

Functional and Financial Devolution to Panchayati Raj Institutions in India: A study of Uttar Pradesh

Dr. R. C. Tyagi¹, Tarannum Siddiqui²

¹Ex. Asst. Prof., Giri Institute of Development Studies, Lucknow, U.P., INDIA

²Ph. D. Scholar, Economics, Singhania University, Pacheri Bari, Jhunjhunu, Rajasthan, INDIA

Abstract- The aim of this paper is to examine the status of functional and financial devolution to the Panchayati Raj Institutions in twelve sampled Zila Panchayats of Uttar Pradesh in India and the quality of services being provided by them which would be a support to the policy makers in Uttar Pradesh state of India at Panchayati Raj level. The study is based on primary and secondary data/ information. The capacity of the PRIs to discharge their functions and take up new functions is examined through interviews with officials and elected functionaries of PRIs and through assessment of their financial and manpower capacity. A primary survey has been conducted to assess the level of satisfaction of the people about the quality of service delivery of PRIs at various levels. Study has found that the lapse of almost two decades after the 73rd Constitutional Amendment Act the functional devolution to the local bodies has remained limited in Uttar Pradesh. The service delivery of gram panchayats was viewed poor. It is recommended that fund should be released only to those PRIs who submitted work completion reports and audit reports timely. Functional and financial devolution which check and give physical and financial power to the unit level of working machinery has great importance.

Keywords: Functional and financial devolution, Panchayati Raj Institutions, Quality of Service Delivery in PRIs

1. Introduction: Decentralization has been a major objective in India. The decentralization imperative was recognized in the early years of planning. The urban and rural elected bodies have been in existence for a long time in the country. But these bodies were not adequately empowered in terms of funds, functions and functionaries to enable them to discharge their expected duties as units of local self-government. The 73rd and 74th Constitutional Amendments, passed in 1992 are landmarks in the evolution of democratic decentralisation in the country. Constitutional amendments provided a constitutional status to the elected bodies. The major provisions in the constitution included regular elections after every five years, representation of weaker sections and women in the elected bodies, setting up of a state election commission and the setting up of State Finance Commissions (SFC) every five years for deciding upon the share of local bodies in the net tax revenue of a State and assignment of new taxes, etc. for improving the financial position of these bodies. It was recognized that these bodies could not be expected to function as genuine institutions of local self-government and perform effectively the functions indicated for them in Schedules 11 and 12 of the Constitution, unless they were made more viable and self-reliant financially, organisationally and in terms of authority.

Uttar Pradesh had a long tradition of Panchayati Raj Institutions (PRIs). The U.P. Gram Panchayat Act was passed in 1947 and the UP Zila Parishad and Kshetra Panchayat Act were passed in 1961. These acts were amended in 1994 to bring them in line with the provisions of the 73rd and 74th Constitutional amendments. Since then the

elections of local bodies have been conducted in the states under the supervision of the State Election Commission. Three SFC have submitted their reports during this period and the Fourth SFC has been set up. The 73rd Constitutional Amendment sought to empower the PRIs to carry out their developmental functions in an effective manner. Government of UP amended its own Gram Panchayat, Zila Parishad and Kshetra Panchayat Act to bring them in conformity with the provisions of the 73rd Constitutional Amendment. Since the amendments of these Acts in 1994, four rounds of elections to PRIs have taken place. The Constitutional Amendment Act also provides for the constitution of a SFC to look into the finances of the PRIs and give recommendations for transfer of resources and financial powers to the PRIs. The Fourth SFC of UP was constituted in 2012. It is presently examining the financial situation and performance of the PRIs with a view to make its recommendation. The present paper is based on the study report which has been prepared in this context for the SFC of U.P.

