

FINANCING OF LOCAL GOVERNMENTS AND DISTRICT PLAN IN UTTAR PRADESH

A. K. Singh*

Abstract: *The rationale of district planning and financing of district plans has gained importance, however, it is still in infancy stage as the mechanism for formulation of District Plan and its financing in the state of Uttar Pradesh is not strong enough due to lack of political and administrative will power for strengthening decentralized planning. The concept of separate district budgeting in the context of decentralized governance assumes paramount importance. PRIs and urban local bodies are depending on grants and transfers from state and Central governments as their own sources of income are grossly inadequate to perform their assigned functions and responsibilities. In case of PRIs, the resources of Kshetra Panchayats are mainly related to development programmes while Village Panchayats and Zila Panchayats have some sources of revenue generation. However, share of tax revenue is reported low in PRIs. The share of non-tax revenue in total income of ULBs has been found significant in the state however; resource mobilization through user charges in ULBs is still low in the state. It is therefore strongly suggested to make the District Planning Committees more effective and functional for ensuring district planning and then the concept of financing district plan will be more fruit full. The present paper purports to review the financing of district plans in the context of decentralized planning in Uttar Pradesh.*

INTRODUCTION

As we approach 21st century Indian polity has been striving for establishing democratic goals through modernizing its political and administrative institutions. With a change in development paradigms, the focus of development planning has shifted to participatory development with social justice and equity. It called for decentralized administration ensuring people's participation in decision making and giving priorities to their local needs. The 73rd and 74th Constitutional Amendment Acts, 1992 made the provision for ensuring local self governance through empowering local bodies. Thus, the units of the local self governments were given statutory status and state governments were given the mandatory provisions for establishing three tiers of local governments both in rural and urban areas. Importantly, the local bodies have become the units of the governments to have a share in decision making and active participation in development process for social-economic development of the region. The constitution of 74th Amendment Act, 1992, has marked the beginning of a historical reform to decentralize power at the grass root level in urban areas of the country. This act has provided a constitutional form to the structure and mandate of municipalities to

* Assistant Director, RCUES, Lucknow University, Lucknow

enable them to function as an effective democratic institution of local self government. One of its important objectives is to promote people's participation in planning, provision and delivery of civic services. It introduced some fundamental changes in the system of municipal governance with a new structure, additional devolution of functions, planning responsibilities, new system of fiscal transfers and empowerment of women and the weaker sections of the society. There have been significant changes in the institutional structure for the financing and management of basic services in the post decentralization period.

RATIONALE FOR DISTRICT BUDGETING

The budget of a nation is of paramount significance in reflecting the specific types of decisions taken by the government authorities while formulating different alternative budgetary proposals, it is rightly observed that the simple numerical figures may not create public enthusiasm in matters of the management of public household but specific type of information revealed through the different alternative systems of government budgeting will obviously influence the series of policy-decision and hence, the future course of economic development of a nation. The time bound conventional administrative budget has been prepared on the basis of the Line-item type of classification of government expenditure. Budgetary innovations in the world have taken place through three important stages: the control orientation; the management orientation; and the planning orientation. The administrative budget tends to serve the purpose of legislative or financial accountability. The term accountability refers to responsibility of the executive organ toward the legislative authority. The executive authority is accountable to the legislative authority both in terms of the amount of a expenditure incurred by it, and for the designated purposes over which the legislative sanctions have been obtained. With a view to fulfill the norm of financial accountability the expenditure side of the budget has been classified in terms of detailed objects of expenditure. The ultimate purpose of object classification of budget or line-item classification of budget is to facilitate the task of itemized control of public expenditure and thereby to minimize wastage of public resources. The administrative budget primarily aims at registering and the recording the requirements of the entire governmental administration and from a single department it goes down to divisions and sections of the government machinery. budget loaded with prior commitments of the government and perhaps this is why it has been termed as incremental budgeting. Thus, the annual government budgeting fails to take into account the various relative priorities of governmental operations and hence does not permit the active consideration and analysis of alternative policy options. The immediate and the final impact of incremental budgeting on the economy is that it fails to co-ordinate the decisions of the planning authority. In the absence of such co-ordination, decisions pertaining to budgetary allocations are completely divorced from decisions pertaining to allocation of physical resources and it leads to inadequate alignment of action plans with resources.

The rationale for formulation of separate district plan and budget is of paramount importance in the context of decentralized planning and governance in India and particularly in the state of Uttar Pradesh. The formulation of district plan has already initiated in the

state, however, it is imperative to make the District Planning and Metropolitan Planning Committee functional. Moreover, resource mobilization at district level is essential to pool the fiscal resources from village Panchayats, Kshetra Panchayats (mainly centrally and state developmental schemes and programmes), and Zilla Panchayats. The Local Area Fund, Corporate Social Responsibility Fund, donor and international development support fund etc. may also be pooled into district resources and spent accordingly approved district plan and budget.

FINANCING OF LOCAL GOVERNMENTS

Under the 74th Amendment to the Constitution, the terms of reference to the Central Finance Commissions (CFC) were amended under Article 280 (3) (cc) to include an additional clause to make recommendations on the “measures needed to augment the Consolidated Fund of the State to supplement the resources of the municipalities in the State on the basis of the recommendations made by the Finance Commission of the State.” In fact, however, the CFCs could not make recommendations on the reports of the SFCs in part because there was no coordination of the timing of the submission of the reports of the SFCs with the result that their reports were simply not available to the CFCs. In any case, many SFC reports were simply unusable, either because they were not accepted for implementation by the states or because the methodology employed was not only not uniform but also left much to be desired. It is interesting to note from Table 1 that 13 out of 18 major states have transferred more than 15 subjects mentioned under the Eleventh Schedule to PRIs. Out of the 13 states, six states namely Assam, Karnataka, Chattisgarh, Rajasthan, Tamil Nadu and West Bengal have transferred all the 29 subjects. It may be noted here that the tasks involved at the grassroots level are gigantic. This requires adequate resources and functionaries. However, with regard to these two, the states have not shown the same zeal as they did while devolving the functions. A few exceptions are Karnataka, Kerala, Maharashtra, Rajasthan, Gujarat and West Bengal.

