

## Decentralised Planning and Its Impact on Rural Development in Kerala State

**Renu Krishnan.G,**

Faculty of Social Science, University of Kerala, Kerala, India.

Email: [rkgunikerala@gmail.com](mailto:rkgunikerala@gmail.com)

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### Abstract

*Decentralization, in simple, terms that dispersion or distribution of functions and powers to lower levels. In the context of development, decentralization means the delegation of powers from a central authority to regional and local authorities. It implies transfer of decision-making powers from the centre of an organization to sub-units (Stiglitz, 1994). Decentralization as an instrumental or value defined as the empowerment of the common people through the empowerment of the local bodies (Oommen, M.A., 2009). Thus, decentralized planning can be defined as a type of planning of local authorities and institutions to formulate, adopt, implement and administrate the plan without central control. More clearly, decentralized planning can be interpreted as “planning at below”. India has created a landmark through the 73<sup>rd</sup> and 74<sup>th</sup> Constitutional Amendment Acts, made the principle of “co-operative federalism”; the central and state governments transfer powers to and strengthen the local governments at the district, block and village levels. The significant factor of the India’s decentralization is three-tier system with 35-40 percent of the plan outlay devolved to Local Self-Government Institutions (LSGIs). In the light of the emphasis placed upon the decentralization in India, Kerala followed Constitutional Amendment Act of 1992, with a credibility of three-tier system of Panchayati Raj showed very clearly that decentralization demands major upgradation in Panchayati Raj Institutions (PRIs). In this context, decentralization is the linking factor for sector interventions with convergence approaches for sustainable development especially in the rural areas. The necessary pre-condition for decentralization is to correlate the financial devolution and effective participation to strengthen the PRIs. The central concern remains in this study is the resource transfers aspect of decentralized planning in Kerala, the machinery for decentralized planning, the nature and pattern of resources from the Local Self-Government Institutions (LSGIs). However, this study concentrates on the rural local bodies and in the rural development; the PRIs seem to have a vital role. Therefore, the issue attempted to identify, assesses the trends and pattern of plan expenditure of the local bodies, and assesses the performance of the plan expenditure. Thus, the first set consists of time series data of plan expenditure of rural local bodies for three Five-year Plan periods of 1996-97 to 2011-12. The secondary data collected from official documents and reports from various government offices. The second set consists of tables and graphs like trend analysis and percentage analysis. It draws an attention to the impact on rural development and accountability of the PRIs. Even though, the most astonishing fact that fiscal decentralization has completely ignored the uniform accounting system for PRIs. Within the framework of its design and objectives, the study offers the following conclusions and findings: Resource transfers to the PRIs: village, block and district panchayats are mostly in the form of grants-in-aid. The grants are tied to specific sectoral and components wise devolution. Given the above facts, the village panchayats has very little financial autonomy and less initiative in plan projects or rural development. Therefore, decentralized planning is to overcome, the existing system of resource transfers could be transformed by additional resource mobilization and transfers by the PRIs. Such changes would include the granting of more funds, by collecting tax and a general thrust towards financial and political autonomy for local bodies.*

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**Key Words:** Co-operative federalism, Decentralization, Decentralized planning, LSGIs, PRIs.

## **1. Introduction**

Decentralization, which refers to transfer or distribution of functions and powers to lower levels while in the context of development, decentralization refers to the delegation of powers from a central to local authorities. It implies transfer of decision-making powers from the centre of an organization to sub-units (Stiglitz, 1994) and has been recognized globally as an important means of improving delivery of public goods and services (Crook, 2003). Decentralization as an instrumental or value defined as the empowerment of the common people through the empowerment of the local bodies (Oommen, 2009). Thus, decentralized planning can be defined as a type of planning of local authorities and institutions to formulate, adopt, implement and administrate the plan without central control. More clearly, decentralized planning can be interpreted as “planning at below”. A study conducted by World Bank reported that out of 75 developing and transitional nations with the population greater than 5 million, 63 countries have initiated reforms with an objective to transfer political power to local units of government (Head, 1974). The main goal of such reform was to enhance equity, increase efficiency and ensure more participation and responsiveness of government to citizen (Dillinger, 1994; Rondinelli, 1981; Larson & Ribot, 2004; Smith, 1985; Agarwal & Ribot, 1999; Livack, Ahmad & Bird, 1998; Turner & Hulme, 1997).

India has created a landmark through the 73<sup>rd</sup> and 74<sup>th</sup> Constitutional Amendment Acts, made the principle of “co-operative federalism”; the central and state governments transfer powers to and strengthen the local governments at the district, block and village levels (Amartya Sen, 1981; 1999). The significant factor of the India’s decentralization is three-tier system with 35-40 percent of the plan outlay devolved to Local Self-Government Institutions (LSGIs). In the light of the emphasis placed upon the decentralization in India, Kerala followed Constitutional Amendment Act of 1992, with a credibility of three-tier system of Panchayati Raj (“institutions of self government”, Article 243 (d) ) showed clearly that decentralization demands major upgradation in Panchayati Raj Institutions (PRIs).

