

A STUDY ON FINANCIAL PERFORMANCE OF PANCHAYATI RAJ INSTITUTIONS IN ANDAMAN & NICOBAR ISLANDS

Dr. P. RAMACHENTRAYAR

*Associate Professor, Saraswathi Narayanan College (Autonomous)
Affiliated to Madurai Kamarajar University, Madurai, Tamil Nadu, India*

G. S. YOGESH RAM

Student Teacher, Thiagarajar College of Preceptors, Madurai, Tamil Nadu, India

DOI: <https://www.doi.org/10.34293/eduspectra.v7i1.01>

Introduction

In our country, Panchayat are seen as the “third tier” of government broadening and it is known as the democratic base. The Constitution (73rd Amendment) Act, 1992 and Constitution (74th Amendment) Act, 1992 had made radical changes in the domain of local government and India’s federal system. The organizational change has brought about by the new panchayats is an important feature of our country’s federal system. India has now become a multilevel federation with elected bodies at the district, intermediate and village levels.

Gandhiji’s idea of gram swaraj was not considered in the planning of India’s development in early fifties. A committee on plan projects constituted a team headed by Balwantray Mehta, (Member of Parliament) in the year 1957 to suggest an institutional set-up to secure people’s participation in the Community Development and National Extension Service Programmes. The recommendations of the study team favoured decentralization of power and the constitution of panchayati raj institutions in all the states. The panchayati raj institutions system was introduced in most parts of the country as a result of the Balwantray Mehta Report. Rajasthan was the first state to introduce Panchayat Raj in 1959, Andhra Pradesh being the second. Indeed, most of the states had passed the Panchayat Acts by 1959. However, it did not develop the requisite democratic momentum and failed to cater adequately to the needs of rural development due to various reasons. These included political and bureaucratic resistance at the state level to sharing of power and resources with the local level institutions and the absence of political will of the panchayat leaders.

The Ashok Mehta Committee was appointed in the year 1978 to address the weaknesses of PRIs. The Committee made extensive recommendations towards a more democratic and decentralized process. Although not many states accepted it, West Bengal in the year 1978 and Karnataka in the mid1980s were two states that led the way to democratic decentralization. Even though in 1986 the L.M. Singhvi Committee recommended the constitutional recognition of local government, it was a sub-committee of the consultative committee of parliament for Ministry of Rural Development under the

chairmanship of P.K.Thungon in the year 1988, which made specific recommendations for constitutional recognition of PRIs and strengthening them.

Without a doubt, the 73rd amendment may be called as the 'Panchayat amendment' that set in motion the evolution of a transformative politics in rural India. The 73rd Amendment in Part IX (Panchayats) of the Constitution is central to the development of Panchayati Raj in India. It ushered in a new era whereby it became mandatory for States and Union Territories to legislate on. The essential features of the 73rd Amendment included the establishment of a three-tier/ two tier panchayat system with a fixed tenure of five years, setting up of an independent State Election Commission by the states for panchayat elections and reservation for people belonging to Scheduled Castes (SCs) and Scheduled Tribes (STs) and women at all levels (including the post of President) based on the population. The most path-breaking feature of the Amendment was granting 33 per cent reservation to SC/ STs and women, at a time when women's reservation in state and central legislatures was being discussed and debated in the parliament without conclusion. Much has been achieved in the last thirteen years. Almost all States and Union Territories in India have set up either a two or three tier panchayati raj system. There has been renewed vigour and activity towards actualizing the goals of Panchayati Raj.

But, after more than a decade of the passageway of the 73rd and 74th Amendments, a lot of ground has to be covered. Much remains to be done in the field of devolution of financial and administrative powers to the panchayats. While some states have devolved powers to the panchayats, others still have to make a beginning. Most states after devolving responsibilities have not transferred staff and funds. There is a need to revamp election machinery, audit machinery and the finance commissions of each state to align them with their counterparts at the Centre. The Gram sabhas have to be vested with the task of supervision, and monitoring the functions of the gram panchayats (GPs).

Statement of the Problem

The Panchayati Raj Institutions (PRIs) in India play a crucial role in grassroots governance, promoting local self-governance, and ensuring that development initiatives are tailored to the specific needs of communities. Established under the 73rd Amendment of the Indian Constitution in 1992, PRIs are empowered to prepare plans for economic development and social justice, focusing on the 29 subjects listed in the Eleventh Schedule.

