



A study on Need based Devolution to Rural Local Bodies in Tamil Nadu

(Final Report for the Tamil Nadu Sixth State Finance Commission)

FINAL REPORT

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A study on Need based Devolution to Rural Local Bodies in Tamil Nadu Introduction, Objectives and Methodology

Introduction

In 1992 the historic amendment to the Constitution (73rd and 74th) that conferred constitutional status to local governments was enacted leading to a three-tiered democratic local government structure in India. Keeping its commitment to fiscal decentralization, the amendment also mandated the constitution of the State Finance Commission (SFC) to ensure adequate financial provision to both Rural Local Bodies (RLBs) and Urban Local Bodies (ULBs). While these efforts towards fiscal devolution are laudable, in reality, the extent to which they have succeeded is highly debatable.

A quarter century later, fiscal devolution continues to be a contested and problematic issue in most states. Although SFCs are constituted, their reports are often not considered in most states and where they are considered, important recommendations are often disregarded. A persistent problem since the inception of the Panchayati Raj system has been the issue of poor resource mobilization at the local level rendering the panchayats largely dependent upon state and central finances. This problem was acutely experienced by the RLBs during the recent pandemic.

Pandemic by nature requires a decentralized approach to contain and manage it and has laid bare the importance of Local Bodies in managing such crises. It has also highlighted the challenges faced by RLBs in devising locally appropriate responses due to lack of untied grants and access to adequate own revenue sources.

In addition, the context within which the SFCs operate today is vastly different from the scenario within which they were originally envisaged. In the last twenty-five years, PRIs have become much more institutionalized; there has been a steady rise in the level of urbanization; and a vast increase in the tied grants devolved from the centre to local bodies particularly through flagship programmes such as Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) and Jawaharlal Nehru Urban Renewal Mission (JNURM).

Given this changing context, it is important to look at the extent to which the functions devolved to the RLBs are matched with supporting funds and functionaries in Tamil Nadu. This would also require us to go beyond the need-based devolution to RLBs and to explore the possibilities of augmenting devolution of funds through local resource mobilization by way of taxes and other income generating activities. Such an analysis would be of significant value to the Sixth State Finance Commission (6th SFC) constituted by the Government of Tamil Nadu.

I. Objectives of the study decided in consultation with the 6th SFC –

- i. The proposed study should assess the gap in services and financial resources taking into account source and resources of RLBs, State and Central grants.

- ii. The proposed study should suggest for possible new avenues for tapping resources in RLBs (VPs, Block Panchayats and District Panchayats).
- iii. The proposed study should overview the current devolution framework in Tamil Nadu. Financing infrastructure creation and service delivery by RLBs in key gaps with reference to norms applicable by Union / State Government.
- iv. The proposed study should assess the key services delivered by RLBs, and provide an assessment of the current modes of financing commonly adopted by RLBs to meet different types of infrastructure and service delivery needs will have to be mapped and compared with what is the actual amount of incremental funding required to bridge the gaps.
- v. The proposed study should overview the different models of Need Based Devolution (NBD) shall also be presented and questions such as 'How effective is Need Based Devolution (NBD) in enhancing quality of public expenditure? Does Need Based Devolution (NBD) improve local body accountability and efficiency in resource allocation and use? Does Need Based Devolution (NBD) augur a bottom-up planning approach?' should be analysed.
- vi. The proposed study should assess key challenges/risks associated with implementing need-based financing and should propose appropriate policy, regulatory and institutional interventions.
- vii. The proposed study should capture and understand the perception of various stakeholders on existing devolution framework.
- viii. The proposed study should explore the possibility of and make suggestions for Need Based Devolution (NBD)
- ix. The proposed study should consider the existing level of SFC devolution and other fund flow from the State and Union Government and other agencies including the award and recommendations of Fifteenth Finance Commission (15th FC) to the RLBs and their adequacy.
- x. The proposed study should be based on the detailed questionnaire obtained from RLBs, the raw data will be furnished for the study. The agency is free to use any other data points required for study, if the 6th SFC data does not fully support specific requirements of your study. A complete data analysis, Evaluation and Observation on issues of study given with reference to State Finance Commission data shall also be reported to the Commission.

