

## 13<sup>TH</sup> FINANCE COMMISSION AND ALLOCATION OF FUND IN MAHARASHTRA

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### 1. Introduction:

The passage of the constitution (Seventy-third Amendment) Act, 1992 marked a watershed in the history of Modern India. With this amendment, a uniformity structure of Panchayats emerged throughout the country. Similarly, the passage of the constitution (Seventy-Fourth Amendment) Act, 1992 was a landmark in the history of municipal administration in India. As a result of these amendments, *Panchayats* and Municipalities are now constitutional bodies forming third tier of the federal policy of India.<sup>1</sup> India's decentralization initiative in the form of seventy-third and seventy fourth Amendments poses challenges and offers opportunities. Tenth Finance Commission onwards every Finance Commission allocated the grants funds to Panchayati Raj Institutions (PRIs).

### 2. Objectives of the paper:

The main objective of the paper is to study the role of Finance Commissions in strengthening the functioning of PRIs in Maharashtra. There are some of the other specific objectives:

1. To study the funds allocation by 13<sup>th</sup> Finance Commissions.
2. To examine the criteria used by 13<sup>th</sup> FCI for horizontal distribution among the state.
3. To study criteria used by Maharashtra Government to distribute grants among PRIs.

**3. Finance Commission transfers funds to PRIs and Maharashtra:** Finance Commission to allocate funds as shown in following table.

**Table 1: Amounts Allocated by last four Central Finance Commissions and Share of Maharashtra: (Rs. Crore)**

Commission	Amount Allocated to PRIs	Growth in CFC amount	Share of Maharashtra in Allocation to Panchayats	Increase in amount
XIIIfth -FC (2005- 10)	20000	150%	1983 (9.92 %)	1326.28 (201.95%)

XIIIth FC (2010-15)	63050.5	215.25%	5498.6 (8.72%)	3515.6 (177.29%)
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Note: \* Rs. 100 per capita of rural population.

Source: Finance Commission Reports.

Table 1 shows that amounts allocated to PRIs by last four Central Finance Commissions and share of Maharashtra in these distributions. Amount allocated by the Finance Commissions to all states has been increased significantly over the years.

#### 4. Criteria used by 13<sup>th</sup> Finance Commission:

Except Tenth Finance Commission who has used only 1971 rural population as criteria to allocate funds among the states all other preceding Finance Commissions used different criteria for horizontal distribution.

**Table 2: 13<sup>th</sup> Central Finance Commission Grants criteria**

13 <sup>th</sup> Central Finance Commission (CFC)		Decision of Maharashtra state to distribute 13 <sup>th</sup> CFC grants from state to districts (ZP/PS/GP inclusive all)	
Criteria	weights	Criteria	weights
Population	15%	Rural Population of district	50%
Geographical area	20%	Geographical rural area of district	20%
Distance from highest per capita sectoral income	10%	Distance from highest per capita Income	10%
Index of devolution	15%	Proportion of SC/STs population of the rural region of district	10%
SC/STs proportion in the population	10%	Proportion of expenditure of Finance Commission funds	05%
FC local body grants utilisation index	05%	Implementation of PRIASoft	05%

**Source:** 13<sup>th</sup> Finance Commission Report and Government of Maharashtra decision dated 30 August, 2010.<sup>5</sup>

Table 2 shows that criteria and weights used by 13<sup>th</sup> Central Finance Commission to distribute PRIs Grants among the states and decision of Government of Maharashtra to distribute 13th CFC grants from

state to districts (ZP/PS/GP inclusive all). 13<sup>th</sup> Finance Commission changed the weight of population, Index of devolution and geographical area i.e. 50 per cent, 20 per cent and 15 per cent respectively. Instead of distance from highest per capita income and revenue efforts new criteria distance from highest per capita sectoral income, Index of devolution, SC/STs proportion in the population and FC local body grants utilisation index were introduced with 10, 15, 10 and 5 per cent weight respectively. Government of Maharashtra kept as it is most of the criteria of 13<sup>th</sup> Finance Commission only instead of Index of devolution new criteria implementation of PRIASoft with 5 per cent weight was introduced. Instead of FC local body grants utilisation index, Proportion of expenditure of Finance Commission funds was used.

