

CHALLENGES IN LOCAL BUDGETING AND PLANNING: FIELD REALITIES IN RURAL KARNATAKA

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ABSTRACT

Local governments provide services that suit local tastes and preferences. The role of Panchayats (rural local governments in India) is to effectively provide services to the local people, wherein Panchayats are held responsible to manage finances effectively. Hence, the main objective of the paper is to study the budgeting and planning of rural local governments. How do they plan and manage finances to provide services effectively? Does participatory planning takes place or not and if yes to what extent it exists? These are the questions that this study tries to answer. By having a proper plan (otherwise will lead to wasteful expenditure) and consistent budget format, it will help Panchayats to compare better with other Panchayats, further helping in monitoring the plan and properly reviewing the budget details. Most importantly, participatory planning and budgeting will lead to accountability and transparency. Thus, efficient management of finances through participatory planning is important to yield a better outcome. The study is based on both primary and secondary data collected from four selected Gram Panchayats in two selected districts (namely, Ballari and Mandya districts) of Karnataka.

Keywords: Panchayats, Local Governments, Local Planning.

Introduction

Local governments provide services that suit local tastes and preferences. The role of Panchayats (rural local governments in India) is to effectively provide services to the local people. In order to plan and implement large

number of functions that are entrusted to Panchayats, they require adequate finances. The revenues of these Panchayats largely consists of own source revenue, transfers from higher level governments, borrowings and shared revenues. The revenue from

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own sources is more feasible and will give autonomy and flexibility to Panchayats in the provision of services. However, the freedom to make expenditure decisions at the Panchayat level is constrained by the problem of mismatch between the assigned expenditure and the availability of own revenue source. Consequently, these decentralised governments depend more on transfers from higher level governments for resources. Not only this, the transfers are by and large tied to schemes, uncertain size of grants/transfers and predicted timely transfers.

It is in this context that the study tries to understand problems in budgeting and planning of local governments. How do they plan and manage finances to provide services effectively is of interest to us. By having a proper plan (otherwise will lead to wasteful expenditure) and consistent budget format, it will help Panchayats to compare better with other Panchayats and will also help in monitoring the plan and proper review of the budget details. Thus, efficient management of finances through the budget is important to yield a better outcome.

Keeping the principles of multi-level government finance, there are several questions that need to be raised. Do the Panchayats follow the stipulated way of managing their finances i.e., preparing and implementing annual budgets efficiently according to rules and procedures? What are the sources, nature and quantum of resources

available and what impact will they have on planning and development? What role do the citizens, elected members and officials have in budget and plan preparation?

The study is organised into five sections. Section one introduces the topic. Section two provides the theoretical issues related to budget and planning. Section three discusses the methodology and purpose of the study. Section four covers the processes in local budget preparation and planning. Section five concludes the discussion.

The Theoretical Issues

Here, the adequacy and accuracy, predictability, participatory budgeting, accountability and efficiency are the important characteristics for preparation of a local budget. In this paper, these characteristics have received much importance. There are two main approaches under neo-classical literature that have looked at inter-governmental grants, which are classified as first and second generation theories.

First generation theories:

In the first generation theories, the flypaper effect is used to understand the impact of grants in local spending. The flypaper effect is the persistent empirical finding that an inter-governmental grant stimulates to increase spending by the local government than an equal increase in local resources, in contradiction to the theoretical prediction that the effects should be the same (Amy Ellen,

2005). Other empirical studies across the globe have looked at and noted specifically the lump sum transfers have an increasing effect on local expenditure on public services (Gamkhar & Shah, 2007; Geoffrey K, 1998; James R. & Richard H., 1995; Neuman & Richard Calland, 2007; Rajaraman & Garima, 2000; Stephen J. & Connolly, 1998).

First generation theories assumed that more expenditure on national programmes will lead to more development. Further, it distinguishes between the objectives of different forms of grants (Gamkhar & Shah, 2007). Broad classifications mentioned in Shah's (2006) study for intergovernmental grants are general (unconditional) and specific purpose grants (conditional). Firstly, the general purpose grants also called block grants will have no strings attached to them mandated by grant giving authority and discretionary in nature. The traditional theory explains that such transfers enhance the local autonomy and will have the least influence on local expenditure. Contrary to this, empirical evidence has shown these general purpose grants tend to increase local spending (Shah, 2006).

Secondly, specific purpose grants are provided to local governments to spend on targeted functions. A study by Shah (2006) provides the further classification under specific purpose grants into conditional matching and conditional non-matching grants. i) Conditional matching grants are also

known as cost-sharing programmes, where grantees required spending a specified percentage of funds on functions using their own resources. ii) Conditional non-matching grants are given without stipulating to bear a part of the cost by the recipient government, as long as the funds are for specified purposes which tend to increase local expenditure which is contrary to the flypaper effect. However, it is stated that matching grants induce the local government to increase its expenditure more than any non-matching grants.

The further classification under conditional matching transfers are either open-ended (grant provider matches resource demand by the grantee and no limits are placed on available assistance through matching provisions) or closed-ended (limit on the total contribution from higher government to local). The empirical findings show that open-ended matching and closed-ended grants increase the local expenditure (King, 1984; Shah, 2006).