2. Objectives:

1. The present status of functional and financial devolution to PRIs
2. The flow of funds to PRIs and the efforts of PRIs at own resource mobilisation
3. The system of financial records and audit of PRIs
4. The extent of satisfaction of people with the service delivery by PRIs
5. The possibility of further devolution of functional and financial powers to the PRIs

3. Methodology of the Study: The paper is based both on secondary and primary data. The status of financial and

functional devolution of PRIs has been examined with the help of official orders and records. The extent of autonomy in functional and financial matters has been examined through discussions with the functionaries at different levels. The trends in the revenue and expenditure of the PRIs at the three levels have been examined with the help of secondary data collected from the records of selected PRIs. The resource mobilisation efforts of the PRIs have been studied through the analysis of secondary data and study of the finances of selected PRIs with especial focus on mobilisation of resources. The capacity of the PRIs to discharge their functions and take up new functions is examined through interviews with officials and elected functionaries of PRIs and through assessment of their financial and manpower capacity.

Apart from the study of official records, interviews have been conducted with various stake holders including policy makers, officials of the PRIs, elected representatives, experts and local people. A primary survey has been conducted to assess the level of satisfaction of the people about the quality of service delivery of PRIs at various levels. Opinion of the public about various aspects of the service delivery has been assessed on a scale of 1 to 10 where 1 and 10 are worst and best respectively. Further the scale of 1 to 10 has been classified into quality of poor, satisfactory and good. The ranks from 1 to 4 have been clubbed to show the poor quality, ranks from 5 to 7 has been added to represent satisfactory quality and ranks 8 to 10 have been added to show the good quality of the any service. Two schedule formats have been used in data collection. One schedule is for the primary data collection and other is for the secondary data collection. Compound Growth Rate has been calculated with the help of formula given below:

$$CAGR = \left(\frac{\text{Ending Value}}{\text{Beginning Value}} \right)^{\left(\frac{1}{\# \text{ of years}} \right)} - 1$$

4. Survey Design: There are at present 75 Zila Panchayats, 829 Kshetra Panchayats and about 51000 Gram Panchayats in UP. We studied 12 Zila Panchayats, selecting 4 each from Western and Eastern Regions and 2 each from Central and Bundelkhand regions. From each Zila Panchayat two Kshetra Panchayats were selected and from each Kshetra Panchayat, 10 Gram Panchayats was selected for study. From each Gram Panchayats, 20 persons were interviewed for opinion survey. Thus, the total sample design consisted of 12 Zila Panchayats, 24 Khetra Panchayats, 240 Gram Panchayats and 4800 persons. The detail is as given in following table-1.

Table-1: Number of Sample Zila, Kshetra and Gram Panchayats

Region	Total Districts	Sample Zila Panchayats	Sample Kshetra Panchayats	Sample Gram Panchayats	No of persons interviewed
Western	29	4	8	80	1600
Central	9	2	4	40	800
Eastern	29	4	8	80	1600
Bundelkh and	8	2	4	40	800
Uttar Pradesh	75	12	24	240	4800

The selection of sample Zila Panchayats from each region was based on the number of districts in each region, their geographical spread and financial status. Since number of districts in Western and Eastern Regions are relatively more as compared to Central and Bundelkhand regions, therefore, it was decided to select 4 Zila Panchayats from each of the two regions. Accordingly, 2 Zila Panchayats were selected from Central and Bundelkhand Regions. In selection of particular Zila Panchayat from each region, geographical spread of sample Zila Panchayats and their financial status were taken into consideration. In the selection of Kshetra and Gram Panchayats, 1 developed and 1 under-developed Kshetra Panchayats and Gram Panchayats were selected in the sample. From the ultimate unit of sampling i.e. Gram Panchayats, 20 persons from each Gram Panchayat were selected randomly. The care was taken that each of the caste groups gets representation in the sample.

Here we are discussing the status of functional and financial devolution to the PRIs in the state after the 73rd Constitutional Amendment Act. The views obtained from the officials and elected representatives about the functional and financial devolution have also been discussed.

1.1. Functional Devolution

There are 52,029 Gram Panchayats, 809 Kshetra Panchayats and 75 Zila Panchayats in UP. In 1999, GOs were issued transferring a limited number of functions to the PRIs as shown below:

(A) Functions Transferred to Gram Panchayats

1. Education: Construction and maintenance of primary and higher primary schools.
2. Government Tube Wells: Ownership, operation and maintenance of State tube wells.
3. Hand Pumps: Ownership and maintenance of all existing and new hand pumps.
4. Youth Welfare: Activities related to youth welfare, gymnasiums, Yuvak Mangal Dals, Mahila Mangal Dals and sports.
5. Medical and Health: Management of village level mother and child welfare centres.
6. Women and Child Welfare: All village level activities related to women and child welfare.

