup> November, 2013 and the new rules named as “Himachal Pradesh Forest Produce Transit (Land Route) Rules, 2013” were framed.** As per the newly framed rules, the powers to issue permits have been provided only to the Divisional forest Officers. During the course of discussions with the Forest Department, it was revealed that the State Government had decided to issue a separate notification for authorising Gram Panchayats Pradhans as forest Officers for issuance of permits for transportation of minor forest produce collected from the forest. (HPSFC, 2014 (2012-2017))

30. The Third State finance Commission assumed accrual of Rs. 35.00 lakh per annum for its award period from this source based on the revenue generated during the year 2006-07. **Keeping in view the revised rates notified by the State Government vide above referred notification, the Commission assumed a growth of 5% on the annual accrual projected by the Third State Finance Commission for the year 2011-12 and estimated the annual accrual of Rs. 36.75 lakh from this source, for the award period 2012 to 2017 and up to 2019 for the purpose of this study.**

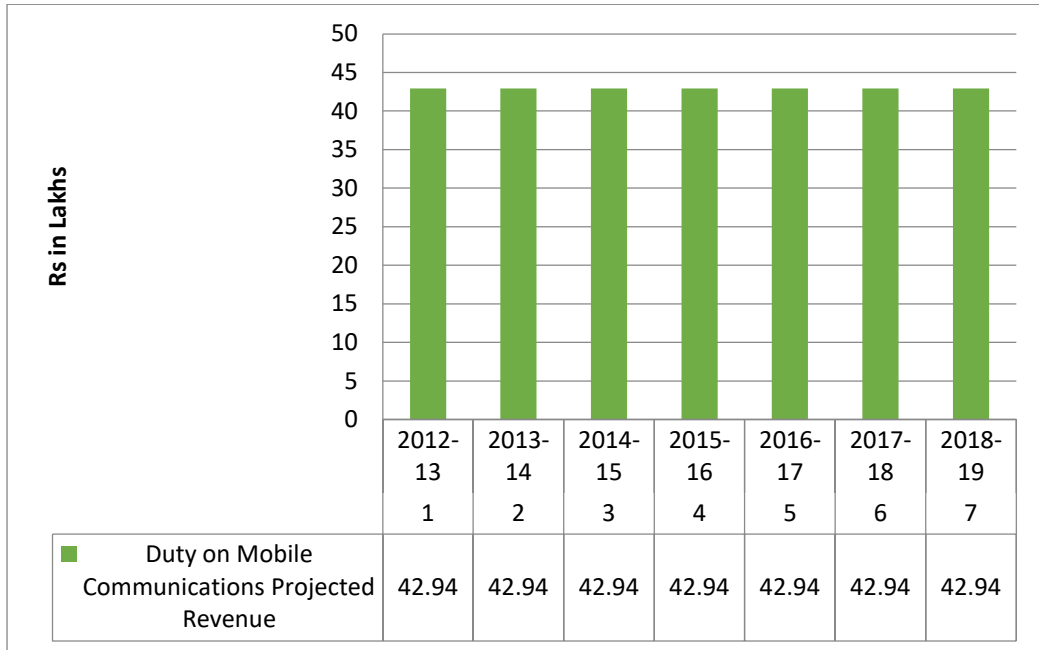
**Table 12 : Permit Fee on Export of Minor Forest Produce (Lakhs)**



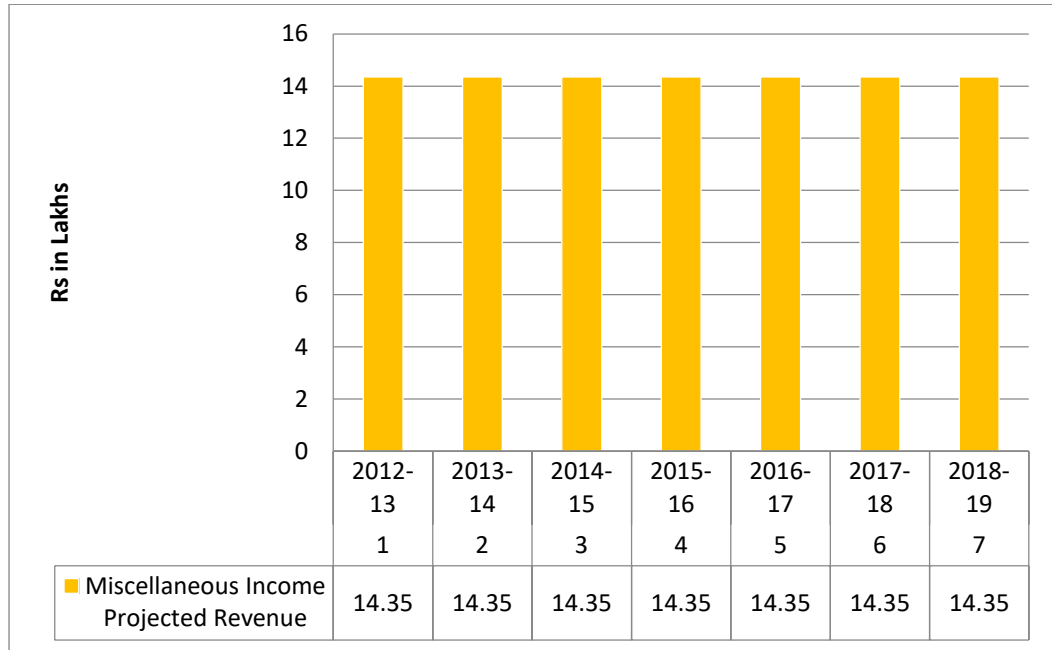
### Duty on Mobile Communications:

31. In exercise of the powers vested under Himachal Pradesh Panchayati Raj Act, 1994, the department of Panchayati Raj vide Notification No. PPH-HA (2)8/99 dated 9<sup>th</sup> November, 2006 has empowered the Gram Panchayats to realize mobile tower installation fee @ Rs. 4000/- per tower and the annual renewal fee @ Rs. 2000/- per tower in their area of jurisdiction.

32. **The data collected from the Gram Panchayats has not shown income from this source of revenue. Keeping in view the available data, the commission decided to ignore the installation fee charged by the Gram Panchayats at the time of installation of Mobile Towers, as these details were not available with the department, but decided to project the receipts from this source on the basis of likely accrual of renewal fee from the installed mobile towers. The per annum accrual of renewal fee of installed towers works out to Rs. 42.94 lakh and the same revenue has been projected by the Commission and this study for all the years of the award period and beyond.**

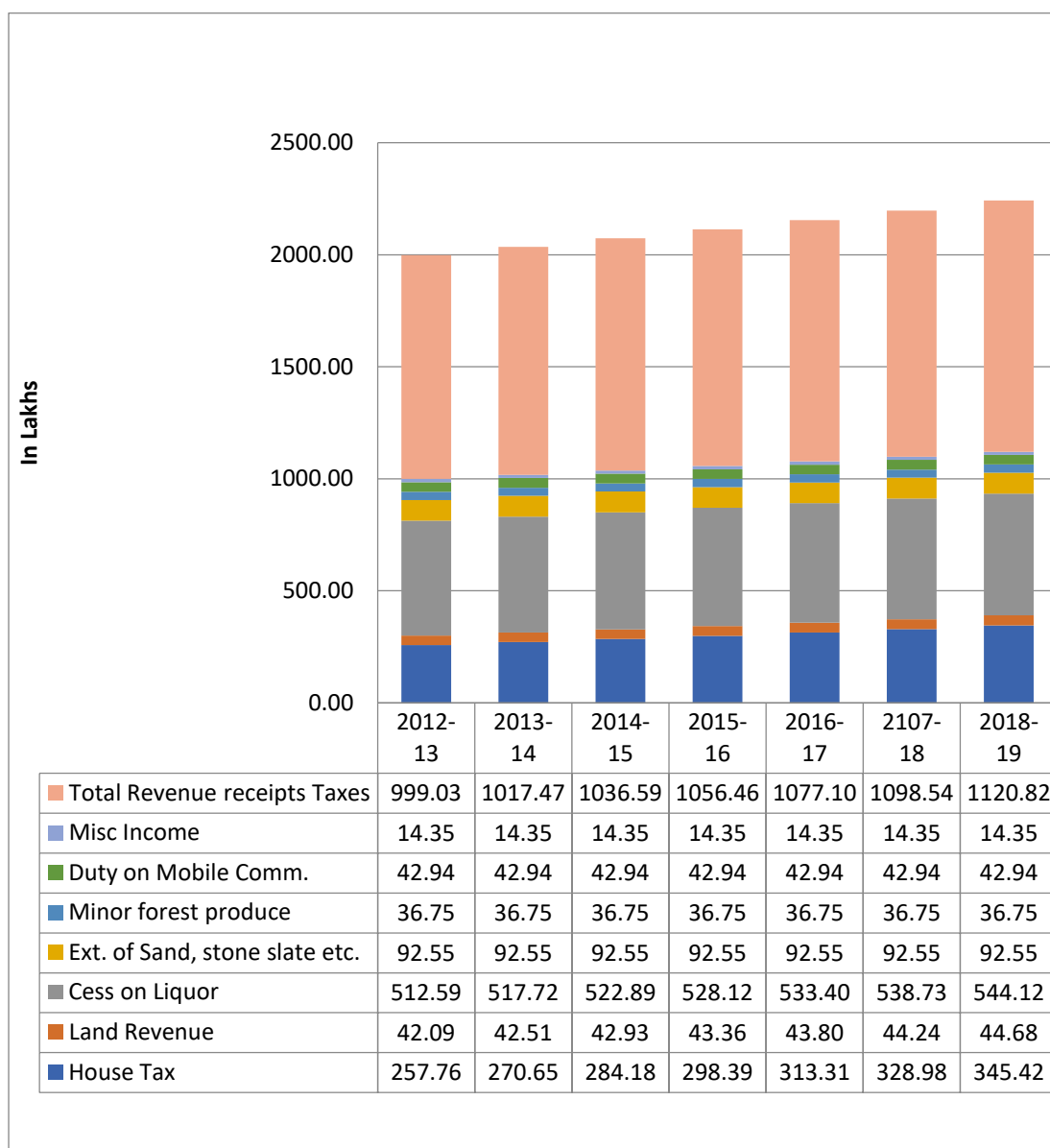
**Table 13 : Duty on Mobile Communications (Rs in Lakhs)****Miscellaneous Income:**

33. A large number of Gram Panchayats have shown income from other taxes under tax classification without indicating the name of the tax. Therefore, the Commission decided to consider the given receipts under miscellaneous income. The income for the year 2012-13 under this head worked out to Rs. 14.35 lakh and the same has been taken constant by the commission and this study for the remaining years of the award period and beyond

**Table 14 : Miscellaneous Income Projected Revenue**

34. The revenue forecast of Gram Panchayats from taxes for the period 2012-19 works out as under:

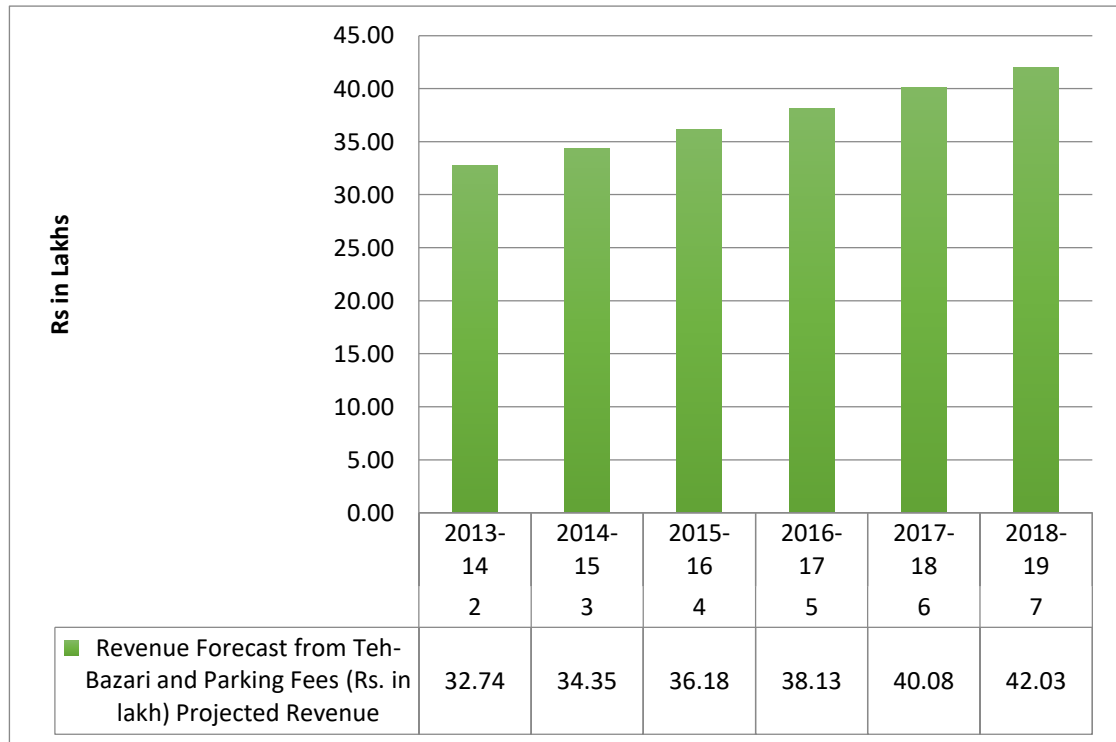


**Table 15 : Projected Revenue Receipts from Taxes for the period (2012-19)****Income from fees**

35. The Gram Panchayats have also been empowered to levy fees in their area of jurisdiction and the revenue from fees is retained by the Gram Panchayats. **The revenue collected under this head hardly accounts for around eight percent of the total receipts.** The item wise details and estimation of receipts from fees is discussed as under:

**Teh-Bazari:**

36. The Government has fixed Teh - Bazari from the shopkeepers in the fairs at the rates as it may deem proper but not exceeding Rs. 30/- per sq. mtrs/ Per day. The income from Teh-Bazari is generated only by those Gram Panchayats which have locational advantage of organizing fairs and festivals in their respective areas. If the same ratio is adopted, then **out of 3243 Gram Panchayats, only 186 Gram Panchayats would have been collecting Teh-Bazari having total collection of Rs. 17.13 lakh.** The Commission has taken this income static for the forecast period. **In the overall forecast, this item has been clubbed with parking fees.** The estimated revenue for the forecast period on this account is follows (Alok, Share of Local Governments in the Divisible Pool : An Option before the 13th Finance Commission, 2009):-

**Table 16 : Revenue Forecast from Teh-Bazari and Parking Fees**

**Service Fee:**

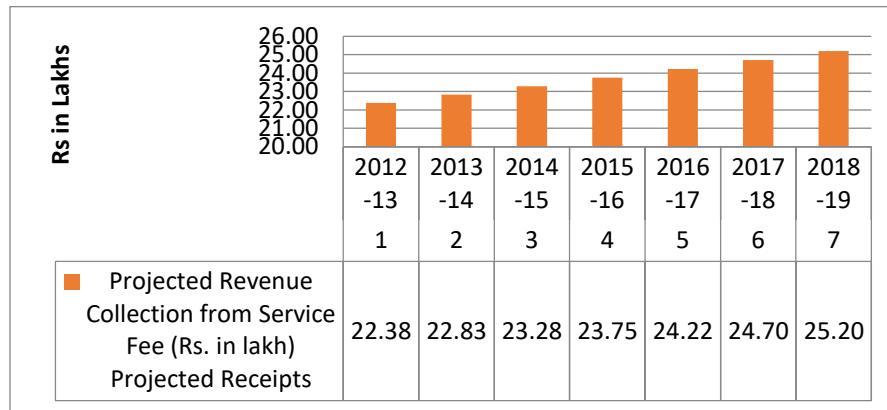
37. The Gram Panchayats can levy service fee including fee **on cleaning of streets, lighting of streets and sanitation** at the rates as the Gram Panchayats may deem proper, **but not exceeding Rs. 20/- per month from those households/shopkeepers/business establishments, who are being provided such facilities.** As per the data collected from the Gram Panchayats, the revenue collection from this source remained as under:

**Table 17 : Actual revenue Collection from Service Fee**

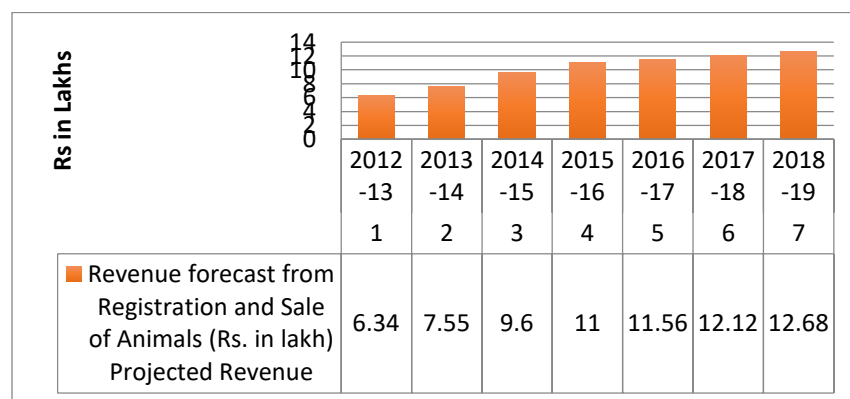
Sr. No	Year	Revenue Collected
1.	2007-08	12.50
2.	2008-09	10.41
3.	2009-10	10.12
4.	2010-11	15.66
5.	2011-12	21.94
<b>Total</b>		<b>70.63</b>

38. **Taking the receipts of the year 2011-12 i.e Rs. 21.94 lakh as base, the Commission assumed a growth of 2% for forecasting the receipts from service fee for the award period and beyond for the purpose of this study i.e. 2012-19.**

The projected receipts from this source work out as under:

**Table 18 : Projected Revenue Collection from Service Fee****Registration and Sale of Animals and Holding of Cattle Fair:**

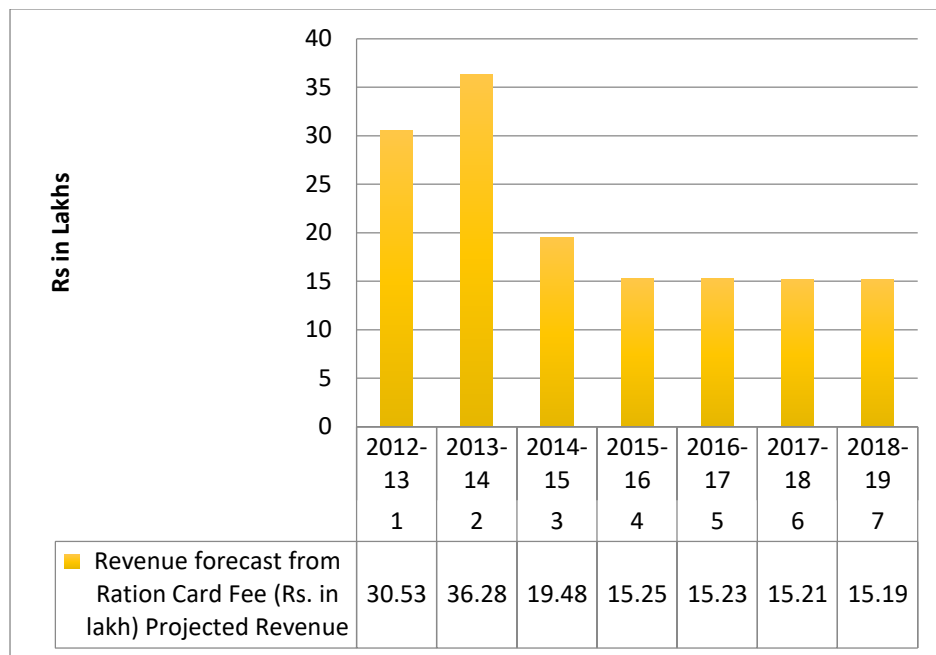
39. The Government has empowered Gram Panchayats to **charge fee for registration of animals sold in the Sabha area** at such rates as may be fixed by the Gram Panchayat **subject to a maximum of 2 percent of the sale price**. The data collected from the Gram Panchayats shows that the income from this source over five years i.e 2007-08 to 2011-12 remained Rs. 21.71 lakh. **The Gram Panchayats have also forecast the revenue accrual from this source for the period 2012-13 to 2016-17 (FFC, 2018). The Commission and this study decided to take the revenue projected by the Gram Panchayats for forecasting the receipts for the period 2012-19 as under:**

**Table 19 : Revenue forecast from Registration and Sale of Animals**

### **Ration Card Fee:**

40. Ration Card fee is collected by almost each Gram Panchayat. As per the data collected from the Gram Panchayats, the revenue collection from this item for the period 2007-08 to 2011-12 came to Rs. 68.59 lakh. Based on the fragmentation of existing households and the recent renewal of Ration Cards done or being done in the rural areas, **the Commission and this study decided to take the projections made by the Gram Panchayats from this source for the period 2012-19. The year-wise estimated revenue from this source is as under:**

**Table 20 : Revenue forecast from Ration Card Fee**



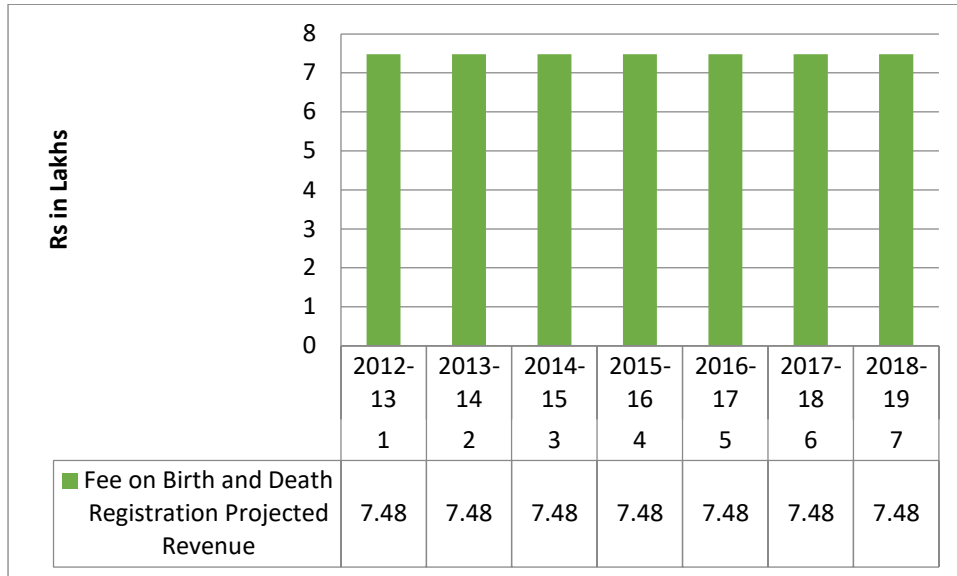
### **Fee on Birth and Death Registration:**

41. The receipts under this head depend upon the incidence of births and deaths that take place in the concerned Gram Panchayat area. As per the data collected from the Gram Panchayats, the receipts from birth and death registration during 2007-12 remained as under:

**Table 21 : Actual receipts from Birth and Death Registration**

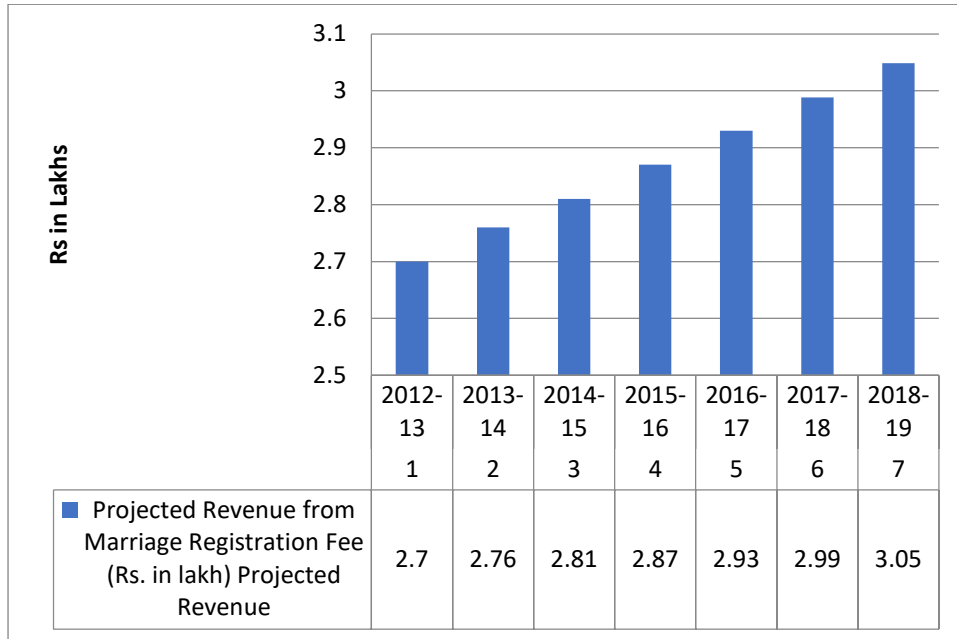
Sr. No	Year	Revenue Receipts
1.	2007-08	4.10
2.	2008-09	6.71
3.	2009-10	5.96
4.	2010-11	5.22
5.	2011-12	7.48
<b>Total</b>		<b>29.47</b>

42. The total receipt from birth and death registration for the period 2007-12 was Rs. 29.47 lakh. Due to the three pronged strategy of the State Government, providing intensive health care, improvement in literacy rates especially among the women and making family planning a people's movement, the rate of birth has been declining over time. Similarly, due to the better health facilities available in the State, life expectancy in the State has also increased. **Keeping these factors in view, the Commission decided to take the revenue of the year 2011-12 as base and assumed a constant level of Rs. 7.48 lakh per annum, as revenue from this item over the forecast period , this study has assumed the same parameters for the period beyond the award.**

**Table 22 : Fee on Birth and Death Registration****Marriage Registration Fee:**

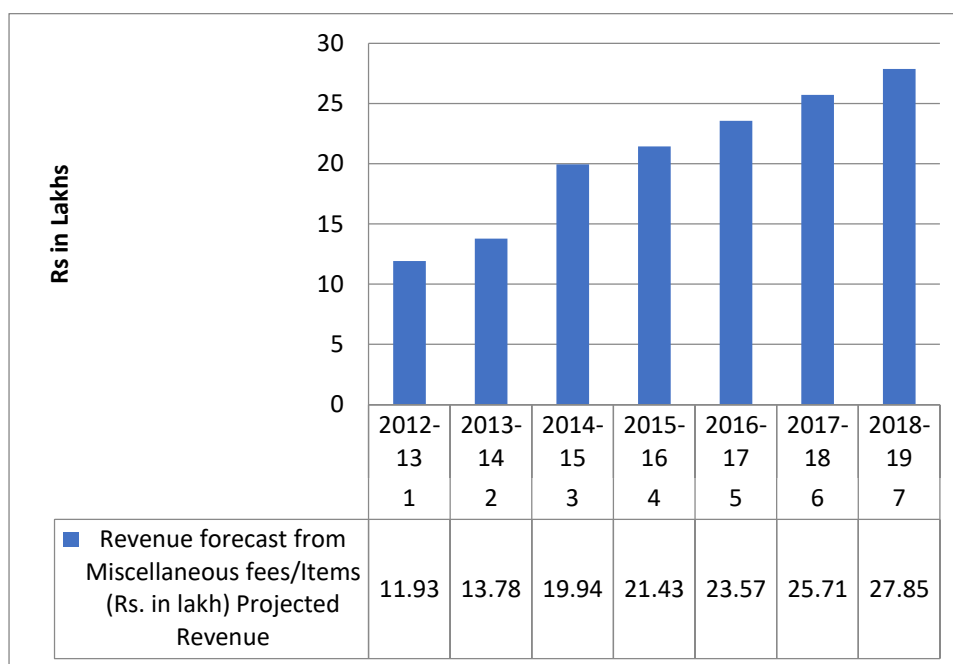
43. The income under this head comprises of Marriage Registration Fee and donations made to the Gram Panchayat at the time of solemnization of marriages in the village. As per the data collected from the Gram Panchayat, average annual receipt from marriage registration fee is Rs. 2.65 lakh. The revenue forecast made by the Gram Panchayat for the period 2012-17 showed an erratic trend.