Second generation theories:

The first generation theories only talk about the allocation of transfers from central to local governments and its effect on local spending, and explains the responsibilities that bureaucracy and the political factors which are causing the flypaper effect. However, it has not talked about the institutional arrangements involved in the Panchayat finances which will help in achieving local autonomy.

As a result, more recently, studies have moved from this approach to broader aspects

like efficiency and equity which affects inter-governmental transfers. This second generation theories mainly give importance to the fiscal autonomy of sub-national governments by linking the tax efforts of local governments to grants. As to this, Oates (2005) specifies three important issues such as accountability, the problem of soft budget constraints and a problem of moral hazard occurred by federal insurance. Issues related to accountability, efficiency and hard budget constraints are discussed hereunder. The first generation theories are useful in analytical framework, whereas the second generation theories have brought in many aspects and have made the subject more disciplined to understand in detail. The second generation theories are relevant, as our study looks through the idea and thoughts of second generation theories. Three important issues which will make local government efficient and provide services more effectively to the local people are discussed below:

Adequacy and Accuracy: Local government budget estimates should represent the needs of the government and the citizens of that jurisdiction. The local government needs to interact (Gram Sabha) and take consents of local people on their needs and problems. In the second stage, prioritise the needs keeping in view the available resources. In other words, the local government needs to prepare a budget (an annual process) and ensure that the budget (revenue and expenditures) as

far as possible is accurate. Furthermore, the estimated figures should be close enough to reality (Samuel & I., 2009).

Predictability: There is a need of assurance from higher level governments to local governments about when and how much grants they would receive and if it would help them in making plans accordingly. Studies have brought out that the inter-governmental transfer system requires a high degree of certainty in the flow and timing of transfers from the higher governments to lower governments. In the absence of predictability, local governments will not have a general idea of how much money they are likely to receive from above as this will impede the process of plan and budget for the next fiscal year (Yilmaz, 2003). Local government budgets like the central budget should be comprehensive, accurate, periodic, authoritative, timely and transparent. Delay in the approval of local budgets prevents planning and providing effective service delivery. Local governments and people living in these jurisdictions should be able to calculate and know their share of transfers (Yilmaz, 2003).

Accountability: Once the quantum of transfers is predictable, then Gram Panchayats should display the information to the public notice which in turn makes them accountable to local citizens and also helps them to mobilise own revenues optimally. Studies elsewhere brought out that public reporting makes (including government accounts) GPs accountable

to their citizens. In return, local citizens are responsible for paying tax regularly for services. Furthermore, budget/incentives from higher level governments will contribute to better operational performance and improve local government accountability (Schaeffer, 2003). Secondly, a significant part of revenues should be mobilised from own sources that will provide Panchayats considerable freedom in expenditure decision-making and accountability to citizens (Boadway, 2007; Buchannan & Musgrave, 1999). Thirdly, there is a need for clear legal framework with respect to functions among three level governments i.e., who is responsible for what (through circulars and notifications). In addition, elected members should be responsive and responsible to their jurisdiction and voters of that unit to be informed about the consequences of their decisions (Yilmaz, 2003). Accountability which aims at openness and rational use of public funds (Samuel & I., 2009).

Participatory budgeting: It is about ordinary citizens participating in the decision-making process of budget preparation. This gives citizens a platform to involve themselves in the socio-economic development works. As they are the ones who get impacted by the development works, it is only justified that they should express their concerns and priorities as well. Citizens should be involved in discussing how to raise revenues. Further, they will come up with different development activities and decide the allocation of resources on different

works that are chosen for carrying out. In this process, citizens will get to know how much money is spent on what and why and can also estimate the expected expenditure and outcome, and this will help in identifying the beneficiaries (Government of Karnataka, 2016; Jhon, 2010). These are crucial in the budgeting processes.

Participatory budgeting is also known as a 'democratic innovation' stemming from south Brazil (Krenjova & Raudla, 2013). Brazil's experience in this regard started in 1989 in Porto Alegre, South Brazil. Even though it is one of the most populated cities in southern Brazil, municipal governments must account to the people for their plan and budget estimates for the previous year as well as for the next year. This process of participatory budgeting has resulted in improving the facilities for the development of the people of Porto Alegre (World Bank, 2003).

Efficiency: Prior information and certainty of funds help GPs to prepare an effective plan which in turn provides services effectively. Further, this will enable them to deliver services by responding better to local needs at the lowest possible cost. Further, this makes GPs shift in the delivery of services by focusing on important needs and efficiently match public spending to individual needs (Yilmaz, 2003). In return, people will be willing to pay tax regularly to the Panchayat and will also show interest in local activities (attending GS meetings).

Enforcement of Hard Budget Constraints:

Without imposing hard budget constraints or an absence of incentive structure, local governments will neglect to mobilise own revenues and rely completely on transfers from higher level government. There is a likelihood of revenue exceeding their expenditure over and run deficits in the expectation that central government will bail them out (Teresa, 1997; World Bank, 2000; Yilmaz, 2003). A Study by Vigneault (2007) also supports this. More own revenues should be generated by local governments and proper designs of grants are recommended (Kornai, 1979). In this sense, Oates (2005) suggests that imposing hard budget constraints are good to prevent a fiscal crisis at the local government level.

