



Funds Management In Panchayat Raj Institutions Of Karnataka: Role And Impacts

RENUKAIAH K. S

Assistant Professor

Department of Commerce, P.E.S College of Science, Arts and Commerce

Mandya-571401, Karnataka, India.

Dr. ASHOKA M. L

Professor

Department of Studies in Commerce, Manasagangothri, University of Mysore

Mysuru-570005, Karnataka, India

ABSTRACT

This paper envisages the role and impact of Panchayats Finance, funds management in Karnataka and it ensures the proper functioning of the third tier of the government. Panchayat constitutes the third tier of the Indian government. It received constitutional status by the 73rd Constitutional Amendment Act 1991. To empower the panchayat to deliver its financial and political mandate, the constitution transferred 29 items to the local governments and set up the state finance commission to enhance the resources for local bodies.

Panchayat finance refers to the financial management and funding mechanisms associated with Panchayati Raj Institutions (PRIs) in India. PRIs are local self-government bodies at the village, intermediate (block), and district levels, responsible for governance and development activities in rural areas. Panchayat finance encompasses these institutions' revenue generation, budgeting, and expenditure processes. It involves the collection of resources and allocating funds to carry out various developmental and administrative functions at the local level.

Key Words: PRI's, Karnataka, Funds Management, Impacts

INTRODUCTION

A major portion of Part IX of the constitution deals with the structural empowerment of the Panchayati Raj institutions. Still, the real strength in terms of both the autonomy and efficiency of this institution depends on their financial position, including all its capacity to generate its resources.

- Loans or grants from the state government
- Internal resource generation (tax and nontax)
- Programme-specific allocations under centrally sponsored schemes and the Additional Central Assistance.
- All the grants from the union government are based on the recommendation of the Central Finance Commission as given in Article 280 of the constitution.
- Under Article 243-I, devolution from the state government is based on the recommendations of the State Finance Commission.

In absolute terms, the quantum of funds the Union or State Government transfers to a Panchayat forms the major component of its receipt, the Panchayat Raj Institutions on resource generation is the soul behind its financial standing. It is the existence of a local taxation system that encourages people's involvement in the affairs of an elected body. It makes the institution accountable to its citizens.

Constitutional Provisions – Panchayats and Finances

- Article 243 States that the state legislature may-
- Authorize a Panchayat to levy, collect, and appropriate tax, duties, tolls, and fees.
- Assign to a panchayat taxes, duties, tolls, and fees levied and collected by the state government.
- Provide grants in aid to panchayat from the consolidated state fund.
- Provide for establishing funds for crediting all money received on behalf of the panchayats and for withdrawing such money from that place.
- Article 243 states that the Governor shall appoint a state finance commission every 5 years to review the financial position of the panchayat. It is also responsible for making recommendations for the Governor.
- The principles govern the distribution of net proceeds of the state's duties, taxes, tolls, and fees when the state and the panchayat and the distribution among the panchayat at all levels.
- The principle would govern the assessment of taxes, duties, tools and fish that may be assigned to the panchayats.
- The principles govern the grants in aid to panchayat from the consolidated state fund.
- The measures required to improve the financial position of the panchayat.

- Any other matter which the Governor would refer to in the interest of the financial health of the panchayat.
- The state legislature is empowered to specify the commission's composition, the qualification of its members, and how they are selected.
- The government must present the commission's recommendations and the action taken on the report to the state legislature.

REVIEW OF LITERATURE

Kathleen Romig (2008) goal of the report is to inform readers about the Trust, which is of particular interest to policy makers exploring the option of collective investment of the Social Security trust funds or establishing other private investment funds within the federal government. The report will not be updated.

Harry Blair (2017) in the decades since William Nordhaus's(1975) pioneering exploration of “political business cycles”—increased spending by governments just before elections in the hope of staying in power—there has been much academic fascination with this theme.¹ Thus far, that interest has focused almost exclusively on the macro level, asking whether ruling parties spend more in prelection periods, but India offers a remarkable opportunity to look at such cycles at the individual level: its constituency development fund system, called the member of Parliament Local Area Development Scheme (MPLADS).