A related issue at the macro level is the extent of revenues available to each level of government in the combined revenues. Table 2 provides the information on the relative position of PRIs, states and the Centre in the resource availability. It can be seen from the table that the share of tax revenue of PRIs in the combined tax revenues was 0.17 per cent during 1997-98 and it increased to 0.26 in 2002-03. On the other hand, the shares of state governments and the Central government in those years were 55.88 and 45.95 per cent respectively in both the years. Again, if we look at the shares of each level of government in the total resources, i.e., revenue and capital receipts together of all the governments the situation is no different from the earlier scenario. It can be seen from the same table that the share of PRIs in the combined receipts during 1997-98 was four per cent and the same declined to three per cent in 2002-03. Against this pattern, the shares of states and the Centre was around 48 per cent in both the above periods. A study of revenues of local bodies (rural and urban) in India also brings out the same situation as it reveals that during 1997-98 the share of local bodies in the gross state domestic product (GSDP) was 2.1 per

Table 1
Devolution of Functions, Funds and Functionaries to PRIs

State	Number of Functions Transferred to Panchayats along with Funds and Functionaries			Number of Functions, Funds and Functionaries Yet to be Transferred to Panchayats		
	Functions	Funds	Functionaries	Functions	Funds	Functionaries
Andhra Pradesh	17	5	2	12	24	27
Assam	29	0	0	0	29	29
Bihar	5	8		23	21	29
Jharkhand				NA	NA	NA
Gujarat	15	15	15	14	14	14
Haryana	16	0	0	13	29	29
Karnataka	29	29	29	0	0	0
Kerala	26	26	26	3	3	3
Madhya Pradesh	23	10	9	6	19	20
Chattisgarh	29	10	9	0	19	20
Maharashtra	18	18	18	11	11	11
Orissa	25	9	21	4	20	8
Punjab	7	0	0	22	29	29
Rajasthan	29	18	18	0	11	11
Tamil Nadu	29	0	0	0	29	29
Uttar Pradesh	12	4	6	17	25	23
Uttaranchal	11	0	11	18	29	18
West Bengal	29	12	12	0	17	17

Source: Website of Ministry of Panchayat Raj, Government of India.

cent in contrast to Centre's 6.8 per cent and States' 10.9 per cent (Rao, 2000). In contrast, in certain countries the share of local governments in the total tax revenue ranges between 11 and 20 per cent. These facts clearly show that very little fiscal decentralization has taken place below the state level in India.

Table 2
Share of Different Levels of Government in the Combined Revenue Receipts in India
(Rs. crore)

Government Tier	1997-98		2002-03	
	Tax Revenue	Total Receipts	Tax Revenue	Total Receipts
1. PRIs (0.17)	376.91 (4.01)	19355.54 (0.26)	928.71 (3.20)	24010.52
2. States	121641.00 (55.88)	230238.00 (47.71)	196494.00 (55.01)	369000.61 (49.19)
3. Centre (Net)	95672.00 (43.95)	232963 (48.28)	159763.00 (44.73)	357131.72 (47.61)
Total of Three Tier Governments	217689.91 (100.00)	482556.54 (100.00)	357185.71 (100.00)	750142.85 (100.00)

Source: Ministry of Finance, Government of India, 2005.

Even though the relative share of PRIs in the combined receipts of all level of governments is very low, it is very useful to analyze the trends in the revenues available to PRIs in different states. This is measured in terms of per capita and ratio to state income i.e. net state domestic product (NSDP). The information on the extent of availability of resources for PRIs in major states is presented in Table 3. It can be seen from the table that the per capita revenue of PRIs at the level of all states was Rs.308 during 1997-98 and the same went up to Rs.349 in 2002-03. The state-wise position reveals that in four states (Karnataka, Gujarat, Maharashtra and Andhra Pradesh) out of 15, the per capita revenue exceeded Rs. 500 per annum during 1997-98. In another five states (Kerala, Madhya Pradesh, Orissa, Rajasthan and Tamil Nadu) the same varied between Rs.100 and Rs.500. However, if we take a cut off point i.e. the average of all states (Rs.308) then only seven states figure out. The situation during 2002-03 was not encouraging either. It may be observed from the same table that out of 15 states, the per capita revenue had increased only in seven and in the remaining eight states, it had actually declined. The decline has been noticed in the progressive states (in terms of decentralization) such as Kerala, West Bengal and Rajasthan.

