Title: Panchayat Finances in India: A Case Study of Agra District of U.P.

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The Gandhian dream of "governance from below" became a reality with the enactment of the 73rd Constitutional Amendment Act (CAA) in 1993 after a prolonged struggle by eminent political personalities. The Act enumerated a list of 29 subjects in the 11th Schedule to be devolved by states on PRIs (Art. 243 G), empowered states to authorize Panchayats to levy, collect and appropriate taxes, duties, tolls and fees apart from giving grants-in-aid from the Consolidated Fund of the State (Art. 243 H) and providing for setting up of State Finance Commission (Art. 243 I). In conformity with the 73rd CAA, Uttar Pradesh Government enacted U.P. Panchayat Laws Amendment Act (1994) by amending U.P. Panchayat Raj Act of 1947 and Uttar Pradesh Kshetra Samiti and Zila Parishad Act of 1961 giving a three- tier structure at village, block and district level headed politically by Pradhan, Pramukh and Adhyaksha and administratively by GPDO, BDO and CDO.

The present study is a case study of Panchayat finances of 15 blocks of Agra district of U.P. covering 180 Gram Panchayats out of 640 in total. Agra district which is a part of Golden Triangle Tourist Circuit and Taj Trapezium Zone is a historical, industrial and political city. This study tries to analyse post 73rd CAA devolution of 3F's (Funds. Functions and Functionaries), the sources of revenue and efforts at own resource mobilization in 15 blocks of Agra district, it also makes a comparative study of extent of autonomy, transparency mechanisms, expenditure pattern and accounting and audit arrangements in these 15 blocks and tries to answer the question whether panchayats in these blocks are capable of carrying out existing functions and are there possibilities of further devolution. The study draws data from official orders, records, questionnaires, discussion with stakeholders and field interviews with policy makers, officials, experts, local people and elected representatives.

Some of the findings of the study are that the tax collection is poor due to small size of Panchayats, prevailing soft budget constraints in the district, absence of matching grants, poor tax paying capacity of villagers, lack of administrative machinery to collect taxes and non-imposition of taxes for fear of losing vote base. Further existence of parallel bodies, NGO's and MPLAD and MLALAD schemes cut across the legitimate financial domain of PRIs in this district. Lack of loan facility, internal audit and training of officials makes the task of resource mobilization even more difficult in this district. Other shortcomings include over budget, large opening balances, absence of panchayat window in state budget, misclassification of expenditure, panchayats having nuisance taxes, double accounting at multiple levels, lack of data in public domain, tied and delayed funds due to conditions of approval. Moreover, complacency of district officials towards Zila Parishads, irrelevance of State Finance Commission recommendations, lack of functional devolution, incomplete activity mapping, inefficiency of Gram Sabha and grants going mainly to the western developed blocks of the district also hinder the financial well-being of the district. However, a major factor which curbs the efficiency of panchayats is their dependency on central and state grants for their developmental needs, which creates lack of accountability of panchayats towards local people who are not paying taxes. Moreover, such grants come with conditions without incorporating local priorities and implemented by departmental heads who act as agents of state government.

In order to bring the panchayat finances on right track certain strong measures have to be taken such as giving more teeth to panchayat committees to control parallel and parastatal agencies, external audit, legal status to social audit, halting transfer of officials, frequent revision of tax base and rate, buoyant taxes to panchayats and fund transfer in 15 days of approval directly to panchayat accounts, Moreover, setting up of financial decentralization analysis cell, proper devolution of 3F's according to the "Principle of Subsidiarity", reforming local-state relations, giving more weightage to backward blocks of the district, disseminating best practices and Gram Sabha meeting dates, control of Ombudsman or elected representatives on officials and promotional civic services to persuade tax evaders to pay taxes could yield fruitful results only after strong political will power, people's participation and transparency.