Objectives and Methodology of the Study

It is in this context that the study attempts to understand the challenges involved in the local budgeting processes. Furthermore, an attempt to study the implications of the financial transfers on local government budget and planning was also made.

A field survey has been conducted in two districts, viz., Ballari (backward) and Mandya (developed) districts of Karnataka. These represent different geographical locations and different levels of socio-economic development by following the Nanjundappa committee report. In Ballari district, Huvina Hadagali taluk (as medium developed taluk) is selected for the study. Within this taluk, two

Gram Panchayats (namely, Kuruvatthi and Hagarnuru GPs) are selected for the study, based on its distance from the taluk headquarters. Likewise, in Mandya district, Pandavapura taluk is selected for the study. Further, in this taluk, two GPs (namely, Kennalu and Jakkanahalli GPs) are selected for the study, based on its distance from the taluk headquarters. The GPs such as Kennalu and Hagarnuru located closer to the taluk headquarters and the other two GPs namely Kuravatthi and Jakkanahalli are interior to the taluk headquarters.

Both secondary and primary data have been collected from four selected Gram Panchayats. For primary data collection, we have followed three separate sets of questionnaire schedule. Firstly, Gram Panchayat officials, then elected members of that Gram Panchayat jurisdiction. Finally, to collect household level data in each GP, two villages were selected for the study. Simple statistical tools such as per centage analysis and graphs have used to analyse the data.

Local Budgeting Processes and Planning

The provisions of the Constitution Amendment - 1993 gives 'Constitutional' status to Panchayats in India. Article 243G specifies the powers and responsibilities by the State legislature upon the Panchayats with respect to the preparation of plans for economic development and schemes. Further, it ascertains sound finance for the Panchayats by devolving grants-in-aid to the Panchayats. Federal government's grants-in-aid are the

provision of money from higher governments to local governments for a specific purpose. On similar lines, Taylor's grants-in-aid are the means by which one government provides financial assistance to another, to perform a specified function (Chand, 2008). Further, the same Amendment made provision under Article 243A to prepare plan and take development programmes through holding ward Sabha and Gram Sabha meetings once in six months. Ward Sabha shall exercise the powers and functions by generating and determining the priority of schemes and development programmes to be implemented in the area of the ward Sabha and forward the same to place it before the Gram Sabha for inclusion in Gram Panchayat Development Plan. Another study suggests that decision-making should be participatory and it should be open to all sections of people to participate in this. Study looks at the convening Gram Sabha regularly, taking into consideration local priorities, and in it, peoples' participation makes planning successful (Aziz, Sivanna, Babu, Madhushree, & Charles, 2002).

A budget is considered as primary tool for planning, tracking and controlling spending. In simple terms, budget is defined as a plan or estimates in the form of a list. The list includes items of spending and revenue receipts for a specific time period (Business Encyclopaedia, 2017). Further, the purpose of the budgeting process is to provide a budget figure for each item and for each fiscal year.

Broadly speaking, a budget is a comprehensive document that summarises what economic and non-economic activities a government wants to undertake with a special focus on policies, objectives and strategies for accomplishments that are corroborated with revenue and expenditure projections (Samuel & I., 2009). Local government budget mainly includes revenue and expenditure details to see the availability of revenues to provide effective services to citizens. Mainly, it consists of revenue and expenditure details and then, a list of priorities and finally, performance.

Budget process involves the following steps: 1) Assessing difference between actual and estimated figures in the previous year's budget. 2) Identifying and then prioritising urgent needs and setting goals for the next year. 3) Estimating and evaluating revenue receipts and expenditures. 4) Ensure to have a proper plan and consistent budget format. These will help to compare better between Panchayats and will also help monitor the plan and review the budget details. Further, it will make easier for higher level governments to review and approve spending.

The Budget proposal consists of detailed estimates of revenue and expenditure expected during the subsequent year and was to be prepared by the GPs every year. Section 241, of KPR Act, 1993 stated that every GP shall prepare the budget and lay before the GP meeting, which shall be held on the first day of February and the tenth day of March in the

respective format by indicating minor heads and placed before the governing body (TP) for approval. The budget of GPs will be sent to taluk Panchayat (TPs), and they shall approve it with or without modifications.

Budget is a document prepared by the respective governments, annually indicating the estimated receipts under each source of revenue and estimated expenditure under each objects during the following financial year (Government of Karnataka, 2016). Keeping in view the financial propriety and the mandate in KPR Act, 1993, it is worthwhile to examine how the GPs adhere to these and their relevance at the grassroots level.