Table 3
State-wise Revenue Position of PRIs in India

(Rs. Crores)

State	1997-98				2002-03			
	PRIs Total Revenue	Net State Domestic Product	Per capita Revenue (Rs.)	PRIs Share in NSDP (%)	PRIs Total Revenue	Net State Domestic Product	Per capita Revenue (Rs.)	PRIs Share in NSDP (%)
Andhra Pradesh	2511.59	85791	517	2.93	4579.15	145198	827	3.15
Assam	15.5	20211	8	0.08	7.61	32583	3	0.02
Bihar	365.96	30307	49	1.21	295.93	51325	40	0.58
Gujarat	2232.54	77266	825	2.89	3302.37	118513	1042	2.79
Haryana	85	33909	69	0.25	376.37	58655	251	0.64
Karnataka	3768.07	64757	1213	5.82	4303.03	100406	1233	4.29
Kerala	982.77	44883	451	2.19	960.69	71064	407	1.35
Madhya Pradesh	1779.01	53141	350	3.35	478.52	1646	108	0.67
Maharashtra	3307.47	172530	683	1.92	5337.2	259042	956	2.06
Orissa	640.02	28000	233	2.29	187.84	38737	60	0.48
Punjab	135.41	43099	95	0.31	178.55	64094	111	0.28
Rajasthan	1520.21	56912	448	2.67	1811.63	75048	418	2.41
Tamil Nadu	422.16	92689	115	0.46	890.58	135252	255	0.66
Uttar Pradesh	883.24	120125	79	0.74	623.21	176076	47	0.35
West Bengal	487.75	89595	99	0.54	177.23	153781	31	0.12
Total of 15 States	19136.93	1013215	308	1.89	23509.91	1551420	349	1.52

Source: Ministry of Finance Government of India, 2005.

As far as the composition of revenues of PRIs was concerned, in almost all the states the own revenue (tax and non-tax) in their total revenues was very negligible. For instance,

the computation of data reveal that at the all states level the share of own revenue of PRIs in their total revenues was 4.02 per cent in 1994-95 and it had risen to 6.84 per cent in 2002-03. On the other hand, the transferred and other revenue (assigned, shared and grants) accounted for 95.98 per cent and 93.16 per cent respectively in the above periods. Another point to be noted is that own revenues of PRIs largely accrued from grama Panchayats. Indirectly, it meant that taxation powers had been given to the lower tier of Panchayats in most of the states as stated earlier. Similarly, larger share of non-tax revenue came from GPs. The total share of non-tax revenue in the total revenues was very negligible at 1.5 to 3 per cent between 1994-95 and 2002-03. The above information reveals that the PRIs were highly dependent on the transfers from higher level governments (Table 4).

Table 4
Composition of Panchayats Revenue in India

<i>Panchayat Tier and Source of Revenue</i>	(In Percentages)								
	<i>1994-95</i>	<i>1995-96</i>	<i>1996-97</i>	<i>1997-98</i>	<i>1998-99</i>	<i>1999-2000</i>	<i>2000-01</i>	<i>2001-02</i>	<i>2002-03</i>
Tax Revenue									
Grama Panchayats	6.20	6.65	7.01	6.47	NA	NA	NA	NA	NA
Block/Taluk Panchayats	0.41	0.43	0.39	0.35	NA	NA	NA	NA	NA
Zilla/District Panchayats	0.17	0.16	0.13	0.10	NA	NA	NA	NA	NA
Total of Three Tiers	2.15	2.22	2.13	1.95	3.64	3.04	3.24	3.61	3.87
Non-tax Revenue									
Grama Panchayats	4.11	4.06	4.04	3.97	NA	NA	NA	NA	NA
Block/Taluk Panchayats	0.53	0.56	0.44	0.44	NA	NA	NA	NA	NA
Zilla/District Panchayats	0.97	0.83	0.74	0.68	NA	NA	NA	NA	NA
Total of Three Tiers	1.87	1.77	1.60	1.55	3.07	2.95	2.86	2.77	2.98
Total Own Revenue									
Grama Panchayats	10.31	10.71	11.05	10.43	NA	NA	NA	NA	NA
Block/Taluk Panchayats	0.94	0.98	0.83	0.79	NA	NA	NA	NA	NA
Zilla/District Panchayats	1.13	0.99	0.87	0.77	NA	NA	NA	NA	NA
Total of Three Tiers	4.02	3.99	3.73	3.50	6.71	5.99	6.10	6.38	6.84
Transfers									
Grama Panchayats	89.69	89.29	88.95	89.57	NA	NA	NA	NA	NA
Block/Taluk Panchayats	99.06	99.02	99.17	99.21	NA	NA	NA	NA	NA
Zilla/District Panchayats	98.87	99.01	99.13	99.23	NA	NA	NA	NA	NA
Total of Three Tiers	95.98	96.01	96.27	96.50	93.29	94.01	93.90	93.62	93.16

Source: Ministry of Finance, Government of India, 2004.

It is also important to talk about the states, where the Panchayats have relatively performed better in resource mobilisation. This information is presented in Table.5. It can be seen from the table that in states such as Punjab, Madhya Pradesh, Kerala and Haryana the own revenues of PRIs in their total revenues were more than 20 per cent. In West Bengal and Uttar Pradesh, it ranged between 10 and 15 per cent. In the remaining states own share accounted for less than eight per cent.

Table 5
State-wise Composition of Revenues of PRIs of India

(Rs. Crores)