7. Animal Husbandry: Management of livestock centres and category-'d' of veterinary hospitals.
8. Ration Shops: Supervision of PDS through ration shops.
9. Agriculture: All village level activities related to agriculture.
10. Rural Development: All village level activities related to rural development.
11. Panchayati Raj Department: All village level activities related to Panchayati Raj Department.

(B) Functions Devolved on Kshetra Panchayats

1. Rural Development Schemes: Implementation, monitoring and evaluation of rural development Schemes at the Kshetra Panchayat level.
2. Primary Health Centres: Management of primary health centres at the Kshetra Panchayat level.
3. Veterinary Hospitals: Management of Kshetra panchayat level veterinary hospitals.
4. Seed Centre: Management of seed centre at Kshetra panchayat level.
5. Go downs: Supervision of go downs at Kshetra panchayat level.
6. Works of inter-Gram Panchayats nature.
7. Maintenance of properties transferred to Kshetra panchayats.

1.2. Financial Devolution

The two SFC recommended that the local bodies should be given a fixed share in the net own tax income of the state government. The First SFC had recommended that the PRIs should be paid 4 per cent of own tax revenue of the state and the Urban Local Bodies ULBs 7 per cent. The state government on its own raised the share of PRIs to 4.5 per cent of own tax revenue. The Second SFC raised the share of PRIs in own tax revenue of the state to 5 per cent in case of PRIs and 7.5 per cent in case of ULBs. The two SFCs also indicated the relative share of different level PRIs and ULBs. The devolution criteria took into account the relative social-economic backwardness of different districts apart from share in population. The scheme of devolution recommended by the two SFCs and accepted by the State Government is indicated in the following Table-2.

Table-2: The Share of Local Bodies in Own Tax Revenue of the State Government as Recommended by the SFC in UP (%)

Type of Local Body	First SFC	Second SFC
Panchayati Raj Institutions	4.0	5.0
Gram Panchayats	2.80	3.50
Kshetra Panchayats	0.40	0.50
Zila Panchayats	0.80	1.00
Urban Local Bodies	7.0	7.5
Nagar Panchayats	3.125	3.20
Nagar PalikaParishad	3.125	3.20
Nagar Nigam	0.75	1.10
Total Devolution	11.0	12.5

Source: Report of the Second State Finance Commission, UP

The Third SFC recommended that the share of local bodies should be raised to 15 per cent of state's own tax revenue-6 per cent to PRIs and 9 per cent for ULBs. However, the recommendation was not accepted by the government and the share of local bodies stays at 12.5 per cent.

1.3. Transfer of Funds to Local Bodies

Table-3 shows the transfer of funds by the state government under the recommendations of the SFCs. Transfers to the local bodies show a continuous increase from 382.00 crore in 2001-02 to 2192.10 crore in 2011-12. The increase was faster in the period 2001-06 (22.8 per cent per annum) as compared to the period 2006-12 (11.6 per cent per annum).

Table-3: Allocation of Funds to PRIs on the Recommendation of the SFC: 2001-2012

Year	(In Crore)			
	Zila Panchayat	Kshetra Panchayat	Gram Panchayat	Total PRIs
2001-02	64.4	0.0	317.6	382.0
2002-03	66.6	0.0	35.5	382.1
2003-04	110.0	55.0	385.0	550.0
2004-05	142.6	111.3	524.9	778.8
2005-06	186.2	81.7	600.9	868.8
CAGR (2001-06)	30.4	21.9	17.3	22.8
2006-07	235.0	117.5	822.6	1175.2
2007-08	288.5	144.3	1009.8	1442.5
2008-09	256.3	128.2	897.2	1281.7
2009-10	252.4	126.2	883.5	1262.1
2010-11	364.8	182.4	1276.8	1824.0
CAGR (2006-11)	11.6	11.6	11.6	11.6
2011-12	438.4	219.2	1534.5	2192.1

Source: Data obtained from Finance Department, UP Government.

