# $13^{TH}$ 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 land mark 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. 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.

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

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

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XIIIth FC (	63050.5 215.25%	5498.6	3515.6
2010-15)		(8.72%)	(177.29%)

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 13th 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: 13th Central Finance Commission Grants criteria

13th Central Finance Commission	ı (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	10%	Distance from highest per capita	10%			
sectoral income		Income				
Index of devolution	15%	Proportion of SC/STs population of the	10%			
		rural region of district				
SC/STs proportion in the	10%	Proportion of expenditure of Finance	05%			
population		Commission funds				
FC local body grants utilisation	05%	Implementation of PRIASoft	05%			
index						

**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

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

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

Table 3.1 shows the proposed releases of 13th 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 13th 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 13th 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	Fina	Zilla Par	rishads	Panchayat Samities			Gram Panchayats			Total		
	nce	Receipt	Payme	3/1	Recei	Paymen	6/1	Receipt	Payme	9/1	Receipt	Payme
	Com	S	nts	2*	pts	ts	2*	S	nts	2*	S	nts
	miss			10			10			10		
	ion			0			0			0		
1	2	3	4	5	6	7	8	9	10	11	12	13
201	13 <sup>th</sup>	309490	158145	81	43320	210635	11	202920	29874	8	382093	182196
0-		6	2	81	0	210055	11	292829	4901 <del>4</del>		6	2
11	12 <sup>th</sup>	107628	916667	10	17531	(0(20(	16	832919	139603	75	111586	300909
		10/028	910007	10	5	696396	10	032919	1		2	6
	Tota	320253	249812	65	60851	907032	12	112574	142590	22	493679	483105
	1	4	0	05	5	907032	12	9	6	23	9	8
201	13 <sup>th</sup>	812679	640346	61	19639	1598488	15	329486	250656	25	133855	105085
1-		0	1	61	12			8	4	25	71	14