State	1997-98			2002-03		
	Own Revenue (Tax & Non-tax)	Transferred Revenue	Total Revenue	Own Revenue (Tax & Non-tax)	Transferred Revenue	Total Revenue
Andhra Pradesh	137.80	2373.79	2511.59	170.83	4408.3	4579.15
(%)	(5.49)	(94.51)	(100.00)	(3.73)	(96.27)	(100.00)
Assam	3.46	12.04	15.50	7.61	0	7.61
(%)	(22.32)	(77.68)	(100.00)	(100.00)	(0.00)	(100.00)
Bihar	0	365.96	365.96	6.67	289.26	295.93
(%)	(0.00)	(100.00)	(100.00)	(2.25)	(97.75)	(100.00)
Gujarat	40.36	2192.18	2232.54	69.86	3232.51	3302.37
(%)	(1.81)	(98.19)	(100.00)	(2.12)	(97.88)	(100.00)
Haryana	53.01	32.21	85.22	78.36	298.01	376.37
(%)	(62.20)	(37.80)	(100.00)	(20.82)	(79.18)	(100.00)
Karnataka	30.14	3737.93	3768.07	59.46	4243.57	4303.03
(%)	(0.80)	(99.20)	(100.00)	(1.38)	(98.62)	(100.00)
Kerala	99.09	883.67	982.77	226.01	734.68	960.69
(%)	(10.08)	(89.92)	(100.00)	(23.53)	(76.47)	(100.00)
Madhya Pradesh	32.04	1746.94	1779.01	174.81	303.7	478.52
(%)	(1.80)	(98.20)	(100.00)	(36.53)	(63.47)	(100.00)
Maharashtra	112.17	3195.30	3307.47	470.07	4867.14	5337.20
(%)	(3.39)	(96.61)	(100.00)	(8.81)	(91.19)	(100.00)
Orissa	6.99	633.03	640.02	5.51	182.33	187.84
(%)	(1.09)	(98.91)	(100.00)	(2.93)	(97.07)	(100.00)
Punjab	53.87	81.54	135.41	98.77	79.78	178.55
(%)	(39.78)	(60.22)	(100.00)	(55.32)	(44.68)	(100.00)
Rajasthan	30.75	1489.46	1520.21	37.68	1773.94	1811.63
(%)	(2.02)	(97.98)	(100.00)	(2.08)	(97.92)	(100.00)
Tamil Nadu	34.04	388.13	422.16	65.44	825.14	890.58
(%)	(8.06)	(91.94)	(100.00)	(7.35)	(92.65)	(100.00)
Uttar Pradesh	46.65	836.59	883.24	63.17	560.04	623.21
(%)	(5.28)	(94.72)	(100.00)	(10.14)	(89.86)	(100.00)
West Bengal	19.59	468.16	487.75	31.27	145.96	177.23
(%)	(4.02)	(95.98)	(100.00)	(17.64)	(82.36)	(100.00)
All States Total	677.08	18678.47	19355.54	1643.51	22367.01	24010.52
(%)	(3.50)	(96.50)	(100.00)	(6.84)	(93.16)	(100.00)

Source: Ministry of Finance, Government of India, 2004.

Income of PRIs in Uttar Pradesh is shown in Table 6. Income of PRIs has increased by 122.21 per cent during 2001-02 to 2005-06. The total income of PRIs was reported Rs. 1545.28 crores during 2001-02 this increased to Rs. 3433.74 crores in 2005-06. The per capita income of PRIs has also shown significant increase (103.83 per cent). Per capita income of PRIs was reported about 115 in 2001-02 which increase to Rs. 234 in 2005-06.

Table 6
Income of Panchayati Raj Institutions in Uttar Pradesh

<i>Year</i>	<i>Total Income (Rs. Crore)</i>	<i>Per Capita Income (In Rupees)</i>
2001-02	1545.28	114.86
2002-03	1744.41	126.90
2003-04	2255.43	160.57
2004-05	2542.10	177.11
2005-06	3433.74	234.12

Source: 3rd SFC Report, Govt. of U.P.

Finances of PRIs in Uttar Pradesh are shown in Table 7. There has been 22.09 per cent compound annual growth in total income of PRIs during 2001-02 to 2005-06. The annual growth of income was reported significantly high in case of income from devolution including transfers from Central and State Finance Commissions. During 2001-2002, income from grants constituted 60.55 per cent while income from devolution accounted for 34.57 per cent. Own income of PRIs constituted only 3.92 per cent. Similarly, during 2005-06, income from grants accounted for 56.52 per cent while income from devolution constituted 40.51 per cent. Income from own sources accounted only 2.54 per cent.

Table 7
Finances of Panchayati Raj Institutions in U.P.

<i>Source of Revenue</i>	<i>Year-wise Revenue (In Rs. Crore)</i>					<i>Compound Annual Growth Rate (%)</i>
	<i>2001-02</i>	<i>2002-03</i>	<i>2003-04</i>	<i>2004-05</i>	<i>2005-06</i>	
1- Income from Own Sources						
(a) Tax Revenue						
(i) Zila Panchayat	6.40	7.33	7.71	8.25	8.95	8.75
(ii) Kshetra Panchayat	-	-	-	-	-	-
(iii) Village Panchayat	6.67	6.88	8.05	6.77	6.30	(-1.42)
(b) Non-Tax Revenue						
(i) Zila Panchayat	41.78	46.67	47.38	53.05	66.57	12.35
(ii) Kshetra Panchayat	-	-	-	-	-	-
(iii) Village Panchayat	4.55	4.86	5.38	5.65	5.45	4.62
Sub Total-1	59.40	65.74	68.52	73.72	87.27	10.09
2- Income from Grants						
(a) State Government						
(i) Zila Panchayat	0	4.49	1.58	0.04	0.26	
(ii) Kshetra Panchayat						
(iii) Village Panchayat	296.76	350.34	406.87	500.14	562.97	17.36

