ISSN: 0975-4520 Kala Sarovar Vol-24 No.01(I) January - March 2021 (UGC Care Group-1 Journal) FINANCIL DEVOLUTION TO LOCAL SELF GOVERNMENT INSTITUTIONS: A STUDY OF KASARAGOD DISTRICT

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Abstract

The 73rd and 74th constitutional amendments marked a new turning point in the history of Local Self Government Institutions in India. Kerala adopted a new approach to decentralisation by devolving around 40% of the State Plan Funds focussing on detailed local level planning. But the fund flows to the Local Self Government Institutions remained stagnant during 1997 - 2012 i.e. during the 10th, 11th and 12th Five Year Plans.

Introduction

There existed a vibrant village panchayat system even in the pre-independent India. After Independence, the Directive Principles of the Constitution includes provisions for Village Panchayats. Thus, Article 40 of the Constitution requires that "the State shall take steps to organise Village Panchayats and endow them with such power and authority as may be necessary to enable them to function as units of self-government".

Accordingly, many State governments attempted to translate this Directive Principle into practice. But the scope and success of such attempts were very much limited. The main problem was that the self-government institutions lacked constitutional status. The 73rd and 74th Amendments to the Constitution have been passed against this background. They provided Constitutional status to the PRIs and Urban Local Bodies (ULBs). As per the 73rd Amendment, the PRIs are the entrusted with the responsibility of identifying, formulating, implementing and monitoring the local level developmental and welfare programmes. The Constitutional provisions expect the State governments to enact necessary legislation not only to create PRIs but also to endow them with such financial powers and functional responsibilities as they may deem appropriate. They are also required to appoint a State Finance Commission (SFC) to recommend adequate devolution from the State Governments to PRIs and ULBs. The State governments are also expected to create District Planning Committees (DPCs) in each district to formulate local level development plans for both rural and urban areas.

The 73rd and 74th constitutional amendments marked a new turning point in the history of Local Self Government Institutions in India.

Meaning of Decentralisation

Decentralization is a concept that defies definition. Given the multiple way it is interpreted and the vast diversity the country experiences relating to decentralization, the concept has to be contextually defined and understood (see Bird and Vaillancourt, 1998; Lister and Betley, 1999). Roy Bahl's definition of decentralization as the "empowerment of local populations through the empowerment of local Government" has a great appeal in Indian federal context. Devolution, which denotes the transfer of power, specific functions and resources to sub-national political entities is an evolved form of decentralization and fits well with definition. (See M.A Oomen, Fiscal Decentralization in India, A Case study of Kerala, ISS New Delhi). In the context of multi-tier system of Indian federalism, 'devolution' has great appeal and relevance. This observation does not mean that one can ignore the dangers and costs of decentralization in terms of efficiency, equity, economic stability and so on. (See Prudhomme, 1995, Tanzi, 1996) "Devolution in the context of the Panchayats means that when authority in respect of specific activity is transferred from the state to

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