II. Sampling Plan

In order to capture the nuances of ‘need based devolution’, we adopted two different types of sampling process. First, in order to understand the issue of fund flow from District Panchayat (DP) to VP (VP) via the Panchayat Union (PU), a detailed analysis of the fund flow in Madurai district was carried out. Secondly, in order to analyse the challenges of need-based devolution (NBD) 15 VPs were selected, based on five variables, from different districts in the state.

A. Sample selection to study the Vertical Fund Flow

1. As per the ToR, two types of sampling process were undertaken to capture the nuances of need-based devolution. To study the Vertical Fund Flow of the three tiers of Panchayats System, one District Panchayat (DP) and within the same district two Panchayat Unions (PUs) and four Village Panchayats (VPs), two from the one PU were selected. Thus, the vertical fund flow of the three tiers could be analysed and it also helped to get a complete picture of a district (Panchayat system). Details of the selected DP, PUs and VPs is given in Table No.1.

Table No.1: Selection of DP, PUs and VPs

Name of Unit	No. of Units	Selected Panchayat
District Panchayat	1	Madurai
Panchayat Union	2	1.Sedapatti 2.Thirupparankudram
VP	4	1.Chinnakattalai 2.Sakklipatti 3.Erkudi Achampathu 4.Vandapuli

B. Typology of VPs for Case Study and its Selection (Second Stage of Field Work)

Typology of Panchayats is constructed by covering all types of the VPs in the states based on certain characteristic features such as Geographical Size, Population Size, and Proximity to Urban Centers. In addition, VPs were also selected based on their capacity to - generate Own Source Revenue (OSR) and utilize tied grants such as MGNREGS.

- i. Geographical Size: 3 VPs are selected (one from larger geographical size, one from middle geographical size and one from lower geographical size)
- ii. Population Size: 3 VPs are selected (one from large population size, one from middle population size and one from lower population size)
- iii. Proximity to Urban Centers: 3 VPs are selected (one from close to urban locality, one from 'middle in between urban and remote locality, and one from very remote locality, near to forest areas.)
- iv. Own Source Revenue: 3 VPs are selected (one from the highest OSR Panchayats, one from middle OSR range Panchayats and one from very low /nil OSR range Panchayats)

- v. Regional variation in the utilization of tied grants such as MGNREGS: 3 VPs are selected (one from highest 'Utilization of MGNREGS scheme, one from middle 'utilization of MGNREGS scheme' Panchayats and one from very low utilization of MGNREGS Panchayats).

Sample Size: In total 15 VPs are selected from different parts of the state for case study.

C. Construction of Questionnaire/ Checklist

A detailed questionnaire /checklist was constructed for each unit of panchayat. Accordingly, different set of questionnaires /checklists were prepared for DP, PU and VP. In addition to this, another set of tools was prepared to understand the earlier working of the District Planning Committee. The complete set of questionnaires /checklists were critically examined and vetted by a team of experts in the domain of decentralization and Panchayati Raj System in Tamil Nadu.

D. Field Work Plan for the Vertical Fund Flow Study

Two well experienced and qualified persons who were in the team prepared the questionnaire /checklist. A set of field investigators conducted the field work for period of one week (from 3/9 2021 to 8/9/2021). During the fieldwork, the following offices were visited and functionaries were interviewed

1. Office of AD Panchayat, Madurai District
2. Project Director, DRDA Madurai District
3. District Panchayat, Madurai District
4. Panchayat Unions Sedapatti
5. Panchayat Union Thirupparankudram
6. VP Chinnakattalai
7. VP Sakklipatti
8. VP Erkudi Achampathu
9. VP Vandapuli

The key functionaries (both official and political) were interviewed and collected copies of important documents such as i. Annual Financial Statements, ii. VP Development Plan (VPDP), iii, Administrative Reports, and other documents. In addition to this, the questionnaire /checklist prepared to be canvassed for each panchayat was carefully administered. As part of field work, other offices such as Anganawadi, Primary Health Centers (PHCs), Schools etc. were visited. Focus Group Discussions (FGDs) were conducted among women SHGs and local citizens and user groups (water and sanitation).