Local Budgeting Processes in the GPs of Karnataka – Analysis through Primary Survey

Information with regard to tax, non-tax and transfers receipts for ten years and how actual values differ from the estimated budget values are presented in Figure 1. Figure 1 depicts that the difference between the estimated and actual receipts of Kuravatthi GP for over the period has decreased for tax and non-tax sources. The actual figures are getting closer to the estimated figures and it shows that Kuravatthi GP is performing better in actual tax collection, except in the year 2015-16. The difference has increased for both tax and non-taxes. Another observation noted in

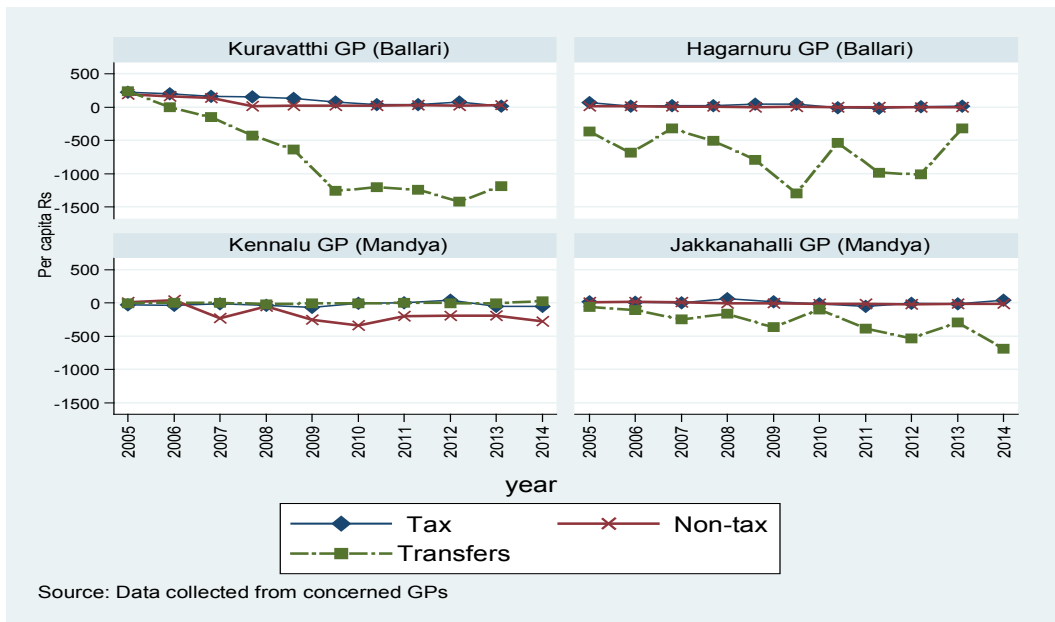


Figure 1: Estimated and Actual Share of Per Capita Receipts of Four Selected GPs in Karnataka

Kuravatthi GP is that the estimated receipts from tax sources in 2013-14 was Rs. 24.02 lakh, surprisingly the estimated figure for 2014-15 is Rs. 18.10 lakh, likewise it is observed in almost all the years. It is, thus clear that instead of keeping the set target to mobilise revenues slightly larger through taxes, it has shown a lesser amount than that of the previous year. One possible reason that could be considered at this point is that GPs do not keep the required documents at the time of making budget; they just prepare it as a formality¹. Similarly, we see in Hagarnuru GP, budget estimates for non-tax sources set target to mobilise resources from non-tax is low as compared to that of previous year.

Further, it unfolds that there is a gap between estimated and actual receipts for tax sources, but this gap has increased in the last three years in both the GPs (Kennalu and Jakkannahalli). So, budget of this kind will violate the prime principle of budget that is it should be true enough to reality.

Coming to the expenditure part, as far as sector-wise-expenditure in Kuravatthi GP is concerned, the major part of expenditure has been made on basic services (66.81 per cent). However, the other part of share is being spent on general administration. Paying salaries to the personnel amounted to an average expenditure of 31.63 per cent of in 2013-14. In addition to this, on an average 1.56 per cent of the expenditure was made for the welfare of scheduled castes and scheduled tribes

in the year 2013-14 (Appendix Table 1). The same pattern followed in in Hagarnuru and Jakkannahalli GPs.

As for Kennalu GP is concerned, the major part of expenditure was incurred on basic services (65.04 per cent) provision of drinking water, purchase of lights and tubes and accessories, construction and maintenance of roads, drainage, buildings, etc. However, the other part of the share has gone towards payment of salaries to staff, which is on an average 33.21 per cent of total expenditure being spent on general administration. In addition to this, on an average, 1.75 per cent of the expenditure is made for the welfare of scheduled castes and scheduled tribes (Appendix Table 2).

If given a closer look, the estimates and actual expenditure in Kennalu GP displayed a negative trend for production activities and welfare works for SCs/STs in the year 2014-15 (see Appendix Table 2). However, if the budget has to reflect the local needs, it should implement the recommendations suggested by the citizens at the ward and Gram Sabha meetings. In reality, the ground results show that budget preparation starts prior to ward and Gram Sabha meetings so the people's opinion will not be considered in the budget document. Figure 2 depicts that in all the selected four GPs, the per capita expenditure on basic amenities is increasing in the last few years. Interestingly, of the total selected four GPs, it is noted that the GPs from backward