44. As per the Himachal Pradesh marriage Registration rules 2004, the Marriage Registration has been made compulsory by the State Government. **Therefore, the Commission and this study assumed a growth of 2% per annum on the annual average receipt of Rs. 2.65 lakh for forecasting the revenue from this source for the award period and beyond .** The year-wise estimated revenue from this source is as under:

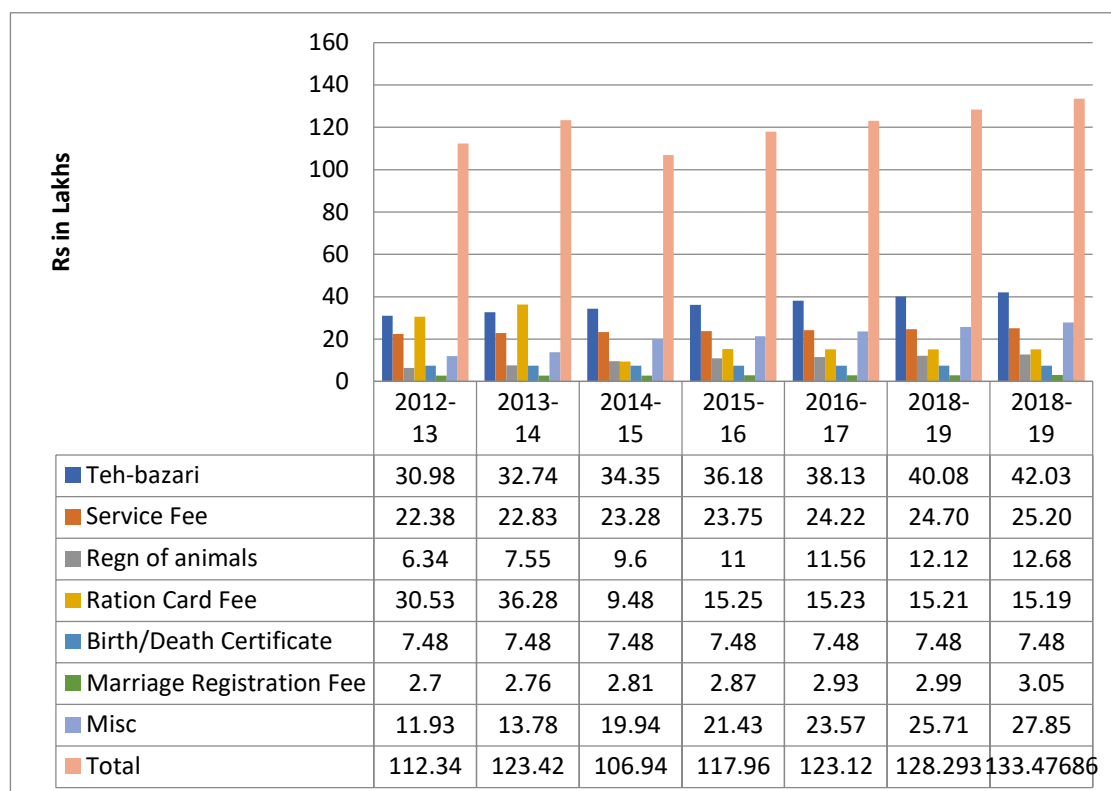
**Table 23 : Projected Revenue from Marriage Registration Fee****Income from Judicial Fee, Late Fee, Fines and Misc. Items:**

45. The income of Gram Panchayats from **judicial fee, late fee, fine and other miscellaneous items being small such as water rate, has been clubbed together for estimation purposes.** As per data received, the income of Gram Panchayats from these items for the years 2007-08 to 2011-12 works out to Rs. 61.70 lakh. **The projections made by the Gram Panchayats have been taken into account for estimating the receipts under these items for the award period and beyond . The year-wise revenue forecast is given in the following table:**



**Table 24 : Revenue forecast from Miscellaneous Fees/Items**

46. The revenue receipt of the Gram Panchayats from fees for the period 2012-19 works out as under:

**Table 25 : Projected Revenue Receipts from Fees for the Period 2012-19**

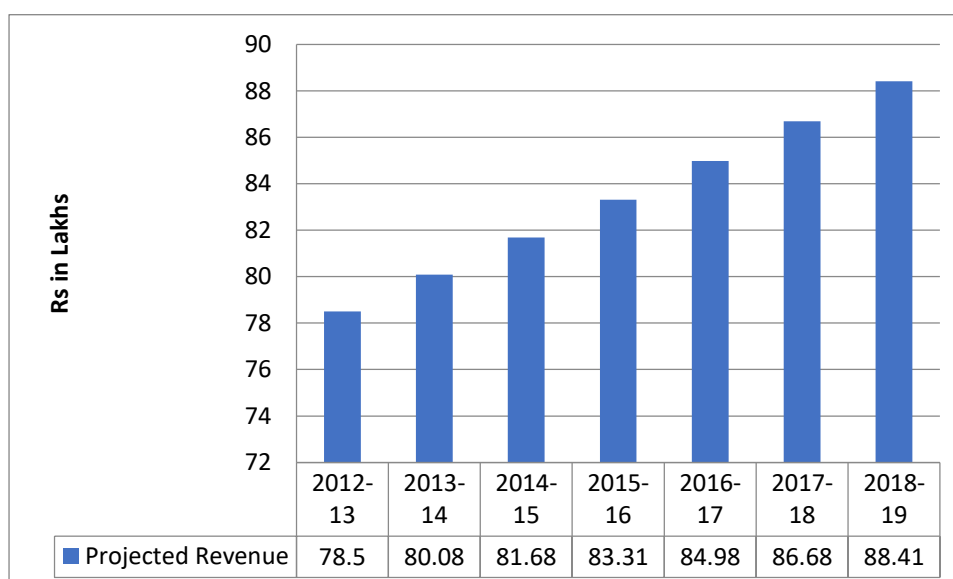
### **Non Tax Income:**

47. The income of Gram Panchayats under non tax classification covers items like interest earned on bank deposits, alms given by local residents on certain auspicious occasions, auction of old office papers and sale of grass etc. and other miscellaneous income. **It constitutes second largest component of own resources of Gram Panchayats. Details are as under:**

### **Rent:**

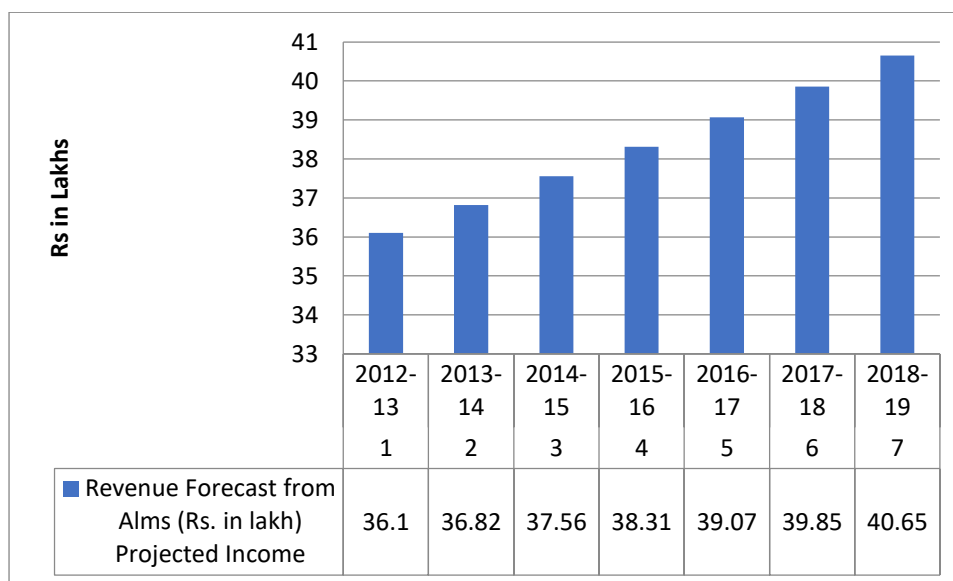
48. The rental income is **one of the major incomes of the Gram Panchayats which have property available for rental purposes.** The data collected from Gram Panchayats shows a total income of Rs. 229.98 lakh from rent over a period of five years i.e 2007-08 to 2011-12. **The Commission and this study decided to take income of Rs. 76.97 lakh reported by the Gram Panchayats for the year 2011-12 as base and assumed a growth of 2% per annum from this source for the period 2012-19.** The estimated details are given in the following table:

**Table 26 : Revenue Forecast from Rent**



**Alms:**

49. **There is a tradition of giving alms for some community work after the solemnization of some auspicious event in a family.** The receipt from this source has been reported by almost all the Gram Panchayats. As per the data collected, the average annual receipts from this source over five years i.e from 2007-12 works out to Rs. 35.39 lakh. **Since such events repeat at a fixed frequency, therefore, the Commission's and this decided to take average annual receipt of Rs. 35.39 lakh as base and assumed a growth of 2% per annum for the forecast period and beyond for the purpose of this study.** The projected revenue from this source is given in the table below:

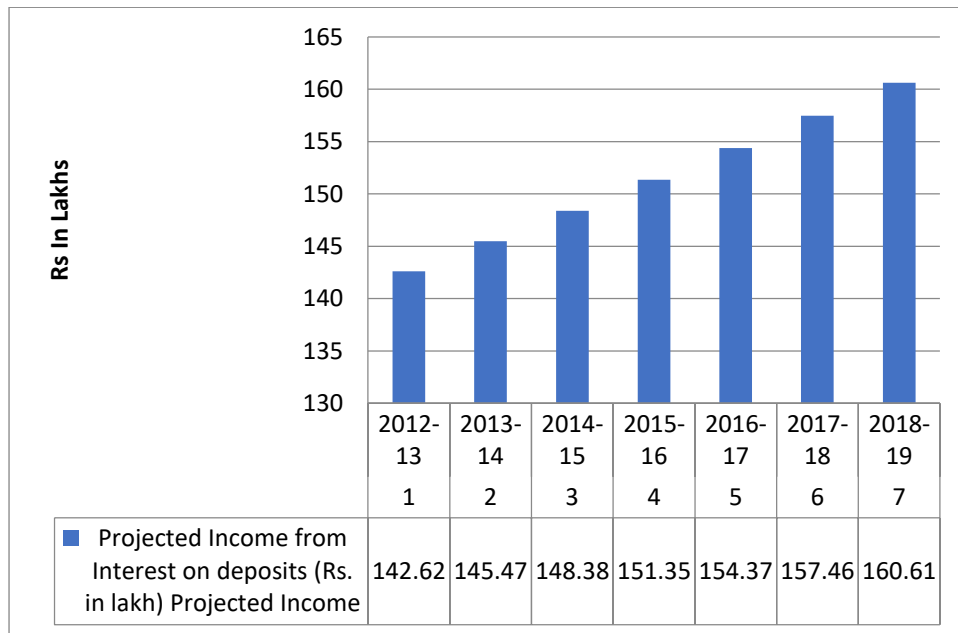
**Table 27 : Revenue Forecast from Alms****Interest Income:**

50. Interest income is generated by almost all the Gram Panchayats and is one of the major components of income under non tax revenue receipts. As per the data collected, the income from interest for the year 2011-12 was 139.82 lakh. **The Commission and this study decided to take this income as base for making**

projections for the forecast period and assumed a growth of 2% per annum for making forecast for the award period and beyond for the purpose of this study.

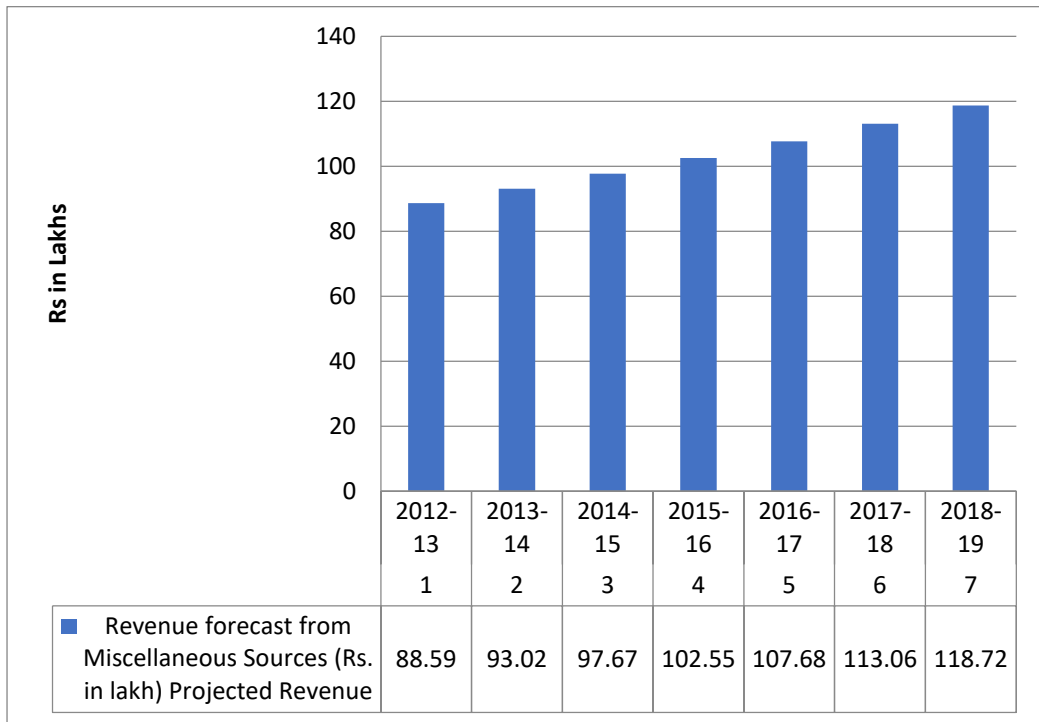
The revenue forecast made from this source for the period 2012-19 is given in the table below:

**Table 28 : Projected Income from Interest on Deposits**

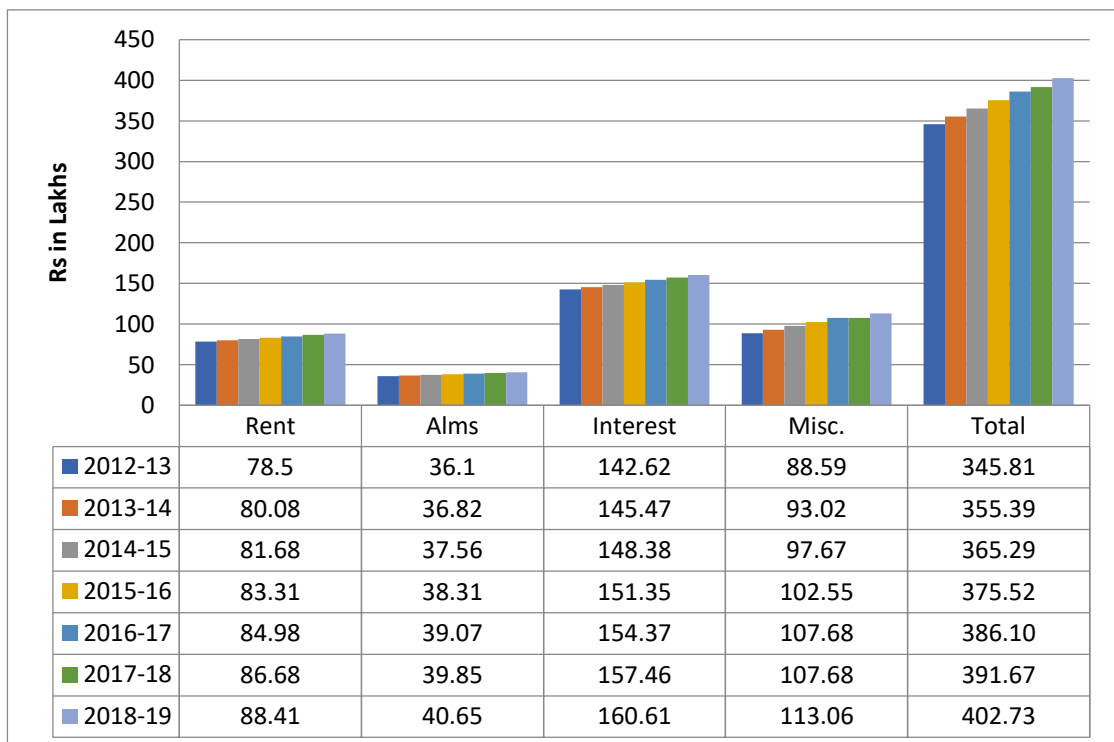


**Miscellaneous:**

51. This head includes income from **horticulture**, income from **auctions** and other miscellaneous income. As per the data collected, the average annual receipt from all these sources works out to Rs. 84.37 lakh for the period 2007-12. **The Commission and this study assumed a growth of 5% on the annual average receipt of Rs. 84.37 lakh and made the forecast for the period 2012-19, accordingly.** The estimated details are as under:

**Table 29 : Revenue Forecast from Miscellaneous Sources**

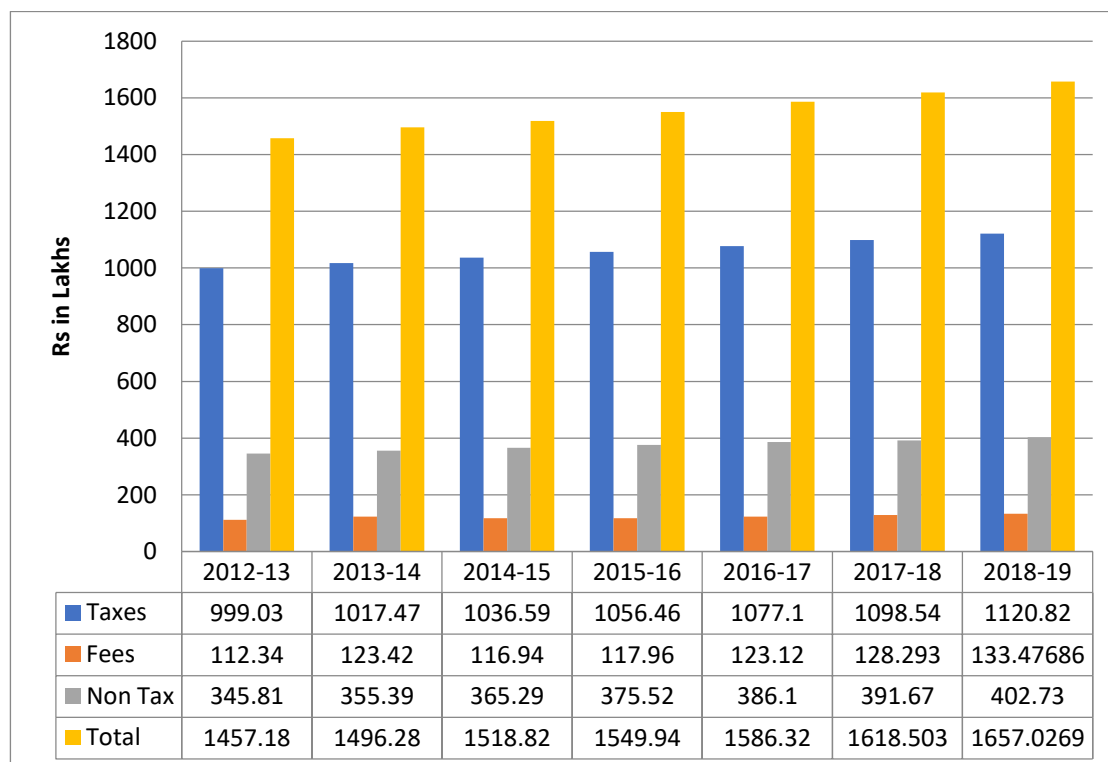
52. The estimated non tax revenue receipts of Gram Panchayats for the period 2012-19 are given in the table below:

**Table 30 : Projected Receipts from Non-Tax Revenue for the Period (2012-19)**

### **Total own Resources of Gram Panchayats:**

53. The own revenue receipt of the Gram Panchayats from tax, fees and non-tax revenue, as discussed above, is summed up in the following table :

**Table 31 : Own Resource Income of Gram Panchayats for the Period 2012-19**



### **Panchayat Samitis and Zila Parishads**

54. As stated earlier, the Panchayat Samitis and the Zila Parishads have not been empowered to levy taxes and fees, as per the provisions made under the Himachal Pradesh Panchayati Raj Act, 1994. However, **these two tiers of Panchayati Raj Institutions derive income from sources like rent on properties, income from interest, income from auctions and income from other miscellaneous items.** It, however, needs to be underlined that the revenue accrual from the given resources to these bodies is very small. **Therefore, the Commission decided to leave this income to the Panchayat Samitis for the preventive upkeep and maintenance of the physical assets owned by these bodies.** (HPSFC, 2014 (2012-2017))

55. Information was obtained from the 4<sup>th</sup> HPSFC in respect of Gram Panchayats pertaining to their receipts from different sources as also on estimated receipts for the period 2012-17 by imposition of new taxes and levies with the objective to study the additional resource mobilization efforts proposed at the Gram Panchayat level. **The analyzed status indicates that the average estimated annual income from the proposed new taxes ranges from Rs. 12000/- to Rs. 16,000/- per annum which shows that majority of the Gram Panchayats are reluctant to impose new taxes and fees in their area of jurisdiction.**

56. The Third State Finance Commission had also reviewed the efforts made by the Gram Panchayats towards resource mobilization and found that non-levy of statutory assigned taxes and fees by the Gram Panchayats left limited funds with them for discharging the statutory, delegated development and maintenance functions at the local level. It is also felt that there is a need to take initiatives by the Department of Panchayati Raj to provide awareness to the elected representatives of the Panchayati Raj Institutions on the provisions contained under Himachal Pradesh Panchayati Raj Act, 1994 for raising resources at their level. As per the status report received from the Department of Panchayati Raj, the initiatives on this account are yet to be taken by the Department. (Commission, 02 January 2013 (2015-20))

## **CHAPTER 5 : FORECASTING OF PROVISIONS AND FINANCING OF PRIs IN HIMACHAL PRADESH**

**D**ifferent tiers of the Panchayati Raj Institutions have to perform certain statutory and delegated developmental functions as contained in Schedule-I and Schedule-II of the Himachal Pradesh Panchayati Raj Act, 1994. The implementation of these functions is primarily carried out by the Gram Panchayats, which execute some of the listed functions. But the Gram Panchayats are neither financially equipped nor suitably staffed to deal with all the assigned functions. The institutions of Zila Parishads and Panchayat Samitis, normally have supervisory and coordinating roles to play.