D. Data Analysis and Draft Report Preparation

The data collected from the field work in Madurai district had processed and studied. Thus, the vertical fund flow of the three tiers had analyzed and helped us to get a complete picture of a district (Panchayat system).

E. Selection of Village Panchayats (VPs) for the second stage of field work (detailed case study).

1. Details of selection of three VPs based on their performance in MGNREGS

The districts are selected on the basis of their expenditure performance of MGNREGS for the year 2020-21. Thiruvannamalai is identified as the top performing district, followed by Thoothukudy in the medium performing district and the Nilgiris in the least performing category. In the case of VPs (VPs), the Kovilur VP in Thiruvannamalai district is selected as it has the highest record in terms of expenditure performance among the other VPs in the district. Jambulingapuram VP in Thoothukudy district is the medium performing VP in the same range of the district and Kadinamala VP has the record of least performed among the VPs in the Nilgiris district. In other words, Kovilur is the top performing VP among the top performing district, Jambulingapuram is the medium performing VP among the medium performing district and Kadinamala is the least performing VP in the least performing district. See Table No.2.

Table No.2: Details of selection of three VPs based on their Financial Performance under MGNREGS- 2020-21

Sl.No .	Name of the District	Name of the Block	Name of the VP	Value	Justification for selection
1	Thiruvannamalai	Jawadu Hills	Kovilur	Rs.43948000.00	Highest Expenditure
2	Thoothukudy	Ottapidaram	Jambulingapuram	Rs.5655000.00	Medium Expenditure
3	The Nilgiris	Kotagiri	Kadinamala	Rs.1970000.00	Lowest Expenditure

Source: Data from different Govt. Sources

2. Details of selection of three VPs based on the Own Source of Revenue (OSR) Collection

It is seen that the highest Own Source Revenue (OSR) was collected by the Keeranatham VP from Coimbatore. Under the medium category Pudumadam GP from Ramanathapuram district was selected. The lowest performing one is Marudhathur VP from Cuddalore district and it is selected for the study. See Table No.3.

Table No.3: Details of selection of three VPs based on Own Source Revenue Collection

Sl.No .	Name of the District	Name of the Block	Name of the VP	Value	Justification for selection
1	Coimbatore	Sarkarsamakulam	Keeranatham	Rs. 39161676	Highest OSR collection

2	Ramanathapuram	Mandapam	Pudumadam	Rs. 800487	Medium OSR collection
3	Cuddalore	Nallur	Marudhathur	Rs. 7325	Lowest OSR collection

Source: Data from different Govt. Sources

3. Details of selection of three VPs based on the Geographical Area

Another three VPs are selected based on the size of geographical area. The first four VPs having highest area are from the Nilgiris and Madurai districts. The VPs from these districts are already selected based on other criteria for the study and fifth positioned one, Ahamalai VP from Theni district is selected. Puthambur VP from Karur district and Karivedu VP from Ranipet district are selected as the medium and the lowest geographical coverage areas from the state. See Table No.4.

Table No.4: Details of selection of three VPs based on the Geographical Area

Sl.No.	Name of the District	Name of the Block	Name of the VP	Value	Justification for selection
1	Theni	Bodinayakanur	Ahamalai	134.21 Sq. Kms	Highest range in area
2	Karur	Thanthoni	Puthambur	8.47 Sq. Kms	Medium range in area
3	Ranipet	Arcot	Karivedu	2.64 Sq. Kms	Lowest range in area

Source: Data from different Govt. Sources

4. Details of selection of three VPs based on the population

When VPs are identified based on the population, Lakkiampatti VP from Dharmapuri district is selected having highest population. In the medium category, in terms of population size, Valathi VP in Villupuram district is selected. Balamore VP in Kanyakumari district, which has the lowest population is also selected for the study. See Table No.5

Table No.5: Details of selection of three VPs based on the Population.