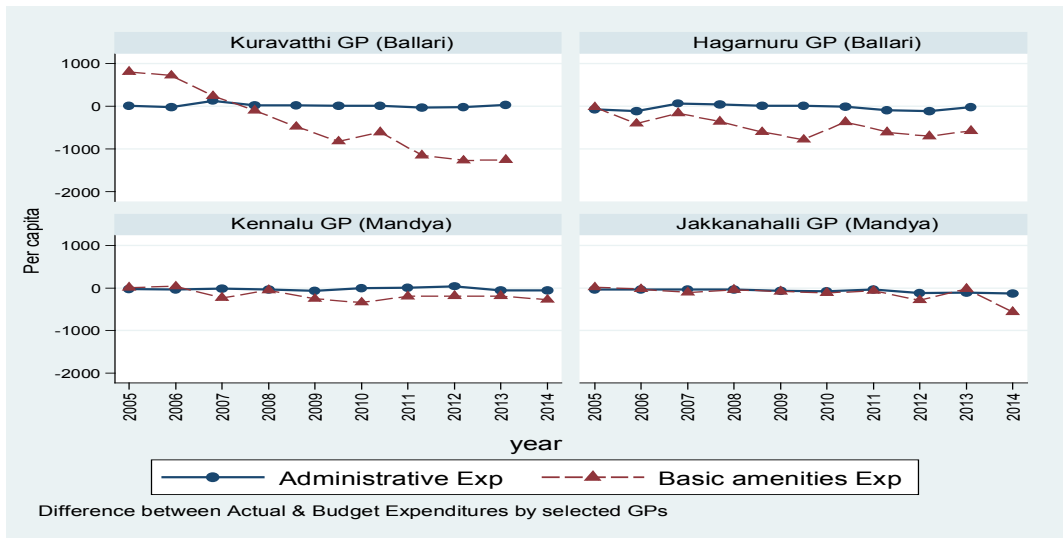


Figure 2: Estimated and Actual Share of Per Capita Expenditures of Four Selected GPs in Karnataka

district spent more on basic amenities. Furthermore, GPs namely Jakkanahalli and Kennalu spent more on basic amenities in the last few years (see Figure 2). For instance, basic services consists the provision of drinking water and water pipeline repair, and sanitation and health.

It is pointed out in the audit report that Jakkanahalli GP spent excessively against the available funds. Regarding this, in the audit report, it is stated that this happened because of improper estimation and incorrect statement in the budget copy by Jakkanahalli GP. In Hagarnuru GP, it shows that the actual spending on developmental work is more than estimated and is due to spending on repair and maintenance of the road (see Appendix Table 3).

Figure 3 illustrates that per capita expenditure on economic development in Kuravatthi GP is more in the year 2010 -11 and 2011-12 and in Hagarnuru GP; it is more in the year of 2009-10 and 2010-11. In Kennalu GP, it shows that per capita expenditure on developmental works has increased from 2009-10 onwards, but it is not the same case for Jakkanahalli GP.

For a given fact, slight difference between actual and estimated figures are expected, however, a large difference will raise a question as to why the actual figures are far off the set target. It is noted that these gap occurred mainly for three reasons. Firstly, GPs do not maintain information on about revenue resources. Because they do not possess revised enumerated house lists as well as vacant land

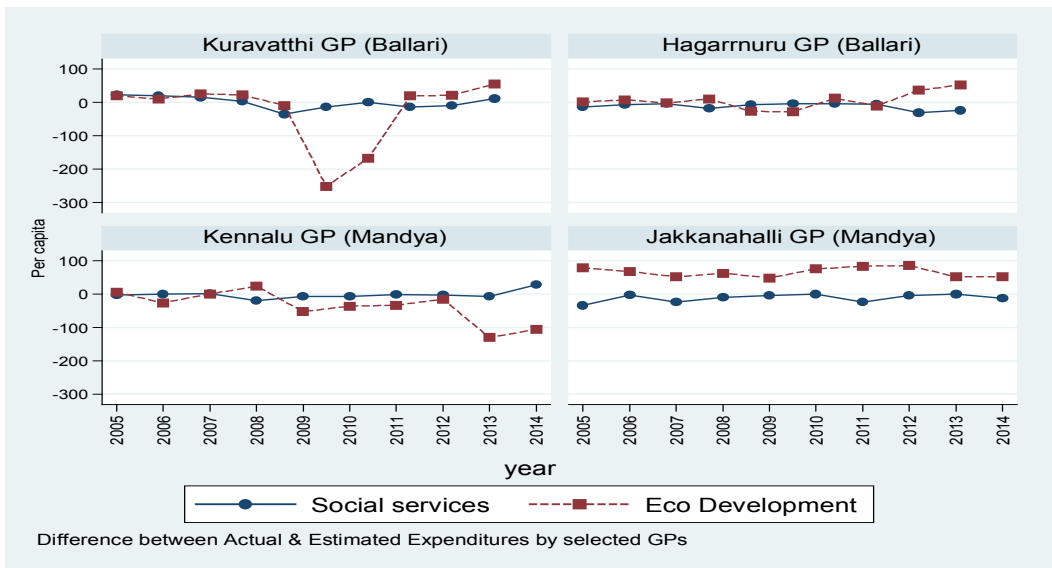


Figure 3: Estimated and Actual Per Capita Expenditures of Four Selected GPs in Karnataka

sites with them, they do not have information on the number of piped water connections given to the households and similarly with other tax sources. Secondly, in some GPs, bill collectors are lethargic to collect taxes from the assigned sources. Thirdly, GPs have no specified personnel to deal with financial accounts. Further, there is no knowledge on the part of officials about assigned revenue sources to Panchayats.