Scope of the Study

The study has been conducted to assess the financial performance of the Panchayati Raj Institutions in the Andaman and Nicobar Islands. This analysis focuses on the revenues, expenditures, and utilization of funds by the PRIs. The selected study area encompasses three blocks of the Andaman: North, Middle, and South Andaman, as well as the Nicobar Islands. This study does not include other related areas of panchayats and PRIs.

Objectives of the Study

The present study is conducted with the following objectives:

- To analyze the income of the Panchayati Raj Institutions (PRIs).
- To assess the expenditure and utilization of funds of selected Panchayati Raj Institutions in the study area.

Research Methodology

In the current study, the researchers utilized existing information and data to conduct a critical evaluation. Consequently, the adopted research design is analytical in nature, concentrating on the performance of the Panchayati Raj Institutions in the Andaman and Nicobar Islands. This study employs ratio analysis and percentage analysis methodologies.

Sources of Data

The study is based on secondary data derived from the annual reports of the Panchayati Raj Institutions in the Andaman and Nicobar Islands, sourced from the Pay and Accounts Department of the Andaman and Nicobar Islands.

Data Analysis and Results

The analysis of data and the results of the present study are outlined as follows.

1. PRI Funds: Receipts

Nicobar

The table 1 exhibits the details regarding the total available receipts available in Nicobar district of Andaman and Nicobar Island.

Table 1 PRIs Total Receipts – Nicobar (Rs. in Lakhs)

| Year | Opening Balance | Receipts | Total Receipts Available |
|---------|-----------------|----------|--------------------------|
| 2020-21 | 0 | 106.69 | 106.69 |
| 2019-20 | 0 | 29.63 | 29.63 |
| 2018-19 | 0 | 79.39 | 79.39 |
| 2017-18 | 0.22 | 449.90 | 450.12 |
| 2016-17 | 0.50 | 89.33 | 89.83 |

Source: Pay and Accounts Department, Andaman and Nicobar Islands

Table 1 presents the details regarding the total receipts of Panchayati Raj Institutions in Nicobar. The data indicates that the opening balance available to Panchayati Raj Institutions experienced a consistent decline. The year 2017-18 recorded the highest receipts, while 2019-20 saw the lowest receipts. The receipts of PRIs include allocations from both central and state governments. Furthermore, the table demonstrates that the

total availability of receipts has exhibited consistent fluctuations. PRIs in Nicobar achieved the highest receipts availability in the year 2017-18.

North and Middle Andaman

The table 2 exhibits the details regarding the total available receipts available in North and Middle Andaman.

Table 2 PRIs Total Receipts – North and Middle Andaman (Rs. in Lakhs)

| Year | Opening Balance | Receipts | Total Receipts Available |
|---------|-----------------|----------|--------------------------|
| 2020-21 | 273.50 | 537.26 | 810.79 |
| 2019-20 | 68.07 | 360.53 | 498.66 |
| 2018-19 | 33.85 | 837.72 | 871.57 |
| 2017-18 | 0.80 | 333.172 | 333.98 |
| 2016-17 | 0.01 | 424.445 | 424.46 |

Source: Pay and Accounts Department, Andaman and Nicobar Islands

Table 2 presents the details regarding the total receipts of Panchayati Raj Institutions in North and Middle Andaman. From the table, it can be inferred that the opening balance available to Panchayati Raj Institutions has exhibited a consistent increase. In terms of receipts, the fiscal year 2018-19 recorded the highest receipts, while the fiscal year 2017-18 witnessed the lowest receipts. The receipts of PRIs encompass shares from both the central and state governments. Furthermore, it is evident from the aforementioned table that the total receipt availability has experienced consistent fluctuations. PRIs in North and Middle Andaman achieved the highest receipt availability in the fiscal year 2018-19.

South Andaman

The table 3 exhibits the details regarding the total available receipts available in South Andaman.

Table 3 PRIs Total Receipts – South Andaman (Rs. in Lakhs)

| Year | Opening Balance | Receipts | Total Receipts Available |
|---------|-----------------|----------|--------------------------|
| 2020-21 | 5.47 | 98.2 | 103.67 |
| 2019-20 | 84.55 | 121.98 | 206.53 |
| 2018-19 | 123 | 212.42 | 335.42 |
| 2017-18 | 0.99 | 188.07 | 189.06 |
| 2016-17 | 2.28 | 287.64 | 289.97 |

Source: Pay and Accounts Department, Andaman and Nicobar Islands

Table 3 presents the details regarding the total receipts of Panchayati Raj Institutions in South Andaman. From the data, it can be inferred that the opening balance available to

Panchayati Raj Institutions exhibited both increasing and decreasing trends. In terms of receipts, the year 2016-17 recorded the highest receipts, while the year 2020-21 experienced the lowest. The receipts of PRIs encompass shares from both central and state governments. Furthermore, it is evident from the table that the total availability of receipts has been subject to consistent fluctuations. PRIs in South Andaman experienced the highest availability of receipts in the year 2018-19.