Sl.No.	Name of the District	Name of the Block	Name of the VP	Value	Justification for selection
1	Dharmapuri	Dharmapuri	Lakkiampatti	60588 population	Highest range in Population
2	Villupuram	Melmalayannur	Valathi	3673 population	Medium range in Population
3	Kanyakumari	Thiruvattar	Balamore	306 population	Lowest range in Population

Source: Data from different Govt. Sources

5. Details of selection of three VPs based on the geographical location (Peri Urban)

Based on the geographical location /distance to the city, three VPs are selected. Vaniangudi VP is selected from Sivaganga district as the nearest one to the city and Karakathikottai VP from Pudukkottai district at the medium level. VPs from Villupuram, Nilgiris and Cuddalore are at the lowest proximity to the city centre. But VPs from these three districts are already selected for another category and so these VPs have been dropped. As a result, Manchukondapalli VP from Krishnagiri district was selected. See Table No.6

Table No. 6 : Details of selection of three VPs based on the Peri Urban

Sl.No.	Name of the District	Name of the Block	Name of the VP	Value	Justification for selection
1	Sivaganga	Sivaganga	Vaniangudi	1 Km	Highest level Proximity to the Peri Urban
2	Pudukkottai	Manamelkudi	Karakathikottai	36 Km	Medium level Proximity to the Peri Urban
3	Krishnagiri	Thally	Manchukondapalli	76 km	Lowest level Proximity to the Peri Urban

Source: Data from different Govt. Sources

E. Field Work for the Second Stage:

Field work in the selected 15 selected VPs in 15 districts had been carried out in the month of October and November. Figure No. 1 provides the geographical location of the study area in Tamil Nadu.

F. Limitations of the Study

Given the paucity of time and further delays in the field work due to Diwali and the inclement weather during the month of November, the study had to rely on rapid survey techniques to collect information. Despite these constraints, we have addressed all the ToR laid down by the 6th SFC. The findings emerging from the study should be seen as indicative of emerging patterns that merits further detailed study. In this draft report we are providing key findings and recommendations based on our fieldwork. Based on the feedback from the 6th SFC, a detailed report will be submitted by 10th of December 2021.

G. Format of the Draft Report

The rest of the report is organised as follows. Section 1 provides the context by giving a detailed analysis of the relevant literature on fiscal decentralisation and gives the summary of major findings. Section 2, which is divided into sub-sections, is centred around the data from field work and provides findings, reflections and details on – a) the process of Vertical Devolution in Madurai district and b) the 15 VP case studies.

Figure No. 1: Selected VPs, PUs and DP of Field Work in Tamil Nadu



Section I - Literature Review

Fiscal Decentralization in India – Current Debate

In 1992 the Government of India instituted the 73rd and 74th constitutional amendments, which created a three-layered system of sub-state elected government within the federal system. With these amendments, the Panchayati Raj Institutions (PRI), or institutions of self-government became formalized. The PRIs are empowered to deal with numerous functions related primarily to service delivery and local governance. The aim of the third tier of government is to bring the government closer to the people so that the local governments would become more responsive and accountable to local needs and preferences (Oommen et al., 2010; Rajaraman, 2002; Sahasranaman, 2012; Unnikrishnan et al., 2015). The Panchayati Raj Institutions have already been operating for more than 25 years and thus have become an integral part of the Indian system of governance.

Devolution or assigning functions to the PRIs that were formerly carried out by the states is an important aspect of decentralization in the Indian context. The State government is also responsible for devolving the corresponding funds and functionaries. In addition to funds devolved from the State and central governments, the PRIs also have the power to raise their own resources through tax and non-tax revenue (Natraj et al., 2014; Sahasranaman, 2012) to allow them to carry out their governance and service delivery duties as envisioned. The third tier of government is further subdivided into three tiers: The Block, District, and Gram or VPs, and can be designated as either ULBs or RLBs depending on the classification given by the State (Oommen et al., 2010). The 73rd amendment mandates each state to create an SFC to ensure the fiscal sustainability of the PRIs. The primary duty of the SFC is to provide recommendations to the states on how to devolve tax and grant revenues to local bodies. (Rao et al., 2011). All states, with the exception of Mizoram, Nagaland, and Meghalaya, are required by law to appoint an SFC (NIPFP, 2019).