So, GPs do not keep the information about revenue resources while making a budget since they do not have or they need to update the resources, whereas, transfers except for statutory grant, all other grants are unpredictable. With regards to this, GP will not have prior information. As we could see from this analysis, the estimated figures differ from the actual figures. If the Gram

Panchayat does a budget without proper assessment of the available resources through which they mobilise revenues, it will lead to budgetary imbalance (Folscher, 2007). Through discussions, it emerged that people are hardly aware of local budget. Very few people responded about the importance of budgeting at the local level. If we see people’s participation in budget preparation, in fact, many of them informed that budgeting will be done at Panchayat level by Panchayat officials and elected members together, and common people are not allowed to attend.

Another important point to note is that the information is not readily available at public disposal. A study by Alasdair (2006) points out that access to information depends on well-organised records and a professional

civil service. Responding to citizen requests for information requires well worked-out routines for saving documents and making them available to the public, which is going to be costly in terms of monetary and human resources (Bauhr & Marcia, 2012; Fenster, 2006; Grigorescu, 2003; Neuman & Richard Calland,

2007; Roberts, 2006). The figures presented in Table 1 show that the proportion of participation by male elected members is more in the budget preparation and discussions than female members. Especially, it is observed in such Panchayats which are closer to the taluk headquarters.

Table 1: Proportion of Elected Members Participation in the Discussion of Local Budgeting in Selected GPs of Karnataka (per cent)

Gender	Annual budget by GP		Participation in budget discussion		Total
	Aware of budget	Not aware of budget	Discussed	Not discussed	
Female	86.67	13.33	66.67	33.33	100
Male	95.65	4.35	92.64	7.36	100
Total	92.11	7.89	84.03	15.97	100

Source: Information collected through primary survey.

Table 2: Proportion of Elected Members Participation in Budget Preparation based on Knowledge Level on Income Sources of GPs in Karnataka (per cent)

Income Sources of GP	Participation in budget preparation		Total
	Participated	Not participated	
Aware of income of GP	51.43	0.00	47.37
Not aware of GP income	2.86	33.33	5.26
Aware of only grants	45.71	66.67	47.37
Total	100.00	100.00	100.00

Source: Information collected through primary survey.

Table 3: Proportion of Panchayat Personnel knowledge Level on Budgeting in Selected GPs

Prepare budget	Prepare budget by keeping budget format		Total
	Yes	Previous budget	
Yes	37.50	62.50	100.00

Source: Information collected through primary survey.

The elected members having knowledge about finances of GP and grants will show interest in discussion in the local budgeting processes (see Table 2). Moreover, the Panchayat officials who involve themselves in the budget preparation said that they follow previous year's budget. To support this, Table 3 reveals interesting results that around 63 per cent of officials claimed that they follow previous year's budget while making the budget.

From the above discussions, it is thus clear that there is no evidence of participatory budget. Panchayats do prepare budget keeping the budget format in view. Through discussions it emerged that it is only the Panchayat officials and elected members involved in the budget preparation and it is further placed before higher level government officials for approval. On the other hand, there is no assistance from Taluk Panchayat and Zilla Panchayat in budget preparation of Gram Panchayats. With these constraints, Gram Panchayats prepare budget just by increasing 5 or 6 per cent than that of the previous year's budget.

Planning Processes of GPs

The ward and Gram Sabhas have a major part (listing out the programmes and identifying the beneficiaries) to play in the planning at the GP level. Both ward and Gram Sabhas need to be convened once in every six months. In the ward Sabha, people of that ward will voice their needs and problems. Ward Sabha will be headed by the elected member

of that ward in the GP. Mostly, the member of that ward will make suggestions and help to identify the beneficiaries and developmental needs of that ward. Likewise, in the GS meeting, GPs will identify the requirements and prioritise them and prepare what is called 'action plan' and later this will get approved by the Panchayat members in the GP meeting. Finally, the approved action plan will be sent to TP for approval.

For the analysis, this paper has brought out information on sample programmes generally discussed in ward and Gram Sabha meetings and by providing details on one Panchayat namely Kennalu GP. Table 4 depicts this information about the list of works taken up by the Kennalu GP in the ward and Gram Sabhas for the year 2017-18. By following the guidelines specified under the grant fund, the 14th FC has listed 634 works in the ward Sabha for the year 2017-18. Thus, in the ward Sabha, majority of works identified are related to construction of cattle sheds. However, in the Gram Sabha meeting, priority was given for the construction of concrete roads. This received priority in the Gram Sabha was included in the action plan of the GP. Moreover, the proposed work of repair of pipelines for which the Gram Panchayat had estimated Rs. 6.61 lakhs in the year 2014-15 was not reflected in the budget document of Kennalu Gram Panchayat (see Appendix Table 4).