### 5. Maharashtra Releases grants as per 13<sup>th</sup> Finance Commission

The 13<sup>th</sup> Finance Commission proposed to distribute four kinds of grants to states i.e. General Basic grant, General Performance Grant, Special Area Basic Grant and Special Area Performance Grant to PRIs. The General Basic grant and General Performance Grant are distributed to all PRIs and Special Area Basic Grant and Special Area Performance Grant are distributed to only those districts which fall under the schedule – 5.

**Table 3: The Government of Maharashtra under the Rural Development Department has proposed to release the 13th FC grants as indicated below:(Rs. in crore)**

Type of 13th FC grant	2010-11	2011-12	2012-13	2013-14	2014-15	Total
General Basic grant	511.95	593.70	693.91	822.16	973.45	3595.17
General Performance Grant	-	202.99	476.19	561.70	662.55	1903.43
Special Area Basic Grant	7.90	7.90	7.90	7.90	7.80	39.40
Special Area Performance Grant	-	3.90	7.90	7.90	7.90	27.60
<b>Total</b>	<b>519.85</b>	<b>808.49</b>	<b>1185.90</b>	<b>1399.66</b>	<b>1651.70</b>	<b>5565.60</b>
<b>Growth in Amount</b>	-	<b>288.64 (56%)</b>	<b>377.41 (47%)</b>	<b>213.76 (18%)</b>	<b>252.04 (18%)</b>	

Source: Comptroller and Auditor General of India.<sup>6</sup>

Table 3.1 shows the proposed releases of 13<sup>th</sup> Finance Commission Grants of the Government of Maharashtra under the Rural Development Department. It shows that there will be increase in amount every year but the growth rate is declining. Trend of increase in amount which is expected 56 per cent in 2011-12 declines to 18 per cent in 2013-14 and 2014-15.

“Karyakram Andaj Patrak 2013-2014” of Government of Maharashtra points out that as per the recommendations of Central Finance Commission grants are given to PRIs to strengthen them. Maharashtra state is expected to get Rs. 5565.60 crore fund during 2010-15 under 13<sup>th</sup> Finance Commission Grants. Out of this state received Rs. 519.85 crore in 2010-11, Rs. 808.49 crore in 2011-12 and Rs. 1185.90 crore in 2012-13. So far state received total Rs. 2061.72 crore funds and Rs. 3051.36 crore funds are expected to be received in next two year. This fund has helped to strengthen the functioning of PRIs. Regarding the activities which are to be taken up under the 13<sup>th</sup> Finance Commission fund the instructions has been given in Government decision dated 30 August, 2010. Out of this fund PRIs can undertake works such as construction/ maintenance of rural roads, drainages and Gram Panchayat office etc., things related to management of health, rural sanitation and solid waste management. Due to 13<sup>th</sup> Finance Commission fund PRIs by undertaking need based work are making available needed facilities to rural people.<sup>7</sup>

**Table 4: Receipts and Payments of PRIs in Maharashtra: (Rs. in Thousands)**

Year	Finance Commission	Zilla Parishads			Panchayat Samities			Gram Panchayats			Total	
		Receipts	Payments	3/12*	Receipts	Payments	6/12*	Receipts	Payments	9/12*	Receipts	Payments
1	2	3	4	5	6	7	8	9	10	11	12	13
2010-11	13 <sup>th</sup>	3094906	1581452	81	433200	210635	11	292829	29874	8	<b>3820936</b>	1821962
	12 <sup>th</sup>	107628	916667	10	175315	696396	16	832919	1396031	75	<b>1115862</b>	3009096
	Total	3202534	2498120	<b>65</b>	608515	907032	<b>12</b>	1125749	1425906	<b>23</b>	<b>4936799</b>	4831058
2011-	13 <sup>th</sup>	8126790	6403461	61	1963912	1598488	15	3294868	2506564	25	<b>13385571</b>	10508514