1.4. Devolution of Funds to Local Bodies

Though the total devolution to the local bodies has been going up from year to year, the rate of increase has been uneven. The rate of devolution has also fallen much short of the increase in state tax revenue, though logically the same ratio should have been maintained. Thus, between 2007-08 and 2011-12, state tax revenues increased more than doubled but devolution to local bodies increased by only 50 per cent. The devolutions have fallen short of the recommended 12.5 per cent of OTR of the state except in the year 2007-08 (Table-4). As observed by the CAG (Comptroller and Auditor General) the actual devolutions have fallen short of the due devolution amount. This aspect has to be given due attention so that the transfers to local bodies are in accordance with the recommendations of the SFC.

Table-4: Devolution of Funds to Local Bodies on Recommendations of the SFC: 2007-12(In Crore)

Year	Net Tax Revenue of state Government	Urban Local Bodies		PRIs		Total Funds Devolved To Local Bodies	Devolution as % of OTR of State Govt.
		Funds to be devolved	Funds devolved	Funds to be devolved	Funds devolved		
2007-08	24959	1872	1838	1248	1441	3279	13.14
2008-09	28659	2149	1986	1433	1282	3268	11.40
2009-10	33878	2541	2121	1694	1262	3383	9.99
2010-11	41110	2878	2566	2261	1788	4354	10.59
2011-12	52613	3683	2751	2893	2172	4923	9.36

Source: Report of the CAG on State Finances of UP for 2011-12

1.5. Devolution through Central Finance Commission

Devolution to PRIs through the recommendations of the CFC is shown in Table-5. Central devolutions show a sharp rise from Rs. 585.60 crore in 2006-07 to Rs. 911.30 crore in 2010-11 and further to Rs. 2187.03 crore in 2012-13.

The share of transfers through Twelfth Finance Commission was roughly one third of the total transfers by SFC and FC. But the share of central transfers has increased to 43 per cent in case of the Thirteenth Finance Commission.

Table-5: Allocation of Funds to PRIs on the Recommendation of the CFC: 2006-2013

(In Crore)

Year	Zila Panchayat	Kshetra Panchayat	Gram Panchayat	Total
2006-07	117.12	58.56	409.92	585.60
2007-08	117.12	58.56	409.92	585.60
2008-09	117.12	58.56	409.92	585.60
2009-10	117.12	58.56	409.92	585.60
2010-11	182.26	91.13	637.91	911.30
Total 2006-11 (Twelfth FC)	650.74	325.37	2277.59	3253.70

CAGR 2006-11 (%)	11.69	11.69	11.69	11.69
2011-12	334.45	167.23	1170.59	1672.27
2012-13	437.41	218.7	1530.92	2187.03
Total 2011-13 (Thirteenth FC)	771.86	385.93	2701.51	3859.30
CAGR 2010-12 (%)	30.78	30.78	30.78	30.78

Source: Central Finance Commission

1.6. Details of Income of Zila Panchayats

There are three main sources of Zila Panchayat's income. The first source of Zila Panchayats income is different types of taxes; second source of income is different kinds of Fees and third source of income is grant from Finance Commission and Government. Table-6 shows the total income from all sources of twelve sample Zila Panchayats taken together in the years 2007-08 to 2012-13 was Rs. 10642.30 lakh in the year 2007-08. The major source of income was grant received from State and CFC and Government which was 85.46 per cent of total income received in the year 2007-08. The income of Zila Panchayats has increased up to Rs. 18108.64 lakh, with a compound annual growth rate of 11.22 per cent, after a gap of five years in the year 2012-13. Similarly, in the year 2012-13, the highest source of income was grants received and it was 83.44 per cent of the total income of the Zila Panchayats. It has been found that highest annual compound growth rate was in the income through fees and it was 16.88 per cent. Zila Panchayats are getting minimum income from taxes.