In this context, decentralization is the linking factor for sector interventions with convergence approaches for sustainable development especially in the rural areas. The necessary pre-condition for decentralization is to correlate the financial devolution and effective participation to strengthen the PRIs. However, various factors such as reluctance to mobilize revenue, lack of role clarity between tiers, staff support, unviable administrative area, creation of parallel channels of flow of funds are the factors for eroding the autonomy of the panchayats. The central concern remains in this study is the resource transfers aspect of decentralized planning in Kerala, the machinery for decentralized planning, the nature and pattern of resources from the Local Self-Government Institutions (LSGIs). Although compared to any other states such as Andhra Pradesh, Assam, Bihar, Gujarat, Harayana,

Orissa, Punjab and Uttra Pradesh (Sheth, 2000) due to the erosion of autonomy where the PRIs continue to be dominated by Members of parliaments and Members of legislative assembly while Kerala has devolved powers and resources, but still it remains backward in efficient resource utilization from the perspective of decentralization. However, this study concentrates on the rural local bodies and in the rural development where 40 percent of the state budget is placed at the disposal of the PRIs. Therefore, the present study attempted to identify, assesses the trends and pattern of plan expenditure of the local bodies, and assesses the performance of the plan expenditure.

As per Litvack and Seddon (1999, p.2), the act of decentralisation is “transferring authority and responsibility for public functions from the central government to subordinated or quasi-independent government organisations or the private sector.” The concept of decentralisation is based on financial as well as political influences. Financial influences entail beneficial as well as distributive competence of public supplies as well as services. Productive effectiveness is the generation of public supplies as well as services at the least feasible price in addition to distributive effectiveness is offering an amalgamation of products and services, which are equivalent the customer’s requirements. Political influences are the management method on local mediators pertaining to beneficial and distributive effectiveness (see Tiebout 1956; Oates 1972, 1999).

Productive effectiveness is visualized as a increase in the course of local/regional rivalry. It is viewed to be a motivation to be implicated in information exchange as well as carrying out tests to decrease prices. This entails that local establishments are occupied in additional consumerist proceedings; allocate effectiveness is founded on the influence of improved receptiveness to neighboring inclinations owing to proximity to citizens, assisting in gathering data as well as value awareness resulting in instant undertaking. From the political standpoint, elections could be utilized to recompense or chastise politicians if they do not offer efficient public services. Decentralisation endorses better management on local politicians and ensures that they lose their post if they fail to render good service to the public. The research paper further shows that local politicians turn out to be additionally responsible as well as industrialist with the monetary fund’s they obtain as they are assessed on the way they control these, and it impacts their standing directly, and laso impact their chances of being elected again (see Shah & Qureshi, 1994 as cited in Tanzi, 1996). Therefore, politicians would make efforts to please the middle elector in the course of enhancing the democratic system as well as answerability. The common point of view of decentralisation varies from augmentations on financial development, welfare in addition to authority and decrements on local differences and scarcity. The concept was not totally justified or refuted. Nevertheless, mostly concern was advised with indication to financial decentralization since it denotes additional power on

returns gathering via taxes along with inter-governmental allocations to quasi independent public organizations like local administrations. Considering opposing opinions, it is maintained that central administration is undermined monetarily, taxing the function of stabilization along with redistributive strategies; the local allocation is deteriorated owing to viable benefits amongst not as good areas and the organizational faults and an elevated degree of corruption in regional administrations render its winning effort unfeasible.

Numerous earlier researches have taken up scrutiny of decentralized strategies and regional rural progress. Researches revealed that decentralised authority guarantees better answerability as well as receptiveness in addition lessens the occurrence of massive corruption in deliverance of services at the basic level (Mathew 1999:17; Aziz 1994:53). The practice of panchayat voting proves that voting can be a dominant method for answerability although threats as well as vote trade are characteristics of voting circumstances in India. This happens when voted officias fail to render devoted services to enhance the rural society, and consequently will find it difficult to succeed in the next elections (Blair, 2000, p. 27; Singh, 2000, p. 385&394). As seen in the GP election in the year 1995 in Uttar Pradesh, several earlier politicians lost and new politicians were elected, to the tune of almost 88 % (Lieten, 1996, p. 2701)

For example, in India numerous researches pertaining to the connection between decentralized administration and poverty decline, the link is not habitual. In west Bengal, one could notice a quick decrease in poverty owing to the PRI that built a production affable atmosphere in cultivation in addition to collaboration in executing anti-poverty schemes (Dreze & Sen, 2002) but did not offer independent freedom to panchayats. John and Chathukulam (2003) illustrated that panchayats pursued a re-distributive plan than a production plan in Kerala. Numerous other researches further supported the results together with Nair (2000).

### **1.1. Background: The Kerala Decentralization Process**

Kerala, a state renowned for noteworthy success in areas of fundamental education, fertility, life expectancy, sex ratio in favour of girls, extensive distributive processes like land regulations, minimum wage laws, social security programmes, as well as public allocation. The legislative structure fashioned for regional democracy in Kerala leads in building an appropriate lawful structure having stipulations that allow regional freedom and decentralization to operate (Umakanth, 2004). Several regulations like land reforms have not succeeded in India apart from in Kerala and West Bengal. The actual turning point in Kerala's decentralization procedure and development started from the middle of 1996 with a movement known as People's Plan Campaign (PPC) in the 9<sup>th</sup> Five Year Plan. The movement started numerous resolutions like transfer of 35 to 40 % of the state funds to local

organizations compared to 2.35 %, governmental modifications, the commencement of Sen Committee, relocation of all spending which handled the eradication of poverty to the PRIs (Isaac, 2000) , capability building works, and several more. Nevertheless, the United Democratic Front (UDF) discarded the movement in the year 2001.