12	12 <sup>th</sup>	7903	66761	19	14729	7164	35	19168	17114	46	<b>41801</b>	91040
	Tota l	813469 4	647022 2	<b>60</b>	19786 41	1605652	<b>15</b>	331403 6	252367 9	<b>25</b>	<b>134273</b> <b>73</b>	105995 55
201 2-	13 <sup>th</sup>	166171 94	131550 39	68	31540 16	2716953	13	484642 8	148134 84	20	<b>246176</b> <b>38</b>	306854 77
13	12 <sup>th</sup>	896	2172	4	2047	578	8	21360	15274	88	<b>24304</b>	18025
	Tota l	166180 90	131572 11	<b>67</b>	31560 63	2717532	<b>13</b>	486778 9	148287 59	<b>20</b>	<b>246419</b> <b>42</b>	307035 02
201 3-	13 <sup>th</sup>	124225 95	127837 09	46	29076 31	2995744	11	113488 84	627765 9	43	<b>266791</b> <b>11</b>	220571 13
14	12 <sup>th</sup>	144	153	1	2074	100	9	22177	17240	91	<b>24395</b>	17493
	Tota l	124227 40	127838 62	<b>46</b>	29097 05	2995844	<b>11</b>	113710 61	629489 9	<b>43</b>	<b>267035</b> <b>07</b>	220746 06
201 4-	13 <sup>th</sup>	147666	98661	14	11866 5	70779	11	766442	511714	75	<b>103277</b> <b>3</b>	681155
15*	12 <sup>th</sup>	0	0	0	68	0	0	2493	747	10 0	<b>2493</b>	747
	Tota l	147666	98661	<b>14</b>	11866 5	70779	<b>11</b>	768935	512461	<b>75</b>	<b>103526</b> <b>7</b>	681902
<b>Total</b>		<b>405257</b> <b>26</b>	<b>350080</b> <b>78</b>	<b>58</b>	<b>87715</b> <b>91</b>	<b>8296841</b>	<b>12</b>	<b>214475</b> <b>72</b>	<b>255857</b> <b>06</b>	<b>30</b>	<b>707448</b> <b>89</b>	<b>688906</b> <b>25</b>

Source: <https://accountingonline.gov.in> (PRIASoft)<sup>8</sup>

\*Till November 7, 2014.

Table 4 shows the receipts and payments of PRIs (Zilla Parishad, Panchayat Samities and Gram Panchayats) in Maharashtra of Finance Commission Grants during 2010-11 to 2014-15. PRIASoft is a Panchayati Raj Institutions accounting software developed by National Informatics Centre, Ministry of Information Technology, Government of India for PRIs to effectively monitor and manage their accounts. Central administrator of PRIASoft is Comptroller and Auditor General (CAG) of India. Above table shows that PRIs were received both 12th and 13th Finance Commission Grants during last five years. Total 13th Finance Commission grants received by PRIs in Maharashtra were 382.09 crore in 2010-11 out of which 81 per cent, 11 per cent and 8 per cent respectively received by Zilla Parishad, Panchayat

Samities and Gram Panchayats though Government of Maharashtra as mentioned above took decision to distribute these grants in proportion of 10, 20 and 70 per cent among these level PRIs. This proportion was improved 46, 11 and 43 per cent in 2013-14 and 14, 11 and 75 per cent in 2014-15. This proportion of receipt for all years during 2010-11 to 2014-15 was 58, 12 and 30 per cent respectively for ZP, PS and GPs. This is contradictory to Government decision. In Tamil Nadu state from 2007-08 onwards, the entire Central Finance Commission Grants amount has been transferred to Village Panchayats.

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