Table-6: Total Income of Zila Panchayats and its Shares from Different Sources (Rs. Lakh)

Details	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	CAGR in 2012-13 over 2007-08**
Total Income from all Taxes	330.56 (3.11)	534.43 (3.41)	601.96 (4.64)	661.47 (4.59)	475.3 (2.64)	344.7 (1.90)	0.84
Total Income from all Fees	1216.50 (11.43)	1932.77 (12.35)	1683.54 (12.98)	2228.22 (15.45)	2371.88 (13.17)	2653.39 (14.65)	16.88
Total Income from all Grants	9095.24 (85.46)	13184.28 (84.24)	10688.37 (82.38)	11530.23 (79.96)	15161.89 (84.19)	15110.55 (83.44)	10.69
Grand Total Of Income	10642.30 (100)	15651.48 (100)	12973.87 (100)	14419.92 (100)	18009.06 (100)	18108.64 (100)	11.22

* Compound Annual Growth rate (CAGR) has been calculated by using the base year figures of 2006-07. Wherever, the figures for 2007-08 are not available CAGR has been worked out using next year's Figures. Source: Sample Zila Panchayats.

1.7. Details of Income of Kshetra Panchayats

The main source of income of Kshetra Panchayats is grants from SFC, CFC and from other sources. A sum of Rs. 588.75 lakh was the total amount received by sample Kshetra Panchayats in the year 2007-08, out of which highest share of grant (69.70 per cent of the total grant) was received on the recommendation of SFC and 27.16 per cent of the total grant was received on the recommendation of CFC. The remaining 3.14 per cent amount of grant was received by the Kshetra Panchayats from other sources. The total amount of grants of all sample Kshetra Panchayats has increased to Rs. 998.75 lakh in the financial year 2012-13. Out of which highest share of grant of 68.16, per cent was provided on the recommendation of SFC. This was followed by the grant received by all Kshetra Panchayats on the

recommendation of CFC and was 29.74 per cent of the total grant. The Compound Annual Growth Rate of all grants received by the Kshetra Panchayats over a period of 5 years (2007-08 to 2012-13) has been 11.15 per cent (Table-7). It has been observed that Kshetra Panchayats do not have any other source of income except grants. Kshetra Panchayats are not generating income from their own sources.

Table-7: Details of Grants received by Kshetra Panchayats

	(Rs. Lakh)						
Funds received	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2012-13 over 2007-08
Amount received on the recommendations of SFC	410.37 (69.70)	407.41 (75.72)	409.07 (64.45)	492.71 (69.47)	636.33 (70.62)	680.78 (68.16)	10.65
Amount received on the recommendations of CFC	159.90 (27.16)	118.62 (22.05)	197.35 (31.09)	197.38 (27.83)	249.53 (27.69)	297.00 (29.74)	13.18
Others	18.48 (3.14)	12.01 (2.23)	28.25 (4.45)	19.20 (2.71)	15.16 (1.68)	20.97 (2.10)	2.56
Total	588.75 (100)	538.04 (100)	634.67 (100)	709.29 (100)	901.02 (100)	998.75 (100)	11.15

* Compound Annual Growth rate (CAGR) has been calculated by using the base year figures of 2007-08. Wherever, the figures for 2007-08 are not available CAGR has been worked out using next year's Figures. Note: Figures in brackets are percentage. Source: Sample Kshetra Panchayats.

1.8. Details of Income of Gram Panchayats

Gram Panchayats are generating income from taxes, from Tah-Bazari, from leasing out ponds for fisheries, Singhara and Kamalgatta farming etc. and income through interest on cash deposits. Other major source of income of Gram Panchayats is Grant received on the recommendation of SFC and on the recommendation of CFC. The income of Gram Panchayats through own resources and through taxes was Rs. 501.01 lakhs in year 2008-09 and it is evident that in year 2012-13, it was almost same. GP could not increase their income through own sources during this period. Gram Panchayats are also generating income by imposing fees on market, fairs, and exhibition etc., held in their areas. They are also earning income through interest on cast deposits in the Bank. The largest sources of income of Gram Panchayats are grants, which they are receiving on the

recommendation of SFC. They are also receiving Grant on the recommendation of CFC. The other sources of Gram Panchayats income are Mid-Day Meal (MDM), MANREGA, and grants for toilets construction etc. Considering sample Gram Panchayats together, their income in 2008-09 was Rs. 1205.75 lakh, which rose to Rs. 1697.35 lakh in the year 2012-13 at a Compound Annual Growth Rate of 8.93 per cent as shown in table-8.