Section 310 of the KPR Act, 1993 made a provision to establish DPCs in all the districts

Table 4: List of Programmes Discussed in the Ward and Gram Sabha Meetings of Kennalu GP for the Year 2017-18

Details	(in per cent) 2017-18		
	Ward sabha	Gram Sabha meeting	Action plan
Construction of cattle shed	49.92	17.58	Estimated amount is Rs. 2.89 crore for the construction of concrete road
Drainage and pipeline repair	24.23	19.53	
Social forestry	4.85	3.91	
Repair and maintenance of road	4.04	42.97	90.00
Irrigation and construction of check dams	1.62	3.91	10.00
Construction of school compound	2.42	2.34	
Maintenance of graveyard	12.92	1.95	

Note: percentages are calculated from a programme to total number of works that are identified.
Source: http://www.panchatantra.kar.nic.in/stat/GPDP/GPDP_Stat_wsoft_Report.aspx.

Table 5: Proportion of Citizens participation in GS Meeting for the Year 2015-16

Gender	Participation in GS		Participation in the discussion in GS		Total
	Participated	Not participated	Discussed	Not discussed	
Female	54.55	45.45	82.95	17.05	100.00
Male	91.15	8.85	53.10	46.90	100.00
Total	75.12	24.00	66.17	33.83	100.00

Source: Information collected through household survey.

Pearson $\chi^2(1) = 35.4724$ Pr = 0.000, Pearson $\chi^2(1) = 19.7013$ Pr = 0.000

Table 6: Occupation-wise Proportion of Citizen Participation in GS Meetings of Selected GPs

Occupation	Participation in GS		Total
	Participated	Not participated	
Casual labour (Agri)	39.25	26.60	33.33
Salaried	8.41	18.09	12.94
Self employed	5.61	8.51	6.97
Others	4.67	4.26	4.48
Agriculture	42.06	42.55	42.29
Total	100.00	100.00	100.00

Source: Information collected through household survey.

of Karnataka. Further, sub clause (6) specifies that the DPC shall assist local bodies in the preparation of annual plan. The financial support will be made with contribution by the local bodies and grants by government (Chathukulam, 2014). However, the report by Chathukulam (2014) states that there is specific mandate for the DPC as such to assist Panchayats to prepare plan document.

Information on proportion of people participation in Gram Sabha meeting in the selected GPs of Karnataka is presented in Table 5 and shows around 75 per cent of people participation. Majority of the people responded that they attend Gram Sabha meeting to know about new schemes and avail benefits under the existing schemes and Table 6 corroborates this information. The casual labourers and agriculturists are the ones who attend often and benefit out of attending the GS meeting (see Table 6).

The data relating to citizens shows that the male citizens (91.15 per cent) have good awareness than female citizens (54.55 per cent). Among the background factors, education seems to have some impact on the awareness of Gram Sabha (GS). Citizens with upper primary (76.74 per cent), secondary (73.33 per cent), and college and above (80.00 per cent) and professional and technical education (75.00 per cent) contribute to the observation. Further, it is observed that factors such as caste and age have no impact on the awareness levels of the citizens. Occupations

of people have shown some kind of impact on participation in GS meetings. It is found out that mostly agriculturists (42.06 per cent) and casual labourers (39.25 per cent) participate more in GS meetings.

According to the theory, the participation of people in Gram Sabha and demand for a public report from Gram Panchayat will lead to accountability. For instance, participatory budgeting by the municipal government of Porto Alegre (Brazil) will be the best example for this. However, the ground results provide the other side of the picture, which is low interest and awareness on part of people in participating in the discussions of local planning (GS meeting). Since planning is not participatory the resulting plan will not match with their needs and programmes.

As for elected members, the data depicts that awareness and participation level of male members is above average i.e., 66.67 per cent, whereas female participation is much below than male members which is around 33 per cent. The members obtain knowledge about income sources of GP are the ones who participate more in the budget preparation (51.43 per cent) (Table 2).

We see the participation among three groups (citizens, members and officials) in GS meeting and local planning varies to a great extent. With respect to citizen participation, it is agriculturists/labourers who attend GS meeting regularly. Citizens responded that they will attend GS meetings to know if any

new scheme for agriculture and allied activities are available and also to get free saplings, as others complain that there is nothing that they benefit from attending GS meeting since identification of beneficiaries would be prefixed. This is due to lack of awareness about the importance of GS meetings among citizens. Another observation made was that in few GPs Self-Help Groups are working actively, but their role in creating awareness with regard to GS meetings is not to be seen. Reasons for poor participation in GS meeting are 1) lack of interest among people 2) lethargy on part of officials to convene GS meeting 3) less publicity about GS meeting by officials; many people complained that they do not even know there is a GS meeting. It was also recorded that people have no role in budget preparation. In other words, no evidence of participatory budgeting in three selected GPs it is only officials and members involved in budget preparation.

Concluding Observations and Suggestions

It was brought to light that the selected four Panchayats have experienced inability in mobilising sufficient revenue resources even to meet their current expenditure. Furthermore, to provide public services, they were increasingly dependent on transfers from higher governments. Thus, as explained by the flypaper effect, it is also understood that this will lead to flypaper effect problem, which says the more transfers from higher governments to village-level governments; there would be

laxity on part of local governments in revenue mobilisation.

From all the above discussion, we have seen in certain years that the action plan is not reflected in the local budget. This is because GPs have to follow the guidelines and permissible works specified to them under particular schemes. There should be awareness programmes for citizens about the importance of Gram Sabha meetings and participation in local planning and budgeting. This will result in effective delivery of services, based on the local requirements. However, data shows citizens have low interest and awareness on part of people in participating in the discussions of local planning (GS meeting) and this will affect the local planning.

