



Financing of LSGs in Kerala-A Study on Sector wise Performance of Grama Panchayats

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Abstract

Decentralization in Kerala is the transference of development responsibilities to local Governments. Grama Panchayats act as agents between rural people and Government Institutions. The present study mainly aims to understand the sector wise performance of Grama panchayats in Kerala. The secondary data that has used for the study is collected from the official website of the LSGD and State Planning Board and also from the official publication of the Department of LSGD, Government of Kerala. The reports published by various governmental agencies like the State Planning Board, KILA et cetera are also considered. The secondary data collected was analyzed with the help of various mathematical and statistical tools like Kruskal-Wallis Test and correlation. The results display that there are significant difference in the sector wise performance (Production, Infrastructure, Service, and Total) of Grama Panchayats in Kerala

Key Words: LSGs, Grama Panchayats, Service Sector, Productive Sector, Infrastructure

1.0 Introduction

The Kerala Panchayat Raj Act, 1994, was enacted under the 73rd Amendment to the Constitution of India with a view to ensuring planned rural development and greater participation in local government affairs. Some amendments were made to this Act in 1995. Later in 1999, comprehensive amendments were made in about 105 out of 285 sections based on the recommendations of the Decentralization of Powers (SEN) Committee and the First State Finance Commission. The peculiarity of this amendment law is that most of the restrictions that the government had on the local bodies were abandoned. In 2000, the Panchayat Raj Act was again amended and powers such as division of wards and determination of reservation, which were vested in the government, were given to the Election Commission. Also, decentralization of power was fully implemented by amending all 35 supplementary laws.

1.1 Sector Wise Performance

The LGs allocate their plan funds mainly in three sectors such as production, service, and infrastructure. The productive sector includes agriculture and allied sectors, soil and water conservation, irrigation and industries. In the productive sector, LGs spent most of the total plan funds on implementing various schemes in agriculture and allied sectors. Agriculture and allied sectors received more attention compared to irrigation, soil conservation, etc. The service sector consists of education and allied sectors, health and allied services, women and child development, and labour welfare programs, etc. LGs prioritized enhancing the quality of basic services with a specific focus on health and education in the rural areas. The service sector shows more efficient spending compared to the productive and infrastructure sectors in rural areas. Infrastructure sector includes energy, transportation and buildings, construction of buildings, repairs and maintenance of roads, footbridges, etc. LGs give importance to improving basic rural infrastructure such as transportation, communication facilities, repair of roads, culverts, and footbridges. There was a growing tendency to allocate more funds to this sector. (State Planning Board Gok, 2013).

1.1.1 Productive Sector

Out of the total plan funds made available to the productive sector by LGs, a major per cent of fund was reserved for the implementation of various schemes under agriculture and allied sectors. The LGs have given more preference to agriculture and allied sectors compared to irrigation, soil conservation, industries etc. Rural local bodies have shown ingenuity by significantly increasing their allocation to this sector in recent years. The Grama panchayats have given major attention to the implementation of this program and allocated significant funds to this sector. However, the performance in recent years has not been better in the productive sector as compared to other sectors since they have spent most of their allocation to service sector.

1.1.2 Service Sector

Under Service Sector all LGs have given more attention to enhancing the quality of basic services given to the public through welfare-oriented programs with special emphasis on health and education. The service sector shows more efficient spending compared to the productive and infrastructure sectors. There has been an overall hike in both allocations and their utilization in service sector funds. It reveals the importance given to the social service sector and health in particular.

1.1.3 Infrastructure Sector

Under infrastructure Sector all LGs have given more attention to enhancing the quality of basic infrastructure in rural areas such as improving transportation and communication facilities, repairing roads, culverts, footbridges, etc. This sector shows an increasing tendency to allocate more funds into it. Among the tiers, the Grama panchayat allocated most of their allocation to this sector. In most of the Grama panchayats, the transportation and building sectors together constituted a major percentage of funds from their total expenditure in the infrastructure sector.

1.2 Statement of the Problem

Kerala, God's own country, is rich in resources compared to the other states of India, which have a high scope for development. The development of different sectors is an essential factor in the economic development of our country. Govt. of India and Kerala have launched several programs to promote rural areas in the state through LGs. There are some issues in the LGs for the allocation and utilization of funds for different sectors. When previous studies were reviewed, several problems faced by the LGs of Kerala were identified in the sector wise allocation and expenditure of funds. Since there are very few studies related to the sector wise performance of rural LGs, there is a fresh scope for a new study related to the Productive, Service and Infrastructure wise performance of Grama Panchayats in Kerala. So, the study related to the sector wise performance of LGs for rural development in the state has great relevance in present research scenario.

1.3 Objectives of the Study

My study mainly aims to learn about financing LGs in Kerala and its effect on sector wise performance in rural Kerala. The main objective of the study is to understand the sector wise performance of Grama panchayats in Kerala.