Table-8: Income of Gram Panchayats from Taxes/Fees and other sources

(Rs. Lakh)

Source	2008-09	2009-10	2010-11	2011-12	2012-13	CAGR in 2012-13 over 2008-09*
Income from-						
Taxes	501.00	501.03	501.03	501.04	501.08	0
Charges	0.01	0.01	0.01	0.01	0.01	0
Sub Total	501.01	501.04	501.04	501.05	501.09	0
From assets-						
Prizes	0.00	0.00	3.00	0.00	0.00	0
Rent & sale of properties	0.05	0.05	0.05	0.05	0.05	0
Tah Bazari	0.40	0.51	0.72	0.67	0.00	18.76
Ponds	0.27	0.26	0.26	0.27	1.42	51.44
Haat, market, fair, exhibition	0.57	0.57	0.56	1.08	4.89	71.14
Other income	0.10	0.05	0.05	0.06	0.07	-8.53
Interest on cash deposits	0.90	0.88	1.19	2.69	3.34	38.80
Sub Total	2.29	2.32	5.83	4.82	9.77	43.72
Subsidy & Grants-						
Grants recommendations of SFC	409.24	715.25	520.03	606.77	700.40	14.38
Grants recommendations of CFC	292.01	368.18	397.92	684.74	485.98	13.58
Sub Total	701.25	1083.43	917.95	1291.51	1186.38	14.05
Details of income from other sources-						
MDM, Scholarship, MANREG	1.20	0.00	0.60	0.76	0.11	-54.91

A, Toilet Grants						
Sub Total	1.20	0.00	0.60	0.76	0.11	-14.12
Grand Total	1205.75	1586.79	1425.42	1798.14	1697.35	8.93

Source: Sample Gram Panchayats.

1.9. People's Opinion about Quality of Services of Gram Panchayats: An Overview

The people's opinion about the 12 major services rendered by Gram Panchayats (GP) has been classified into poor, satisfactory and good quality ranks on the basis of analysis carried above. The overall picture about the quality of major services has been shown in table-9. The table shows that in case of 12 major services, majority of the people (48 per cent to 81 per cent) have given them poor quality rank except in case of quality of Kharanja to which 51 per cent respondents have given satisfactory rank.

Table-9: Quality Ranking of Major Services of Gram Panchayats by the People (%)

Services	Poor	Satisfactory	Good
Efforts of GP Members in Solving Wards Problems	75.59	23.64	0.77
Responsibilities of Panchayat	75.58	23.65	0.77
Impartial Selection of Beneficiaries for Govt. Schemes by Gram Sabhas	57.20	41.83	0.95
Impartiality adopted by Gram Pradhans in the Activities of Gram Panchayats	55.56	43.64	0.79
Style of Functioning of Gram Pradhans	81.38	17.02	1.60
Repair & Maintenance of Hand pumps by GP	65.53	32.35	0.87
Repair & Maintenance of Water Drains by GP	66.39	31.02	0.35
Repair & Maintenance of Roads/ Lanes by GP	65.43	32.79	0.47
Repair & Maintenance of Ponds/ Tanks by GP	60.16	14.08	0.60
Quality of Roads/Lanes of Villages	52.67	46.31	1.02
Quality of Kharanja of Villages	47.79	51.23	0.98
Quality of Drains in Villages	60.58	37.73	1.69

Note: Figures in brackets are percentage.

5. Main Findings

- In spite of the lapse of almost two decades after the 73rd Constitutional Amendment Act the functional devolution to the local bodies has remained limited in Uttar Pradesh. In 1999, GOs were issued transferring 13 functions to the PRIs. These functions are nominal in