2. PRI Funds: Expenditures

Nicobar

The table 4 exhibits the details regarding the total expenditure incurred by PRIs in Nicobar district of Andaman and Nicobar Island.

Table 4 RIs Total Expenditures – Nicobar (Rs. in Lakhs)

| Year | Operational Expenses | Administrative Expenses | Total Expenditure Incurred |
|---------|----------------------|-------------------------|----------------------------|
| 2020-21 | 0.16 | 0 | 0.16 |
| 2019-20 | 0 | 0 | 0 |
| 2018-19 | 0 | 0 | 0 |
| 2017-18 | 1.76 | 0 | 1.76 |
| 2016-17 | 0.74 | 0 | 0.74 |

Source: Pay and Accounts Department, Andaman and Nicobar Islands

Table 4 presents the details regarding the total expenditure incurred by Panchayati Raj Institutions in Nicobar. From the data, it can be inferred that the operational expenses incurred by Panchayati Raj Institutions have experienced a consistent decrease since 2017-18. Regarding administrative expenditures, PRIs in Nicobar have not reported any administrative expenses. The expenditures of PRIs encompass costs associated with materials, labor, and both recurring and non-recurring expenses. Additionally, it is evident from the table that the total expenditure incurred has been subject to consistent fluctuations. PRIs in Nicobar recorded the highest expenditure in the year 2017-18.

North and Middle Andaman

The table 5 exhibits the details regarding the total expenditure incurred by PRIs in North and Middle Andaman.

Table 5 PRIs Total Expenditures – North and Middle Andaman (Rs. in Lakhs)

| Year | Operational Expenses | Administrative Expenses | Total Expenditure Incurred |
|---------|----------------------|-------------------------|----------------------------|
| 2020-21 | 532.91 | 34.92 | 568.03 |
| 2019-20 | 247.48 | 95.15 | 342.62 |

| | | | |
|---------|--------|--------|--------|
| 2018-19 | 343.96 | 78.45 | 422.41 |
| 2017-18 | 409.18 | 102.47 | 511.65 |
| 2016-17 | 19.71 | 104.28 | 123.99 |

Source: Pay and Accounts Department, Andaman and Nicobar Islands

Table 5 presents the details regarding the total expenditure of Panchayati Raj Institutions in North and Middle Andaman. From the data, it can be inferred that the operational expenses incurred by Panchayati Raj Institutions exhibit a fluctuating trend. In terms of administrative expenditure, PRIs recorded the highest administrative expenditure in the year 2016-17 and the lowest in 2020-21. The expenditures of PRIs encompass costs associated with materials, labor, and both recurring and non-recurring expenses. Furthermore, it is evident from the table that the total expenditure incurred has been subject to consistent fluctuations. PRIs in North and Middle Andaman reported the highest expenditure in the year 2020-21.

South Andaman

The table 6 exhibits the details regarding the total expenditure incurred by PRIs in South of Andaman.

Table 6 PRIs Total Expenditures – South Andaman (Rs. in Lakhs)

| Year | Operational Expenses | Administrative Expenses | Total Expenditure Incurred |
|---------|----------------------|-------------------------|----------------------------|
| 2020-21 | 96.16 | 3.69 | 99.85 |
| 2019-20 | 79.67 | 36.69 | 116.06 |
| 2018-19 | 101.20 | 49.25 | 150.45 |
| 2017-18 | 99.07 | 49.77 | 148.85 |
| 2016-17 | 91.85 | 51 | 142.85 |

Source: Pay and Accounts Department, Andaman and Nicobar Islands

Table 6 presents the details regarding the total expenditure of Panchayati Raj Institutions in South Andaman. From the data, it can be inferred that the operational expenses incurred by Panchayati Raj Institutions exhibit both increasing and decreasing trends. In terms of administrative expenditure, PRIs recorded the highest administrative expenditure in the year 2017-18 and the lowest in 2020-21. The expenditures of PRIs encompass costs associated with materials, labor, and both recurring and non-recurring expenses. Furthermore, it is evident from the table that the total expenditure incurred has been subject to consistent fluctuations. PRIs in South Andaman reported the highest expenditure in the year 2018-19.