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12 <sup>th</sup>	7903	66761	19	14729	7164	35	19168	17114	46	41801	91040
Tota	813469	647022	<b>(0</b>	19786	1605650	15	331403	252367	25	134273	105995
1	4	2	OU	41	1003032	15	6	9	25	73	55
13 <sup>th</sup>	166171	131550	60	31540	2717052	12	484642	148134	20	246176	306854
	94	39	08	16	2/10933	13	8	84	20	38	77
12 <sup>th</sup>	896	2172	4	2047	578	8	21360	15274	88	24304	18025
Tota	166180	131572	67	31560	2717522	12	486778	148287	20	246419	307035
1	90	11	07	63	2/1/332	13	9	59		42	02
13 <sup>th</sup>	124225	127837	16	29076	2005744	11	113488	627765	12	266791	220571
	95	09	40	31	2993744	11	84	9	43	11	13
12 <sup>th</sup>	144	153	1	2074	100	9	22177	17240	91	24395	17493
Tota	124227	127838	16	29097	2995844	11	113710	629489	43	267035	220746
1	40	62	40	05			61	9		07	06
13 <sup>th</sup>	1/7666	08661	1./	11866	70770	11	766442	511714	75	103277	681155
	147000	98001	14	5	10119	11	700442	311/14	13	3	001133
12 <sup>th</sup>	0	0	0	68	0	0	2403	747	10	2403	747
			0	00		0	2493	/4/	0	2493	747
Tota	147666	98661	14	11866	70779	11	768035	512461	75	103526	681902
1	14/000	70001	14	5	10113	11	100733	312401	13	7	001702
	405257	105257 350080	50	87715	0207041	12	214475	255857	20	707448	688906
	26	78	58	91	0290841	12	72	06	30	89	25
	12 <sup>th</sup> Tota 1 13 <sup>th</sup> Tota 1 12 <sup>th</sup> Tota 1 13 <sup>th</sup> 12 <sup>th</sup> Tota 1 13 <sup>th</sup> Tota 1 13 <sup>th</sup>	Tota 813469 1 4 13 <sup>th</sup> 166171 94 12 <sup>th</sup> 896 Tota 166180 1 90 13 <sup>th</sup> 124225 95 12 <sup>th</sup> 144 Tota 124227 1 40 13 <sup>th</sup> 147666  12 <sup>th</sup> 0  Tota 1 147666 1 405257	12th       7903       66761         Tota       813469       647022         1       4       2         13th       166171       131550         94       39         12th       896       2172         Tota       166180       131572         1       90       11         13th       124225       127837         95       09         12th       144       153         Tota       124227       127838         1       40       62         13th       147666       98661         12th       0       0         Tota       147666       98661         1       405257       350080	12th       7903       66761       19         Tota       813469       647022       60         1       4       2       60         13th       166171       131550       68         94       39       68         12th       896       2172       4         Tota       166180       131572       67         1       90       11       67         13th       124225       127837       46         95       09       46         12th       144       153       1         Tota       124227       127838       46         1       40       62       46         13th       147666       98661       14         12th       0       0       0         Tota       147666       98661       14         405257       350080       58	12th       7903       66761       19       14729         Tota       813469       647022       60       19786         1       4       2       60       41         13th       166171       131550       68       31540         94       39       68       16         12th       896       2172       4       2047         Tota       166180       131572       67       63         1       90       11       63       29076         95       09       46       31         12th       144       153       1       2074         Tota       124227       127838       46       29097         1       40       62       46       05         13th       147666       98661       14       5         12th       0       0       68         Tota       147666       98661       14       5         405257       350080       58       87715	12th       7903       66761       19       14729       7164         Tota       813469       647022       60       19786       1605652         13th       166171       131550       68       31540       2716953         12th       896       2172       4       2047       578         Tota       166180       131572       67       31560       2717532         1       90       11       63       2717532         13th       124225       127837       46       29076       2995744         95       09       46       29097       2995744         12th       144       153       1       2074       100         Tota       124227       127838       46       29097       2995844         13th       147666       98661       14       11866       70779         12th       0       0       68       0         Tota       147666       98661       14       11866       70779         1       405257       350080       58       87715       8296841	12th       7903       66761       19       14729       7164       35         Tota       813469       647022       60       19786       1605652       15         13th       166171       131550       68       31540       2716953       13         12th       896       2172       4       2047       578       8         Tota       166180       131572       67       31560       2717532       13         13th       124225       127837       46       29076       2995744       11         12th       144       153       1       2074       100       9         Tota       124227       127838       46       29097       2995844       11         13th       147666       98661       14       11866       70779       11         12th       0       0       68       0       0         Tota       147666       98661       14       11866       70779       11         405257       350080       58       87715       8296841       12	12th         7903         66761         19         14729         7164         35         19168           Tota         813469         647022         60         19786         1605652         15         331403         6           13th         166171         131550         68         31540         2716953         13         484642         8           12th         896         2172         4         2047         578         8         21360           Tota         166180         131572         67         31560         2717532         13         486778           1         90         11         67         63         2717532         13         486778           1         90         11         29076         2995744         11         113488         84           12th         144         153         1         2074         100         9         22177           Tota         124227         127838         46         29097         2995844         11         61           13th         147666         98661         14         11866         70779         11         766442           12th         147666	12th         7903         66761         19         14729         7164         35         19168         17114           Tota         813469         647022         60         19786         1605652         15         331403         252367           1         4         2         60         19786         1605652         15         6         9           13th         166171         131550         68         31540         2716953         13         484642         148134           12th         896         2172         4         2047         578         8         21360         15274           Tota         166180         131572         67         31560         2717532         13         486778         148287           9         11         63         2717532         13         486778         148287           95         09         46         29076         2995744         11         113488         627765           84         1         29097         2995844         11         113710         629489           1         40         62         46         29097         2995844         11         766442         511714<	12th   7903   66761   19   14729   7164   35   19168   17114   46     Tota   813469   647022   60   19786   1605652   15   6   9   25     1	12th   7903   66761   19   14729   7164   35   19168   17114   46   41801     Tota   813469   647022   60   19786   41   1605652   15   6   9   25   73     13th   166171   131550   68   31540   2716953   13   8484642   148134   20   38     12th   896   2172   4   2047   578   8   21360   15274   88   24304     Tota   166180   131572   67   31560   63   2717532   13   486778   148287   20   42     13th   124225   127837   46   29076   31   2074   100   9   22177   17240   91   24395     Tota   124227   127838   46   29097   05   2995844   11   113710   629489   43   07     13th   147666   98661   14   11866   70779   11   766442   511714   75   3     12th   147666   98661   14   11866   70779   11   766442   511714   75   3     Tota   147666   98661   14   11866   70779   11   768935   512461   75   7     Tota   147666   98661   14   11866   5   70779   11   768935   512461   75   7     Tota   147666   98661   14   11866   5   70779   11   768935   512461   75   7     Tota   147666   98661   14   11866   5   70779   11   768935   512461   75   7     Tota   147666   98661   14   11866   5   70779   11   768935   512461   75   7     Tota   147666   98661   14   11866   5   70779   11   768935   512461   75   7     Tota   147666   98661   14   11866   5   70779   11   768935   512461   75   7     Tota   147666   98661   14   11866   5   70779   11   768935   512461   75   7     Tota   147666   98661   14   11866   5   70779   11   768935   512461   75   7     Tota   147666   98661   14   11866   5   70779   11   768935   512461   75   7     Tota   147666   98661   14   11866   70779   11   768935   512461   75   7     Tota   147666   98661   14   11866   70779   11   768935   512461   75   7     Tota   147666   98661   14   11866   70779   11   768935   512461   75   7     Tota   147666   98661   14   11866   70779   11   768935   512461   75   7     Tota   147666   14   15866   14   18666   14   18666   14   18666   14   18666   14   18666   14   18666   14   18666   14   18666   14   18666   14   18666   14   1

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

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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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