- nature and do not empower the PRIs to function as effective bodies for rural development. The government programmes are planned and implemented through the line departments. The PRIs have been reduced to perform some agency functions only.
2. The present arrangement with respect to the functional devolution is not in keeping with the spirit of the Constitutional amendment. Nor functionaries of different departments have been placed under the control of the local bodies. The political commitment of the State Government for real empowerment of PRIs and ULBs has been missing.
 3. There are conflicting views between government officials and public representatives relating to devolution of functions, funds and functionaries. While former has suggested a number of control measures over PRIs on the pretext of efficiency and transparency, the later has dubbed these suggestions as false and official attempts to stop the empowerment of PRIs. The public representatives are in view that complete devolution to PRIs should be done as per spirit of Constitution Amendment in the state which is long overdue.
 4. The record of the state government is better in respect of the financial devolution to the local bodies. The state government has regularly appointed the SFC. Presently the state government has been transferring 12.5 per cent of its own tax revenue-5 per cent to PRIs and 7.5 per cent to ULBs.
 5. Transfers to the local bodies show a continuous increase from Rs. 1126.64 crore in 2001-02 to Rs. 2408.26 crore in 2005-06 and further to `Rs. 4923 crore in 2011-12. Though the total devolution to the local bodies has been going up from year to year, the rate of increase has been uneven.
 6. No significant measures have been adopted by the state government to transfer more taxation powers to the local bodies to enable them to increase own resources. The local bodies have also proved derelict in tapping their own resources with the result that they remain heavily dependent on transfers from the state and the central governments and enjoy limited fiscal autonomy.
 7. The major source of income of Zila Panchayats is from the grant received from State and CFC which was 85.46 per cent of total income received in the year 2007-08 and 83.44 per cent during 2012-13. It showed an annual growth rate of 10.69 per cent during this period (Table-6).
 8. Position of over dues of tax and non-tax revenues of Zila Panchayats is found to be increasing every year up to 2011-12. In the year 2012-13, over dues were reduced due to higher recovery and low level of new demand. Liabilities of Zila Panchayats also showed an increasing trend. The total state grant was found to be increasing every year since 2007-08 to 2012-13. The state grant to Zila Panchayats increased more than double over a period of five years. The grant from Central Government to Zila Panchayats also increased to around double over a period of five years except in the year 2008-09.
 9. Audit is not generally done in all Zila Panchayats. For example, audit was completed in 42 percent of Zila Panchayats during the year 2012-13. A number of objections were raised by auditors every year but their rectification has been poor.
 10. The Kshetra Panchayats depend on the grants only and do not have any other source of income. They are not generating income from their own sources.
 11. The largest source of income of Gram Panchayats is grants which they are receiving on the recommendations of State and Central Finance Commissions.
 12. The status of audit is poor in case of Gram Panchayats. In some year, large numbers of Gram Panchayats are covered while in other years relatively lower percentages of total Gram Panchayats are audited.
 13. Position of audit compliance shows that rectification of audit objections has been poor on the pretext that all audit objections were of general types.
 14. A total of 4800 people residing in 240 sample Gram Panchayats were interviewed to get their opinion about the quality of service delivery by the Gram Panchayats.
 15. More than 75 per cent respondents have given poor quality rank to the efforts of Gram Panchayat members in solving wards problems.
 16. Around 76 per cent people have reported the poor work performance of Panchayat Secretaries. 82 per cent village people have reported that open meetings of Gram Sabhas are not held.
 17. Complete un-uniformity has been reported by the people about the dates of open meetings of Gram Sabhas.
 18. More than 55 per cent people have given poor quality ranking to the style of functioning of Gram Pradhan's.
 19. It came out that 57 per cent of the people felt that impartial selection of beneficiaries was poor in case of government schemes implemented by gram sabhas.
 20. About 63 per cent respondents have given no response on the question of ranking the quality of repair and maintenance of wells by Gram Panchayats.
 21. 65.53 per cent respondents have given poor quality ranking to the repair and maintenance of hand pumps by gram panchayats.
 22. The poor quality rank has been given by more than half of the respondents to the repair and maintenance of water drains, roads/lanes and ponds/tanks by the Gram Panchayats.
 23. In case of quality ranking of Kharanja, which has been laid in every village, more than 50 per cent respondents reported its satisfactory quality; while around 61 per cent people find the quality of drains constructed by gram panchayats as of poor quality.
 24. Thus, the entire analysis has revealed that majority of rural people ranging from 56 to 81 per cent have assigned poor quality rank to each of the 12 major services rendered by the GPs.
 25. The field observations have revealed that majority of village people have been found to be dissatisfied with the services of Gram Panchayats. Village people feel that large scale corruption is practiced by the Gram Pradhan and people at large remain ignorant about most of the functions and funds of Gram Panchayats.
 26. Thus, the service delivery of gram panchayats was viewed as poor by majority of our sample respondents.