1.4 Hypotheses of the Study

H0: There is no significant difference in the sector wise performance in different years

1.5 Research Methodology

The study is mainly descriptive in nature. The secondary data that have been used for the study were collected from the official website of LSGD and the State Planning Board. Data were also collected from the official publication of the Department of LSGD, Government of Kerala, reports published by various governmental agencies like State Planning Board, KILA et cetera. Statistical tools are being used by the researcher at the time of research depending on the availability of data and as per the requirements of the study. The secondary data collected was analyzed with the help of various mathematical and statistical tools.

Table 1

Sector Wise Performance of Grama Panchayats in Kerala (DPC Approved Details)

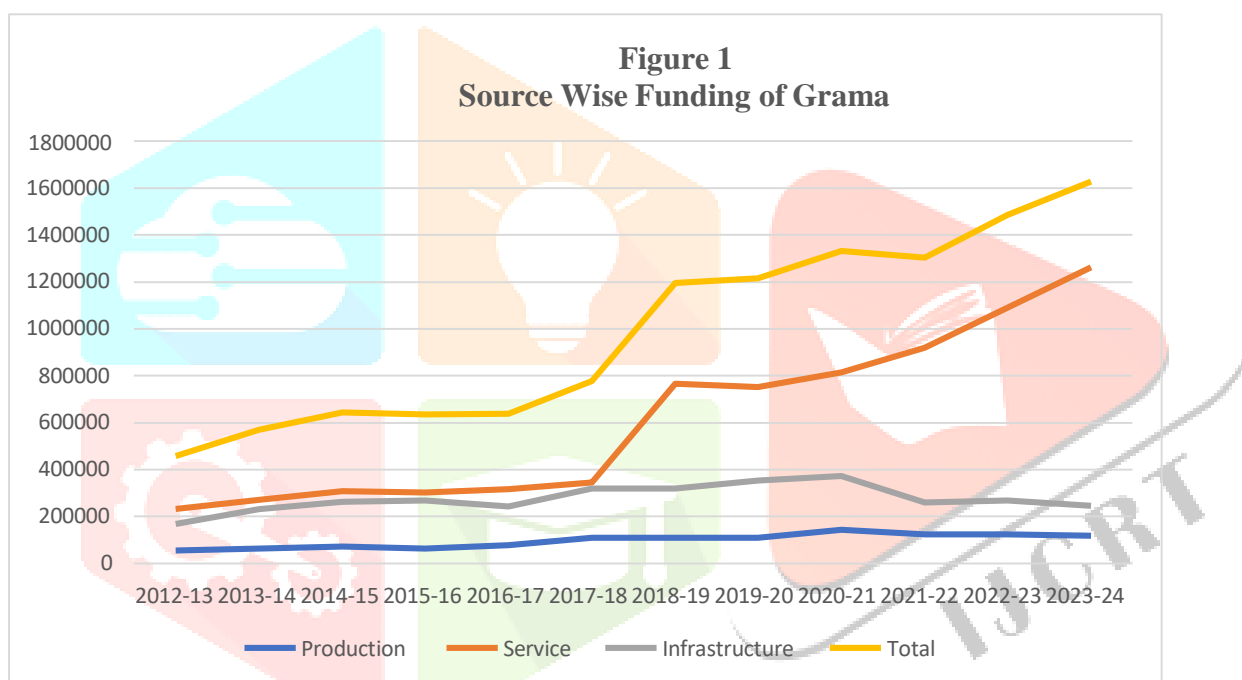
Year	Production	Service	Infrastructure	Total
2012-13	56503.50	233178.62	168747.12	458429.25
2013-14	65919.08	271516.04	232890.98	570326.11
2014-15	71681.26	309114.24	263785.90	644581.41
2015-16	63626.17	302641.00	268187.54	634454.71
2016-17	79063.41	318078.99	242239.32	639381.73
2017-18	111139.06	344556.42	321309.41	777004.88
2018-19	110241.55	765423.28	321334.06	1196998.88
2019-20	109465.80	751867.34	354455.97	1215789.12
2020-21	143607.02	814627.58	373765.96	1331999.68

2021-22	123898.28	918925.52	260085.96	1302909.78
2022-23	125532.21	1091965.17	268609.42	1486106.79
2023-24	119664.66	1262477.11	245678.73	1627820.48

Source: LSGD, Government of Kerala – Sulekha Software, IKM, Government of Kerala

Nb: Figures in 2023-24 is the figure up to January 2024

The above table depicts that the sector wise performance of Grama Panchayats in Kerala. Table shows year wise information of the performance of three sectors of Grama Panchayats in Kerala. Sector wise allocation is considered as a critical input for the successful development in the rural area. Even though, the decline in production sector approval in 2015-16 and 2018-19 reported high performance in the following years.