2. To meet the financial liabilities for the execution of whatever functions are being performed, the Gram Panchayats utilize Panchayat fund and the grants devolved by the Union Finance Commissions and the State Finance Commissions for the performance of specific assignments. Some funds are also transferred to Gram Panchayats by different development departments for maintenance of assets pertaining to their departments. The State Government allocates certain funds at the disposal of Deputy Commissioners at the district level under decentralized planning for carrying out works of immediate need which are of unforeseen nature, the implementation of such minor works is carried out by the Gram Panchayats. The execution of works sanctioned by the District Rural Development Agency under various programmes is also undertaken by the Gram Panchayats, by and large (A case Study of the Finances of the Gram Panchayats in Himachal Pradesh).



3. Information was also sought from the Panchayati Raj department on releases made to the Panchayati Raj Institutions other than Finance Commission devolutions. As per the information received, no other funds were being released to the Panchayati Raj Institutions through the Department of Panchayati Raj. In view of this, it can be concluded that Department of Panchayati Raj had made no release other than the Finance Commission devolutions to Panchayati Raj Institutions.

4. The district-wise status of devolutions made by the Panchayati Raj Department to Gram Panchayats, Panchayat Samitis and Zila Parishads for the period 2007-2012 are given in the following table: (FFC, 2018)

**Table 32 : District-wise Status of Devolutions made by the Central and State Finance Commissions to the Panchayati Raj Institutions during 2007-2012 (Rs in lakh)**

Sr. No	Name of District	Gram Panchayats			Panchayat Samitis			Zila Parishads			Total Grants
1	Bilaspur	401.90	1136.87	1538.77	466.20	504.85	971.05	594.52	88.07	682.59	3192.41
2	Chamba	492.97	1523.65	2016.62	517.93	568.41	1086.34	675.84	109.50	785.34	3888.30
3	Hamirpur	505.36	1329.84	1835.20	524.04	599.55	1123.59	689.63	90.32	779.95	3738.74
4	Kangra	1686.58	2952.14	4638.72	1347.98	1108.39	2456.37	1186.76	151.72	1338.48	8433.57
5	Kinnaur	19.27	180.86	200.13	28.91	326.75	355.66	106.90	32.05	138.95	694.74
6	Kullu	469.44	1231.87	1701.30	495.80	520.73	1016.53	643.28	131.01	774.29	3492.12
7	Lauhal/Spiti	8.90	101.02	109.92	13.38	45.01	58.39	50.84	19.70	70.54	238.85
8	Mandi	1100.90	2319.46	3420.36	940.23	858.69	1798.92	1375.06	126.33	1501.39	6720.67
9	Shimla	781.18	2302.18	3083.36	681.08	715.99	1397.07	948.28	170.47	1118.75	5599.18
10	Sirmour	552.00	1774.65	2326.65	549.83	761.35	1311.18	726.17	123.44	849.61	4487.44
11	Solan	535.91	1190.85	1726.76	547.62	622.22	1169.84	728.58	94.35	822.93	3719.53
12	Una	532.59	1609.60	2142.19	547.98	503.67	1051.65	729.14	99.04	828.18	4022.02
<b>Grand Total</b>		<b>7087.00</b>	<b>17652.99</b>	<b>24739.99</b>	<b>6660.97</b>	<b>7135.61</b>	<b>13796.58</b>	<b>8455.00</b>	<b>1236.00</b>	<b>9691.00</b>	<b>48227.57</b>

5. The analysis of data given in the above table reveals that the Union Finance Commissions devolved funds to all the three tiers of Panchayati Raj Institutions. The award for the period 2007-08 to 2011-12 witnessed a visible hike given by the Union Finance Commissions as well as the State Finance Commission. The receipts for the

period 2007-12 indicate the **annual flow of Rs. 1.53 lakh per Gram Panchayat, Rs 35.84 lakh per Panchayat Samiti and Rs. 161.52 lakh per Zila Parishad.**

**Availability of Infrastructure and Maintenance of Assets by the Gram Panchayats:**

6. Data on infrastructural availability has been obtained from the Department of Economics & Statistics pertaining to district-wise availability of basic institutions of different concerned departments and is given in the following tables (Panchayati Raj Department, 2018) :

**Table 33 : District-wise Availability of Basic Institutions (Rural & Urban)**

Sr. No	Name of District	No Of Institutions								
		Primary Schools	Middle Schools	High/Sr. Secondary Schools	Total	Health Sub Centre	Dispensaries	Pry, Health Centers	Comm. Health Centers/RH	Total
1	Bilaspur	600	123	127	850	116	0	34	6	156
2	Chamba	1119	234	172	1525	176	0	42	7	225
3	Hamirpur	509	141	134	784	152	0	26	5	183
4	Kangra	1762	396	411	2569	438	0	80	14	532
5	Kinnaur	189	36	49	274	31	0	21	4	56
6	Kullu	753	128	109	990	99	0	17	5	121
7	Lauhaul/Spiti	209	35	35	279	35	0	16	3	54
8	Mandi	1746	356	331	2433	311	0	62	12	385
9	Shimla	1623	346	307	2276	260	1	86	7	354
10	Sirmour	991	193	164	1348	145	3	36	3	187
11	Solan	765	163	145	1073	179	5	33	5	222
12	Una	505	118	142	765	134	1	19	5	159
	Total	10771	2269	2126	15166	2076	10	472	76	2634

**Source: Department of Economics & Statistics, Himachal Pradesh, Shimla**

**Table 34 : District-wise Availability of Basic Institutions (Rural & Urban)**

Sr. No	Name of District	No of Institutions						
		Animal Husbandry				Ayurveda		
		Dispensaries	Hospitals/ CVD	Polyclinic & Other Institutions	Total	Dispensaries	Hospitals	Total
1	Bilaspur	98	22	4	124	67	2	69
2	Chamba	163	36	10	209	101	2	103
3	Hamirpur	119	19	5	143	69	4	73
4	Kangra	336	65	13	414	227	6	233
5	Kinnaur	39	21	4	64	27	1	28
6	Kullu	89	18	3	110	64	2	66
7	Lauhaul/Spiti	43	14	3	60	21	1	22
8	Mandi	267	41	10	318	163	2	165
9	Shimla	250	52	10	312	147	3	150
10	Sirmour	126	30	5	161	78	1	79
11	Solan	129	24	6	159	76	2	78
12	Una	104	19	6	129	69	3	72
	<b>Total</b>	<b>1763</b>	<b>361</b>	<b>79</b>	<b>2203</b>	<b>1109</b>	<b>29</b>	<b>1138</b>

**Source: Department of Economics & Statistics, Himachal Pradesh, Shimla**

7. The Himachal Pradesh Panchayati Raj Act, 1994 devolves functions of fifteen departments to the Panchayati Raj Institutions, therefore, it is necessary to assess and ascertain the award of Union Finance Commission for the maintenance of buildings. The Thirteenth finance Commission has not provided budget for the maintenance of non-residential buildings of Education, Health and Animal Husbandry departments. However, provisions have been made by the State Government in the annual budget for maintenance of non-residential buildings. Keeping in view the scarcity of resources at the Government level and its limitation to implement the Fiscal Responsibility and Budget Management Act, and the powers devolved by the departments to Gram Panchayats and as per Section 26 (1) of the Himachal Pradesh

Panchayati Raj Act, 1994, the 4<sup>th</sup> HPSFC recommended that for these social sector assets, appropriate provision be made under normal budget by assessing the maintenance needs of these institutions and providing maintenance grants on normative basis for each type of institution. To work out maintenance provision for the assets in the sectors of Education, Health and Animal Husbandry, the Commission decided to adopt the approach and methodology followed by the Third State Finance Commission and worked out the maintenance provisions, accordingly.

8. The institutions identified were in the sectors of Education, Health and Animal Husbandry which are required to be maintained by the Gram Panchayats. The number of these institutions was 17998 consisting of 10771 Primary Schools, 2269 Middle Schools, 2076 Health Sub Centers, 10 Allopathic dispensaries, 1109 Ayurvedic dispensaries and 1763 dispensaries of Animal Husbandry department. **The institution wise normative area for estimating devolutions for maintenance purpose was taken as 600, 800, 500, 500, 400 and 400 sq. feet, respectively. Going by these yardsticks, the total area for maintenance of these institutions comes to 10469600 sq. feet. Assuming a normative rate of Rs. 5 per sq. feet, the estimated preventive maintenance cost of these buildings comes to Rs 523.48 lakh, which consists of Rs. 323.13 lakh for Primary Schools, Rs. 9076 lakh for Middle Schools. Rs. 51.90 lakh for Health Sub Centers, Rs. 0.25 lakh for Allopathic Dispensaries, Rs. 22.18 lakh for Ayurvedic Dispensaries and Rs. 35.26 lakh for Animal Husbandry Dispensaries.**

9. As per the discussion held with the Panchayati Raj Department, it came to the knowledge of the Commission that only the Education Department had transferred the

assets pertaining to Primary Schools to the Gram Panchayat for maintenance purpose whereas no other department had transferred their assets to Gram Panchayats for maintenance. **Keeping in view the existing status of delegation under section 26 (1) of the Act, the 4<sup>th</sup> HPSFC decided to recommend Rs. 323.13 lakh to the Gram Panchayats for the year 2012-13, only for the maintenance of Primary Schools buildings and assumed 10% increase per annum to cater to the increased costs of raw materials for maintenance and increase in wages etc while making forecast for the remaining years of the award period (2012-17).**

10. The Commission was of the view that the maintenance of Middle Schools, Health Sub Centers, Allopathic dispensaries, Ayurvedic dispensaries and Animal Husbandry dispensaries be handed over to the Gram Panchayats to comply with the provisions under the Act. In so far as maintenance provision of the departments is concerned, the same may continue to be with the departments but its devolution to Gram Panchayat be made gradually for carrying out maintenance activities to enhance the stake of Gram Panchayat in the basic infrastructure meant for local level service delivery.

11 **To ensure targeted delivery of the budgetary provision for the assets, the Third State Finance Commission recommended making provision in the Demands for Grants of the Panchayati Raj Department by declaring Director Panchayati Raj as Head of the Department for proper utilization of the maintenance funds by the Panchayati Raj Institutions. But as per the feedback received from the Department of Panchayati Raj, no such transfers have been made to the Demands for Grants by the concerned departments. Therefore, the 4<sup>th</sup> HPSFC reiterated the recommendation made by the previous State Finance**

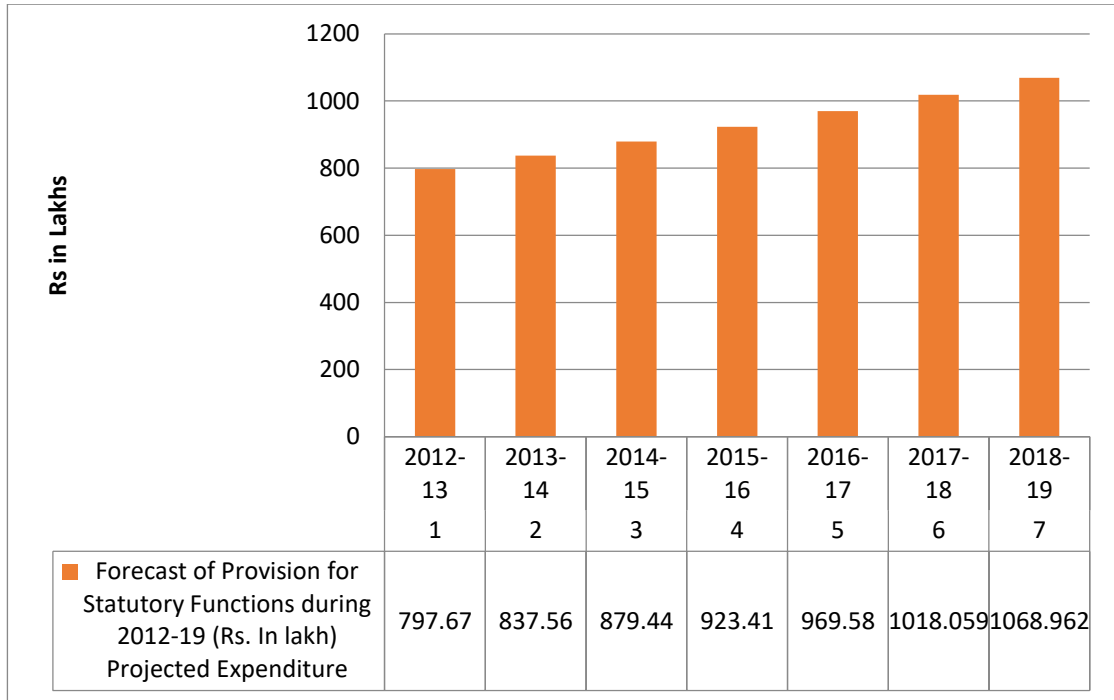
**Commission to ensure proper utilization of the maintenance funds through the Department of Panchayati Raj.**

**12. As already discussed, the Panchayati Raj Department has no inventory of assets owned by the Panchayati Raj Institutions. The same should be prepared and continuously updated so that the quantification of resources needed for the upkeep and maintenance of assets could be done by the State Finance Commissions in future.**

**Statutory Functions of the Gram Panchayats:**

13. It is mandatory on the part of Gram Panchayats to perform statutory functions which are their responsibility since the inception of the institution of Gram Panchayats. The 4<sup>th</sup> HPSFC collected data from the Gram Panchayats on expenditure incurred by these institutions for performing the statutory functions. The data supplied by the Gram Panchayats was found inconsistent and inflated due to wrong booking of expenditure of the heads under statutory functions. **Since the Gram Panchayats have very low resource base, therefore, the Commission and this study decided to take Rs. 759.69 lakh, the provision recommended by the Third State Finance Commission for the year 2011-12, as base and assumed a growth of 5% for each year of the award period.** The projected expenditure worked out by the Commission and this study for performing statutory assigned functions by the Gram Panchayats for the period 2012-13 to 2018-19 is given in the table below:

**Table 35 : Forecast of Provision for Statutory Functions during 2012-19**



14. The above table indicates amount recommended to be allotted to the Gram Panchayats for performing statutory functions over and above their own resources.

**Devolved Functions of the Gram Panchayats:**

15. With a view to strengthen democracy at the grass root level and as per the requirement of Article 243 of the Constitution of India to make the PRIs viable institutions of self-governance, the State Government has devolved powers, functions and responsibilities relating to 15 departments, namely Agriculture, Animal Husbandry, Ayurveda, Education, Food & Supplies, Forest, Health & Family Welfare, Horticulture, Industries, Irrigation & Public Health, Public Works, Revenue, Rural Development and Social & Women Welfare to the Panchayati Raj Institutions on 31<sup>st</sup> July, 1996 covering 26 subjects (except three subjects i.e (a) Rural Electrification including Distribution of Electricity (b) Non-Conventional Energy Sources and (c) Adult and Non-Formal Education) as mentioned in the 11<sup>th</sup> Schedule of the

Constitution. (Alok, Theme Paper , Role of Panchayat Bodies in Rural Development Since 1959, 2011)

**Incentive Fund for Resource Raising:**

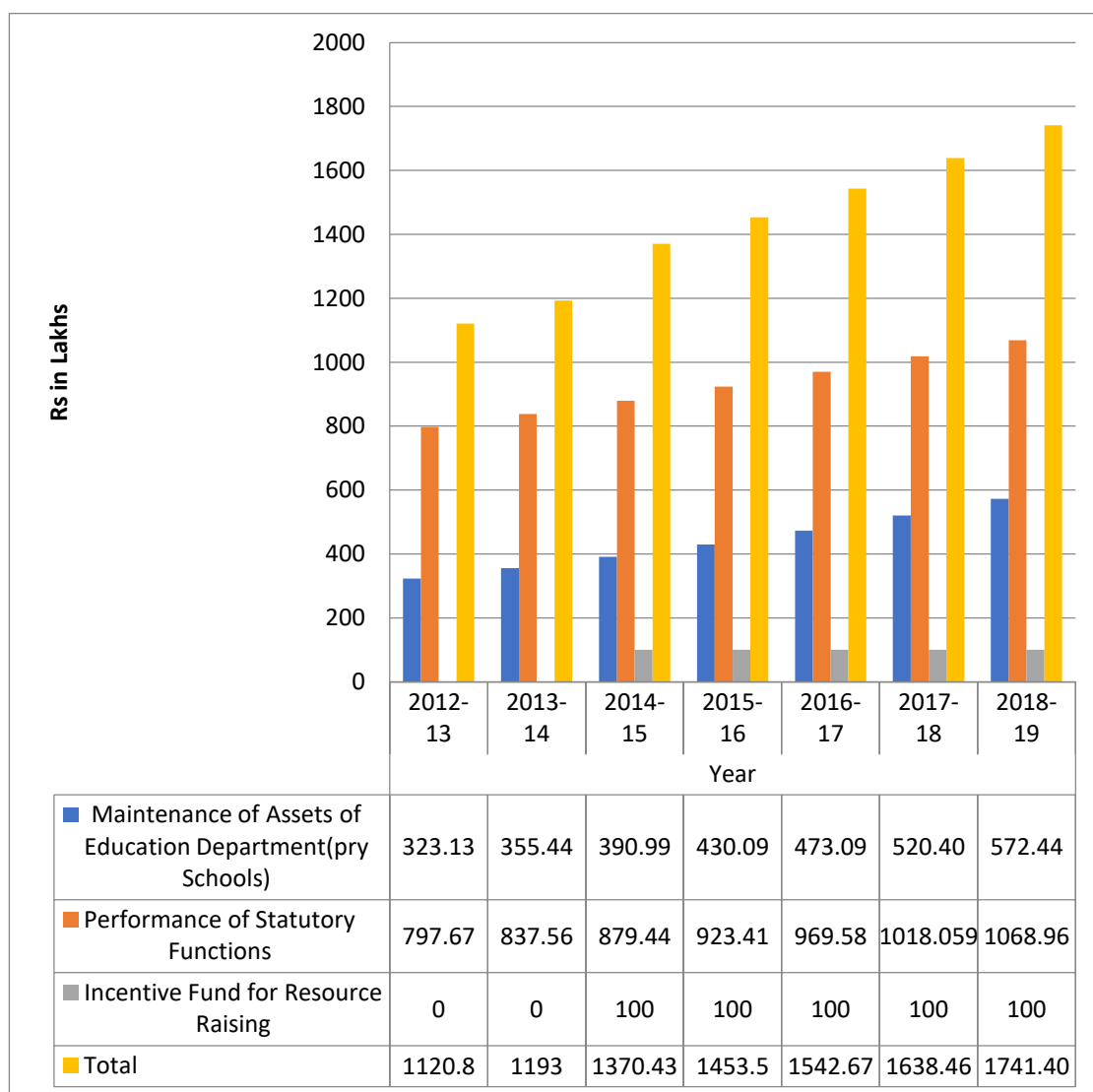
16. The Third State Finance Commission recommended Rs. 4.00 crore for the four years of the award period 2008-09 to 2011-12 as 'Incentive Fund for Resource Raising'. But as per the feedback received from the Department of Panchayati Raj, only two to three Gram Panchayats availed this incentive during the award period of the Third State Finance Commission and no such proposal was received from the Gram Panchayats during the year 2012-13 and 2013-14 (till December, 2013)

**Keeping in view the spirit of the scheme for resource mobilization, the 4<sup>th</sup> HPSFC decided to keep a provision Rs 1.00 crore per annum for a period of three years from 2014-15 to 2016-17. The liability on this account works out to Rs. 3.00 crore. The same amount per annum has been assumed by this study as 'Incentive Fund for Resource Raising' for the years 2017-18 and 2018-19.**

**Forecasting of Expenditure:**

17. As per the analysis given above, the forecasting expenditure for the period 2012-19 comes as under:



**Table 36 : Forecasting of Provisions for the Years 2012-19****Allocation – Panchayati Raj Schemes**

18. The Fourteenth Finance Commission recommended that grants should go to gram panchayats, which are directly responsible for the delivery of basic services, without any share for other levels. The Commission further observed that the State Governments are expected to take care of the needs of the other levels. The recommendations have been accepted by the Government of India in toto. However, so far as inter-se distribution of grants to GPs within a State is concerned, it will be

done on the basis of formula recommended by SFC. Where SFC formula is not available, the FFC formula of 90:10 will be adopted. (FFC, 2018)

19. The Ministry received requests from a few quarters to provide funds to the other two tiers of panchayats, in addition to the funds meant for GPs. Representatives of State Governments also expressed concern over non-recommendation of grants to Block & District panchayats. Ministry of Panchayati Raj wrote to the States inter-alia suggesting that – (i) SFCs wherever are functional, to bring the fact to the notice through a modified ToR so that they can take a judicious view on the allocation to be given to District Panchayats from State resources; (ii) Wherever the recommendations have been submitted and a final decision has not been taken, Department of Panchayati Raj and the Finance Department could work out a suitable solution and; In other cases, the possibility of giving special grants to them may be considered or at least certain schemes could be entrusted to the District Panchayats to make up for the reduction.

20. Funds made available by the FFC are an additionality and are only one of the sources of funds for panchayats. Block Panchayats & Zilla Parishads have access to the funds from other sources such as State Finance Commission awards, tax collection, State grants, etc. Funds are also made available under various Centrally Sponsored Schemes, State Schemes from time to time. States have also devolved funds of certain departments to the PRIs." (AG, 2015-16)

### **Pre Conditions for Funds Transfer to Panchayats**

21. The grants are recommended only to duly constituted gram panchayats in each State. As such gram panchayats constituted on the basis of elections is one basic condition. Transfer of funds by States to the gram panchayats within 15 days of their

credit in their accounts by the Union Government is another pre condition. In case of delay State Governments are required to release instalment with penal interest. To draw their entitled share of these grants, States have to comply with the following eligibility conditions: (V N Alok P. K., 2010)

(a) The Gram Panchayats will have to submit audited accounts that relate to year not earlier than two years preceding the year in which the Gram Panchayats seek to claim the performance grant.

(b) The Gram Panchayats will have to show an increase in their own revenues over the preceding year as reflected in the audited accounts.

22. In addition, certain stipulations regarding furnishing of UC for the previous instalments drawn, design of detailed procedure for disbursement of performance grants, certification from MoPR that the finalized scheme, conforms to FFC recommendations, maintenance of books of accounts as recommended by FFC, continuation of TG&S arrangement from C&AG and timely audit of accounts. Basic Grant & Performance Grant is to be utilized for the designated purpose as recommended by the FFC only." (Commission, 02 January 2013 (2015-20))

### **Finances of Panchayati Raj Institutions (PRIs) – Flow of funds**

23. The Money will go from the Ministry of Finance from the consolidated fund of India to the State Consolidated fund and within 15 days of receipt they will have to release it to the gram panchayats, preferably directly. Some give it through the District, but it has to reach the gram panchayat within 15 days failing which the State has to give interest to the Gram Panchayats. (AG, 2015-16)

24. MoPR has been given the following roles in the implementation of the FFC recommendations-

(a) Performance grant for rural local bodies will be released by the D/o Expenditure on certification from the MoPR that the Scheme framed by the States for disbursal of Performance Grants (including quantum of incentive and operational criteria) has been received from the States and it conforms to the recommendations of the FFC. Performance Grants for the subsequent years will be released on furnishing of the UC to the MoPR and certification from the MoPR to this effect.

(b) State Governments will develop state specific time bound action plans to address the issues highlighted by the FFC for which the States may work closely with the MoPR

(c) Further, a Committee has been constituted under the chairmanship of Secretary, Panchayati Raj for providing guidance and support to State Govts and rural local bodies on the implementation of recommendation of FFC XIV. The Committee will have the following broad terms of reference- (FFC, 2018)

(i) Suggest measures to facilitate that all the recommendations of the 14th Finance Commission relating to local bodies are operationalized.

(ii) Sort out operational issues which are brought to the notice of the committees by the State Governments

(iii) Facilitate inter-ministerial coordination at the Central level

- (iv) Monitor the progress of expenditure of the grants by the local bodies and suggest remedial measures, if needed.

25. The 14th Finance Commission recommended improvement in own source revenue generation as one of the two mandatory conditions for drawal of Performance Grants (applicable from 2016-17 onwards). (Commission, 02 January 2013 (2015-20))



**Figure 9 : Yuva Panchayat**

### **Financial Accountability**

26. "Article 243J provides for the legislature of a State to make provisions with respect to the maintenance of accounts by the Panchayats and the auditing of such accounts. The State Governments have made necessary provisions in the State Panchayati Raj Acts and Rules for proper maintenance of accounts and auditing of such accounts through the offices of Director (Local Audits) as well as through the office of Accountant General. The State Governments have prepared necessary budgeting, accounting and auditing manuals. While recommending devolution of funds to the rural local bodies, the Union Finance Commissions have also laid down certain conditions for financial accountability of the Panchayats.