contd. table 7

Source of Revenue	Year-wise Revenue (In Rs. Crore)					Compound Annual Growth Rate (%)
	2001-02	2002-03	2003-04	2004-05	2005-06	
(b) Central Government						
(i) Zila Panchayat	102.78	162.00	190.34	207.07	224.63	21.59
(ii) Kshetra Panchayat	206.81	260.68	521.42	639.08	750.25	38.01
(iii) Village Panchayat	329.35	342.27	344.57	408.38	402.83	5.16
Sub Total-2	935.70	1119.78	1464.78	1754.71	1940.94	20.01
3- Income from Devolution						
11 th and 12 th CFCs						
(i) Zila Panchayat	46.79	46.68	46.68	-	117.12	25.78
(ii) Kshetra Panchayat	-	-	-	-	58.56	
(iii) Village Panchayat	165.67	165.67	164.40	-	409.92	25.42
2 nd SFC						
(i) Zila Panchayat	64.37	66.58	110.00	122.64	186.22	30.42
(ii) Kshetra Panchayat	-	-	55.00	111.27	81.70	
(iii) Village Panchayat	257.47	266.28	324.93	464.69	537.60	20.21
Sub Total-3	534.30	545.21	701.01	698.60	1391.12	27.03
4- Income from Other Sources						
(i) Zila Panchayat	15.87	13.67	21.13	15.07	14.41	(-2.38)
(ii) Kshetra Panchayat	-	-	-	-	-	
(iii) Village Panchayat	-	-	-	-	-	
Total Revenue Income	1545.26	1744.40	2255.44	2542.10	3433.74	22.09

Source: 3rd SFC Report, Govt. of U.P.

Revenue expenditure in PRIs in Uttar Pradesh is shown in Table 8. Revenue expenditure of PRIs grew by 105.61 per cent during 2001-02 to 2005-06. However, per capita expenditure of PRIs was reported only 88.16 per cent growth during the corresponding period. Per capita PRIs expenditure was reported Rs. 97 in 2001-02 which increased significantly to Rs. 183 in 2005-06.

Table 8
Revenue Expenditure in PRIs in Uttar Pradesh

Year	Total Expenditure (Rs. Crore)	Per Capita Expenditure (In Rs.)
2001-02	1301.89	96.77
2002-03	1548.37	112.64
2003-04	2056.91	146.43
2004-05	2348.07	163.59
2005-06	2676.87	182.52

Source: 3rd SFC Report, Govt. of U.P.

Income and expenditure gap in PRIs in Uttar Pradesh is shown in Table 9. There has been higher income in PRIs as compared to revenue expenditure of PRIs. The surplus revenue may be utilized for developmental work by the local bodies. Significantly per capita income of PRIs was also reported higher as compared to per capita revenue expenditure in PRIs in the state during the period of 2001-02 to 2005-06.

Table 9
Income and Expenditure Gap in PRIs in Uttar Pradesh

<i>Year</i>	<i>Total Income (Rs. in Cr.)</i>	<i>Total Expenditure (Rs. in Cr.)</i>	<i>Gap Between Income and Expenditure (Rs. in Cr.)</i>	<i>Per Capita Income (in Rs.)</i>	<i>Per Capita Expenditure (in Rs.)</i>
2001-02	1545.28	1301.89	243.39	114.86	96.77
2002-03	1744.41	1548.37	196.04	126.90	112.64
2003-04	2255.43	2056.91	198.52	160.57	146.43
2004-05	2542.10	2348.07	194.03	177.11	163.59
2005-06	3433.74	2676.87	756.87	234.12	182.52

Source: 3rd SFC Report, Govt. of U.P.

Urban in the state of Uttar Pradesh is increasing significantly. In order to provide the basic civic services to the urban dwellers, 630 urban local bodies have been set up in the state along with a separate Directorate of urban local bodies for their administration. There are 13 Municipal Corporations, 194 Nagar Palika Parishads and 423 Town Panchayats in the state which have been set up in larger cities, small and medium towns, and transitional towns, respectively. Besides, there are 12 Jal Sansthans, 28 Development Authorities and 71 Zila Panchayats (Table 10).

Table 10
Number of ULBs in Uttar Pradesh During 2010

<i>Type of ULBs</i>	<i>Number</i>
Nagar Nigams	13
Nagar Palika Parishads	194
Nagar Panchayats	423
Zila Panchayats	71
Development Authorities	28
Jal Sansthans	12
Total	741

Source: Directorate of Economics and Statistics, Govt. of U.P.

Revenue income of ULBs during 2009-10 is shown in Table 11. Grants constituted 43.54 per cent in total income of all the local governments during the year while non-tax

revenue accounted for 46.54 per cent during the year. Tax revenue of local governments constituted only 9.70 per cent. In case of municipal corporations, general grants constituted 58.79 per cent while non-tax revenue accounted for 22.74 per cent. Thus, tax revenue in the municipal corporations accounted for 18.48 per cent only. Similarly, in case of Nagar Palika Parishad, the share of general grants constituted 81.02 per cent in total income while non-tax revenue accounted for 11.65 per cent only. General grants also accounted for 79.80 per cent in total income of Nagar Panchayats while non-tax revenue of Nagar Panchayats accounted for 12.24 per cent. The share of general grants in total income of Zila Panchayats was also reported significantly high (86.28 per cent). However, the share of general grants was reported low in case of Development Authorities (6.63 per cent).

Table 11
Revenue Income of ULBs during 2009-10

<i>Name of ULBs</i>	(In Rs. Lakh)			
	<i>Tax Revenue</i>	<i>Non-Tax Revenue</i>	<i>General Grants</i>	<i>Total Income</i>
Nagar Nigams	36741.70	45202.79	116917.92	198862.41
(%)	18.48	22.74	58.79	100.00
Nagar Palika Parishads	8820.11	14034.03	97588.76	120442.90
(%)	7.32	11.65	81.02	100.00
Nagar Panchayats	3494.15	5370.84	35014.43	43879.42
(%)	7.96	12.24	79.80	100.00
Zila Panchayats	2223.78	10290.67	78695.76	91210.21
(%)	2.45	11.28	86.28	100.00
Development Authorities	17019.31	289525.27	21755.41	328299.99
(%)	5.17	88.19	6.63	100.00
Jal Sansthans	10084.60	11639.98	3623.01	25347.59
(%)	39.79	45.92	14.29	100.00
Total	78383.65	376063.58	353595.29	808042.52
(%)	9.70	46.54	43.54	100.00

Source: Directorate of Economics and Statistics, Govt. of U.P.