The role of Kshetra and Zila Panchayats in development work was reported to be largely lacking as reported by majority of sample respondents.

6. Recommendations

1. The rate of devolution has fallen much short of the increase in state tax revenue, though logically the same ratio should have been maintained. The devolutions have fallen short of the recommended 12.5 per cent of OTR of the state except in the year 2007-08. It is recommended that this aspect is to be given due attention so that the transfers to local bodies are in accordance with the recommendations of the SFC.
2. It is recommended that further devolution of functions and funds should be gradually made to PRIS. The PRIs, at present, lack capacity to perform the present and additional functions and hence utilize the funds. Therefore, capacity building of PRIS is to be accorded priority.
3. It is recommended that Panchayat Secretaries should be posted in each Gram Panchayat. Presently, a group of Gram Panchayats ranging from 2 to more than 10 are looked after by one Gram Panchayat Development Officer popularly known as Secretary of the Gram Panchayat. In this situation, Panchayat Secretary hardly remain available to people or Gram Pradhan of each Gram Panchayats, causing problems to people for their various needs. On account of this reason, Gram Panchayats could not establish their secretariat in their Gram Panchayats because there is no government official to sit there.
4. It has been observed in the field that large numbers of Gram Panchayats do not maintain their office as secretariats/offices in their Gram Panchayats. It is, therefore, recommended that some mechanisms should be involved so that proper secretariat is established in each Gram Panchayat.
5. It has been found that dates of holding the meetings of Gram Sabhas are decided at district level. The period generally remains of 3-4 days. Panchayats Secretary is responsible to see the work of a number of Gram Panchayats. Therefore, it is recommended that the dates of holding the meetings of Gram Sabhas should be decided by the Block Development Officers.
6. It was found that the funds are released to PRIs without their submission of work completion reports and auditing reports. It is recommended that fund should be released only to those PRIs who submit work completion reports and audit reports timely.
7. It has been found that auditing of accounts is not done in case of large number of PRIs during each year. The agency which has been assigned the task seems to be incapable to complete the audit of all PRIs every year. It is recommended that a separate body may be created who should be made exclusively responsible for auditing the accounts of PRIs.
8. The fee for auditing should not be charged from the PRIs.
9. It should be made mandatory on the part of PRIs to generate the income from their own sources. The generation of income from own resources should be linked with the grants or each PRI should be asked to generate a specific amount of income from own sources on certain parameters.
10. It has been observed that there is lack of complete accountability on the part of PRIs in the state which is to be ensured by all means.
11. On the whole, views of the officials and elected representatives are conflicting with each other on the matter of functional and financial devolution to PRIs. While officials feel that these bodies are not functioning properly, therefore, controls are needed. On the other side, people's representatives feel that there is unnecessary intervention by the government officials in the functioning of PRIs. In this situation, the spirit of constitution amendment in decentralization of decision making and decentralization of functions to PRIs needs to be upheld. But a gradual approach should be adopted. The capacity of PRIs should be developed and gradually functions and funds should be devolved to them. The government should develop a road map for the capacity building of PRIs as per provision of 73rd Constitution Amendment Act in a time bound manner say in a 10 years framework. Certainly, checks and balances are necessary in a system but balanced approach needs to be adopted. There is also need to strengthen the social audit.

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Author Profile

The first Author of this paper Dr. R. C. Tyagi has published a Book and 15 articles in International and National Journals. He has conducted 60 projects of national and international sponsors and attends 116 Seminar/ Conference/ Workshop in different capacity. He is having 36 years of research experience in his credit. (Mobile No. 09415078798) The co-author of this paper Tarannum Siddiqui is a PhD Scholar (Economics) in Singhania University, Rajasthan. She has published eleventh articles in International Journal, two in National Journal and three in Newspaper. Also she has presented three papers in International and three papers in National seminar/ conference and attended twenty seminars as participant. She is having research experience of three years in a reputed

research institute- Giri Institute of Development Studies,
Lucknow. She is the life member of Indian Political
Economy Association. (Mobile No. 09450374150)