Nevertheless, these attainments along with minimal augmentation in earnings and of significantly industrious division until the end of the 1980s. Until lately, with indications of development, the area is till now monetarily rundown and that happened to be the level of deliberation for many years by numerous researchers (Tharakan, 1998; Dreze & Amartya Sen, 1995; Isaac & Tharakan, 1995; Richard & Barbara Chasin, 1989; Robin, 1992; Kannan *et al.*, 1991; UNDP, 1997). The study that is in progress pertains to chance issues which resulted in extraordinary success has strongly emphasized the part of societal enlistment as well as demand from below in commencing public strategies for societal need for essential infrastructure in addition to governmental function for reallocation. Growth in characteristically developing circumstances is therefore credited to welfare schemes of the state from widespread public pressure (Ramachandran, 1994).

In spite of the extended custom of regional plans for growth and the existence of an knowledgeable and animated social set-up, it is unexpected that Kerala is still one of the most backward states when taking into consideration conditions of decentralization of administration until the year 1996. From 1956 to 1991, merely three general elections to local organizations have been held. The record of Panchayati Raj in Kerala until the year 1996 was endeavours that have failed, with assurances that were not upheld and unenthusiastic attempts (Gulati, 1994; Ramachandran, 1994). Even though we have many grey regions, yet in spite of all this we see some key success in the decentralization programme in 3 Five Year Plans, namely the 9<sup>th</sup>, 10<sup>th</sup> and 11<sup>th</sup> plans. Of late, it reallocated 25 percent of the yearly plan share of the state plan to LSGs as United Plan grants for carrying out schemes for local administration. Additionally, it allowed the reallocation of authority, operations and staff to LSGs and assisted individuals as well as elected members to categorize development priorities. Ultimately, it guaranteed lucidity in the 11<sup>th</sup> plan and predicted improved societal impartiality, excellence of public service as well as good governance to be attained via LSGs. Additionally, in the 11<sup>th</sup> plan, General Sector Plan (GSP) was augmented from 30% to 40% in the 10<sup>th</sup> as well as 12<sup>th</sup> plan correspondingly and further several schemes like anti-poverty sub-plan, asraya scheme, complete energy security undertaking and the incorporated housing plan were initiated.

## **2. Methodology**

This section outlines the methodology used to address the question whether fiscal decentralisation has been associated with changes in patterns of accountability and rural

development in Kerala. This study was conducted in Kerala state. Kerala was purposively selected as a typical rural district that has a moderate level of socio-economic development and is accessible in terms of transport and communication networks.

### 2.1 Study design

A qualitative case study design was employed in this study in order to allow in-depth, comprehensive explorations of the benefits and challenges of the implementation of decentralization rural development and its impact on using plan fund or components like GPs, BPs, and DPs (Yin, 1994). As a case study, the district reflects the main ideas on the challenges facing the implementation of decentralization of rural development services in Kerala.

### 2.2 Data Collection and Analysis

Thus, the first set consists of time series data of plan expenditure of rural local bodies for three Five-year Plan periods of 1996-97 to 2011-12. The secondary data collected from official documents and reports from various government offices. The second set consists of tables and graphs like trend analysis and percentage analysis. It draws an attention to the impact on rural development and accountability of the PRIs. Even though, the most astonishing fact that fiscal decentralization has completely ignored the uniform accounting system for PRIs.

### 3. Empirical Analysis

The budgetary provision of grant in aid to LSG has three categories, viz., and general sector, Special Component Plan (SCP) and Tribal Sub Plan (TSP). Table 1 presents the five year plan wise outlays, grant in aid to LSG and the expenditure. In the IX plan 15755 is allotted to SPO, which is increased in next subsequent plane 25306.7 & 45580.5 respectively. Expenditure growth rate is increase to 46.93% in X five year plan, whereas the percentage of expenditure to GIA is decreased, which shows that the deficit from the previous year plan. Table 2 shows the component wise GIA and expenditure and the growth rate increases for the consecutive planes.

Table 1: Five year plan wise outlays, Grant in Aid and Expenditure

Plans	SPO	GIA to LSGs	% of GIA to SPO	Expenditure Growth rate	% of Expenditure to GIA
IX	15755.0	4614.0	29.3	3451.8	74.8
X	25306.7 (60.6)	6784.0 (47.0)	(-8.5)	5071.7 (46.93)	(-0.07)
XI	45580.5 (80.1)	9896.97 (45.9)	(-19.0)	6445.1 (27.8)	65.1 (-12.9)

Percentage in parentheses; SPO=State Plan Outlay; GIA=Grants-in-Aid; LSG=Local Self- Government

Table 2: Component wise Grant in Aid and Expenditure and Growth rate

Plans	GIA			GIA to LSGs	Expenditure			
	General	SCP	TSP		General	SCP	TSP	Total
IX	3464.9	988.0	161.0	4614.0	2634.9	687.9	129.7	<b>3451.7</b>
X	5026.3 (45.1)	1554.5 (57.3)	203.2 (26.2)	6784.0 (47.0)	3860.6 (46.5)	1062.9 (54.7)	148.7 (14.6)	<b>5071.7</b> <b>(14.6)</b>
XI	6772.4 (34.7)	2716.5 (74.6)	407.7 (100.6)	9896.9 (45.9)	4324.4 (12.0)	1858.2 (74.8)	302.4 (103.3)	<b>6445.1</b> <b>(103.3)</b>