### **Summary of FFC Report Recommendations Relating to Vertical Devolution**

27. **The FFC report created waves with its recommendation for hiking vertical devolution from 32 per cent to 42 per cent.** This unprecedented move drew immediate bouquets and brickbats but the Centre accepted it wholeheartedly, in pursuance of greater cooperative federalism. However, the increase was a practical reprieve to the states from the impending implementation of Goods and Services Tax (GST), apart from providing an interim relief of revenue compensation for the first 5 years.

28. **Additionally, the number of Centrally- Sponsored Schemes (CSSs) were scaled down to 27 from 66, as the greater devolution of tax pool was justified on the basis that states can put those extra funds to judicious use, with greater efficiency.** The Centre pointed out that CSS exist to ensure minimum standards across the country, and that the implementation of an entire national-level scheme could not be achieved by the Centre alone. Certain Constitutional commitments prevented its departure from all schemes, such as MNREGA or PMGSY, and for the other schemes, the financing was decided at a Centre-to-State ratio of 60:40. Therefore, the FFC recommendation to shift from grant disbursement to greater devolution of taxes shrinks the fiscal space that the Centre has, while placing expanded fiscal responsibility squarely on the States. The Committee report referred to the fact that states themselves had demanded this composite shift during the discussions leading up to the preparation of the report. It also pointed out that the Divisible Pool of Central Taxes does not include cesses and surcharges, and hence more devolution to the states ought to be acceptable.

29. **Another significant change that the Committee has adopted is in doing away with distinctions between Plan and Non- Plan Expenditures and to simply account for the states' revenue expenditure.** (Swaniti.com, 2019) To make up for

any shortfalls in 11 revenue deficit states, the FFC has also called for a “Post-Devolution Revenue Deficit Grants” for five years as part of Grants-in-Aid, accounting for the states’ revenue requirements and their mobilization capacities. The Grants-in-Aid are available to all states, in varying magnitudes, but the Post-Devolution Revenue Deficit Grants is available only to the 11 revenue deficit states.

### **Recommendations Relating to Horizontal Devolution**

30. **As regards its proposals for horizontal devolution, the Committee has adopted the criteria of classifying states according to the population of the 1971 Census, demographic shift, forest cover, areas and income , distance with exceptions in unique cases.** The State grants are channeled two-ways to Gram Panchayats and Municipalities, based on the urban-rural divide and divided into a basic and a performance grant. For Gram Panchayats, the ratio of basic to performance grant is 90:10 while for Municipalities, it is 80:10. This move is to simultaneously keep track of the state’s receipts while boosting state revenues. The Committee has additionally made a number of suggestions for improving States’ deficits.



**Figure 10 : Remote Village in Hamirpur Block**

31. **The FFC recommendations have far-reaching impacts such as the National Disaster Relief Fund, hitherto endowed through Central cesses, will have to be allotted an assured income source from elsewhere, as cesses would be subsumed under GST (which will also be a part of the pool of divisible funds).** According to the report, the NDRF could be deployed for needs identified by districts as well. This opens up the possibility that individual districts would be mandated to form disaster response funds from their own coffers.

32. **Apart from this, legislative attempts need to be made in order to amend the Fiscal Responsibility and Budget Management Act of 2003 or to bring about new laws.** The FRBM Act, promulgated to hold the Centre responsible for the spending the Consolidated Fund, will require major rewrites given the higher devolution of the funds. Therefore, similar laws enacted at the state-level will ensure that greater accountability will also be transferred to the states.

### **States' Performance Under the FFC**

33. The Economic Survey Report 2014-15 discusses the impact of the FFC recommendations on the States' revenue emoluments and objectively assesses the Central Assistance to State (CAS) transfers as progressive, promoting fiscal federalism. Though there might be transitional costs due to the reduction in the CAS, the FFC transfers will make up for it by reassigning larger amounts to states with larger CAS, thus yielding it a more efficient exercise, as the report shows quantitatively.

34. The RBI Statement of States' Expenditures illustrates data for each State's expenses under various fiscal heads, most importantly health and education, which fall under development expenditures of a state. An analysis of this expenditure as a



proportion of combined development and non-development related expenditures undertaken by a State provides a clear picture of how the State utilises its funds given the new tax sharing structure, in the context of increased burden on the States to fund previously CSS welfare programmes.

### **Gram Panchayats under the FFC**

**35. The recommendations of the Fourteenth Finance Commission fundamentally altered the perception of the political economy of revenue-sharing between the two tiers of governance. What is often viewed as a competitive relationship between two levels of power that are possibly governed by different political views and localised concerns was reorganised as a mutually respectful relationship.** (Commission, 02 January 2013 (2015-20)) However, as the Commission report notes, the transition period will witness some loss of revenue for States, while the Centre attempts to stay afloat with the increased expenditures.

**36. By conferring increased autonomy on local governance, the FFC recommendations contribute to the strengthening of the Panchayati Raj institutions.**

37. Further, it is noteworthy that there is a comprehensive shift in economic policies which describes a state of the nation, which will be a marker of our times- the FFC Recommendations along with the constitution of the NITI Aayog, the introduction of GST, the 7th Central Pay Commission, altogether signal a departure from a Planning era approach with a 60-year old history of arguably monotonous approaches to the development of the economy. Looking forward, we ought to contemplate altering legal frameworks to accommodate GST, institutionalising its compliance, as well as removing now obsolete legislation such as Fiscal Responsibility and Budget

Management Act of 2003. Additionally, new tax devolution regimes and such redefining of CSS pose relevant questions regarding minimum standards of development and the efficacy of the Central government in delivering them. While the government has to be held accountable as to how it spends public money, increased civilian consciousness in this regard also needs to be developed in tandem with introducing such sweeping changes. Greater transparency in government flows needs to be prioritised in light of the single- channel transfer of resources from the Centre to States. This was addressed by the Thirteenth Finance Commission Report, but overlooked in this one. Hopefully, the new devolution regime will lead to higher efficiency in the use of Central resources, and more local- specific initiatives may be adopted in order to maximise the benefits of increased State incomes.

**CHAPTER 6 : COMMITTED EXPENDITURE OF**  
**PANCHAYATI RAJ INSTITUTIONS IN HIMACHAL**  
**PRADESH**

**P**anchayati Raj Institutions have certain liability of committed expenditure to defray honorarium to elected representatives, remuneration to field level functionaries and office expenses for the day to day functioning of these institutions. The physical assets owned by the Panchayati Raj Institutions are increasing day by day due to continuous support given by the Central Finance Commissions as well as the State Finance Commissions. Therefore, the expenditure liability of Panchayati Raj Institutions has been broadly categorized as **(a) Revenue Expenditure and (b) Capital Expenditure**. The liability on account of both these components is being discussed in the following paragraphs: (HPSFC, 2014 (2012-2017))

**Revenue Expenditure**

2. To work out the financial implications on account of revenue expenditure, the 4<sup>th</sup> HPSFC decided to adopt a normative approach for the functionaries provided to the Panchayati Raj Institutions and calculated the remuneration as per the revised rates approved by the State Government. For the honorarium to the elected representatives, the calculations are based on the revised rates notified by the State Government vide Notification No. PCH-HA (3) 20/95- Facilities dated 29<sup>th</sup> May, 2012 and for working out the expenditure liability of the other staff attached to the Gram Panchayats, the

revised rates of remuneration has been considered. The tier-wise detailed working of such committed revenue expenditure is discussed in the following paragraphs:

### **Gram Panchayats**

3. For forecasting the committed revenue liability of the Gram Panchayats, the 4<sup>th</sup> HPSFC made assessment for different components, keeping in view the number of elected representatives of the Gram Panchayats and the other staff working at the Gram Panchayat level. The component wise committed liability of the Gram Panchayats and the projections made by the Commission for forecasting the revenue liabilities are discussed as under:

### **Honorarium to the Representatives of Gram Panchayats:**

4. To assess the level of committed expenditure on account of honorarium to elected representatives of Gram Panchayats, the study obtained the revised rates of honorarium notified by the State Government vide Notification No. PCH-HA(3)20/95-Facilities dated 29<sup>th</sup> May, 2012, to be effective from 1<sup>st</sup> April, 2012. The revised rates of honorarium are given in the following table:

**Table 37 : Rate of Honorarium to the Representatives of Gram Panchayats**

Sr. No.	Category	Number of Elected Representatives	Rate of Honorarium (Rs. Per month)	
			Pre-revised	Revised (*Latest)
1.	Pradhan	3243	1200	1800 (*4000)
2.	Up-Pradhan	3243	1000	1500 (*2500)
3.	Member	19413	150 (per meeting subject to maximum two meetings in a month).	175 (*240) (per meeting subject to maximum two meetings in a month)

5. The 4<sup>th</sup> HPSFC worked out the annual liability for the year **2012-13 and 2013-14 based on above rates and assumed a hike of 15% in the honorarium of the elected representatives of Gram Panchayats from the year 2014-15.** The total liability on this account for the period 2012-17 works out to Rs. 11442.59 lakh. The State Government also notified the rates of travelling allowance and dearness allowance to the elected representatives of the Panchayati Raj Institutions. The annual liability on this account for the Gram Panchayats works out to Rs. 194.58 lakh . The total liability on account of TA/DA for the forecast period in respect of Gram Panchayats would be Rs. 972.90 lakh. **On similar lines the total liability on this account for the period 2017-18 and 2018-19 has been estimated to be 2327.43 lakhs per year respectively.**

**Panchayat Chowkidar :**

6. One Panchayat Chowkidar has been appointed in each Gram Panchayat. As per the revised rates notified by the State Government vide Notification No. PCH-HB(15)2/99-111 dated 7<sup>th</sup> September, 2012, the **monthly remuneration of Panchayat Chowkidar was revised from Rs. 1200/- to Rs. 1800/-, (\* Latest 4150) of which Rs. 1650/- was to be provided by the State Government and Rs. 150/- by the concerned Gram Panchayats.** In addition, **livery allowance @ Rs. 1680/- per annum was also provided to the Chowkidar, of which Rs. 840/- is to be paid as grant in aid by the State Government and remaining 50% will be borne by the concerned Gram Panchayat.** The annual liability of providing honorarium and livery allowance to the Panchayat Chowkidar works out to **Rs. 669.35 lakh.** The Commission assumed a constant level of expenditure on this account for the award period 2012-17 and the same has been assumed by this study for the period 2017-2019.

**Tailoring Teacher:**

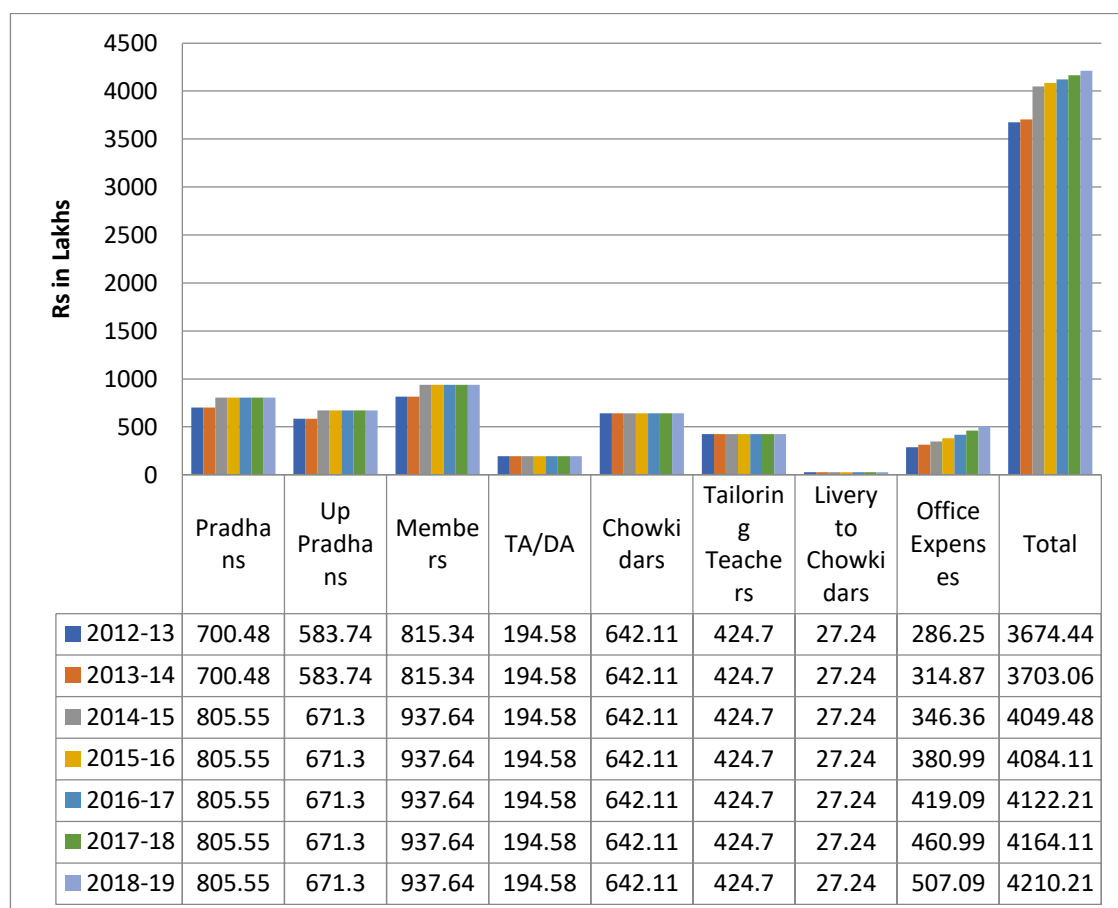
7. **Of the total 3243 Panchayats, Vocational Training Centers are functional in 2865 Gram Panchayats and 2212 tailoring teachers have been appointed for these vocational training centers.** The State Government has decided that no such training center will be opened in newly created Gram Panchayats and the existing training centers will be rotated in the parent and the new Panchayat Areas. As the training from this trade provides an opportunity of self-employment to the needy women to start economic activity at village level, at the same time attending their household activities, therefore, the Commission agreed for the continuation of this activity. The rate of remuneration of Tailoring Teachers was revised from Rs. 1400/- to Rs. 1600/- (\*Latest 6300) by the State Government vide Notification No. PCH-HB (10)3/04-TT-II dated 8<sup>th</sup> June, 2012, to be effective from 1<sup>st</sup> April, 2012. **The total annual liability on this account works out to Rs. 424.70 lakh.** The Commission and this study has assumed a constant level of remuneration for the years of the forecast period and beyond till 2018-19.

**Office Expenses:**

8. For the smooth conduct of day to day business of the Gram Panchayats, these institutions need a reasonable provisioning for meeting the office expenses. To work out the financial implications **on this account a provision of Rs. 286.25 lakh was kept for the year 2012-13.** Keeping in view, the inflationary trends, the 4<sup>th</sup> HPSFC assumed a growth of 10% per annum under this component over the forecast period and worked out the total liability of Rs. 1747.56 lakh for the award period. This study has assumed the same increasing trend for the remaining period of 2017-2019.

9. Based on expenditure forecast made on the above items in respect of the Gram Panchayats, the financial implications for the forecast period work out as follows:

**Table 38 : Forecast of Revenue Expenditure for Gram Panchayats for 2012-19**



### **Panchayat Samitis**

11. Panchayat Samiti is a middle level tier of the Panchayati Raj Institutions and there are 77 Panchayat Samitis in the State. The Panchayat Samitis have no staff of their own and the secretarial assistance is provided by the Executive Officer of the Panchayat Samitis, who also happen to be the Block Development Officers. Since, it has no staff of its own, the committed expenditure of the Panchayat Samitis mainly consists of (a) honorarium to Chairpersons, Vice Chairpersons and Members of the Panchayat Samitis, (b) Salary and Wages to functionaries placed at the disposal of the Panchayat Samiti such as Panchayat Sahayaks/ Panchayat Secretary and (c) office

expenses. The Panchayat Samiti has also been provided Junior Accountants as assisting functionaries, who though virtually function from the office of Block Development Officers, yet the financial liability on this account has been devolved to the Panchayat Samitis by the previous State Finance Commissions. The 4<sup>th</sup> HPSFC decided to continue with the same practice.

12. The component-wise committed revenue expenditure liability of the Panchayat Samitis is discussed in the following paragraphs:

**Honorarium to the Representatives of the Panchayat Samitis :**

13. The following revised rates of honorarium to the Chairperson, Vice Chairperson and Member as notified by the State Government vide Notification dated 29<sup>th</sup> May, 2012 were considered by 4<sup>th</sup> HPSFC to work out the liability on account of honorarium to the elected representatives of Panchayat Samitis:

**Table 39 : Rate of Honorarium to the Representatives of Panchayat Samitis**

Sr. No	Category	Number of Elected Representatives	Rate of Honorarium (Rs. Per month)	
			Pre-revised	Revised (*Latest)
1.	Chairperson	77	1800	2500 (*6500)
2.	Vice-Chairperson	77	1500	2000 (*4500)
3.	Member	1528	1200	1800 (*4000)

14. The annual liability on account of honorarium to the elected representatives of the Panchayat Samitis for the year 2012-13 and 2013-14 has been worked out based on above given revised rates and a **hike of 15% has been assumed in the honorarium for the elected representatives from the year 2014-15. The total**



**liability on this account for the entire forecast period would be of Rs. 2025.40 lakh. As discussed above, the Commission also decided to provide Rs. 7.59 lakh per annum to the Panchayat Samitis to meet their travelling expenses.**

**Expenditure on Functionaries:**

15. The State Government has decided to post either a Panchayat Secretary or a Panchayat Sahayak in each Gram Panchayat. As per the policy of the State Government, if there occurs a vacancy in the post of Panchayat Secretary, the same will be filled up by Panchayat Sahayak. At present 1258 posts of Panchayat Sahayaks exist in different Panchayat Samitis, working on contract basis on monthly remuneration of Rs. 5910/-. (HPSFC, 2014 (2012-2017)) A hike of 3% Annual Increment has been assumed for the salary expenditure of contractual staff and impact of next Pay Commission has also been taken into account while working out the liability for the year 2016-17 and beyond.

16. In addition to this, the salary expenditure of Panchayat Secretaries (re-designated form Panchayat Sahayaks) is also being charged to Panchayat Samitis. As per the existing policy of the State Government on regularization, after completion of six years of service, the Panchayat Sahayaks are being regularized and designated as Panchayat Secretaries. The Commission assumed a growth in the salary expenditure of Panchayat Secretaries working on regular basis at the rate 7.23%, 8.45% and 30% for the years 2014-15, 2015-16 and 2016-17 taking into account the impact of Annual Increment, Dearness Allowance and the likely impact of the next pay Commission during the year 2016-17. **Taking into consideration the regularization factor**

**during the award period, the expenditure liability of both these categories for the year 2012-13, 2013-14, 2014-15, 2015-16 and 2016-17 would be Rs. 2099.72 lakh, 2162.71 lakh, 5331.80 lakh and 5667.02 lakh and Rs. 7526.11 lakh, respectively.**

17. At present, five Kanishath Lekhpals (Junior Accountants) are also working on contract basis under the establishment of different Panchayat Samitis on monthly remunerations of Rs. 7810/-. The Commission assumed a hike of 3% Annual Increment for the salary expenditure of Kanishath Lekhpals. After regularization, the salary burden of Kanishath Lekhpals would be transferred to the account of concerned Zila Parishads. Keeping this in view, the liability of this category for the year 2016-17 has been assumed as nil. **Based on this methodology, the requirement of funds for the year 2012-13, 2013-14, 2014-15, 2015-16 works out to Rs. 4.68 lakh, Rs. 4.82 lakh, Rs. 1.93 lakh and Rs. 1.00 lakh respectively. The Commission has also made provision of Rs. 19.92 lakh per annum to meet out the TA/DA requirements of the staff working with the Panchayat Samitis.**

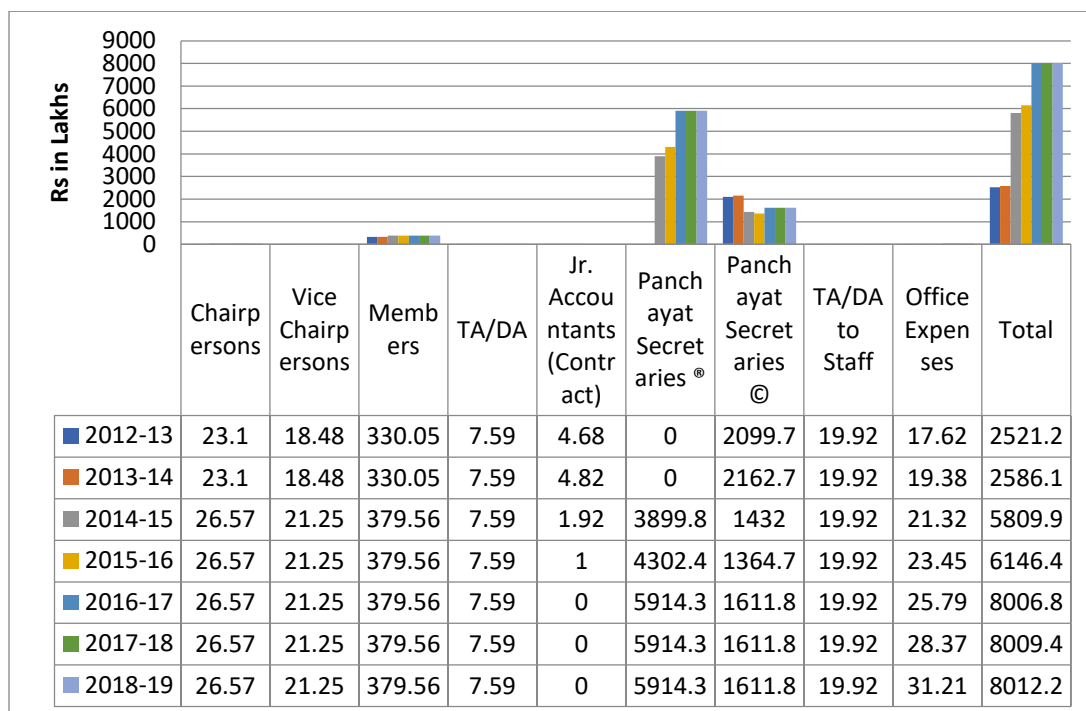
**Office Expenses:**

18. In so far as the provision of office expenses in respect of Panchayat Samitis are concerned, the 4<sup>th</sup> HPSFC decided to make a provision of Rs. 17.62 lakh for the year 2012-13. The Commission assumed a growth of 10% per annum, keeping in view the inflationary trends over the years and made the forecast for the award period, accordingly. The total expenditure liability on this account for the forecast period works out to Rs. 107.56 lakh.

**Note : Daily allowance is admissible to the office bearers of Panchayats on following rates as per the notification no. PCH-HA (3)20/95-III Dated 9<sup>th</sup> May 2017 (Panchayati Raj Department, 2018):-**

- (a) Chairperson and Vice-Chairperson of Zila Parishads. Actual Bus/Rail Fare and Daily Allowance@ 240/- Per day.**
- (b) Members of Zila Parishad and Chairperson and Vice Chairperson of Panchayat Samitis Actual Bus/Rail Fare and Daily Allowance@ 180/- Per day 3.**
- (c) Members of Panchayat Samitis, Pradhans and Up Pradhans of Gram Panchayats. Actual Bus/Rail Fare and Daily Allowance@ 150/- Per day.**
- (d) Members of Gram Panchayats Actual Bus/Rail Fare and Daily Allowance@ 90/- Per day.**

19. As per the details/pattern of expenditure discussed above, the aggregate financial implications on account of revenue expenditure for the forecast period and beyond upto 2018-19 is summed up in the table below:

**Table 40 : Forecast of Revenue Expenditure for Panchayat Samitis for 2012-19****Zila Parishad**

21. Panchayati Raj system has been in existence in Himachal Pradesh in a Statutory form since 1961. There used to be two tiers in the Panchayati Raj system in Himachal Pradesh – the Gram Panchayats and Panchayat Samitis. Pursuant to 73<sup>rd</sup> constitutional amendment and subsequent enactment of legislation in the State, a three tier Panchayati Raj system was established. The first election of Zila Parishads was held in December, 1995. Now this tier of Panchayati Raj system is well rooted and gained strength over the years.

22. There was no provision for the payment of honorarium to the elected representatives of the Zila Parishads up to 1996-97. As such no provision for the payment of honorarium was made in the report of First State Finance Commission. Over the years, like Gram Panchayats and Panchayat Samitis, the Zila Parishads has

acquired its own functionaries for the running its office. It also has three major components in the shape of committed revenue expenditure liabilities, namely (i) honorarium to Chairpersons, Vice Chairpersons and Members, (ii) expenditure on the functionaries and (iii) office expenditure.