Growth of revenue income of local governments in the state is shown in Table 12. Overall, revenue income of local governments has shown an increase of 54.35 per cent during 2006-07 to 2009-10. However, revenue income grew by 146.25 per cent in case of Nagar Nigam. Similarly, the significant growth of revenue income was reported in Zila Panchayats (69.6 per cent) followed by Jal Sansthans (67.75 per cent) and Nagar Panchayats (46.25 per cent).

Table 12
Growth of Revenue Income of ULBs in U.P.

Types of ULBs	Revenue Income (In Rs. Lakh)			
	2006-07	2007-08	2008-09	2009-10
Nagar Nigams	80754.31	169926.11	205620.73	198862.41
Nagar Palika Parishads	85015.69	112548.11	129603.62	120442.90
Nagar Panchayats	30003.25	55235.94	39173.86	43879.42
Zila Panchayats	53951.29	71831.34	119535.89	91210.21
Development Authorities	258692.22	296007.80	368467.25	328299.99
Jal Sansthans	15110.16	18019.38	22832.81	25347.59
Total	523526.92	723568.68	885234.16	808042.52

Source: Directorate of Economics and Statistics, Govt. of U.P.

Pattern of revenue expenditure of ULBs is shown in Table 13. During the year 2009-10, out of total expenditure of local governments, general administration and revenue collection expenditure accounted for 11.30 per cent. Public construction expenditure constituted for 40.61 per cent while miscellaneous expenses accounted 33.65 per cent. In case of municipal corporations, establishment expenses accounted for 9.82 per cent while expenditure for

Table 13
Pattern of Revenue Expenditure of ULBs during 2009-2010

(In Rs. Lakh)

Head of Expenditure	Nagar Nigams	Nagar Palika Parishads	Nagar Panchayats	Zila Panchayats	Development Authorities	Jal Sansthans	All ULBs
General Administration and Revenue Collection	22306.08	20341.22	7586.94	4960.80	29171.26	13788.27	98154.57
(%)	9.82	16.50	17.88	5.79	8.02	52.36	11.30
Public Health	38838.65	22895.34	5541.96	419.81	5754.18	1899.23	75349.17
(%)	17.09	18.56	13.06	0.49	1.58	7.21	8.67
Safety and Convenience	28470.48	10376.28	3463.05	188.10	1474.97	16.73	43989.61
(%)	12.53	8.41	8.16	0.22	0.41	0.06	5.06
Education	1454.06	320.11	248.39	53.80	0.00	0.00	2076.36
(%)	0.64	0.26	0.59	0.05	0.00	0.00	0.24
Public Construction	85350.05	42928.36	19534.87	69683.69	134017.23	1268.48	352782.68
(%)	37.56	34.80	46.05	81.35	36.84	4.82	40.61
Miscellaneous	50795.17	26496.31	5970.59	10323.41	189411.90	9364.96	292362.34
(%)	22.36	21.48	14.07	12.05	52.07	35.56	33.65
Total	227214.49	123357.62	42345.80	85629.61	359829.54	26337.67	8647.73
(%)	100.00	99.99	99.82	99.96	98.92	100.00	99.53
Repayment of Loan	0.00	10.68	77.29	31.46	3923.45	0.00	4042.88
(%)	0.00	0.01	0.18	0.04	1.08	0.00	0.47
Total Revenue Expenditure	227214.49	123368.30	42423.09	85661.07	363752.99	26337.67	868757.61
(%)	100.00	100.00	100.00	100.00	100.00	100.00	100.00

Source: Directorate of Economics and Statistics, Govt. of U.P.

public construction accounted for 37.56 per cent. Miscellaneous expenses constituted 22.36 per cent during the year. In case Nagar Palika Parishads, more than 1/3rd expenditure was incurred for public construction, miscellaneous expenses constituted 21.48 per cent. In case of Nagar Panchayats, 46 per cent expenditure was incurred for public construction while about 18 per cent expenditure was reported under general administration. Significantly, more than 81 per cent expenditure was reported under public construction in Zila Panchayats while administration expenses constituted only 5.79 per cent.

Growth of revenue expenditure of ULBs in U.P. is shown in Table 14. Overall, revenue expenditure grew by 95.18 per cent during 2006-07 to 2009-10. However, growth of revenue expenditure was reported significantly high in case of Municipal Corporations (200.14 per cent) followed by Zila Panchayats (103.42 per cent), Jal Sansthans (85.74 per cent) and Development Authority (82.87 per cent).

Table 14
Growth of Revenue Expenditure of ULBs in U.P.

Types of ULBs	Revenue Expenditure (In Rs. Lakh)			
	2006-07	2007-08	2008-09	2009-10
Nagar Nigams	75690.64	111410.77	187826.71	227214.49
Nagar Palika Parishads	86419.45	96765.30	115694.95	123368.30
Nagar Panchayats	27778.79	46116.48	39819.04	42423.09
Zila Panchayats	42110.16	56350.13	124788.60	85661.07
Development Authorities	198914.62	250379.82	401744.31	363752.99
Jal Sansthans	14179.89	16934.39	17348.31	26337.67
Total	445093.55	577956.89	887221.92	868757.61

Source: Directorate of Economics and Statistics, Govt. of U.P.