3. Utilization of Funds

The governments should make adequate efforts to devolve funds, functions, and functionaries to panchayats, so that they can effectively plan economic development and social justice schemes. The percentage of utilization of funds is calculated by

$$\text{Percentage of Utilization} = \frac{\text{Total Receipts Availability}}{\text{Total Expenditure Incurred}} \times 100$$

Nicobar

The table 7 exhibits the details regarding percentage of utilization of funds by PRIs in Nicobar district of Andaman and Nicobar Island.

Table 7 PRIs Percentage of Utilization – Nicobar (Rs. in Lakhs)

| Year | Total Receipts Available | Total Expenditure Incurred | Balance (TR – TE) | Percentage of Utilization |
|---------|--------------------------|----------------------------|-------------------|---------------------------|
| 2020-21 | 106.69 | 0.16 | 106.53 | 0.15 |
| 2019-20 | 29.63 | 0 | 29.63 | 0 |
| 2018-19 | 79.39 | 0 | 79.39 | 0 |
| 2017-18 | 450.12 | 1.76 | 448.36 | 0.39 |
| 2016-17 | 89.83 | 0.74 | 89.08 | 0.83 |

Source: Pay and Accounts Department, Andaman and Nicobar Islands

Table 7 presents the details concerning the percentage of fund utilization by Panchayati Raj Institutions in Nicobar. The data indicates that in the fiscal year 2016-17, PRIs achieved the highest percentage of fund utilization, with no utilization reported for the years 2018 and 2019. Furthermore, the table illustrates that PRIs in Nicobar experienced the greatest disparity between receipts and expenditures in the fiscal year 2017-18.

North and Middle Andaman

The table 8 exhibits the details regarding percentage of utilization of funds by PRIs in North and Middle Andaman.

Table 8 PRIs Percentage of Utilization – North and Middle Andaman (Rs. in Lakhs)

| Year | Total Receipts Available | Total Expenditure Incurred | Balance (TR – TE) | Percentage of Utilization |
|---------|--------------------------|----------------------------|-------------------|---------------------------|
| 2020-21 | 810.76 | 568.03 | 242.73 | 70.06 |
| 2019-20 | 498.66 | 342.62 | 156.04 | 68.71 |
| 2018-19 | 871.57 | 422.41 | 449.17 | 48.46 |
| 2017-18 | 333.98 | 511.65 | - 177.67 | 153.2 |
| 2016-17 | 424.46 | 123.99 | 300.46 | 29.21 |

Source: Pay and Accounts Department, Andaman and Nicobar Islands

Table 8 presents the details regarding the percentage of fund utilization by Panchayati Raj Institutions in North and Middle Andaman. The data indicates that in the fiscal year 2017-18, PRIs achieved the highest percentage of fund utilization, whereas the lowest utilization percentage was recorded in the year 2016-17. Furthermore, the table illustrates that PRIs in North and Middle Andaman experienced the greatest disparity between receipts and expenditures in the fiscal year 2018-19, and in the year 2017-18, total expenditures exceeded total receipts.

South Andaman

The table 9 exhibits the details regarding percentage of utilization of funds by PRIs in South Andaman.

Table 9 PRIs Percentage of Utilization – South Andaman

| Year | Total Receipts Available | Total Expenditure Incurred | Balance (TR – TE) | Percentage of Utilization |
|---------|--------------------------|----------------------------|-------------------|---------------------------|
| 2020-21 | 103.67 | 99.85 | 3.82 | 96.32 |
| 2019-20 | 206.53 | 116.06 | 90.47 | 56.20 |
| 2018-19 | 335.42 | 150.45 | 184.97 | 44.85 |
| 2017-18 | 189.06 | 148.85 | 40.21 | 78.73 |
| 2016-17 | 289.97 | 142.85 | 147.12 | 49.26 |

Source: Pay and Accounts Department, Andaman and Nicobar Islands

Table 9 presents the details regarding the percentage of fund utilization by Panchayati Raj Institutions in South Andaman. The data indicates that in the fiscal year 2020-21, PRIs achieved the highest percentage of fund utilization, whereas the lowest utilization percentage was recorded in the fiscal year 2018-19. Moreover, the table reveals that PRIs in South Andaman experienced the largest disparity between receipts and expenditures in the fiscal year 2018-19, alongside a low balance in the fiscal year 2020-21.

4. Outstanding Payments

The table 10 exhibits the details regarding outstanding payments of PRIs in three districts of Andaman and Nicobar Island.