**Honorarium to the Elected Representatives :**

23. The rates of honorarium to Chairpersons, Vice Chairpersons and Members have been revised by the State Government with effect from 1.4.2012 vide Notification dated 29<sup>th</sup> May, 2012 alongwith the representatives of the order with tiers of Panchayati Raj Institutions. The revised rates of honorarium are given in the following table: (HPSFC, 2014 (2012-2017))

**Table 41 : Rate of Honorarium to the Representatives of Zila Parishads**

Sr. No	Category	Number of Representatives	Rate of Honorarium (Rs. Per month)	
			Pre-revised	Revised (*Latest)
1.	Chairperson	12	3500	5000 (*11000)
2.	Vice-Chairperson	12	2500	3500 (*7500)
3.	Member	227	1500	2000 (*4500)

24. The Commission worked out the financial liability for the year 2012-13 and 2013-14 considering the revised rates of honorarium notified by the State Government vide notification dated 1.4.2012 and a hike of 15% has been assumed in the honorarium of the elected representatives from the year 2014-15. The total liability on this account for the entire forecast period would be Rs. 363.63 lakh. Keeping in view the demand raised by the representative of Zila Parishads before the Commission in the block level meetings, the Commission decided to provide Rs. 27,833 per annum per Zila Parishad to meet out expenditure liability on account of TA/DA. The annual

liability on this account works out to Rs. 3.34 lakh. The Commission assumed a constant level of expenditure under this component for the award period.

**Expenditure on the Functionaries:**

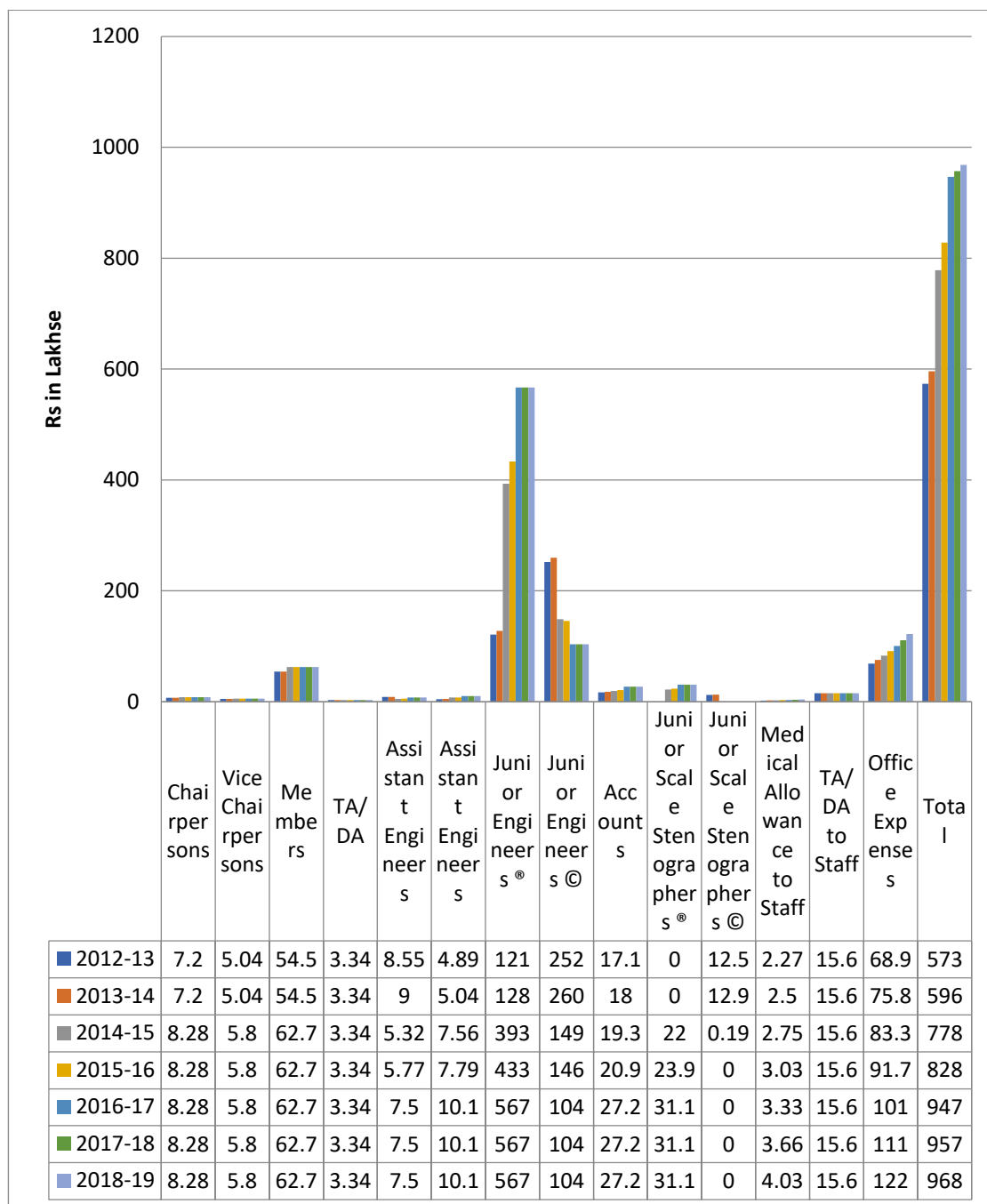
25. Unlike Panchayat Samitis, which obtain entire secretarial support from the Block Development Officer's office, the Zila Parishad has its own set up and independent office. To assist the Zila Parishads in its functioning and the other two tiers of Panchayati Raj Institutions, four Assistant Engineers (one regular and three on contract basis), 187 Junior Engineers (98 regular and 89 on contract basis), 10 Accountants and 12 Junior Scale Stenographers (2 regular and 10 on contract basis) have been engaged on the strength of Zila Parishads and are paid out from the devolutions recommended by the State Finance Commission to the Zila Parishads. A hike of 3% Annual Increment has been assumed for the salary expenditure of contractual staff and impact of next Pay Commission has also been taken into account while working out the expenditure liability for the year 2016-17. In case of regular staff, the Commission assumed a growth in the salary expenditure of this category at 6.50%, 7.23%, 8.45% and 30% for the year 2013-14, 2014-15, 2015-16 and 2016-17 taking into account the impact of Annual Increment, Dearness Allowance and the likely impact of the next Pay Commission during the year 2016-17. **Taking into consideration the regularization factor, the total expenditure liability of the staff engaged on the strength of Zila Parishad for the year 2012-13, 2013-14, 2014-15, 2015-16 and 2016-17 works out to Rs. 416.52 lakh, Rs. 432.31 lakh, Rs. 596.68 lakh, Rs. 637.59 lakh and Rs. 750.09 lakh respectively.** A provision of Rs. 15.60 lakh per annum has also been recommended by the Commission for meeting the

expenses on account of TA/DA to the staff engaged on the strength of Zila Parishads. **To meet out the medical expenditure of regular staff, the Commission recommended a provision of Rs. 2.27 lakh for the year 2012-13 and assumed a growth of 10% per annum for the remaining years of the award period.**

**Office Expenses:**

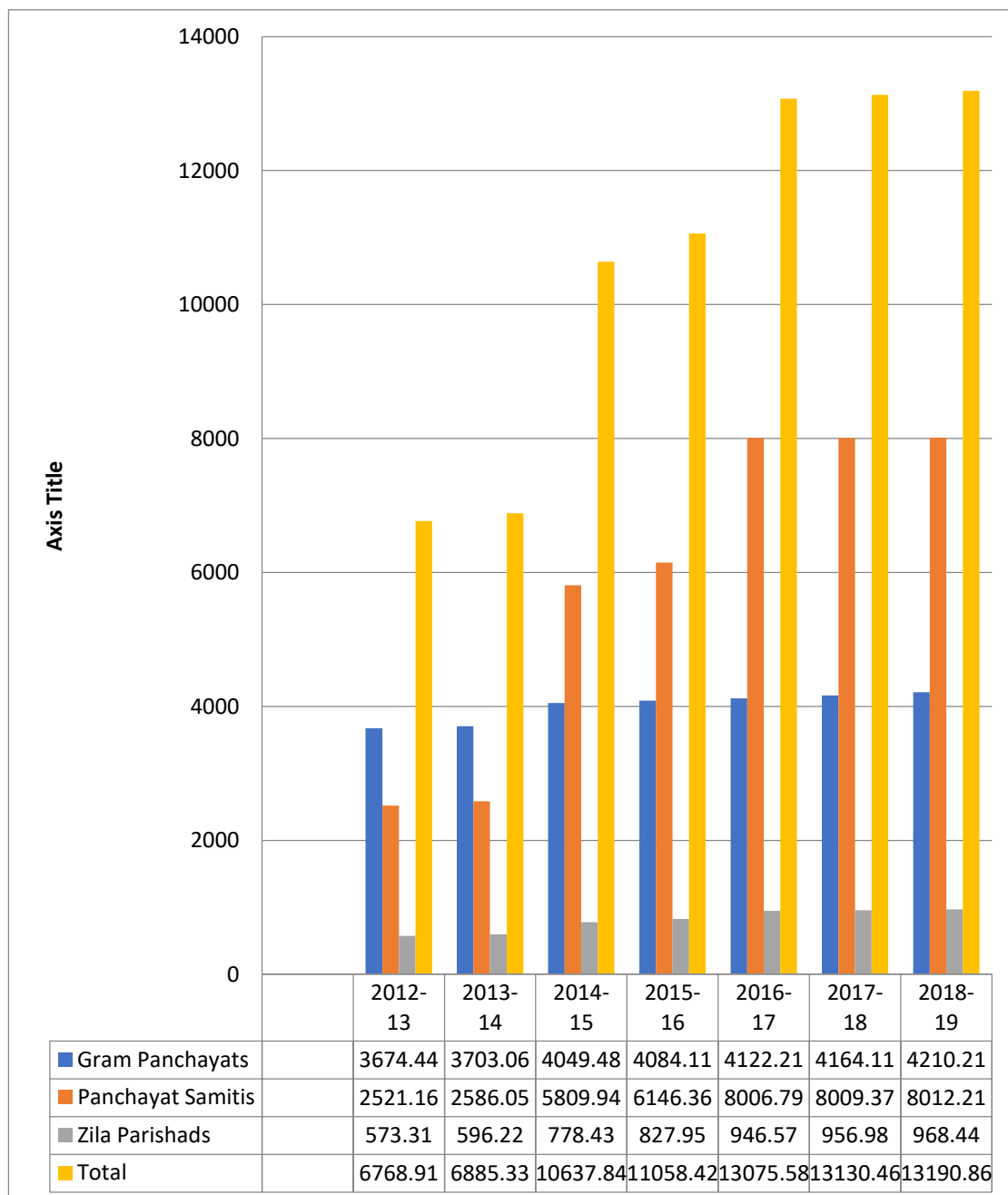
26. The Zila Parishads have their own set up and independent offices at the district level. Keeping in view the staff strength working with the Zila Parishads, **the Commission recommended Rs. 68.86 lakh for office expenses for the year 2012-13 and assumed a growth of 10% per annum over the remaining years of the award period.**

27 As per the details/pattern of expenditure discussed above, the aggregate revenue expenditure liability for Zila Parishads for the forecast period and beyond is given in the following table:-

**Table 42 : Forecast of Revenue Expenditure for Zila Parishads for 2012-19****Summary of the Revenue Expenditure for Panchayati Raj Institutions:**

28. As per the item wise details of the committed revenue expenditure worked for the three tiers of Panchayati Raj Institutions discussed above, the total committed revenue expenditure has been summed up in the following table:-

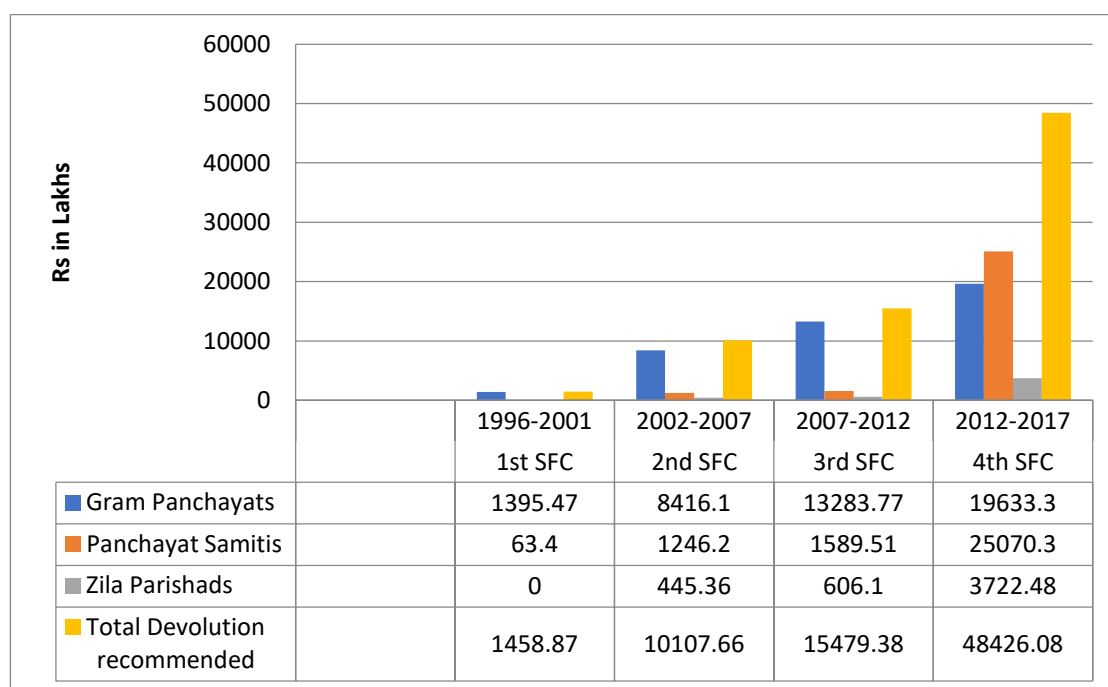


**Table 43 : Consolidated Position of Committed Revenue Expenditure****Comparative Position of Recommendations made by the Finance Commissions**

29. The Comparative position of the recommendations made by the first three State Finance Commissions on the committed expenditure the Panchayati Raj Institutions,

in the nature of honorarium to the elected representative, expenditure on functionaries working with the Panchayati Raj Institutions and variable expenditure on office expenses devolved by the State Finance Commissions vis-à-vis the revenue expenditure proposed by the Fourth State Finance Commission is given in the table below:

**Table 44 : Comparative Status of the Revenue Expenditure Recommended by the State Finance Commissions to the Panchayati Raj Institutions**



30. The above status reveals that the committed expenditure levels have seen a progression over time. There is about three times increase in the revenue expenditure liability worked out by the commission over the devolutions recommended by the Third State Finance Commission, which is mainly attributed to hike in the honorarium of the elected representatives of Panchayati Raj Institutions provided by the State Government as well as assumed by the Commission from the year 2014-15, increase in remuneration of the staff working at the Gram Panchayat level, increase in the liability on account of wages and salaries, TA/DA, medical allowance to the

functionaries and office expenditure for the day to day functioning of these institutions. The Commission has also taken into account the likely impact of next the Pay Commission on the salary and wages of the functionaries working with the Panchayati Raj Institutions during the year 2016-17.

### **Capital Expenditure**

31. The capital expenditure needs of the Panchayati Raj Institutions were addressed for the award period of first two State Finance Commissions in a limited manner. The provision made during the First State Finance Commission period was Rs. 300 lakh for the twelve Zila Parishad buildings at the rate of Rs. 25 lakh per district. During the award period of the Second State Finance Commission, a provision of Rs. 23 lakh was made for the infrastructural development of Gram Panchayats, leaving the onus and responsibility of the construction of Panchayat Ghars out of Centrally Sponsored Schemes/Central Finance Commission devolutions.

32. The Third State finance Commission provided Rs. 4434.60 lakh for capital expenditure. This included Rs. 1091.40 lakh for construction of 321 Panchayat Ghars, Rs. 2922.00 lakh for providing additional accommodation in 2922 old Gram Panchayats, Rs. 41.20 lakh as infrastructural grants to 206 Gram Panchayats, Rs. 150.00 lakh for refurbishment of Panchayat Samitis offices and Rs. 230.00 lakh for reconstruction of Panchayati Raj Training Institute, Baijnath.

33. Since, Panchayati Raj Institutions in the State are now well rooted , their needs in the form of physical infrastructure are also significant. The growing role of

Panchayati Raj Institutions and their strengthening by way of functionaries and equipment's has led to the demand for a well maintained accommodation with these institutions. The infrastructural needs of these institutions are discussed in the following paragraphs:

**Gram Panchayats:**

**Repair, Renovation and Maintenance of Gram Panchayat Buildings:**

34. The Department of Panchayati Raj in its memorandum submitted to the 4<sup>th</sup> HPSFC made a request to provide Rs. 111.29 crore for reconstruction of 1100 Panchayat buildings which are in dilapidated condition and for up-gradation and maintenance of 1143 Gram Panchayat buildings. Later during the course of discussions with the Commission, the Department of Panchayati Raj brought to the knowledge of the Commission that the State is getting funds under the Centrally Sponsored Scheme. **“Rajiv Gandhi Panchayat Sashaktikaran Yojna” which is being implemented on 75:25 sharing basis. The State Government has to provide 25% share under this scheme. The construction and maintenance of Gram Panchayat Buildings is one of the components of this scheme.**

35. Besides, the State Government in its memorandum submitted to the Fourteenth Central Finance Commission had also made a request to provide Rs. 19.13 crore as special purpose grant for repair, renovation and maintenance of buildings of Panchayati Raj Institutions. **The 4<sup>th</sup> HPSFC was of the view that the Panchayati Raj Institutions are receiving or will get adequate funds during the award period**

**from the discussed sources for repair, renovation and maintenance of buildings; therefore, no funds have been recommended for this component.**

**Annual Maintenance Contract / Up-gradation of Computer Hardware and Other Equipment's:**

36. The Department of Panchayati Raj in its memorandum submitted to the Commission stated that presently all the Gram Panchayats and other two tiers of Panchayati Raj Institutions were well equipped with technology under the e-Panchayat Programme but required funds for Annual Maintenance Contract and up-gradation of computer hardware installed in the first phase, as these are either non-functional or configuration of these need to be upgraded. This demand was also placed before the Commission by the representatives of Panchayati Raj Institutions in the block level meetings organized by the Commission with the elected representatives.



**Figure 11 : Panchayat Ghar**

37. **During discussions with the Finance Department, it came to the knowledge of the Commission that the State Government had submitted a proposal to the Fourteenth Finance Commission to provide Rs. 23.31 crore for replacement and up-gradation of the existing system including provision for Annual Maintenance Contract and providing funds for broadband connectivity in Panchayati Raj Institutions.**

38. **In view of above, no funds were recommended by 4<sup>th</sup> HPSFC for Annual Maintenance Contract/up-gradation of computer hardware and other equipment's during the award period and left the matter to the next State Finance Commission to take a view on this requirement on the basis of recommendations made by Fourteenth Finance Commission. (Commission, 02 January 2013 (2015-20))**

**Panchayat Samitis.**

39. The Panchayat Samitis are old institutions which over the years of constant use of buildings and furniture qualify for refurbishing by way of replacement/acquisition of furniture and special repairs to the existing Panchayat Samiti buildings. Keeping this in view, the Third State Finance Commission provided Rs. 1.50 crore for the year 2008-09, at the rate of 2.00 lakh per Panchayat Samiti, for replacement and purchase of furniture and repair of existing buildings.

42. During interaction with 4<sup>th</sup> HPSFC, the representative of Panchayat Samitis placed before the Commission that repair and maintenance of Panchayat Samiti buildings is a continuous process and repair of buildings once in five years becomes significant. **The Commission considered this demand as reasonable and decided to provide Rs. 1.50 crore, at the rate of Rs. 1.95 lakh per Panchayat Samiti, for repair and maintenance of Panchayat Samiti buildings. The amount of Rs. 1.50 crore was proposed to be made available to these institutions in the year 2014-15.**

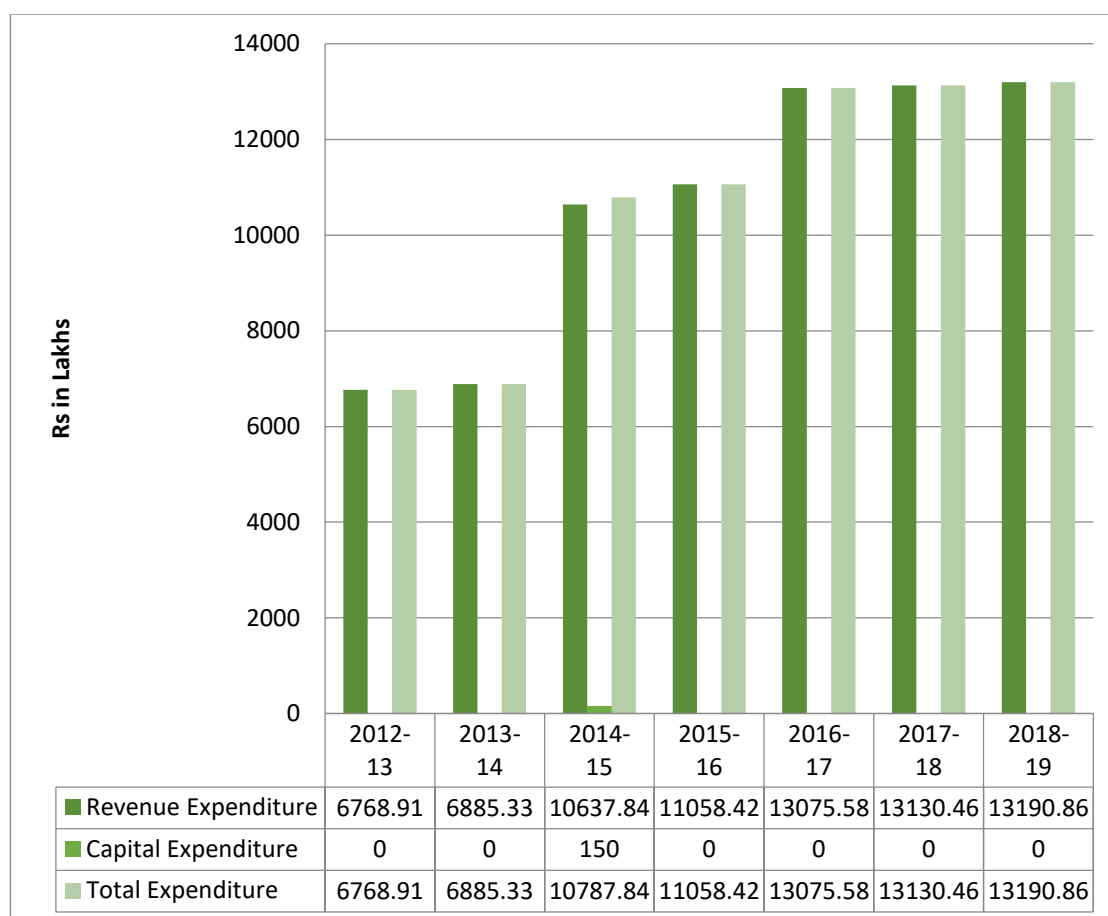
**Zila Parishads:**

41. The Zila Parishads have already been provided their own accommodation during 1<sup>st</sup> State Finance Commission period. The average annual non-tax revenue receipt per Zila Parishad is about 3.00 lakh. The non-tax revenue of Zila Parishads was not taken into account in the aggregate receipts of Panchayati Raj Institutions by 4<sup>th</sup> HPSFC. **The Commission took the view that this revenue be left to be utilized by the Zila Parishads, for preventive upkeep and maintenance of the Zila Parishads Bhavans and other assets created by these institutions at their level. Therefore, no additional funds have been recommended for undertaking capital works by the Zila Parishads.**

**Summary of Revenue and Capital Expenditure for the Forecast Period and Beyond : 2012-19**

42. The liability of the Panchayati Raj Institutions on account of revenue and capital requirements for the period 2012-19 has been summarized in the following table:

**Table 45 : Summary of Revenue and Capital Expenditure for the Forecast Period  
2012-19**



**43. In this Chapter the Central and State financing of the PRIs and their expenditure / liabilities in terms of Revenue and Capital commitments have been discussed in detail to arrive at a realistic requirement of funds for efficient functioning of all three tiers of rural self government in the state of Himachal Pradesh .**



## **CHAPTER 7: FIELD SURVEY AND GAPS**

### **Field Survey**

**A** Financial Devolution Impact Evaluation survey was carried out in the State of Himachal Pradesh in two Gram Panchayat Areas with the help of two sets of questionnaires separately for the Panchayat and Citizens of the GP Area, the said questionnaires are enclosed in the report as Annexure 1 and 2 respectively. The outcome of these questionnaires have been compiled and enumerated in the succeeding paras.

### **Part I : Key Informant Interview Questionnaire**

2. Summary of the Key Informant Questionnaire obtained from the Sarpanch / Panchayat Secretary in respect of Deothi Gram Panchayat (which includes 19 revenue villages of Deothi, Ruvala, Bashad, Bhium Mathan, Chawal, Shand, Matando, Khadayana, Raipur, Kothi, Rano, Panchola, Nehlogikha Khalota, Tarashli Lohara, Trashli Brawna, Dedu, Shatal) in 07 wards in Solan Block/District having a population of 2660 and the Sarpanch of Ukhali GP having 7 Wards and 8 Revenue Villages with a total population of 2494, in Bhorang Block, District Hamirpur.