Growth of capital expenditure is show in Table 15 During the year 2006-07 to 2009-10, capital expenditure in local governments grew by 80.05 per cent. However, growth of capital expenditure was reported significantly high in case of Municipal Corporations (341.46 per cent) followed by Development Authorities (96.41 per cent).

Table 15
Growth of Capital Expenditure

Types of ULBs	(In Rs. Lakh)				
	2006-07	2007-08	2008-09	2009-10	Growth
Nagar Nigams	21070.73	30961.48	57347.51	93018.26	341.46
Nagar Palika Parishads	44573.80	50621.86	61972.58	51099.47	14.64
Nagar Panchayats	17712.37	30761.41	20032.03	21900.16	23.64
Zila Panchayats	43275.15	42971.93	94342.47	66342.27	53.30
Development Authorities	109506.78	148097.46	202105.89	215078.72	96.41
Jal Sansthans	3199.33	3209.48	2592.45	2647.27	-17.26
Total	239338.16	306623.62	438391.93	450086.15	80.05

Source: Directorate of Economics and Statistics, Govt. of U.P.

The analysis simply demonstrates that PRIs and urban local bodies are depend on grants and transfers from state and Central governments as their own sources of income are grossly inadequate to perform their assigned functions and responsibilities. In case of PRIs, the resources of Kshetra Panchayats are mainly related to development programmes while Village Panchayats and Zila Panchayats have some sources of revenue generation. However, share of tax revenue is reported low in PRIs. The share of non-tax revenue in total income of ULBs has been found significant in the state however; resource mobilization through user charges in ULBs is still low in the state.

FORMULATION OF DISTRICT PLANS

A basic point to be stressed is that everybody should be able to understand the plan, more so the people of the village and the Gram Panchayat members. The Gram Panchayat level plan could follow a broad and simple pattern. It is imperative to keep in mind the national and state policy decisions while formulating development plans. The policy decisions are oriented towards development with social justice. It is necessary to ensure employment generation for the weaker sections while formulating the development programmes. In order to ensure proper economic development of the district, optimum utilization of local, physical and human resources is of paramount importance besides creating income and employment opportunities. The benefits of land development, live stock resources development, development of small and cottage industries percolate among weaker sections, marginal farmers, landless farmers and rural entrepreneurs. The socio-economic infrastructure should be created keeping in view the priorities and strategies of development at the national and state level. Infrastructure creation and setting of local institutions should ensure the interest of the poor. There should be high priority on employment creation so that landless, small farmers and other poor may get the benefits of the employment. The entrepreneurial skills have to be developed through training and capacity building programmes so that weaker sections, landless and rural entrepreneurs may get the benefits of created employment opportunities.

The general principles for formulation of district plan may include committed expenditure, review of development programmes, priority to unfinished work, provision for matching share to development programmes supported by central and state government, phasing of long-term developmental activities, provision of necessary expenditure, selection of place for development programmes, selection of construction agencies and convergence of development programmes, schemes with poverty alleviation programmes. Timely transfer of created infrastructure is imperative in order to ensure proper maintenance of the infrastructure. There are a number of development programmes and schemes which may be classified as centrally sponsored or flagship schemes being implemented in the district. The process and format of the Intermediate Panchayat plan will be largely the same as that suggested for the Gram Panchayats. However, the actual components would be dependent on the Activity Mapping for the Block Panchayat and the vision envisaged by the Intermediate panchayat. An important role of this level of panchayat is to act as a facilitator in the various

steps of planning at the gram panchayat level. The development plan at intermediate panchayat should include the following information (i) general information including number of village panchayats, population, economic classification of population, problems of Kshetra panchayats and development priorities. This should also include the educational and health infrastructure. (ii) Financing of development plan including the review of own resources, resources available from village panchayats, district panchayats, fiscal devolution from central and state governments, resource from private capital, cooperative societies and other institutions. (iii) Developmental programmes including infrastructure creation. (iv) Developmental needs of Kshetra Panchayats (v) Developmental problems of Kshetra Panchayats (vi) Policy recommendations and suggested approaches and strategies.

There has been provision in the Kshetra Panchayat and Zila Panchayat Act, 1961 for formulation of development plan on annual basis. The development plan at the district level is expected to address the expectations of people and prioritizing developmental needs. The development plan will also review the available resources and efforts for resource mobilization for financing of the plan. The plan formulation at district level is supposed to integrate the developmental needs and their prioritization of all village panchayats and Kshetra panchayats falling under the jurisdiction. The development plan is being submitted before District Planning Committee for its approval. The Chief Executive Officer of the Zilla Panchayat is responsible for plan formulation who also receives support from the staff and employees of Zilla Panchayats. The format of development plan at the district level should include (i) general information including number of gram panchayats, number of villages, number of kshetra panchayats, population, economic classification of population, educational and health infrastructure, and developmental status. (ii) financing of district plan which include review of own resources, resources being made available from central and state government in terms of fiscal devolution and transfers, resources available from village panchayats, kshetra panchayats, private capital, cooperative societies and other institutions. (iii) development work including construction work. (iv) development needs of district panchayat (v) developmental problems of district panchayats.

Plan formulation for urban local bodies is also being ensured as there is provision in the Municipal Act. The development plan for the ULBs is likely to address the people's expectations and prioritizing of developmental needs. Plan formulation at the ULB level is the responsibility of Executive Officer/ Municipal Commissioner of the ULB. The format of development plan for ULBs should include (i) general information including population of local body, economic classification of population, problems of local body and priorities of local body. This will also include developmental status including the infrastructural facilities for education, health, sanitation, street lighting, sewerage etc. (ii) financing of plan including the review of own resources, fiscal transfers and devolution from state and central government, private capital, resources available from non-government institutions, societies and other institutions. (iii) Developmental work including civic work (iv) developmental needs of local body (v) developmental problems of local body.