Source: Annual Plans, Govt.of Kerala, \*Parentheses indicates Growth rate and expenditure in percentage

Table 3: Revenue and Expenditure of Panchyat Raj Institutions in Kerala (in Crores)

(GP, BP, DP Tiers)

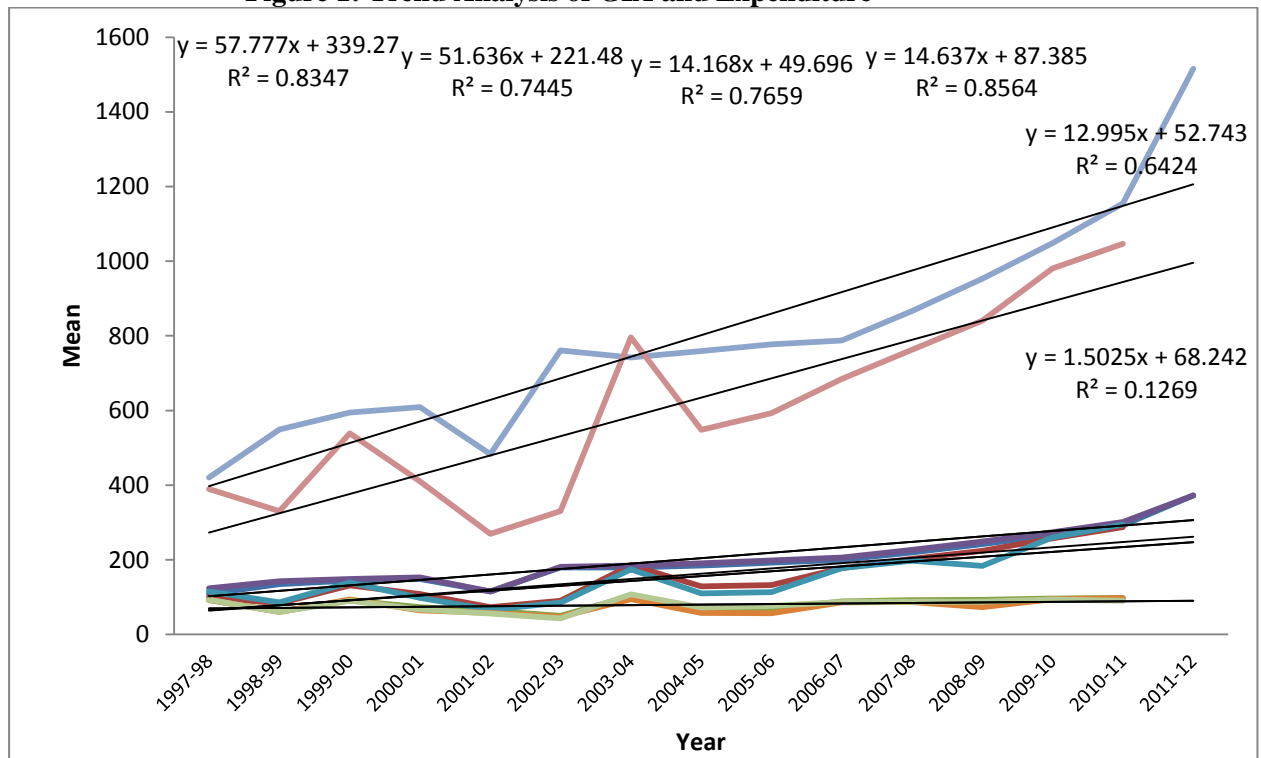
Year	Tier								
	Gram Panchayat			Block Panchayat			District Panchayat		
	Grants-in-Aid to LSGs	Expenditure	Percent age of Expenditure to Grants in Aid	Grants-in-Aid to LSGs	Expenditure	Percent age of Expenditure to Grants in Aid	Grants-in-Aid to LSGs	Expenditure	Percent age of Expenditure to Grants in Aid
	Mean	Mean	Mean	Mean	Mean	Mean	Mean	Mean	Mean
1997-98	420.49	389.94	92.73	108.69	99.97	91.98	123.94	115.16	92.92
1998-99	549.54	330.43	60.13	135.02	83.15	61.58	142.67	85.95	60.24
1999-00	595.01	538.49	90.5	144.41	131.34	90.95	148.39	139.22	93.82
2000-01	608.92	410.47	67.41	148.8	108.68	73.04	153.07	98.48	64.34
2001-02	483.43	269.42	55.73	115.32	73.41	63.66	115.32	66.71	57.85
2002-03	760.84	330.28	43.41	179.94	90.06	50.05	180.94	85.53	47.27
2003-04	741.7	796.27	107.36	179.6	185.48	103.27	185.01	174.48	94.31
2004-05	759.17	548.3	72.22	185.02	128.79	69.61	190.79	110.41	57.87
2005-06	777.05	593.25	76.35	192.25	132.4	68.87	198.21	113.27	57.15
2006-07	787.89	684.86	86.92	199.85	177.79	88.96	205.83	178.15	86.55
2007-08	866.65	762.73	88.01	219.81	203.03	92.37	226.39	197.65	87.31

2008-09	953.33	840.69	88.18	241.81	223.87	92.58	249.05	183.48	73.67
2009-10	1048.66	980.5	93.5	265.99	257.6	96.85	273.95	260.21	94.98
2010-11	1154.16	1046.85	90.7	292.53	287.82	98.39	301.28	294.15	97.63
2011-12	1815.46	1410.06	77.71	506.32	399.44	78.89	372.32	292.79	73.23

Source: Computed values from Annual Plan Grants.

