

**13TH FINANCE COMMISSION AND ALLOCATION OF FUND IN MAHARASHTRA****Sudhakar Sukhadeo Morey***Assistant Professor, Dept. of Economics**N.G. Acharya and D.K. Marathe college Chembur Mumbai-71***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.¹ 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).



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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 13th Finance Commissions.
2. To examine the criteria used by 13th 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
XII th -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 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

13 th Central Finance Commission (CFC)		Decision of Maharashtra state to distribute 13 th 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: 13th Finance Commission Report and Government of Maharashtra decision dated 30 August, 2010.⁵

Table 2 shows that criteria and weights used by 13th 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). 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 13th Finance Commission

The 13th 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
Total	519.85	808.49	1185.90	1399.66	1651.70	5565.60
Growth in Amount	-	288.64 (56%)	377.41 (47%)	213.76 (18%)	252.04 (18%)	

Source: Comptroller and Auditor General of India.⁶

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 13th 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.⁷

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 *100	Receipts	Payments	6/12 *100	Receipts	Payments	9/12 *100	Receipts	Payments
1	2	3	4	5	6	7	8	9	10	11	12	13
2010-11	13 th	3094906	1581452	81	433200	210635	11	292829	29874	8	3820936	1821962
	12 th	107628	916667	10	175315	696396	16	832919	1396031	75	1115862	3009096
	Total	3202534	2498120	65	608515	907032	12	1125749	1425906	23	4936799	4831058
2011-12	13 th	8126790	6403461	61	1963912	1598488	15	3294868	2506564	25	13385571	10508514
	12 th	7903	66761	19	14729	7164	35	19168	17114	46	41801	91040
	Total	8134694	6470222	60	1978641	1605652	15	3314036	2523679	25	13427373	10599555
2012-13	13 th	16617194	13155039	68	3154016	2716953	13	4846428	14813484	20	24617638	30685477
	12 th	896	2172	4	2047	578	8	21360	15274	88	24304	18025
	Total	16618090	13157211	67	3156063	2717532	13	4867789	14828759	20	24641942	30703502
2013-14	13 th	12422595	12783709	46	2907631	2995744	11	11348884	6277659	43	26679111	22057113
	12 th	144	153	1	2074	100	9	22177	17240	91	24395	17493
	Total	12422740	12783862	46	2909705	2995844	11	11371061	6294899	43	26703507	22074606
2014-15*	13 th	147666	98661	14	118665	70779	11	766442	511714	75	1032773	681155
	12 th	0	0	0	68	0	0	2493	747	100	2493	747
	Total	147666	98661	14	118665	70779	11	768935	512461	75	1035267	681902
Total		40525726	35008078	58	8771591	8296841	12	21447572	25585706	30	70744889	68890625

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

*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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