Table 10 PRIs Outstanding Payments

| Year | Outstanding Payments | | |
|---------|----------------------|--------------------------|---------------|
| | Nicobar | North and Middle Andaman | South Andaman |
| 2020-21 | 46.03 | 4.94 | 0.04 |
| 2019-20 | 2.34 | 6.17 | 0.03 |
| 2018-19 | 0 | 12.07 | 26.55 |
| 2017-18 | 19.75 | 111.51 | 0.03 |
| 2016-17 | 61.22 | 588.08 | 135.68 |

Source: Pay and Accounts Department, Andaman and Nicobar Islands

Table 10 presents the details regarding outstanding payments of PRIs across three districts of the Andaman and Nicobar Islands. From the table, it can be concluded that in the case of Nicobar district, the PRIs recorded the highest outstanding payments in the fiscal year 2016-17, with no outstanding payments noted during 2018-19. In the North and Middle Andaman district, the PRIs similarly had the highest outstanding payments in 2016-17, while low outstanding dues were observed in the year 2020-21. In the South Andaman district, the PRIs again reported the highest outstanding payments in 2016-17, accompanied by low outstanding dues in 2019-20.

Findings and Discussions

The study evaluates the financial performance of Panchayati Raj Institutions (PRIs) in the Andaman and Nicobar Islands, focusing on their revenues, expenditures, and fund utilization across three blocks: North Andaman, Middle Andaman, South Andaman, and the Nicobar Islands.

Key Findings

1. Receipts Overview

Nicobar Islands: The total receipts have shown a continuous decline in the opening balance. The highest receipts were recorded in the fiscal year 2017-18, while the lowest occurred in 2019-20. The total receipt availability has fluctuated, with the highest availability in 2017-18.

North and Middle Andaman: These regions experienced a steady increase in opening balances, with the highest receipts in 2018-19 and the lowest in 2017-18. Total receipts also exhibited fluctuations, peaking in 2018-19.

South Andaman: The receipts trend showed both increases and decreases, with the highest receipts in 2016-17 and the lowest in 2020-21. The highest receipt availability was noted in 2018-19.

2. Expenditure Analysis

Nicobar Islands: Operational expenses have consistently declined since 2017-18, with no recorded administrative expenditures. The highest total expenditure was in 2017-18, and fluctuations were noted in total expenditures.

North and Middle Andaman: These regions displayed a fluctuating trend in operational expenses. The highest administrative expenditure occurred in 2016-17, while the lowest was in 2020-21.

South Andaman: Similar to the other regions, South Andaman showed fluctuations in operational expenses. The highest administrative expenditure was in 2017-18, with the lowest in 2020-21. The peak total expenditure was in 2018-19.

3. Fund Utilization

Nicobar Islands: PRIs exhibited the highest percentage of fund utilization in certain years, with no utilization recorded in 2018 and 2019. The most significant discrepancy between receipts and expenditure for Nicobar occurred in 2017-18.

North and Middle Andaman: In North and Middle Andaman, the most notable disparity between receipts and expenditure was in 2018-19, with total expenditure surpassing total receipts in 2017-18.

South Andaman: South Andaman experienced the greatest discrepancy in 2018-19, alongside a low balance in 2020-21.

4. Outstanding Payments

- The highest outstanding payments were reported in 2016-17 across all regions, indicating a potential area of concern for financial management within the PRIs.

Conclusion

The financial performance of PRIs in the Andaman and Nicobar Islands reflects significant fluctuations in both receipts and expenditures across the different regions. While some areas show increasing trends in financial availability, others face declining balances and operational challenges. The discrepancies between receipts and expenditures highlight the need for improved financial planning and management to ensure sustainability and effective utilization of funds. This study underscores the importance of ongoing monitoring and evaluation of financial practices within PRIs to enhance their performance and service delivery to the community.

References

1. Agarwal, A. (2005). *Fiscal Decentralisation: Financing of Panchayati Raj Institutions in India*. Serial Publications.
2. Anil, Ota et al. (2012). *Impact of Panchayati Raj Institutions on Participatory*.
3. Bandyopadhyay, D. (2003). Twelfth Finance Commission and Panchayat Finances. *Economic and Political Weekly*, 38(23), 2242-2243.
4. Bhanja, A. K. Panchayati Raj in West Kameng District of Arunachal Pradesh. 5(7), 2017.
5. Oommen, M. A. (2009). Limits of a Devolution Index. *Economic and Political Weekly*, 44(29), 17-21.