Here, the revenue and expenditure details of the PRI in Kerala (GP, BP and DP) during five years from 1997-98 to 2011-12. It is inferred that the share of GIA to LSGs is greater in GP when compare to Bp & DP in all the years and the peak was during 2011 – 2012. Grant-in-Aid to LSG showed increasing trend in absolute terms.

**Figure 1: Trend Analysis of GIA and Expenditure**



Source: Computed and Compiled by Annual Plan Funds



Table 4. Gram Panchayat Component wise Grant in Aid and Expenditure and Growth rate for different.

Year	Tier s	Grants-in-Aids (GIA)				Expenditure				% of expenditure (Grants in Aid)		
		General	SCP	TSP	LSGs	General	SCP	TSP	Total	General to General	SCP to SCP	TSP to TSP
1997-98	GP	307.02	105.85	7.62	420.49	286.49	96.47	6.98	389.94	93.31	91.14	91.60
1998-99	GP	426.02(38.76)	108.21(2.23)	15.31(100.92)	549.54(30.69)	259(-9.6)	63.37(-34.31)	8.06(15.47)	330.43(-15.26)	60.80	58.56	52.65
1999-00	GP	464.10(8.94)	111.03(2.61)	19.88(29.85)	595.01(8.27)	425.75(64.38)	96.98(53.04)	15.76(95.53)	538.49(62.97)	91.74	87.35	79.28
2000-01	GP	467.08(0.64)	120.47(8.50)	21.37(7.49)	608.92(2.34)	333.48(-21.67)	64.84(-33.14)	12.15(-22.91)	410.47(-23.77)	71.40	53.82	56.86
2001-02	GP	384.84(-17.61)	98.59(-18.16)	0.00	483.43(-20.61)	223.14(-33.09)	42.38(-34.64)	3.9(-67.9)	269.42(-34.36)	57.98	42.99	0.00
2002-03	GP	618.84(60.80)	142.00(44.03)	0.00	760.84(57.38)	277.89(24.54)	49.07(15.79)	3.32(-14.87)	330.28(22.59)	44.90	34.56	0.00
2003-04	GP	580.42(-6.21)	139.26(-1.93)	22.02	741.7(-2.52)	651.68(134.51)	130.47(165.89)	14.12(325.3)	796.27(141.09)	112.28	93.69	64.12
2004-05	GP	584.84(0.76)	150.50(8.07)	23.83(8.22)	759.17(2.36)	424.29(-34.89)	107.39(-17.69)	16.62(17.71)	548.3(-31.14)	72.55	71.36	69.74
2005-06	GP	574.75(-1.73)	177.50(17.94)	24.80(4.07)	777.05(2.36)	464.14(9.39)	110.58(2.97)	18.53(11.49)	593.25(8.2)	80.76	62.30	74.72
2006-07	GP	544.11(-5.33)	213.87(20.49)	29.91(20.60)	787.89(1.4)	473.98(2.12)	185.59(67.83)	25.29(36.48)	684.86(15.44)	87.11	86.78	84.55
2007-08	GP	598.51(10.00)	235.25(10.00)	32.89(9.96)	866.65(10)	500.03(5.5)	228.32(23.02)	34.37(35.9)	762.73(11.37)	83.55	97.05	104.50
2008-09	GP	658.36(10.00)	258.78(10.00)	36.18(10.00)	953.33(10)	589.76(17.94)	217.15(-4.89)	33.77(-1.75)	840.69(10.22)	89.58	83.91	93.34
2009-10	GP	724.20(10.00)	284.65(10.00)	39.81(10.01)	1048.66(10)	683.95(15.97)	259.87(19.67)	36.67(8.59)	980.5(16.63)	94.44	91.29	92.14
2010-11	GP	797.30(10.09)	313.10(9.99)	43.75(9.92)	1154.16(10.06)	753.85(10.22)	253.39(-2.49)	39.61(8.02)	1046.85(6.77)	94.55	80.93	90.54
2011-12	GP	1115.75(39.94)	341.07(8.93)	58.62(33.99)	1815.46(31.3)	954.05(1.98)	0.00	0.00	1515.44(4.69)	89.09	0.00	0.00

Source: computed from Economic Review 1997-98 to 2011-12;

\*Parentheses indicates Growth rate and expenditure in percentage

Table 5. Block Panchayat Grant in Aid and Expenditure and Growth rate for different.