**Table 46: Key Informant Questionnaire**

<b>Information/Issues</b>	<b>Deothi</b>	<b>Ukhali</b>
Wards	7	7
Block	Solan	Bhoranj
Distt	Solan	Hamirpur
Villages	19	8
Population	2660	2494
Male	1323	1265
Female	1327	1229
Gen	1655	1246
SC	1004	791
ST	1	149

Elected Reprs(F)	9(5)	13(6)
SC	4	3
ST	0	1
Staff	10	6
SFC Grants 2015-19	200000	4248786
FFC Grants 2015-19	4784469	3612341
Expdr 2015-19	3291973	6700000
Own Sources 2018-19	580400	283652
SFC Grants 2018-19	0	990953
FFC Grants 2018-19	1692496	1109398
MGNREGS 2018-19	0	2260312
Central Govt Schemes	0	25000
State Govt Schemes	0	967304
Others (Specify)	0	0
Adequacy Of Funds	No	Yes
Size Of GPDP	11640000	5820000
GPDP Approved By GS	Yes	Yes
Participation Line Depts In GPDP	9	5
No Of GS In 2018-19	5	5
Minutes Of GS	Yes	Yes
GPDP GS Attendance	171	158
Important Demands Met	No	Yes
Why	Lack Of Funds	
Activities Demanded In GS 2018-19	68	79
Suggestions	More Freedom To GP to Impose and Collect Revenue	More Infra Be Created In GP Area to Generate Revenue
GP Plan Implementation		
Women And Child Welfare	Nil	Nil
Education	Nil	50000
<b>Public Health &amp; Sanitation</b>	650000	500000
Road And Infra	720000	3940690
Drinking Water	420000	1773394
Agriculture And Allied Sector	920000	1054053
Support for Proj Prep / Vetting	Block Panchayat	-
GPDP Completion 2018-19	Yes	Yes

GP Autonomy In Devp	Yes	Yes
GP Fund Withdrawal From Bank	RTGS/Cheque	After Resolution in GP
GPDP Plan Available In Panchayat Office	Yes	Yes
Revisions In GPDP 2018-19	No	No
Perspective Plan GP	No	No
Data Compilation	Electronic	Both Electronically and Manually
Internet Connection	Yes	Yes
Internet Service	Good	Good
Use Of PES Applications	Yes	Yes
Skilled Person For Data Mgt	No	No
Awards	No	Nirmal Gram Panchayat Puruskar In 2015-16
Pub Info Board In GP Area	Yes	Yes

### **Part II : Citizen Survey**

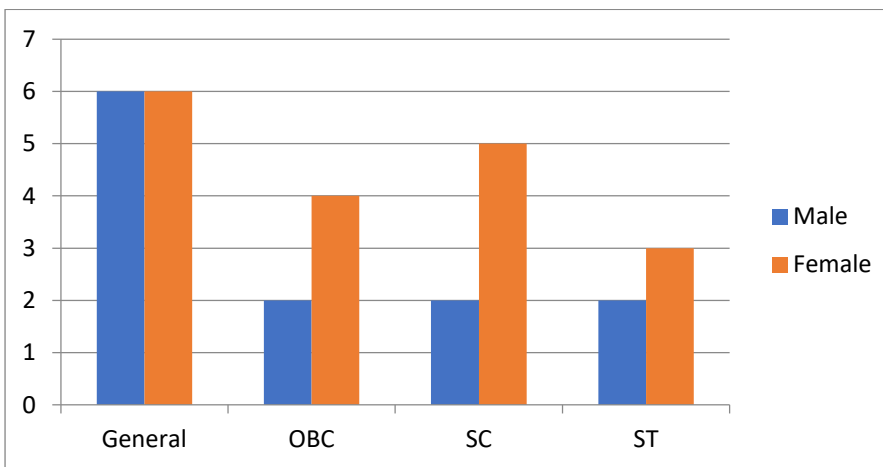
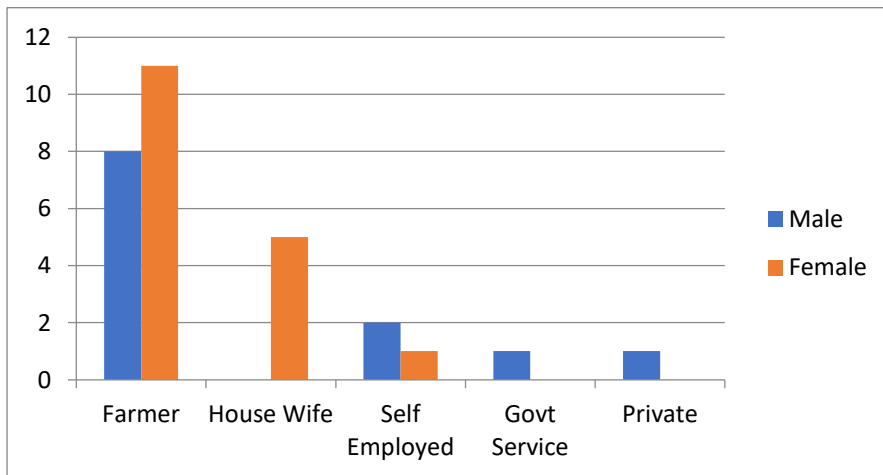
3. The Summary of responses from a Citizen Questionnaire responded to by 30 citizens each from GP Ukhali (villages , Saned , Ukhali , Chaliara , Bhagot ,Garauta, Phaphan, Tikker , Jharal) in Block Bhoranj , District Hamirpur having 636 households and GP Treshvi in Block/District Solan having 616 Households.

**Hamirpur Citizen**



**Figure 12 : Map of Hamirpur District**

**Table 47: Profile of the GP : Hamirpur**



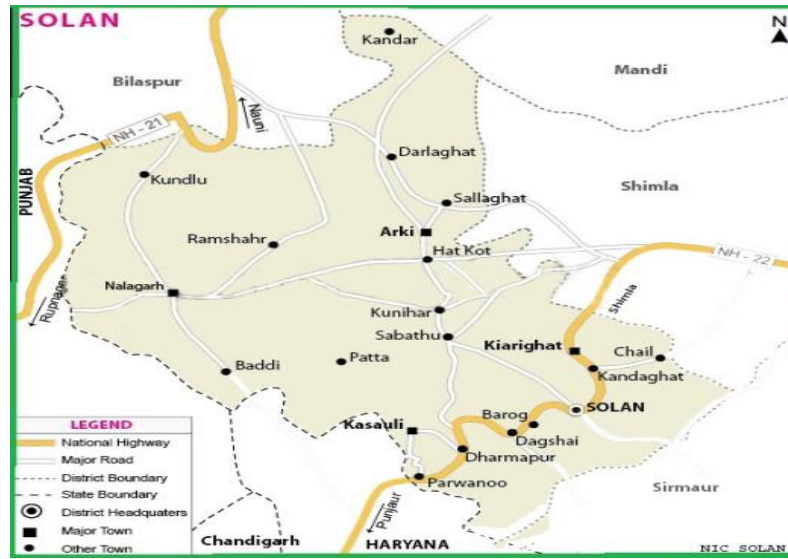
**Table 48 : Citizen Response Summary : Hamirpur**

Question		Responses												
1	What are the basic developmental challenges in your GP area	Water Supply, Harvesting and Purification	Garbage Disposal	Drainage	Connectivity	Health	Solid and Liquid waste management	Electrification	Stray animals	Monkey sterilisation	Individual Soak pits	Sanitation		
2	Whether Gram Panchayat has been able to effectively discharge their responsibilities and utilise the funds available with them to address these critical developmental challenges? Y/N											Yes		
3	Whether the current developmental challenges were discussed in the Gram Sabha and reflected in the GPDP Plan ? Y/N											Yes		
4	Have you raised any demand before the Panchayat relating to provision of any works/Services? Please State	Electrification	Formation of SHG	Construction of Mahila Mandal	Provide online System in Grama Panchayat	Individual Soak pits	Benefits of AWAS Yojana	Construction of Pucca path	Waste water management System	Connectivity	Monkey Sterilisation	Individual and community toilets	Individual Vermin compost pits	Land protection

5	What are the different works undertaken by the panchayth during this year				Swachh Bharat Mission	Water harvesting	Electrification	Link Roads	Maintenance of ODF Status
6	Has there been any perceptible changes in the development facilities available in the village in the last five years ? State	14 th FC direct funding for GP	Online facilities in GP	Electrification	Connectivity	Individual and community toilets in all villages	Land Development	Sanitation	Individual Soak pits
7	Whether GP informs people regularly on various works undertaken by them? If YES/,How?			Yes, Gram Panchyat informs every villager on various works/schemes undertaken by panchayat . On panchayat notice board and by concerned ward member in Grama sabha meeting and in Panchayat Meetings					
8	Do you think that the concerns of SC/ST/Women (vulnerable sections) in the village are being adequately addressed as the regards the works being undertaken?								Yes
	Whether the SHG members participate actively in the Gram Sabha ?								Yes
10	Select areas from where you think the major development took place in your GP area in the last three years		Construction of Village /GP Roads /Footpaths (Yes)	Village/ GP Street lighting (Yes)	Sanitation (Yes)	<b>Water Supply (No)</b>	Drains & Sewages (Yes)	Solid Waste Management (Yes)	

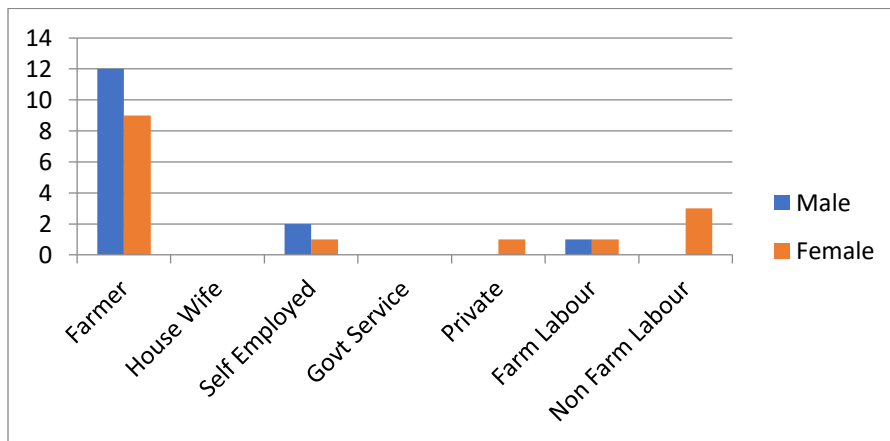
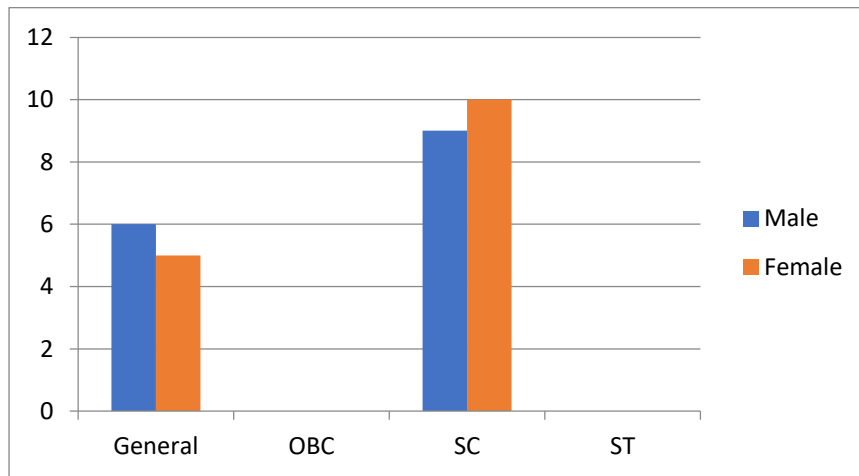
1 1	Any Other Remarks/Suggestion	All Faciliti es given by GP online	Maintai n ODF status	Land Develop ment	Formati on of SHG	Const of water harvest ing structu re	GP should be financall y more empowe red.	Rural connec tivity in village s	Rural electrifi cation
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**Solan Citizen Survey**



**Figure 13 : Map of Solan**

**Table 49 : Profile of the GP : Solan**





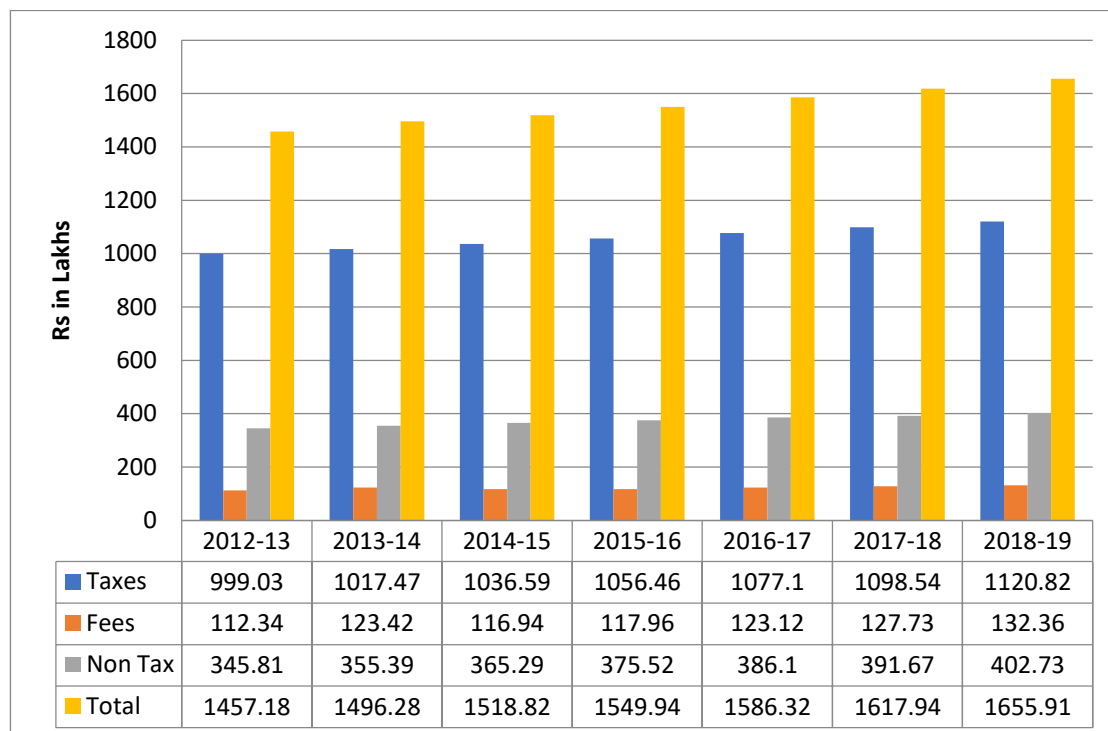
**Table 50 : Citizen Response Summary : Hamirpur**

Questions		Response						
1	What are the basic developmental challenges in your GP area?	Roads	Community hall in all villages	Material Problem Specially Cement	Skilled Labour	Employment	Job Cards Labour	
2	Whether Gram Panchayat has been able to effectively discharge their responsibilities and utilise the funds available with them to address these critical developmental challenges? Y/N						Yes	
3	Whether the current developmental challenges were discussed in the Gram Sabha and reflected in the GPDP Plan ? Y/N						Yes	
4	Have you raised any demand before the Panchayat relating to provision of any works/Services? Please State	Community Centre in Village	Water Tank	Cow and Goat Shed	Street light in the Village	Drainage System in Village	Land Development	Rain water Harvesting
5	What are the different works undertaken by the panchayat during this year						Nil	
6	Has there been any perceptible changes in the development facilities available in the village in the last five years ? State						No	
7	Whether GP informs people regularly on various works undertaken by them ? If Yes/How?					Yes, Through notice in Public Places		
8	Do you think that the concerns of SC/ST/Women (vulnerable sections) in the village are being adequately addressed as the regards the works being undertaken?						No	
9	Whether the SHG members participate actively in the Gram Sabha ?						Yes	
10	Select areas from the below list where you think the major development took place in your GP area in the last three years	Construction of Village /GP Roads /Footpaths	Village /GP Street Lighting	Sanitation	Drains and Sewerages	Water Supply	Solid Waste Management	
11	Any Other Remarks/Suggestion						No	

### **Summary of Total Income**

4. The Non Tax , Tax and income from fess in respect of the PRIs in the state of Himachal Pradesh for the period 2012 to 2019 has been compiled is depicted and in the table below:-

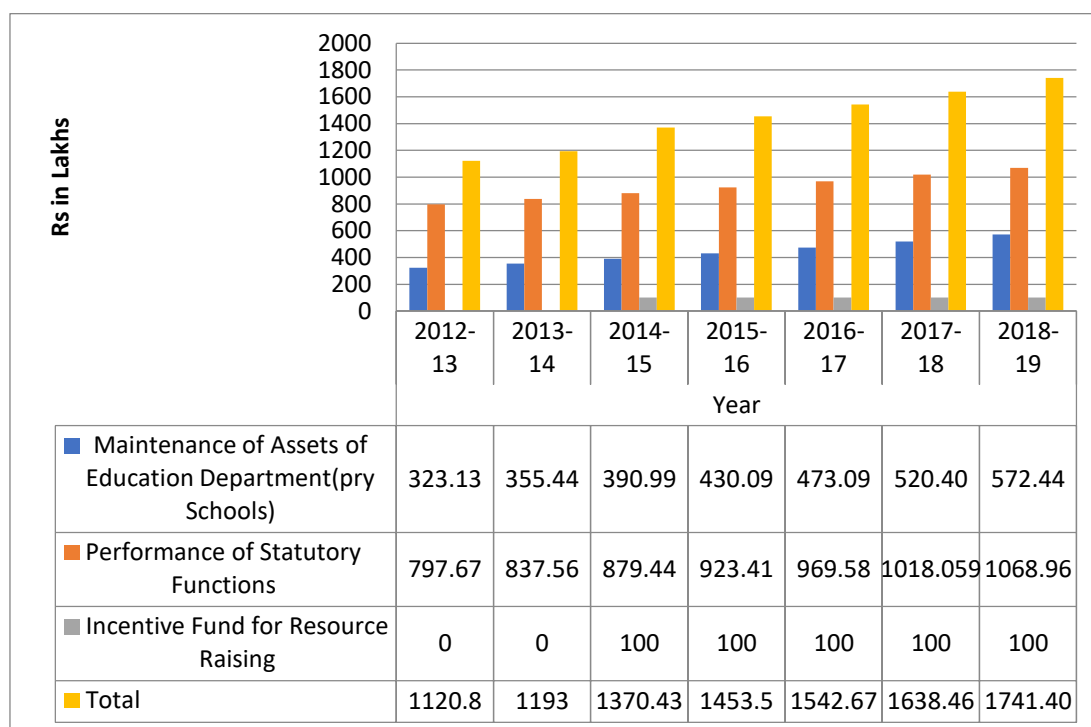
**Table 51 : Income PRIs Himachal Pradesh**



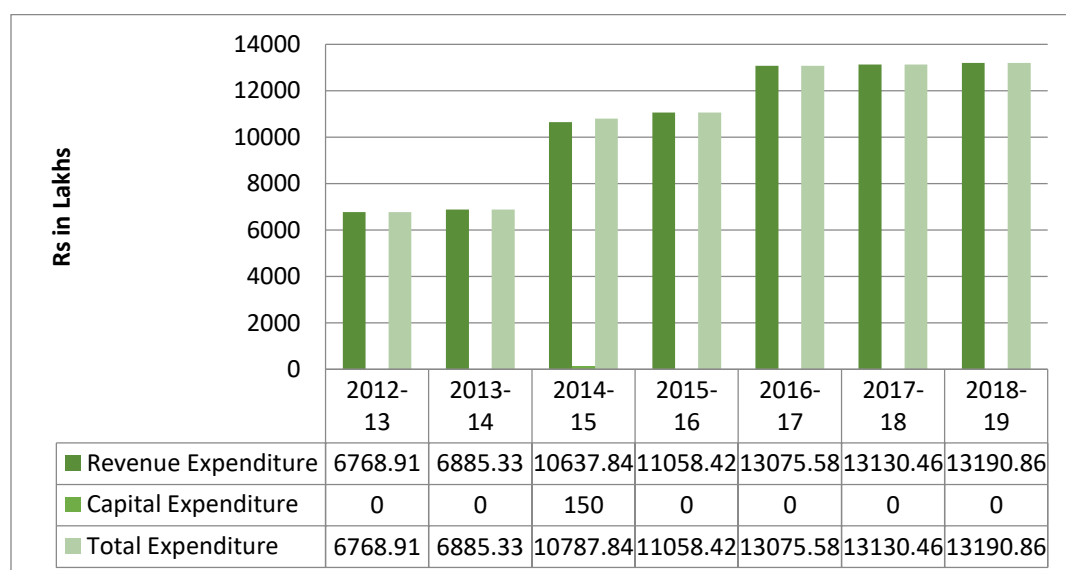
### **Summary of Total Expenditure**

#### **Provisions**

5. The forecast in the maintenance of Assets of the Education Department ( primary schools ) , Performance of Statutory Functions and Incentive Fund for Resource Raising in respect of the PRIs in the state of Himachal Pradesh for the period 2012 to 2019 has been compiled and is depicted in the table below:-

**Table 52 : Forecasting of Provisions for the Years 2012-19****Revenue and Capital Expenditure**

3. The summary of Revenue and Capital expenditure in respect of the PRIs in the state of Himachal Pradesh for the period 2012 to 2019 has been compiled and is depicted in the table below:-

**Table 53 : Summary of Revenue and Capital Expenditure for the Forecast Period 2012-19**

4. A wide range of recommendations have been made by the Fourth State Finance Commission which deal with the fiscal transfers from the State government to the local government institutions at the Panchayati Raj levels. The State Government had accepted the Interim Reports and implemented the recommendations of the Commission for the year 2012-13 and 2013-14, accordingly. The Panchayati Raj Institutions received a total gap filling grant of Rs. 5395.00 lakh during the year 2013-14 to meet the obligations of committed expenditure, meet infrastructure requirements and for the performance of statutory and delegated functions. The Commission while making out the full report for the period 2012-13 to 2016-17 took into cognizance these amounts and separately offset them from the overall recommendations.