As regards district Panchayats, the role would be one of preparing plans in accordance with activity mapping and overall coordination in planning, providing capacity building and technical support, to lower levels of panchayats. Quite often, districts are themselves highly uneven in development. The District Panchayat has the responsibility to provide for equitable development of backward regions within the district. This could be done through guidelines as well as differential allocation of resources to low levels of panchayats under special component plans and programmes in the earmarked fund. The district level, in preparing its plans will particularly need to take into account gender issues, tribal sub-plans and Special Component Plans for the development of Scheduled Castes. It is essential that the District Panchayat plan also looks into several issues that may lie outside activity mapping, but are critical to the overall development of the district as a whole. While all of them cannot obviously be tackled at the district level, the plan could cover measures that would help to promote them. We indicate below some of these issues that need to be addressed in the District Panchayat plan. These are particularly relevant to the district plans in the 200 backward districts where poverty is chronic.

Presently, the share of district sector outlay in total state plan outlay is about 20 per cent in Uttar Pradesh. However the district plan outlay constitutes about 35 per cent in Gujarat, 40 per cent in Maharashtra, and 45 per cent in Jammu and Kashmir. The share of district plan outlay in total state plan outlay has declined from 30 per cent in 1980s to 20 per cent during 2011-12. In Uttar Pradesh, the figure of 20 per cent was arrived at after examining the existing level of outlay on district and states sector schemes. It was found that the nearly 53 per cent of the state plan allocation was accounted for power and major and medium irrigation projects, while another 17 per cent was spent on other schemes in the state sector, thus leaving a residual share of 20 per cent for the district sector schemes. In actual practice, even the proposed share of 20 per cent for the district sector schemes was never realized.

The existing mechanism of distribution of plan funds among districts in the states, where the system of decentralized planning has made greater headway, is based upon a multi indicators formula basically centered around the considerations of population, levels of development and existence of problem areas in the details of the distribution formula adopted by the states of Maharashtra, Gujarat, Karnataka and Uttar Pradesh. In the current thinking, and practice consensus has merged around some present principles which should govern the distribution of outlay among districts. First, it is commonly format population alone cannot be sufficient criterion for allocation of funds and some mechanism should be built into the allocation system to ensure a more favourable treatment to the relatively backward otherwise physically handicapped districts. Secondly, there should be some free or untied funds at the proposal of the district planning bodies which can be used by them at their own discretion to undertake programmes, specially related to the total needs. Thirdly, the system of allocation must also contain some revision to encourage mobilization of local resource. The implication of these principles needs careful considerations. The rationale of district planning and budgeting is well established, however, the practice of formulation of District Plan and its financing is not very much encouraged by the policy makers and administrators

in the state of Uttar Pradesh, though it is well practiced in other developed states. It is therefore strongly suggested to make the District Planning Committees more effective and functional for ensuring district planning and then the concept of financing district plan will be more fruit full.

SUGGESTIONS

- There is an imperative need of preparing the district budget separately before the state legislature to fulfill the objective of fiscal autonomy. A completely separate framing of a district level budget would surely be ideal method in the context of decentralized planning.
- The panchayats should be given enough scope to mobilize their own resources to meet the financial requirements. They should also be given free hand to spend money or utilize resources. Panchayats should be entrusted with complete responsibilities for subject matters listed in the 11th Schedule of the Constitution. The complete devolution of functions, authorities, finances, functionaries and powers to panchayats should be made ensured. Similarly, administrative backup by transferring control of DRDA to Zilla Panchayats should be accomplished.
- The panchayat should be given more financial resources. They should be provided pooled fund as oppose to project tied grants. Administrative support for account keeping, auditing, financial budgeting and reporting should be made statutory so that the panchayats may be strengthened for managing their financial resources.
- The unfinished agenda of formation of District Planning Committee should be completed with the strong political and administrative will. The Chairperson of District Panchayat should be nominated as the Chairperson of District Planning Committee. The issue of interface between District Planning Committee created under the Panchayati Raj Act and other bodies dealing with district plan created earlier should be resolved.
- The DPCs need to be given adequate financial support as well as staff strength in order to enable them to perform their tasks effectively. Converting DPCs into permanent institutions with offices and secretariat will perhaps address this issue to a large extent. The members of DPCs need training and orientation for understanding their role in decentralized planning and taking active role in the functioning of the committees. They also need orientation and knowledge for tackling the issues of decentralized planning and understanding the local needs, their priorities and resources for addressing them.
- The Rural and Urban Local Bodies also need to be oriented to adopt an integrated approach to planning. While preparation of annual plans they have to keep in mind the medium and long term vision and goals for the district. The planning function in urban areas itself suffers from ambiguity in the sense that land use planning is often centralised under the town planning department, and the ULB only carries out annual budgetary planning. In some cases parastatals carry out independent planning for the services they

- provide, especially water supply. In such a scenario it is very important to ensure that all such multiple bodies carry out the planning exercise together, keeping the district long and medium term perspective plan in purview. The ideal situation, of course, would be that the planning function is completely devolved to ULBs.
- The Panchayats should be given matching grants for raising resources through effectively exploiting the potential. The Panchayats may also be given matching grants for ensuring transparency, accountability and social commitment for development in terms of voluntary labour and resources supply etc

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