Year	Tier s	Grants-in-Aids (GIA)				Expenditure				% of expenditure (Grants in Aid)		
		General	SCP	TSP	LSGs	General	SCP	TSP	Total	General to General	SCP to SCP	TSP to TSP
1997-98	BP	65.79	35.28	7.62	108.69	60.80	32.67	6.50	99.97	92.42	92.60	85.30
1998-99	BP	91.29(38.76)	36.07(2.24)	7.66(0.52)	135.02(24.22)	58.53(-3.73)	21.02(-35.66)	3.6(-44.62)	83.15(-16.83)	64.11	58.28	47.00
1999-00	BP	99.45(8.94)	37.01(2.61)	7.95(3.79)	144.41(6.95)	91.48(56.3)	33.56(59.66)	6.3(75)	131.34(57.96)	91.99	90.68	79.25
2000-01	BP	100.09(0.64)	40.16(8.51)	8.55(7.55)	148.8(3.04)	74.7(-18.34)	26.48(-21.1)	7.5(19.05)	108.68(-17.25)	74.63	65.94	87.72
2001-02	BP	82.46(-17.61)	32.86(-18.18)	0()	115.32(-22.5)	51.85(-30.59)	19.76(-25.38)	1.8(-76)	73.41(-32.45)	62.88	60.13	0
2002-03	BP	132.61(60.82)	47.33(44.04)	0()	179.94(56.04)	69.41(33.87)	19.97(1.06)	0.68(-62.22)	90.06(22.68)	52.34	42.19	0
2003-04	BP	124.37(-6.21)	46.42(-1.92)	8.81()	179.6(-0.19)	135.59(95.35)	43.79(119.28)	6.1(797.06)	185.48(105.95)	109.02	94.33	69.24
2004-05	BP	125.32(0.76)	50.17(8.08)	9.53(8.17)	185.02(3.02)	85.95(-36.61)	35.72(-18.43)	7.12(16.72)	128.79(-30.56)	68.58	71.20	74.71
2005-06	BP	123.16(-1.72)	59.17(17.94)	9.92(4.09)	192.25(3.91)	85.45(-0.58)	39.47(10.5)	7.48(5.06)	132.4(2.8)	69.38	66.71	75.40
2006-07	BP	116.6(-5.33)	71.29(20.48)	11.96(20.56)	199.85(3.95)	102.36(19.79)	65.38(65.64)	10.05(34.36)	177.79(34.28)	87.79	91.71	84.03
2007-08	BP	128.25(9.99)	78.41(9.99)	13.15(9.95)	219.81(9.99)	108.5(6)	80.06(22.45)	14.47(43.98)	203.03(14.2)	84.60	102.10	110.04
2008-09	BP	141.08(10)	86.26(10.01)	14.47(10.04)	241.81(10.01)	124.69(14.92)	83.56(4.37)	15.6(7.81)	223.87(10.26)	88.38	96.87	107.81
2009-10	BP	155.18(9.99)	94.88(9.99)	15.91(9.95)	265.99(10)	144.07(15.54)	96.19(15.11)	17.33(11.09)	257.6(15.07)	92.84	101.38	108.93
2010-11	BP	170.68(9.99)	104.35(9.98)	17.48(9.87)	292.53(9.98)	183.3(27.23)	89.04(-7.43)	15.48(-10.68)	287.82(11.73)	62.66	0.00	0.00

Source: computed from Annual Plans 1997-98 to 2011-12;

\*Parentheses indicates Growth rate and expenditure in percentage

Note: In Kerala, there is no sectoral allocation earmarked for SCP/TSP. A pooled fund is earmarked under SCSP/TSP from 2009 onwards.

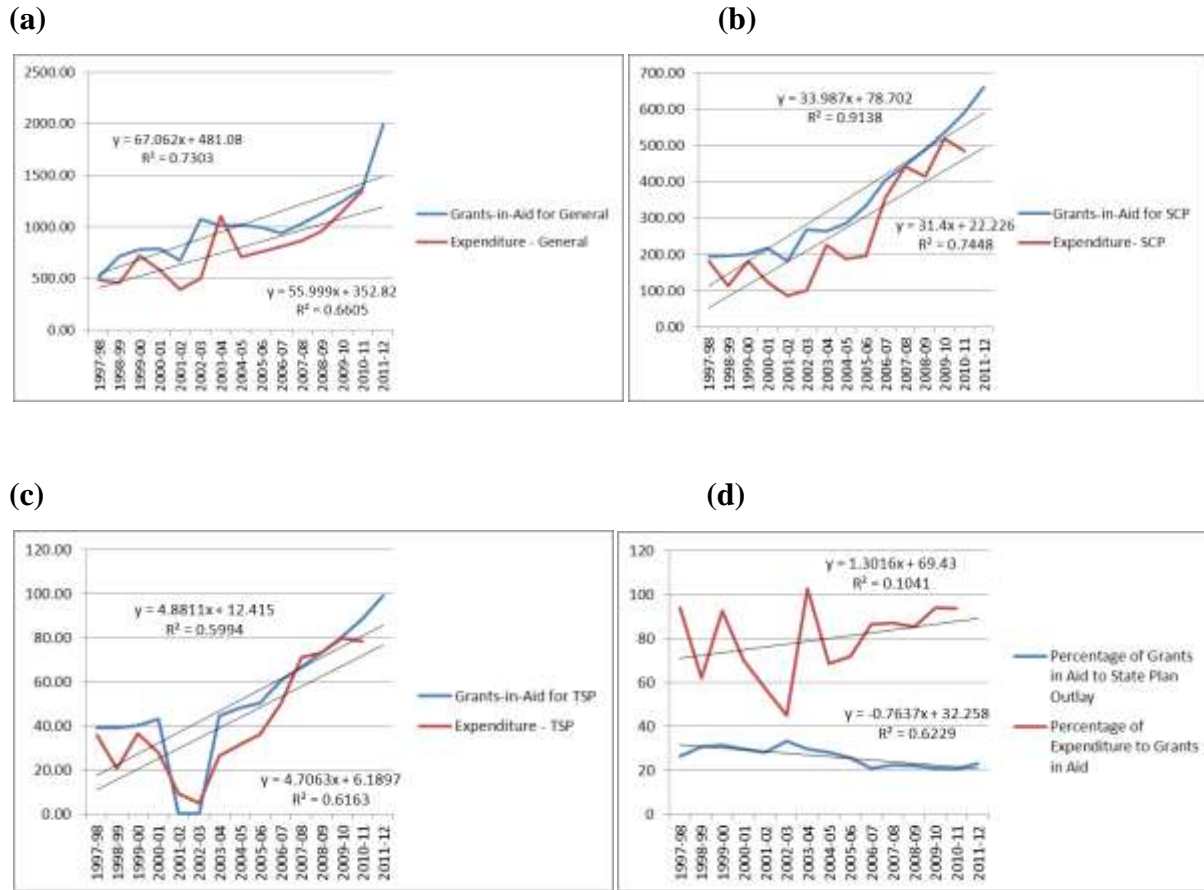
Table 6: District Panchayat Grant in Aid and Expenditure and Growth rate for different.