Further, citizen's involvement in budget preparation does not exist at the GP level. This adversely affects local planning and budgeting as there is no people's participation in local planning and hence there is a lesser chance of taking into consideration the local requirements in the budget. Moreover, awareness needs to be created to the elected members in the training programme. The availability of prior information and timely and assured grants to Panchayats will help GPs to manage finances effectively. So, there is a mismatch and managerial problems at GP level. Though decentralised planning says it will lead to efficiency in the service delivery and developmental works, in reality, Panchayats prepare budget with all these constraints.

Without people participation, any forum will not lead to effective planning. It emerged from the field analysis that even educated people do not participate in budgeting processes. So, we propose that government should set budget literacy programmes targeted at people of the GP jurisdiction to educate budgeting in order to enable every ordinary people to understand budgeting process and to have effective participatory budgeting at the rural level.

Our study argues that hard budget constraints are relevant for appropriate function of local finances. When we relate the theoretical

issues such as predictability, accountability and hard budget constraints to our study, we understand that local governments should keep note of previous year's matters and try to resolve it in the current year. Secondly, revenue and expenditure details should be true enough and correctly estimated. It should be made sure that it is not over produced by showing exceeded expenditure over receipts. Finally, a budget should not be prepared for the sake of preparing, theoretical issues such as adequacy and predictability which will lead to accountability and lastly autonomy at the rural local level has to be taken into consideration.

Note

1. It needs to be noted that from the estimated and actual receipts of Kennalu GP for 2016-17 is almost similar as to that of previous year's budget 2015-16 (as reported in budget copy). It shows GP has just produced the budget document just for the sake of presenting it to the government as a formality.

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Appendices

Appendix Table 1: Percentage of Sector-wise Expenditure of Kuravatthi GP

Kuravatthi GP	2013-14				2014-15			
	Estimated Budget for the year	Actual for the year	Difference between estimates and actuals	% difference of actual to the estimates	Estimated budget for the year	Actual for the year	Difference between estimates and actuals	% difference of actual to the estimates
Production	8.58	0	27.59	0	2.32	0	15.06	0
Basic services	63.92	66.81	57.52	72.01	63.31	65.04	62.35	84.81
Social justice	2.15	1.56	3.45	50.00	1.86	1.75	1.51	87.50
Others	25.35	31.63	11.45	85.96	32.51	33.21	21.08	90.00
Total	100	100	100	68.90	100	100	100	84.58

Source: Budget copies from Kuravatthi GP.

Appendix Table 2: Percentage of Sector-wise Expenditure in Kennalu GP

Kennalu GP	2015-16				2016-17			
	Estimated Budget for the year	Actual for the year	Difference between estimates and actuals	% difference of actual to the estimates	Estimated budget for the year	Actual for the year	Difference between estimates and actuals	% difference of actual to the estimates
Production	4.41	0.79	-3.04	35.00	4.89	0.39	-40.71	8.80
Basic services	23.49	65.95	111.09	544.69	26.42	52.80	293.57	221.78
Social justice	4.41	0.00	-4.68	0.00	12.52	6.31	-50.36	55.94
Others	67.69	33.26	-3.36	95.34	56.16	40.49	-102.50	80.00
Total	100.00	100.00	100.00	194.05	100.00	100.00	100.00	110.96

Source: Budget copies from Kennalu GP.

Appendix Table 3: Percentage of Sector-wise Expenditure in Hagarnuru GP for 2013-14 & 2014-15

Hagarnuru GP	2013-14				2014-15			
	Estimated Budget for the year	Actual for the year	Difference between estimates and actuals	% difference of actual to the estimates	Estimated budget for the year	Actual for the year	Difference between estimates and actuals	% difference of actual to the estimates
Production	0.44	0.00	0.81	0	2.31	0.00	8.60	0
Basic services	74.40	51.90	93.58	32.12	47.69	49.74	42.12	76.29
Social justice	1.10	1.90	0.41	80.00	2.31	2.10	2.87	66.67
Others	24.07	46.19	5.20	17.86	47.69	48.16	46.42	95.00
Total	100.00	100.00	100.00	32.12	100.00	100.00	100.00	76.29

Source: Budget copies from Hagarnur GP.

Appendix Table 4: List of Programmes Discussed in the Ward and Gram Sabha Meetings of Kennalu GP for the Year 2014-15

Details	(in per cent) 2014-15		
	Ward sabha	Gram Sabha meeting	Action plan
Construction of cattle shed	42.92	18.85	-
Drainage and pipeline repair	26.62	47.83	90.00
Social forestry	1.95	0.95	Estimated amount was Rs.6.61 lakh for the repair of pipeline and drainage
Repair and maintenance of road	6.85	9.45	
Irrigation and construction of check dams	4.42	3.2	
Construction of school compound	3.02	2.45	
Maintenance of graveyard	14.02	0.66	-

Note: percentages are calculated from a listed programme to total number of works that are identified.

Source: (1) Resolution book (2) Budget copies from Kennalu GP for 2014-15.