Source: LSGD, Government of Kerala – Sulekha

The Graph (Figure No. 1) shows the sector wise performance of Grama Panchayats in Kerala since 2012-13. Service sector consists of education and allied sectors, health and allied services, women and child development, labour and labour welfare, women and child development proGrama, etc. The growth curve clearly indicates the increasing rate of performance in service sector in each year since 2017-18. In the first five financial years as shown in the graph, there was a slow growth in the service sector. But after 2017-18, the growth curve shows a comparatively high-performance in-service sector. During 2018-19, there was a high level energy for growth. There was an overall increase in the utilization of funds in the service sector, highlighting the significance of social services and health in rural area. The continued and rapid growth of the different sectors in the recent past raises concern among experts. Nevertheless, rural area development is the main factor for the development of state and in the country. It indicates the sector's significance for the government and people. Thus, the government introduces new policies and programs that increase sector wise development in the rural area. In this direction, the government provides financial and technical support to

the LGs through its policies and program for implementing various development programs in the rural area. The productive sector includes agriculture and allied sectors, soil and water conservation, irrigation and industries, diary development program, etc. The growth curve clearly indicates the rate of performance in the productive sector in each year since 2012-13. The figure shows a almost straight line that means there is no noticeable increase or decrease in the sector wise performance in the last 12 years. Infrastructure sector includes energy, transportation and buildings, construction of bridges, roads, etc. The figure shows a slight increase and, after that, decrease in the performance of infrastructure sector in Kerala.

Table 2

Plan Expenditure of Grama Panchayats in Kerala

Year	Total Budget (Amount in Crores)	Total Expenditure (Amount in Crores)	% of Expenditure
2017-18	3044.82	2760.1	90.65
2018-19	3310.44	2931.68	88.56
2019-20	3502.24	2214.66	63.24
2020-21	3346.72	3343.42	99.9
2021-22	3362.32	3123.53	92.9
2022-23	3817.29	3451.77	90.42
2023-2024	3793.77	1381.57	36.42

Source: LSGD, Government of Kerala

The table 1 shows Plan Expenditure of Grama Panchayats in Kerala from 2017-18 to January 2024. Plan Expenditure of Grama Panchayats in Kerala have a positive growth both in budget and expenditure except 2018-19 and 2019-20. Even in 2020-21, the year of Covid Pandemic, the Grama Panchayats managed to spend 99.9 per cent of their funds properly. The budget amount for the period 2017-18 to 2023-24 shows that there has been no significant increase in the plan fund of Grama Panchayats in Kerala. From the studies, it is understood that Grama Panchayats spend most of their funds from January to March. Covid pandemic from January 2020 and lock down from March are the main reason for reducing proper fund utilization of Grama Panchayats to 63.24 per cent in the year 2019-20.

Table 3

Kruskal-Wallis Test-Source Wise Allocation and Expenditure

Year	Production		Service		Infrastructure		Total	
	N	Mean Rank	N	Mean Rank	N	Mean Rank	N	Mean Rank
2012-13	1	1.00	1	1	1	1	1	1
2013-14	1	3.00	1	2	1	2	1	2
2014-15	1	4.00	1	4	1	6	1	5
2015-16	1	2.00	1	3	1	7	1	3
2016-17	1	5.00	1	5	1	3	1	4
2017-18	1	8.00	1	6	1	9	1	6
2018-19	1	7.00	1	8	1	10	1	7
2019-20	1	6.00	1	7	1	11	1	8
2020-21	1	12.00	1	9	1	12	1	10
2021-22	1	10.00	1	10	1	5	1	9
2022-23	1	11.00	1	11	1	8	1	11
2023-24	1	9.00	1	12	1	4	1	12
Total	12		12		12		12	

Source: LSGD, Government of Kerala – Sulekha Software, IKM, Government of Kerala

Table 4

Test Statistics ^{a, b}

	Production	Infrastructure	Service	Total
Kruskal- Wallis H	11.000	11.000	11.000	11.000
df	11	11	11	11
Asymp. Sig.	.44.	.443	.443	.443

a. Kruskal Wallis Test

b. Grouping Variable: year

The Kruskal-Wallis's test used to determine statistically significant differences between two or more independent groups. The above table shows the results of the comparison of sector-wise performance of four variables such as Production, Infrastructure, Service, and Total on different years. H statistic is 11 each for as Production, Infrastructure, Service, and Total variables. P- value is 0.443 for each variable. Since the p-value is greater than the 0.05, accept the null hypothesis that there is no significant difference in the sector wise performance in different years.

Hence, there is no significant difference in the sector wise performance (Production, Infrastructure, Service, and Total) of Grama Panchayats in Kerala. So, the null hypothesis can be accepted.

1.6 Conclusion

Grama Panchayats have been playing a significant role in the development of rural areas as well as acting as an instrument for democratic self-governance. However, this fact has initiated government for a wide range of funding activities for rural growth through LSGs. Such funding has an impact on the overall development of some areas. Ineffective and improper utilization of funds still exists as a major hurdle and that leads to under development in key rural areas. Government takes measures for the timely sanction of projects and time bound allocation of sufficient fund for different projects. Even if sectoral wise performance of Grama panchayats shows positive results, these panchayats give more importance to the service sector than productive and infrastructure. All these sectors' development together constitutes overall growth in the rural area. Rural development is considered a vital issue for the Government in this era because total economic progress is possible only through rural expansion. The study reveals that there are significant positive correlations among Production, Infrastructure, Service, and Total performance of Grama panchayats in Kerala. For effective administration and utilization of resources, Grama panchayats act as an important institution in rural development. Such panchayats act as a vibrant link for smooth developmental work in rural areas and also as an intermediary between the government sponsored program and pastoral community.

1.7 References

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