Source: computed from Annual Plans 1997-98 to 2011-12; \*Parentheses indicates Growth rate and expenditure in percentage

Year	Tiers	Grants-in-Aids (GIA)				Expenditure				% of expenditure (Grants in Aid)		
		General	SCP	TSP	LSGs	General	SCP	TSP	Total	General to General	SCP to SCP	TSP to TSP
1997-98	DP	65.75	35.28	22.87	123.94	60.14	33.62	21.40	115.16	91.47	95.29	93.57
1998-99	DP	91.29(38.84)	36.07(2.24)	15.31(-33.06)	142.67(15.11)	57.91(-3.71)	19.54(-41.88)	8.5(-60.28)	85.95(-25.36)	63.44	54.17	55.52
1999-00	DP	99.45(8.94)	37.01(2.61)	11.93(-22.08)	148.39(4.01)	89.43(54.43)	35.94(83.93)	13.85(62.94)	139.22(61.98)	89.92	97.11	116.09
000-01	DP	100.09(0.64)	40.16(8.51)	12.82(7.46)	153.07(3.15)	68.48(-23.43)	22.05(-38.65)	7.96(-42.53)	98.48(-29.26)	68.42	54.91	62.09
2001-02	DP	82.46(-17.61)	32.86(-18.18)	0()	115.32(-24.66)	45.97(-32.87)	17.08(-22.54)	3.66(-54.02)	66.71(-32.26)	55.75	51.98	0.00
2002-03	DP	133.61(62.03)	47.33(44.04)	0()	180.94(56.9)	66.3(44.22)	18.28(7.03)	0.95(-74.04)	85.53(28.21)	49.62	38.62	0.00
2003-04	DP	125.38(-6.16)	46.42(-1.92)	13.21()	185.01(2.25)	137.25(107.01)	31.34(71.44)	5.89(520)	174.48(104)	109.47	67.51	44.59
2004-05	DP	126.32(0.75)	50.17(8.08)	14.3(8.25)	190.79(3.12)	73.77(-46.25)	29.01(-7.43)	7.63(29.54)	110.41(-36.72)	58.40	57.82	53.36
2005-06	DP	124.16(-1.71)	59.17(17.94)	14.88(4.06)	198.21(3.89)	72.08(-2.29)	31.14(7.34)	10.05(31.72)	113.27(2.59)	58.05	52.63	67.54
2006-07	DP	116.6(-6.09)	71.29(20.48)	17.94(20.56)	205.83(3.84)	94.3(30.83)	69.57(123.41)	14.28(42.09)	178.15(57.28)	80.87	97.59	79.60
2007-08	DP	128.25(9.99)	78.41(9.99)	19.73(9.98)	226.39(9.99)	97.8(3.71)	78.6(12.98)	21.25(48.81)	197.65(10.95)	76.26	100.24	107.70
2008-09	DP	141.08(10)	86.26(10.01)	21.71(10.04)	249.05(10.01)	93.46(-4.44)	67.34(-14.33)	22.67(6.68)	183.48(-7.17)	66.25	78.07	104.42
2009-10	DP	155.18(9.99)	94.88(9.99)	23.88(10)	273.95(10)	131.29(40.48)	103.89(54.28)	25.02(10.37)	260.21(41.82)	84.60	109.50	104.77
2010-11	DP	170.68(9.99)	104.35(9.98)	26.24(9.88)	301.28(9.98)	190.24(44.9)	81.92(-21.15)	21.99(-12.11)	294.15(13.04)	111.46	78.51	83.80
2011-12	DP	239.1(40.09)	113.69(8.95)	19.54(-25.53)	372.32(23.58)	156.54(3.37)	0.00	0.00	156.54(13.07)	65.45	0.00	0.00

Note: In Kerala, there is no sectoral allocation earmarked for SCP/TSP. A pooled fund is earmarked under SCSP/TSP from 2009 onwards.