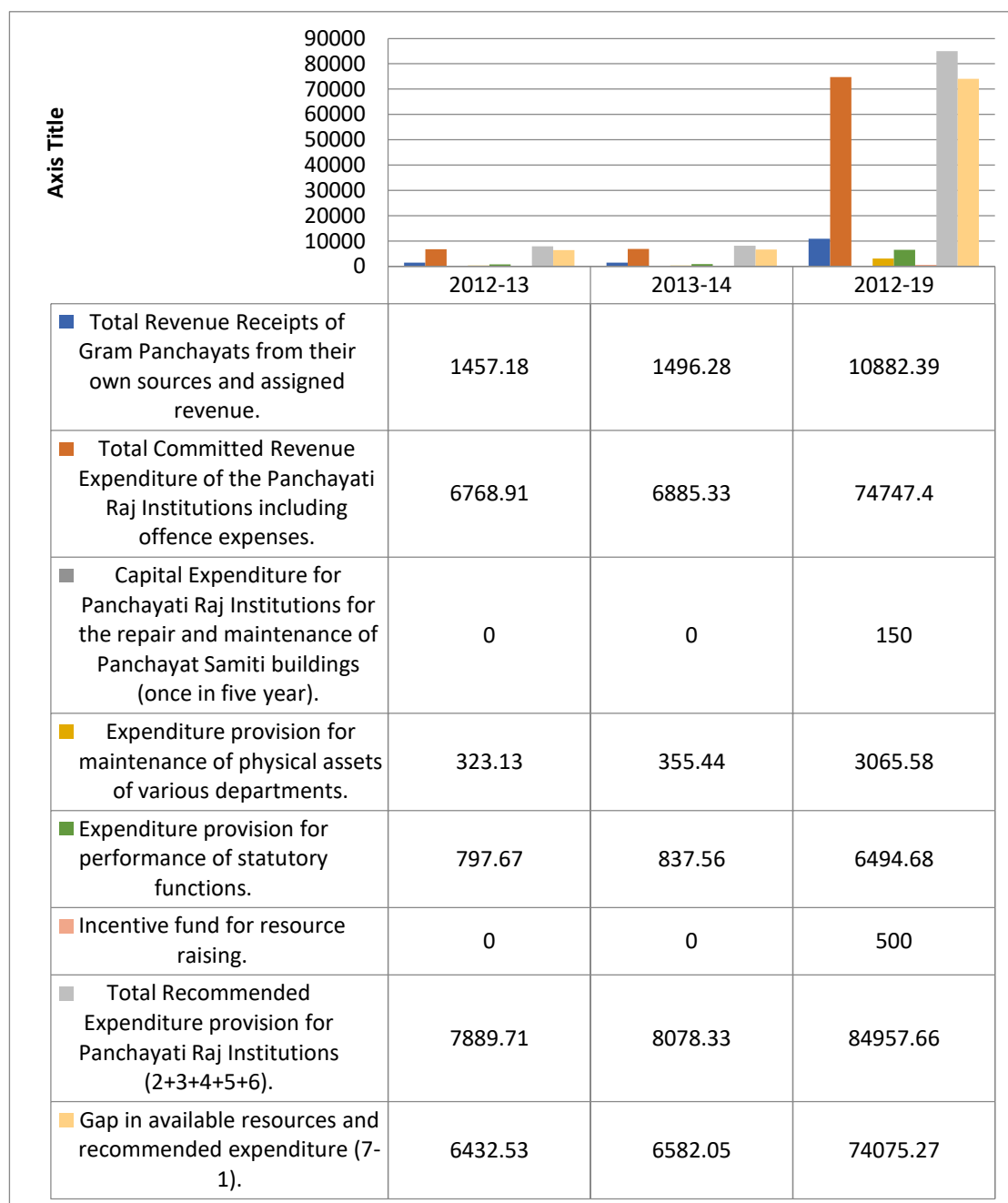


**Figure 14 : Ujjwal Diwas Chamba**

5. The detailed working for the committed expenditure of the Panchayati Raj Institutions has been elaborated in this report. The detailed working of the resources of the Panchayati Raj Institutions is also contained in the report and the expenditure requirements for performance of statutory functions and maintenance of assets of Primary School buildings, Middle School buildings, Health Sub-Centre buildings, Allopathic Dispensary buildings, Ayurvedic Dispensary buildings and the Veterinary Dispensary buildings have been worked out in detail in the report. **A summary of the revenue receipts, committed revenue expenditure and recommended capital**

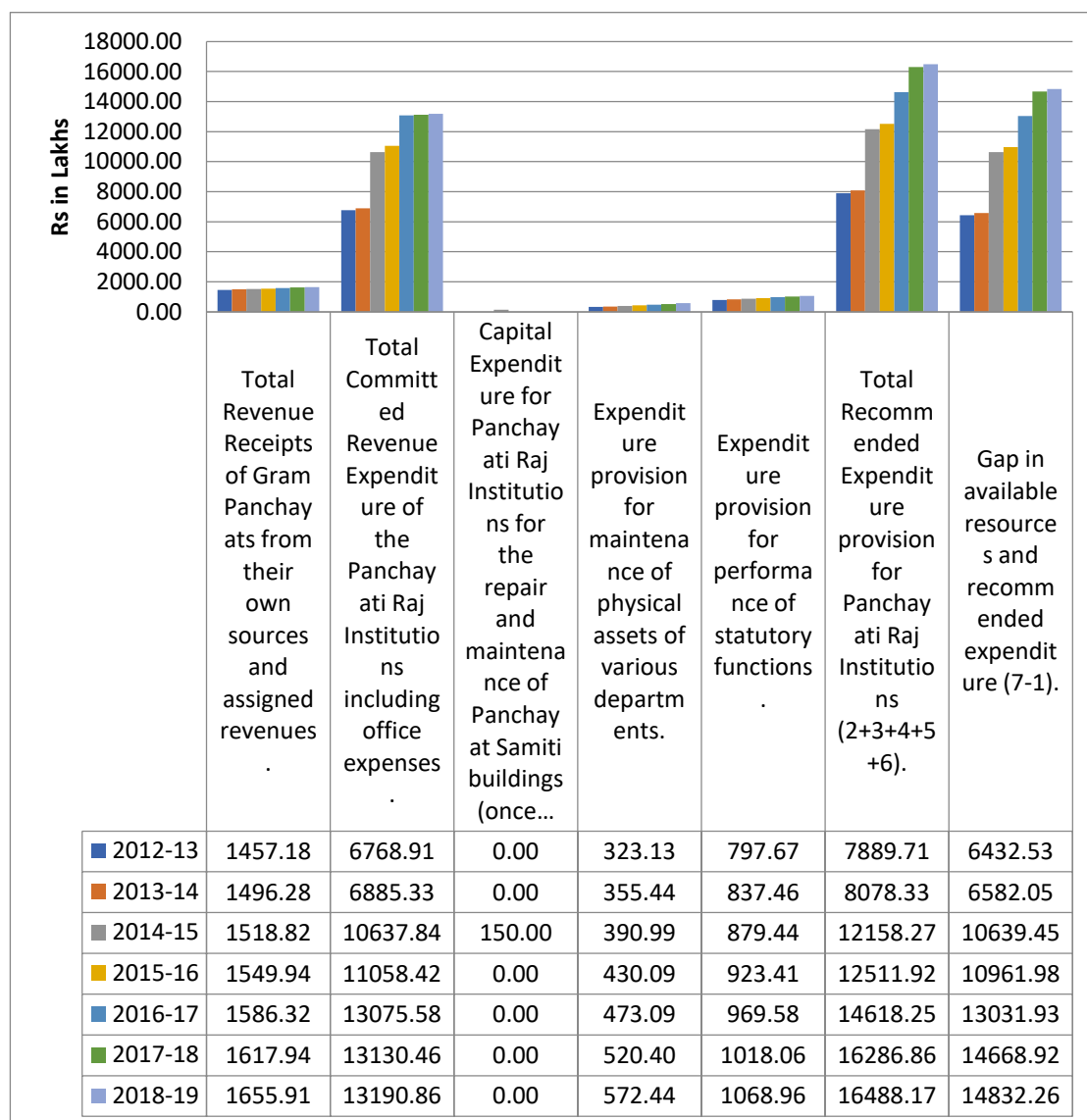
expenditure and the gap in income and expenditure for the period of 2012-19 is given in the following table:-

**Table 54 : Summary of Revenue Receipts and Expenditure for Panchayati Raj Institutions and Gap in Income and Expenditure**



6. The annual phasing of the receipts and total expenditure over the period of 2012-13 to 2018-19 is indicated in the following table:-

**Table 55 : Annual phasing of the Receipts and Expenditure for Panchayati Raj Institutions**

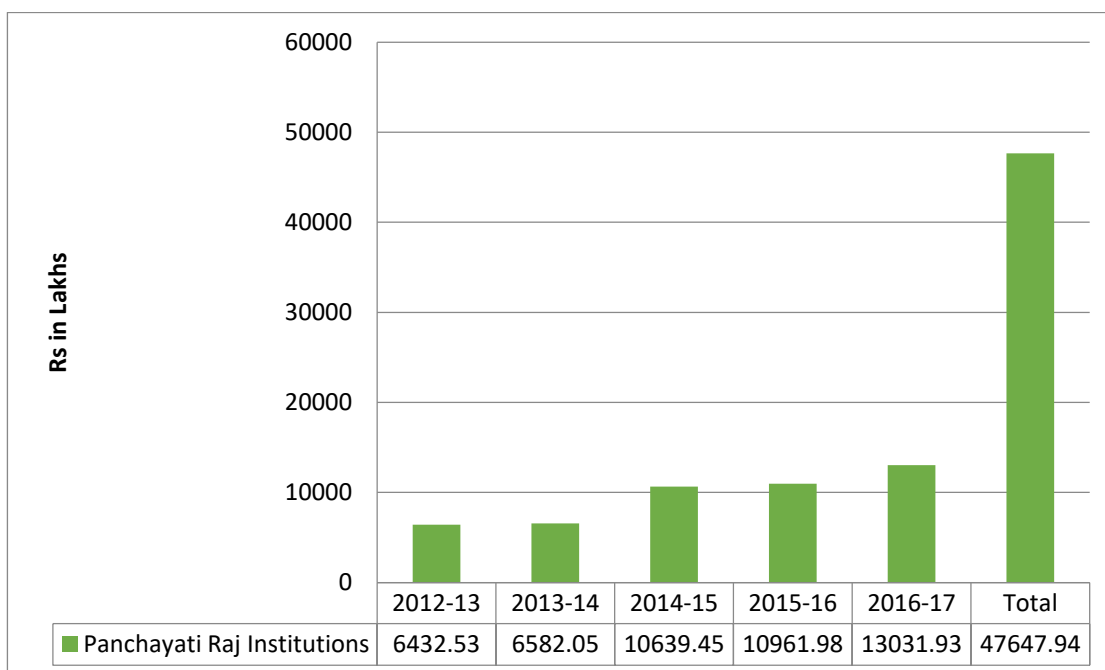


7. As mentioned above, the Interim Reports had provided a gap filling grant amounting to Rs. **5395.00 lakh** and Rs. **6383.45 lakh** to the Panchayati Raj Institutions for the years **2012-13** and **2013-14**, respectively. Against these recommendations in the Interim Reports, the revised gap in available resources, after taking into account the revision in the rates of honorarium to the elected representatives, revision in the levels of remuneration of the functionaries to the

Panchayati Raj Institutions and enhancement provided in the TA/DA of the elected representatives, works out to Rs. 6432.53 lakh and Rs. 6582.05 lakh for the year 2012-13 and 2013-14, respectively. Accordingly, the 4<sup>th</sup> HPSFC recommended that the State Government may make a further provision of Rs. 1236.13 lakh (Rs. 1037.53 lakh for 2012-13 and Rs. 198.60 lakh for 2013-14) through supplementary demands for grants to meet such committed expenditure.

8. The total resource transfer recommended by 4<sup>th</sup> HPSFC to the Panchayati Raj Institutions the period 2012-17 against the gap in income vs expenditure indicated above are summed up as under:-

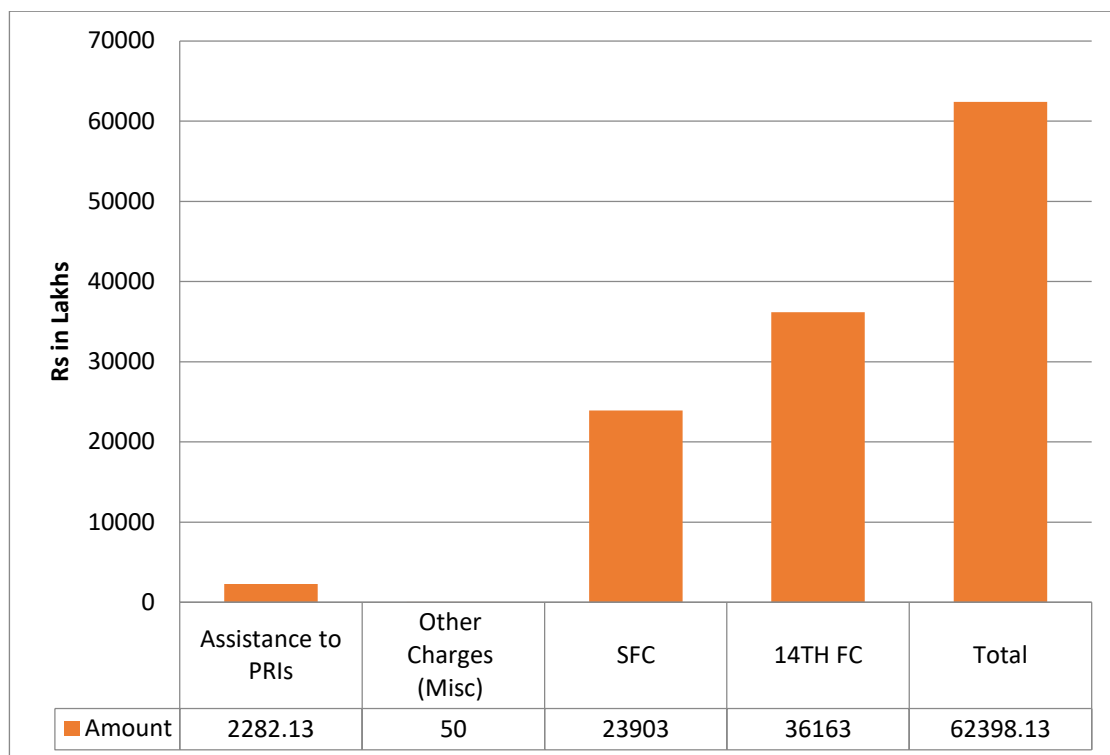
**Table 56 : Resource Transfers to Panchayati Raj Institutions for 2012-17**



9. The budget provisions for the year 2018-19 in respect of the PRIs in the state of Himachal Pradesh have been compiled and are depicted in the table below:-

**Table 57 : The Grants in Aid Details for the Year 2018-19 in Respect of Panchayati Raj Department**

**Source : (Panchayati Raj Department, 2018)**



**Source: Annual Administrative Report 2018-19 (1-4-2018 to 31-3-2019)**

**Panchayati Raj Department, Himachal Pradesh, Shimla-171009**



## **CHAPTER 8 : RECOMMENDATIONS AND**

### **CONCLUSION**

**W**hile formulating the recommendations, the study has broadly followed the principles of equity, efficiency and owning responsibility. An effort has been made to strike a balance between the scarce resources and emerging responsibilities of local bodies in the context of 73<sup>rd</sup> and 74<sup>th</sup> amendment to the Constitution of India. During the course of its work, it was observed that there are certain issues/areas where action is to be taken by the Centre Government. Therefore, it is pertinent to classify the recommendations under two broad categories (a) Recommendations for the Central Government (b) Recommendations for the State Government.

#### **Recommendations for the Central Government**



**Figure 15 : Panchayat School in Remote Mountains**

2. By giving constitutional status to the Panchayati Raj Institutions, Local Government has become a third stratum of governance, an integral part of the Indian federal polity. Article 280 has been amended adding two sub-clauses mandating the Union Finance Commission to recommend measures needed to augment the

Consolidated Fund of a state to supplement the resources of the Panchayati Raj Institutions on the basis of the recommendations made by the State Finance Commissions (SFCs). A natural corollary of this is that State Finance Commission's recommendations should precede the Union Finance Commissions (UFCs). But given the diverse time frame of the establishment of the SFCs, strict synchronization with the UFCs has been virtually ruled out. Even so, it is important for each SFC to specify or suggest what it seems important to be considered by the UFC. For synchronization of the period of State Finance Commissions with the Union Finance Commissions, there is need to make the amendment in Article 243 (I) as recommended by the Thirteenth Finance Commission in its recommendations on State Finance Commissions. Hence it is recommended that the period of State Finance Commissions which are not synchronous with the period of Union Finance Commissions may recommend the resource transfer to the local bodies on annual basis (as in the case of plan holidays), as one time exercise, until and unless the period is synchronized with the Union Finance Commissions. There is also a need for a standard framework that could guide the constitution and composition of State Finance Commissions. (HPSFC, 2014 (2012-2017))

3. A unit to support the State Finance Commissions may be set up at the National Institute of Rural Development (NIRD), Hyderabad. This unit could serve as a repository of State Finance Commissions reports, fiscal data related to Local Governments, status reports of fiscal decentralization in other countries and documentation of best practices to strengthen the local governance system etc.

### **Recommendations for the State Government**

4. Section 100 (2) (b) of the Himachal Pradesh Panchayati Raj Act, 1994 empowers the Gram Panchayats to levy a duty on transfer of property in the form of a surcharge on the duty levied under the Indian Stamp Act, 1899, in its application to Himachal Pradesh, on instruments of sale, gift and mortgage with possession of immovable property situated in the Sabha area at such rate as may be fixed by the Government not exceeding two percent on, as the case may be, the amount of the consideration, the value of the property or the amount secured by the mortgage, as set forth in the instrument. The study found that the rate of surcharge on duty on transfer of property is yet to be notified by the State Government therefore, the study is of the view that the rate of surcharge on duty on transfer of property be notified by the State Government, on priority to augment the resources of the Gram Panchayats.

5. During interaction with elected representatives of Gram Panchayats it has been observed that the funds under various development schemes are transferred from the block offices to the concerned local bodies after deduction of the whole amount earmarked as contingent funds, based on the prescribed norms of different schemes. It is however, felt that certain amount of contingent funds should be allowed to be retained at the Gram Panchayat level for running their day to day work. For this, the Panchayati Raj Department should issue necessary orders/ instructions for devolving powers to the Gram Panchayats to use atleast 0.1% of the sanctioned budget under development scheme(s).

6. The methodology of distribution of cess on liquor amongst local bodies is in the ratio of 80 percent where the vend is functioning and 20 percent where there is no vend. Keeping in view the ill effects of consumption of liquor, the Third State Finance Commission in its report submitted to the State Government recommended that distribution of cess on liquor between the Panchayats should be on equitable basis in proportion to the population of the Panchayats instead of the ratio of 80:20, as this will overcome complications in assessment and distribution, and simplify the procedure and will also remove any perverse incentive for increased consumption of liquor. The 4<sup>th</sup> HPSFC took note of the fact that this recommendation has not been implemented as yet. The Commission is of the view that the methodology being adopted by the State Government for distribution of cess on liquor doesn't require any major change / modification because the local bodies where the liquor vends exist deserve to be compensated more for the adverse social repercussions due to existence of vends in their area of jurisdiction. However, the existing ratio of 80:20 may be changed to 70:30, to discourage consumption of liquor in the State. (Alok, A Gist of Major Recommendations of 4th State Finance Commissions and their Implementation Status, 2018)

7. It was observed that the previous State Finance Commissions made significant recommendations to streamline and facilitate the resource mobilization efforts by the local bodies and suggested criteria for resource sharing and its transfer to the local bodies from the consolidated fund of the state. While reviewing the status of action taken on these recommendations, it was observed that action on certain significant recommendations is yet to be taken by the State Government. The study is of the view

that action on the recommendations, which have been partially implemented or are yet to be implemented, be taken by the State Government, on priority.



**Figure 16 : Panchayat Spotlight**

8. While reviewing of the status of functions delegated to the local bodies, it has been observed that most of the departments have not transferred funds, functions and functionaries as per the notifications made by the Panchayati Raj department. Hence, the study is of the view that to meet the constitutional obligations and to empower local bodies, the State Government should constitute a High Powered Committee of Secretaries of the concerned line departments under the chairmanship of the Chief Secretary, Government of Himachal Pradesh. The Committee can oversee the entire process of delegation/ devolution of funds, functionaries to the Panchayati Raj Institutions and to suggest remedial and corrective measures to strengthen the local governance system.

9. The study found that District Planning Committees had been constituted in all the districts for preparation and consolidation of district development plans. Local Bodies, as institutions of self-governance have been empowered under the Acts to prepare plans for economic development and social justice and to implement the

schemes relating thereto including those that are included in the Eleventh and Twelfth schedules of the Constitution. But it was observed that the District Planning Committees are fully functional only in two Backward Region Grand Fund (BRGF) districts viz. Chamba and Sirmaur and are preparing the draft development plan in compliance to the provisions of the Himachal Pradesh Panchayati Raj Act, 1994. It is felt that efforts are required to be made by the State Government to replicate the experiences of Chamba and Sirmaur districts to the other districts of the State so that objective enshrined under the Acts for empowerment of local bodies to prepare plans for economic development and social justice and to implement the schemes relating thereto, could be achieved. To provide more teeth to the District Planning Committees, the State Government may consider to merge the functions assigned to the District Planning, Development and 20 Point Program Review Committees, constituted by the Planning Department, Himachal Pradesh with the functions of the District Planning Committees.

10. Preparation of proper inventory of the assets owned by the local bodies or delegated to be maintained by these bodies has been strongly emphasized by all the State finance Commissions. This task was envisaged to be easy with the introduction of Priya Soft by the Panchayati Raj Department. It is a matter of concern that no action has been taken for preparation of proper inventory of the assets. It is felt that the assets created at the local bodies' level need to be inventorised, on priority. For this, Panchayati Raj Department may consider a designated framework for classification of these assets for better management.

11. The State Finance Commissions are constitutional Bodies created to review the financial status/conditions of Panchayati Raj Institutions and to suggest measures for strengthening these bodies. Following the 73<sup>rd</sup> and 74<sup>th</sup> constitutional amendments as means of ensuring decentralization of governance in the country, articles 243 (I) and 243 (Y) were structured to further the process, whereby State Finance Commissions were also made responsible to recommend the issues like distribution of taxes, duties, tolls and fees between State and the local bodies and their allocation between the Panchayats . To undertake the assigned responsibility, the State Finance Commissions should emerge as strong, independent and efficient bodies. For this, it is felt that the timely constitution of the State Finance Commission, at least two years ahead of the start of the award period of the next Commission, is necessary to avoid interim projections usually made by the State Finance Commission.

12. The continuity and the stability of the Chairperson and the Members of the State Finance Commission is also significant. Taking example of the Fourth State Finance Commission, the composition of the Commission was modified time and again. The engagement of Chairperson and the members of the State Finance Commission in other responsible positions of the State Government also overburden them and divert their attention from their primary task.

13. The Second and Third State Finance Commissions strongly recommended establishment of a Permanent Institutional Arrangement. The need for supporting State Finance Commission with a permanent secretariat cannot be overemphasized given the crucial role State Finance Commission plays in the overall system of fiscal

devolution. It is also important to retain the institutional memory and the capacity to provide optimal level of support to State Finance Commission.

14. The 13<sup>th</sup> Finance Commission (Alok, Share of Local Governments in the Divisible Pool : An Option before the 13th Finance Commission, 2009) also recommended that a permanent State Finance Commission Cell may be created in each State and all Members and Chairman should be on full time basis which can look into the details of functioning of the local bodies and their problems of sustainability. It could also maintain good data base (time series) of local bodies related to finances, functions and functionaries etc. It will also help in improving the credibility of information on the finances of local bodies The study reiterates the need and recommends that a permanent secretariat for the State Finance Commission with adequate staff needs to be created. Its functions could include:-

- (a) Monitor the implementation of the recommendations of the State Finance Commission (SFCs) and Union Finance Commission (UFCs) and also monitor the methodology for implementation of various recommendations so that the local level institutions develop a system which could be useful in the context of these bodies becoming effective in the overall design of decentralization.



**Figure 17 : Development in Hilly Areas**



(b) To track timely release of UFC and SFC grants from the State Government.

(c) To function as data base for local bodies finance, analysis of data will include studying the trends in actual receipts and expenditure of the local bodies and identifying reasons for variations vis-à-vis the recommendations of the State Finance Commission.

(d) To conduct studies and publish data on the finances of the Panchayati Raj Institutions and Urban Local Bodies and sharing with local bodies (through workshops and seminars), publishing the data on the website.

(e) To study and analyze the disparities in the levels of development at various level, as also the capabilities of raising resources.

**Gist of Major Recommendations of Fourth State Finance Commissions and Their Implementation Status**

14. The 4<sup>th</sup> HPSFC reports has been compiled with an attempt to present a gist of its major recommendations. In addition, actions taken by state on these recommendations have also been presented along with each recommendation. The recommendations have been categorised into the following six categories (Alok, A Gist of Major Recommendations of 4th State Finace Commissions and their Implementation Status, 2018):-

(a) Recommendations related to global sharing.

- (b) Assignment of revenues—Recommendations regarding taxes fully or partly assigned to LGs and proceeds of individual tax(es) transferred to LGs.
- (c) Horizontal distribution—Recommendations regarding inter-se distribution between panchayats and among different levels of LGs.
- (d) Grants-in-aid—Major recommendations regarding specific purpose grants and general purpose grants to fill the revenue gaps of the LGs.
- (e) Functions and functionaries—Recommendations related to the transfer of functions to LGs and concomitant powers including functionaries.
- (f) Others measures—Recommendations which are administrative in nature and other guidelines for the efficient functioning of the system.

### **Assignment of Revenue**

15. As per the recommendation of XIII-FC, Himachal Pradesh Received `559.54 crore for panchayats as grant in aid to augment the consolidated fund of the state, to supplement the resources of LGs. To check the counterbalancing entry, the fourth SFC would not take into account the resource transfers as recommended by XIII-FC on either receipts or expenditure account. *[Not considered ]*

16. The existing ratio of liquor to LGs should be changed to 70:30 from 80:20, where liquor vend is functioning and where there is no liquor vend, respectively. The cess is charged at the rate of `2.00 per bottle, out of which `1.00 is retained by the Excise and Taxation Department and `1.00 is distributed to the LBs in the ration of 80:20, where vend is functioning and not functioning, respectively. *[Not considered ]*

**Grants-in-Aid**

17. The fourth HPSFC in its I, II and III Interim Reports recommended total transfer to panchayats as mentioned below:

**Table 58 : Report Year Amount ( crore)**

<b>I Interim Report</b>	<b>2012-13</b>	<b>53.95</b>
<b>II Interim Report</b>	<b>2013-14</b>	<b>63.83</b>
<b>III Interim Report</b>	<b>2014-15</b>	<b>106.39</b>
	<b>2015-16</b>	<b>109.62</b>
	<b>2016-17</b>	<b>130.32</b>

***[Not considered ]***

18. Against these recommendations, the revised gap in available resources worked out to 64.33 crore and `65.82 crore for the year 2012–2013 and 2013–2014. Accordingly, the 4<sup>th</sup> HPSFC in its third Interim Report recommended further provision of `10.37 crore for 2012–2013 and `1.98 crore for 2013–2014 through the supplementary demand for grant. ***[Not considered ]***

**Horizontal Distribution**

19. Total resource transfer of `858.96 crore to LGs. (55.5% to Panchayats (`476.47 crore) and 46.5 per cent (`382.48 crore) to Municipalities, respectively). ***[Accepted ]***

20. Allocating `323.13 lakh to the GPs for the year 2012–2013 for the maintenance of primary school building with 10 per cent increase per annum. ***[Not considered ]***

**Functions and Functionaries**

21. Certain amount of contingent funds should be allowed to be retained at the GP level , for which Panchayati Raj department should issue an order devolving powers to GPs to use at least 0.1 per cent of the sanctioned budget under development scheme.