Henry Mabika (2015) the cash shortage in Zimbabwe local authorities has now reached unprecedented levels. With local authorities failing to pay salaries and allowances as expected and creditors are accumulating.

Anna Swirski (2016) opines that the issue of public sector management, especially management of public finance, identifies as extremely important in both theoretical and practical areas. Within the context of social and economic change, its meaning becomes crucial to the smooth and efficient functioning of public institutions including local government units.

RESEARCH OBJECTIVES

- To Understand Finance and Funds Functionalities of Panchayath Raj Institutions
- To Understand the Role and Impact of Funds Management In PRI's of Karnataka

RESEARCH METHODOLOGY

This research papers throws light on Finance and Funds Functionalities of Panchayath Raj Institutions in Karnataka its deals with the conceptual study in a descriptive way of synthesizing the gathered data information. The researcher collected the required data and information from official website of various PRI's which are currently practicing the funds management and financial schemes for development. Secondary

survey methods were used in addition to books, journals, occasional papers, special edition publications, reports and articles have been reviewed thoroughly to meet the set objectives of the paper.

Need for Increased Funding for Panchayats

The prominence of the panchayats increased during the pandemic as it was this panchayat that ran the isolation centers, medical camps, and contact tracing. In managing these functions, the panchayats faced a lot of difficulties, some being the difficulty of providing food at short notice. It is in this regard that the Ministry of Panchayati Raj proposed setting up community kitchens in each Panchayat that would be operated by self help groups. With increased reverse migration post-Pandemic, the role of the Panchayat has increased immensely as the employment of these migrants depends directly or indirectly on the finances of the panchayat. The Other major works carried out by the panchayats include the construction of roads, their maintenance, and supplying drinking water. Carrying out these activities requires funds regularly.

Funds of Gram Panchayat

Section IX of the Constitution, which covers Articles 243C through 243K, deals primarily with the structural empowerment of the PRIs. Still, the true strength of these organisations' autonomy and effectiveness depends on their financial situation (including their capacity to generate resources). In our nation, panchayats often get funding in the following ways:

- Grants from the Union Government by Article 280 of the Constitution, based on recommendations from the Central Finance Commission
- Devolution from the State Government by Article 243 I and the State Finance Commission's recommendations
- Program-specific loans or grants from the State Government under Centrally Sponsored Programmes and Additional Central Assistance
- Internal Resource Generation (Tax and Non-Tax)

Challenges of Panchayats

- Panchayat is heavily dependent on grants from the Union and State governments.
- Many states across the country have yet to pay attention to the financial empowerment of the panchayat.
- When it comes to incurring expenses, panchayats have limited discretion and flexibility.
- A significant portion of grants is scheme specific from both the union state governments.
- Resources that are available to panchayats are limited.
- Due to their fiscal constraints, state governments are hesitant to devolve funds to panchayats.
- At the panchayat level, internal resource generation is limited. This is partly due to the panchayat's reluctance to collect the revenue.

CONCLUSION

Unless panchayats have a strong financial Foundation with a clear revenue source that is properly managed to optimize resources, they cannot become effective Institutions of local self-government. From the terms of provisions of the constitution, the State Legislature has been given the right to authorize Panchayat to levy taxes and assign taxes, among other things, to mobilize their resources for carrying out assigned duties and functions. It suggest that the significance of finance and funds management in panchayath raj institutions.

REFERENCES

- Bahl, Roy W., and Linn, Johannes. 1992. *Urban Public Finance in Developing Countries*. New York: Oxford University Press.
- Bardhan, Pranab and Mookherjee, Dilip. 1990." Capture and Goveman□□ at Local and National Levels",
- *American Economic Review* Vol.90, No.2.
- Bird, Richard and Gendron, Pierre-Pascal. 1998. "Dual VA Ts and Cross-Border Trade: Two Problems, One Solution?" University of Toronto, International Center for Tax Studies.
- Bird, Richard M., and Vaillancourt, Francois, eds. 1998. *Fiscal Decentralization in Developing Countries*. Cambridge: Cambridge University Press.
- Bird, Richard M., Ebel, Robert D. and Wallich, Christine I eds. 1995. *Decentralization of the Socialist State. A Regional and Sectoral Study*. Washington, D.C.: World Bank.