Figure 2: Trend Analysis of GIA and Expenditure in (a) General Status (b) SCP (c) TSP and (d) GIA to SPO



When all the panchayat systems (GP, BP, DP) were compared grama panchayat recorded the highest expenditure (included own resources to meet the felt needs) at 1046.85 during 2010-11 when comparing with BP & DP. (Table 4, Table 5 & Table 6.). This is followed by district and block panchayats with 294.15 and 287.82, respectively. As for utilization of funds under SCP and TSP, block panchayat reported 70.12% expenditure in SCSP and 72.56% in TSP. In comparison to the performance in general sector, the LSGs did not attain the desired level in SCP in 2010-11. During this period, the local bodies utilized 71.34% of funds of the outlay provided in general sector while in SCSP was only 56.08%. This shortfall in expenditure of SCSP was a common phenomenon for all tiers of LSGs in 2010-11. The shortfall was comparatively high in the case of corporations and Grama Panchayat. In 2006-07, the percentage of utilization of SCP was 80 and it declined to 74 in 2001-08 and to 64 in 2008-09. However, in the following year, 2009-10, a small increase in utilization of SCP funds was seen. The SCP/TSP grants added to the SC/ST programmes during the 2011-12 periods.

The poor utilization of SCP funds by LSGs is a serious matter at the period of 2001-03, that required immediate intervention since one of the major objectives of decentralized planning is to improve the

socio-economic status of SCs and STs by enhancing the quality of SCP and TSP through LSGs. In other words, the Government ought to gear itself up to ensure effective implementation of these two plans.

#### **4. Discussion**

India represents a paradox, where, high growth rates have dramatically increased wealth while on the other no improvement in the quality of service delivery, particularly for the poor and in remote and inaccessible areas. The existing mechanism involved in the implementation of the delivery of services is ineffective, in terms of efficiency. These problems are not well addressed. Hence they are too centralized, fragmented in concept as in implementation, insufficiently responsive to varying local needs or accountable to ensure efficient service delivery.

Peoples Plan Campaign is one of the trajectory planes towards decentralization in Kerala. This plan emphasizes the direct peoples participation and decentralization of powers, functions, functionaries, and the finance to local government. Hence the PRI and LSGs involvement is quite essential. Some of the important features of decentralization planning are (i) systematic participatory planning strategies at various developmental stages. (ii) According to the peoples in the area, the transfer of about 25% of the annual plan allocation of the state Plane to the LSGs in the form of untied grant for project implementation. (iii) Based on some specific criteria, beneficiaries are selected through transparent method. (iv) Transfer of functions, Powers, institutions and staff to LSGs. (v) Local level planning can be identified and understood by the local public and the elected representatives. (vi) Foundations are laid for the wide range of reforms. (vii) Introduced the motivated and good governance feature in administrative setup. (viii) It made the local governance more practical, responsive and transparent. (ix) Positive effect on reducing poverty.

In the present study when the Grant in Aid and Expenditure and Growth rate were studied, Grama Panchayat recorded the highest expenditure, but when we concentrate on the utilization of the fund under SCP and TSP, block panchayat was recorded highest. Trend of GIA and Expenditure in General Status, SCP, TSP and GIA to SPO were also compared. From the results it is clearly evident that the funds allotted were centralized. Hence the implementation the decentralized plane is the immediate requirement.

The role of LSGs is to eradicate the poverty at the local level by achieving the local productive income and employment. Hence the priorities and strategies of LGS are reshuffled. Fund devolution can be accompanied by the similar devolutionary functionaries. The lack of financial resources means that PRIs are heavily dependent on the state government for funds, which effectively reduces them to an agency of the government for funds. Gram Sabha has been enlarged by the State government as per the instructions from the Central government. Government and NGOs organizes various training camps to generate awareness among the gram Sabha members about their rights and responsibilities. GIA to LSG showed the increasing trend in term of percentage and negative expenditure percentage implies that the

revenue obtained is deficient than the required amount. The poor utilization of funds required the immediate governance, since the aim of decentralization plan is to improve the Socio economic status and the quality of SCP and TSP through LSGs. In service delivery, the initiatives are required to make the local government more efficient. PRIs have to understand the local needs and the levels of delivery and enhancement. The roles of PRIs should be clearly assigned through the constant follow-ups. PRIs should actively take part in the schemes that are sponsored by the state and central level. PRIs capacity should be in the widest sense to perform their responsibilities efficiently.

## **5. Conclusion**

The study findings indicated that resource transfers to the PRIs: village, block and district panchayats are mostly in the form of grants-in-aid. However, the grants are tied to specific sectoral and components wise devolution. Given the above facts, the village panchayat has very little financial autonomy and less initiative in plan projects or rural development. Therefore, decentralized planning is to overcome, the existing system of resource transfers could be transformed by additional resource mobilization and transfers by the PRIs where such changes would include the granting of more funds, by collecting tax and a general thrust towards financial and political autonomy for local bodies. In particular, tax imposition on the industrial units and coaching /training/computer institutions mushrooming in rural areas, some share from the stamp duty collected on the sale of rural land and other property may be given to the Panchayat to enhance their financial kitty.

This paper shed light on the incentives generated by fiscal-decentralisation policies and the political environment in rural municipalities in Kerala. This research contributes to the debate of decentralisation theory by exploring its impact on rural areas. The findings suggest that the allocative-efficiency argument is well grounded in rural municipalities. Being closer to the recipients is a motivation and valuable experience to allocate better local services due to an information advantage. On the other hand, the productivity argument is present with mixed results. Rural municipalities appear to take advantage of cooperation to reduce costs. But, in the India case (and with the limitation of this study), experimentation and regional/ local competition seem to be outside the entrepreneurial minds of local authorities. Moreover, they also tend to have high levels of administrative spending rather than investment in public work, which does not follow the general arguments for improving economic growth, regional equalities and poverty reduction. Hence, in rural settings, decentralization might improve governance and, to some extent, welfare, but it can also be detrimental to other aspects.

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