*[Not considered ]*

22. To empower DPCs, the state government may consider merging the function assigned to the district planning development and twenty-point programme review committee, in the function of DPCs. *[Not considered ]*

23. The rate of surcharge on duty on transfer of property to be notified on priority to supplement the resources of Gram Panchayats. *[Not considered ]*

24. There should be proper inventory of assets created at LBs' level under the framework suggested by the commission. *[Not considered ]*

**Other Measures**

25. A permanent secretariat for SFC with adequate staff. *[Not considered ]*

26. Education Health and Animal Husbandry to be maintained by Gram Panchayats.

*[Not considered ]*

27. Declaring Director Panchayat Raj as Head of the department to the proper utilisation of maintenance funds by Panchayats. *[Not considered ]*

28. Synchronisation of the period of SFC with the period of Union Finance Commission. *[Not considered ]*

29. A standard Framework for guidance of the constitution and composition of SFC. *[Not considered ]*

30. The central government should set up a unit at the National Institute as a repository of SFC documents. *[Not considered ]*

31. Total projected revenue receipts of the panchayats for the award period of 2012–2017, for GPs, PS and ZPs would be `76.08 crore, `1.94 crore and `1.79 crore, respectively. *[Not considered ]*

32. A total provision of `485.76 crore for Revenue Expenditure (RE) and Capital Expenditure (CE) to be made for the award period of 2012–2017 for panchayats, consisting `484.26 crore for RE and `1.50 crore for CE, respectively. *[Not considered ]*

### **Conclusion**

33. India boasts an impressive 2.55 lakh Panchayati Raj Institutions (hereafter PRIs), with over 31 lakh elected representatives. The 73rd Constitution Amendment has both mandatory and voluntary provisions. All states covered under the Act have implemented the mandatory provisions which include organisation of Gram Sabhas, reservations of seats for women, SCs and STs, the establishment of a state election commission and state finance commissions. The states, however, have been

unsuccessful in implementing the voluntary provisions under the act in earnest. These voluntary provisions include two key pillars on which the success of any system of local government rests: devolution of powers and fiscal decentralization (Alok, Fiscal Decentralisation in India : Institutional Arrangements, 2016).

38. Local self-government falls under the State List of the 7th schedule of the Constitution. The administration of the panchayats is, therefore, the responsibility of the respective state governments. Even though the 73rd Amendment mandates the creation of panchayats in each state, the devolution of such powers and authority as may be required for the panchayats to function effectively as units of self-governance has been left to the state legislatures as a “voluntary provision”. In this respect, the performance of the states has been found to be severely lacking.

39. **Devolution, in the context of Panchayats, entails devolution of finances, functions, and functionaries.** Panchayats are envisaged not merely as a “delivery mechanism” constituted for administrative convenience, but rather as institutions that are, for the most part, self-supporting and can function independently of the governments at the state and the centre to meet local aspirations. **For this to become a reality, the panchayats must be endowed with adequate resources, infrastructure, manpower, and autonomy.** (Alok, State Finance Commissions in India : An Assessment, 2004)

40. According to the Devolution Report 2016-17, core development functions like agriculture and allied sectors, small scale industries, education, health, drinking water, social welfare, poverty alleviation, public distribution, rural roads and welfare of Schedule Castes (SCs) and Schedule Tribes (STs) have been transferred to PRIs in

most states. **Devolution of functions, in some cases, is unscientific and counterproductive. Further, in terms of functionaries, it is largely non-uniform and difficult to factor in. There is often ambiguity regarding the exercise of control over functionaries.** These inadequacies in human resources may predominantly be quantitative, as is seen in states like Uttar Pradesh and Bihar, or qualitative, as is the case of Kerala.

41. **Fiscal decentralisation is the cornerstone of the Panchayati Raj system. Devolution of functions and functionaries is meaningless if PRIs are not accorded significant financial autonomy. The PRIs in India derive their income from various sources. These include grants-in-aid, shares of central and state taxes, assistance under various schemes, and internal sources of revenue. An overdependence on discretionary grants leads to an erosion of autonomy of the PRIs. According to the Economic Survey 2017-18, only 5% of the total income of PRIs is obtained through their own sources.**

42. The survey expressed concern over the low tax collections by local governments in rural areas, and warned that a reluctance on the part of the states to devolve funds to PRIs poses a serious challenge to fiscal federalism in India. **The problems faced by panchayats are not limited to a lack of devolution. The PRIs face various other constraints, including a lack of infrastructure, the presence of parallel governments, undue interference by higher authorities, and a lack of awareness. Concurrently, proper implementation of PRIs is contingent upon the political will of the governments at the state and the centre.** (Bank, 2008)

43. Despite these shortcomings, people continue to repose their faith in the panchayats. Elections to panchayats have been held regularly across almost all states, and the voter turnout has been consistently high. Further, the utility and efficacy of PRIs has been demonstrated time and again across the country.

**44. If sufficiently empowered, Panchayati Raj Institutions can drive change from the bottom up. India must, therefore, endeavour to implement Panchayati Raj in both letter and spirit, if the vision of an Indian democracy that is truly “of the people” and “by the people” is to be realised. But, the competitive elections have politicized the environment of all villages. (Consultants, 2007)**

45. This spirit has even entered into the family circles also. It is alleged that panchayat elections have given birth to caste politics (casteism), communal politics (communalism) and groupism and factionalism in the villages. It is also alleged that due to panchayat elections, a ‘cold war’ atmosphere prevails among various sections of the village people. Some studies made on the PR system revealed that functional tensions are on the increase and this can be seen during elections and panchayat meetings.

46. The so-called harmonious relations of the villages have almost vanished. People did not extend full cooperation from the core of their heart to the panchayats and as a result developmental activity has slowed down. Theoretically, the decisions had to be taken by the non-officials at all the three tiers of the PR system, but in practice, it was the government officials who used to take the decisions.



47. **The non-officials (Panch or Sarpanch) being illiterate and uneducated could not wield their power. Most of the benefits of development programmes initiated by PRIs were cornered by the high castes and big peasants.** The poor segments of society remained neglected as before. There was a great lack of coordination among the three tiers.

48. **Thus, to conclude, it can be stated that the devolution of power to the people without requisite development of character, training and capacity had been found to be a curse in the functioning of democratic institutions in our country and there were apprehensions that this new step in democratic decentralization, designed to be a blessing, would turn out to be a curse to the people in the villages.** The success of the step more than anything else depended on the quality of elected representative—Panchas and Sarpanchas—of these institutions. (Priya, 2019)

49. No institutional change can bring about climatic change or strengthen the roots of democracy in this country, if it is divorced of the spirit behind it. In the absence of this basic change, which is a sine qua non to all other changes, we doubt, if institutional changes alone will take the country very far. In the beginning, responsibility for the planned development of the country through CDP and cooperative institutions was imposed on the people who were expected to discharge them in PRIs who were mostly uneducated and untrained mass of people. But there is a great change now in this condition. Obviously, such a step, though basic and pregnant with great possibilities to strengthen the roots of democracy, was fraught with grave risks, disappointments and failures in its traditional phase.

**A Last Word on the Status of Devolution to Panchayati Raj Institutions in Himachal Pradesh**

50. Section 11 (2), 83 (1) and 94 (1) of the Himachal Pradesh Panchayati Raj Act, 1994 provides that the State Government may entrust functions to the Panchayati Raj Institutions. In exercise of the powers conferred under these sections, the State Government vide Notification No. PCH-HA (1)12/87-10206-406 dated 31<sup>st</sup> July, 1996 entrusted the powers, functions and responsibilities to the PRIs. (Commission, 02 January 2013 (2015-20))

51. The State Finance Commission studied the level of financial and administrative powers devolved to these institutions alongwith executive orders delegating powers to Panchayati Raj Institutions. The department-wise status of devolution of powers and functions and proposed initiatives to be taken by the departments concerned, delegation made/proposed to be made to the Panchayati Raj Institutions was to monitor, supervise and coordinate for the activities of the different line departments.

52. To streamline and strengthen this process, the Department of Panchayati Raj vide notification No PCH-HA(3)9/2006-18580-22180 dated 19<sup>th</sup> October 2009 has notified that Activity Map proposing entrustment of 29 subjects to Gram Panchayat or Panchayat Samiti or Zila Parishad, enabling them to discharge delegated functions effectively and efficiently, to ensure effective delivery of services at the grass root level. But as per the feedback received from the Department of Panchayati Raj, the line departments are reluctant to transfer the funds and functionaries to the PRIs. In compliance to the devolution made under the Activity Mapping, no concrete efforts have been made by the line departments to empower the Panchayati Raj Institutions.



**Figure 18 : Meeting of Gram Sabha**

53. A review of the status of functions assigned to the PRIs by the State Government and initiatives taken by the concerned department to make this delegation, a success. For this, the information in respect of following was requisitioned from the concerned departments:

- (a) Status of activities devolved to PRIs in compliance to the activity mapping notified by the Department of Panchayati Raj.
- (b) Whether fiscal devolution has taken place to match the functional devolutions? If yes, the details be given for the last three years.
- (c) The status note regarding delegation made for other areas such as writing of confidential report leave sanction, disciplinary action etc.
- (d) Difficulties being faced by the departments to make the system functional.
- (e) Suggestions, if any to streamline and strengthen the existing system.

54. Despite all efforts, feedback could be obtained only from the Departments of Animal Husbandry, Women and Child Development and Elementary Education, which shows the lacklustre approach of the line departments to empower and strengthen these institutions of self-governance. The status of delegation made by these departments is as under: (HPSFC, 2014 (2012-2017))

(a) **Animal Husbandry Department**

(i) Under Mukhya Mantri Arogya Pashudhan Yojna, 1250 Veterinary Dispensaries have been notified in Gram Panchayats which were not having any Veterinary Institution earlier. Panchayat Veterinary Assistants being posted in these dispensaries are employees of Gram Panchayats. All activities of the department like animal treatment, fodder development, poultry birds distribution and in some places breeding work is being done by the Panchayat Veterinary Assistants. The remuneration @ Rs. 5000/- per month per Panchayat Veterinary Assistant is being transferred by the department to Gram Panchayats.

(ii) The cattle registration scheme is being implemented with the help of Gram Panchayats.

(iii) Gram Panchayats have been authorized to sanction leave and take disciplinary action against the Panchayat Veterinary Assistants.

(b) **Women & Child Development Department**

(i) The approval of Gram Sabha is mandatory for the selection of beneficiaries for the schemes (a) Mother Terrasa Ashay Matri Sambal Yojna and (b) Mata Shabri Mahila Sashktikaran Yojna.

(ii) Ward Member of Gram Panchayat functions as one of the members of the Anganwadi Level Monitoring Committee (ALMC).

(iii) Construction of Anganwadi Centres has been assigned to the Gram Panchayats under MGNREGA Scheme.

(c) **Elementary Education Department**

(i) The PRI's have been assigned the role of checking the primary/upper primary schools and report on attendance of teachers and

other staff in these schools, However the powers in respect of granting of leave to the teacher and other staff of primary schools have not yet been given to the PRIs.

(ii) To check and monitor the scholarship and other incentive schemes being implemented by the State Government at elementary level.

(iii) Construction, repair and maintenance of elementary school buildings/ rooms has been assigned to the Gram Panchayats in their area of jurisdiction.

55. While reviewing of the status of delegation made to the PRIs, it has been observed that most of the departments have not implemented the notified Activity Map of proposed entrustment of 29 subjects to PRIs and those who have taken the initiative, most of them have not transferred funds and functionaries to these institutions. Hence, this study is of the view that there is need to implement the Activity Mapping notified by the Panchayati Raj Department with full spirit. For this the State Government should constitute a High Powered Committee of Secretaries of the concerned line departments under the chairmanship of the Chief Secretary, Government of Himachal Pradesh, to oversee the entire process of delegation/devolution of funds, functions and functionaries to the Panchayati Raj Institutions and to suggest remedial and corrective measures to strengthen the local governance system.

**Financial Devolution Impact Evaluation Study****45<sup>th</sup> APPPA****Himachal Pradesh****Schedule for Key Informant Interview Questionnaire**

[ Sarpanch / Panchayat Secretary ]

**A. General Information on Gram Panchayat**

I. Name of the Gram Panchayat: \_\_\_\_\_ No. of Wards in

GP: \_\_\_\_\_

II. Name of the

Block: \_\_\_\_\_ District: \_\_\_\_\_

III. Number &amp; Names of Revenue Villages in the G.P.

\_\_\_\_\_

VI. Total Population of GP:

Total		General		SC		ST	
Male	Female	Male	Female	Male	Female	Male	Female

(For VI, source of data to be mentioned i.e. Census 2011 or actual data)

VII. Information on Elected Representatives (ERs):

	Male	Female
Total number of ERs in GP		
Number of ERs in SC category		

<b>Number of ERs in ST category</b>		
-------------------------------------	--	--

### IX. Information on GP Staff

GP Staff (Number)						Vacancy (If any)	GP Staff involved in Plan formulation	GP Staff involved in Plan implementation	GP Staff involved in Data Management
GP secretary	Gram Sevak	Gram Rojgar Sevak	Tax collector	Computer operator	Others (Specify)				

### B. FFC Grants

#### I. What is the SFC/ FFC Grant allocation for the Gram Panchayats for the

Year	SFC Allocation	FFC Grant Allocation		
		Basic Grant	Performance Grant	Total
2015-16			-----	
2016-17				
2017-18				
2018-19				
<b>Total</b>				

period 2015-19? (Amount in Lakhs of Rupees)

#### II. What is the SFC / FFC Grant received for the Gram Panchayat during the period 2015-19 and the corresponding expenditure? (Amount in Lakhs of

Year	SFC Grant Received	FFC Fund Received		
		Basic Grant	Performance Grant	Total
2015-16			-----	
2016-17				
2017-18				
2018-19				
<b>Total</b>				

Rupees)

### C. Financial Resources available for the Gram Panchayat

**I. What is the amount available to Gram Panchayat from different sources of funds for various activities during 2018-19?**

Name of the Sources	Amount (Rs.)	Major activities (in terms of allotment)
GP Own Sources of Revenue (OSR)		
State Finance Commission		
14th Finance Commission		
MGNREGS		
Central Govt Schemes		
State Govt Schemes		
Others (Specify)		
Total		

**II. As against the total fund available, what was the requirement of funds keeping in view demands of the Gram Sabha members for different development works in 2018-19?**

**III. What are the Own Sources of Revenue (OSR) for your Gram Panchayat? Please also List the total revenue collected against each item for the year 2018-19.**

a. Taxes: \_\_\_\_\_ b. Fees: \_\_\_\_\_ c. Non Tax Revenue: \_\_\_\_\_

**IV. Did you have funds for all the demands made in Gram Sabha?**

(i) Yes \_\_\_\_, (ii) No \_\_\_\_ (Put ✓)

**V. What is the total size of GP Plan (GPDP) during 2018-19? (Refer Plan Documents)**

.....

**D. Approval of GPDP in Gram Sabha**

**I. Are the GPDPs for 2018-19 approved by the Gram Sabha?**

(i) Yes \_\_\_\_, (ii) No \_\_\_\_ (Put ✓)



**II. How many line departments participated in the Gram Sabha for GPDP during 2018-19 ?**

.....

**III. How many Gram Sabhas were held during 2018-19 ? Give dates.**

.....

**IV. Whether the GP has placed the Draft GPDP in well-organised Gram Sabha and their suggestions taken and considered (describe in brief).**

.....

**V. Who organized and facilitated the Gram Sabha meeting? (Specify)**

.....

**VI. Whether Minutes of Meeting were recorded in the Gram Sabha?**

.....

**VII. Number of People who attended the GPDP Gram Sabha meeting?**

Total	Male			Female		
	SC	ST	General	SC	ST	General

**VIII. What were the important problems identified but could not be addressed at GP level due to constraint of funds?**

.....

**X. Activities demanded in Gram Sabha (Based on meeting minutes)**

Sector	Activities demanded
	2018-19
Women and child care (including nutrition)	
Public Health (Other than nutrition and sanitation)	
Sanitation	
Drinking water	
Education	
Agriculture and allied sector	
Cottage / Small Scale Industries	
Service Sector	
Roads and infrastructure (e.g. roads, culverts, building, burial ground, market, bus stop)	
Others	

**XI. Are there any particular community/ occupational groups/ caste (s) that had little participation in the Gram Sabha? Yes\_\_\_\_, (ii) No \_\_\_\_ (Put ✓) (iii)**

**If yes, Specify**

.....

**XII. Do you have any suggestions for improving/ strengthening the financial position of the Gram Panchayats in Himachal Pradesh?**

.....

**E. GP Plan Implementation**

**Name three major activities you have taken up during 2018-19 (Refer Plan Documents)**

**I. Women and Child Care**

Sl.No.		Name of the activities	Proposed amount of Expenditure (RS.)	Sources of Fund
1.				
2.				
3.				
		Total proposed amount of Expenditure on Women and Child care		

**II. Education**

Sl.No.		Name of the activities	Proposed amount of Expenditure (RS.)	Sources of Fund
1.				
2.				
3.				
		Total proposed amount of Education		

**III. Public Health & Sanitation**

Sl.No.		Name of the activities	Proposed amount of Expenditure (RS.)	Sources of Fund
1.				
2.				
3.				
		Total proposed amount of Public Health & Sanitation		

**IV. Road and other Infrastructures**

Sl.No.		Name of the activities	Proposed amount of Expenditure (RS.)	Sources of Fund
1.				
2.				
3.				
		Total proposed amount of Road and other Infrastructures		

**V. Drinking Water**

Sl.No.		Name of the activities	Proposed amount of Expenditure (RS.)	Sources of Fund
1.				
2.				
3.				
		Total proposed amount of Drinking Water		

**VI. Agriculture and allied Sector**

Sl.No.		Name of the activities	Proposed amount of Expenditure (RS.)	Sources of Fund
1.				
2.				
3.				
		Total proposed amount of Agriculture and allied sector		

**VII. From where do you get support for Project preparation/ Vetting? (i) From District Panchayat (ii) From Block Panchayat (iii) From other departments (iv) Consultant (v) No support (Put ✓)**

.....

**VIII. Were you able to complete all the activities / works as envisaged in the GP Plan (GPDP) during 2018-19? If not list the works / activities that could not be completed and the reasons for the same. Yes /No (Put ✓)**

Total No. of Works	Total No. of works	Total No. of works not	Total Expenditure	Total Unutilized
--------------------	--------------------	------------------------	-------------------	------------------

Approved & Total plan size	completed	completed. Provide List.	for 2018-19 (Lakhs of Rs)	funds (Lakhs of Rs)

### F. Other Information

**I. Does the Gram Panchayat have full independence in carrying out their development works? Yes/No**

.....

**II. What are the procedure for withdrawing GP funds from Bank?**

.....

**III. Do you have a copy of the GPDP available in Panchayat office? Yes/No.**

(Put ✓)

.....

**IV. Was the original GP Plan for 2018-19 revised subsequently? Yes/ No**

(Put ✓)

.....

If yes, how many times it has been revised? (Give number) \_\_\_\_\_

If yes, why the plan had to be revised? (Put ✓) (i) Lack of fund (ii) External Pressure (iii) To cope with natural calamity (iv) Others (Specify)

**VI. Is there any perspective plan for the GP? Yes/ No (Put ✓)**

If yes, what is the duration of the perspective plan? (See the plan document and write the duration)

If yes, have you formulated annual plan from the perspective plan? Yes/ No (Put ✓)

**VII. How do you keep your data? (Put ✓) a. Electronically b. Manually**

.....  
**VIII. Does the GP Office have internet connection? Yes/ No. (Put √)**

**If yes, how will you rate the availability of internet service? (Put √)**

Very Good	Good	Average	Bad	No Internet

**IX. Do you use Plan Plus/ Action Soft or any other PES applications?**

**Yes/No. (Put √)**

**If not, why?**

.....  
**X. If yes, do have any skilled person for online data management including plan plus and other softwares?**

.....  
**XI. Has the GP received any award during the last 5 years? If yes provide details.**

.....  
**XII. Have you installed Public Information Board in a prominent place within GP area for proactive public disclosure?**

.....  
**Observation by the Sarpanch / Panchayat Secretary (if any):**

**Signature of the Sarpanch:**

**Date:**

**Signature of the Panchayat Secretary:**

**Date:**

**Annexure 2**

**Financial Devolution Impact Evaluation Study**  
**45<sup>th</sup> APPPA**  
**Himachal Pradesh**  
**Citizen Interview Questionnaire**

**A. Profile of the respondent****I. General Information**

- i. Name \_\_\_\_\_ of \_\_\_\_\_ the respondent.....
- ii. Age..... Gender: Male / Female
- iii. Caste: General / SC / ST / OBC
- iv. Employment: 1) Farmer, 2) Farm labour 3) Non-farm labour 4) Govt. Service, 5) Private 6) Self Employed
- v. How long you have been serving/staying in the village? \_\_\_\_\_ Years

**B. General Information:**

- i. Name of the Gram  
Panchayat \_\_\_\_\_ Block \_\_\_\_\_ Distt \_\_\_\_\_
- ii. Number of Wards in the GP \_\_\_\_\_ Number of Households \_\_\_\_\_
- iii. Total number of households in Panchayat: \_\_\_\_\_

**Development Status of the Gram Panchayat**

- i. What are the basic developmental challenges in your GP area?
- ii. Whether Gram Panchayat has been able to effectively discharge their responsibilities and utilise the funds available with them to address these critical developmental challenges? Y/N
- iii. Whether the current developmental challenges were discussed in the Gram Sabha and reflected in the GPDP Plan? Y/N
- iv. Have you raised any demand before the Panchayat, relating to provision of any works / services? Please state.

- v. What are the different works undertaken by the Panchayat during this year?
  
- vi. Has there been any perceptible change in the development facilities available in the village in the last five years? State.
  
- vii. Whether GP informs people regularly on various works undertaken by them out? If Yes, How?
  
- viii. Do you think that the concerns of SC/ST/Women (vulnerable sections) in the village are being adequately addressed as regards the works being undertaken ?
  
- ix. Whether the SHG members participate actively in the Gram Sabha?
  
- x. Select areas from the below list where you think the major development took place in your GP area in last three years?
  - a. Construction of Village / GP Roads / Footpaths
  - b. Village / GP Street Lighting
  - c. Sanitation
  - d. Water supply
  - e. Drains & Sewerage
  - f. Solid Waste Management

Any other remarks/ suggestion:

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**Notification 5<sup>th</sup> HPSEC****Government of Himachal Pradesh Finance (IF) Department  
No.Fin-IF(C)A(3)4/2014 Dated, Shimla-171002, 19-111Nov, 2014  
NOTIFICATION**

1. In exercise of the powers conferred by Section 98(1) of the Himachal Pradesh Panchayati Raj Act, 1994 (Act No.4 of 1994) read with Articles 243-1 and 243-Y of the Constitution of India, the Governor, Himachal Pradesh, is pleased to constitute the 5th H.P. State Finance Commission to review the financial position of the Panchayats and Municipalities and devolution of resources to these institutions and to appoint the following as its Chairman and Members with immediate effect. The Chairman and Members will look after this job in addition to their own work :

1. Sh. Kuldip Kumar, MLA, Chintpurni Chairman
2. Principal Secretary (RD&PR) Member (ex-officio)
3. Adviser (Planning), Member Secretary  
(ex-officio)

2. The Commission shall make recommendations to the Government as to:

a) the principles which should govern :

i) the distribution between the State and Panchayats of the net proceeds of the taxes, duties, tolls and fees leviable by the Government which may be divided between them and allocation between all levels of

Panchayats/Municipalities of their respective shares of such proceeds;

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

- iii) the grant-in-aid to Panchayats/Municipalities from the consolidated fund of the State;
- b) to suggest measures needed to improve the financial position of the Panchayats/Municipalities;
- c) the Commission should make a normative assessment of needs based on the actual devolution of functions to each tier of the PRIs and an assessment of potential fiscal capacity based on the tax and non tax resources available to PRIs in making any recommendations on devolving untied grants or share of State taxes to these bodies;
- d) the Commission should make an assessment of recurring grants for specific schemes of the State Government relating to support for honorarium and expenses of elected representatives and employees of PRIs and suggest improvements in these schemes in order to promote the exercise of fiscal autonomy and responsibility by the PRIs.
- e) the Commission should suggest appropriate ways to take forward the process of devolution of functions, funds and functionaries to the PRIs keeping in view the existing delivery system and the financial capacity of the State Government. It may make specific suggestions with regard to ;
- support for pilots to hand over responsibility for delivery of primary education, primary health, water and sanitation and rural roads to appropriate levels of PRIs;
  - changes in legislation and procedures necessary to enhance the tax and non-tax capacity of the PRIs consistent with accepted principles of taxation at the local level;

- strengthening of administrative capacity of PRIs by placing under their control relevant categories of employees either by way of recruitment at the level of relevant tiers of the PRIs or by seconding of existing State Government staff to them.

f) any other matter referred to the 51h H.P. State Finance Commission by the Government in the interest of sound finance of the Panchayats/Municipalities.

3. The Commission shall devise its own procedure and appoint such Advisers, Institutional Consultants as it may consider necessary. It may call for such information and take such evidence as it may consider necessary.

4. The commission shall make its report available by the 30th April, 2016 covering a period of five years commencing from 1st April,2017.

5. The Planning Department would be the nodal department for functioning of the commission on the pattern of previous State Finance Commissions.

By order

(Dr. Shrikant Baldi) Pr. Secretary (Finance) to the Govt. of H.P.

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