While the 73rd amendment provides general guidance and some mandatory provisions to the states, it allows individual states to design their own models of decentralization. ‘In fact, this feature of the amendments has allowed States and their corresponding Finance Commissions to carry out decentralization in different ways to varying levels of success’ (Ananth Pur et al, 2016).

The next section will explore some of the major debates in the fiscal decentralization discourse in the Indian context. We specifically focus on the opportunities and challenges faced by Gram (village) Panchayats in raising their own revenue and the potential role the **SFC** can play in improving panchayats’ finances.

The status of State Finance Commission (SFC): Then and Now

The stated objective of the SFC is to recommend the total amount of fiscal devolution that should take place from the states to the PRI (Gulati, 1994). The SFCs have the mandated responsibility of arriving at a systematic way for the state government to appraise the suggestions made by the SFCs; designating a percentage of state funds to be transferred to the PRIs with mandated limits for each tier; and envisaging suitable systems to make these transfers effective and impactful (Gulati, 1994; Rani, 1999). ‘In the true spirit of decentralization, the ultimate goal of the SFCs is to ensure that the PRIs are well equipped in terms of funds and functionaries to deliver the services that best reflect the preferences and needs of their constituents’ (Ananth Pur et al, 2016).

As per the 73rd amendment to the constitution, the SFCs are expected to be convened once every five years and submit a report with their recommendations for review by the state government (Rao et al., 2011). However, it has been reported that some State governments have not strictly adhered to the constitutional mandate: Not all states have formed SFC once in five years in the last two decades, with some states completing the term of the 6th SFC and some lagging behind in the 2nd SFC (NIPFP, 2019). This lack of uniformity makes it difficult to do an inter-state comparison and has led to significant delays in the submission of the recommendations thus further delaying the creation of the next SFC (Rao et al., 2011).

A recent study by NIPFP (Gupta et al, 2019) indicates that there is a significant gap between the Constitutional proposals for SFC establishment and their implementation on the ground. Secondly, only a Few states will be able to put up their sixth SFCs, which are expected in 2019-20 (Kerala and Tamil Nadu being an exception). Thirdly, there have been several occasions where governments have failed to establish SFCs on time. This could be due to several factors, including:

- i. SFCs take a long time to submit their reports.
- ii. The State Government takes a long time to table the action taken report (ATR) in the same state legislature.
- iii. States failing to form SFCs promptly and/ or the combination of all above.

In addition, due to a lack of office space, technical employees, and basic office equipment such as computers, office furniture, and other supporting logistics, significant time gets wasted. Since SFCs are not permanent bodies, they often do not have a fixed office space. Every time an SFC is formed, it must search for office space, hire technical employees, and set up office infrastructure which is time consuming, hampering the Commission's ability to begin work immediately after its formation. Another challenging task before many SFCs is that they do not get access to the data promptly (Gupta et al, 2019:6).

In addition, other challenges in constituting the SFCs include issues such as the difference in functionaries involved in the SFC from state to state. For example, in Tamil Nadu, the head of the finance commission is generally a civil servant (Natraj et al., 2014). In some states, the SFC

includes ex-politicians, experts, or functionaries that might or might not have required experience (Rao et al., 2011).

Once the SFC submits its report, one of the major challenges is the delay in submitting Action Taken Reports (ATRs) (Rao et al. 2011). A persisting problem for the SFCs can only make recommendations and the State is not duty bound to accept all (or any, for that matter) of the recommendations made. Consequently, despite some excellent recommendations from the SFCs to strengthen the fiscal position of the Panchayats, several states have failed to adopt them (Oommen et al., 2010; Nagarajan et al., 2014).

Further, states are expected to provide concrete reasons for not accepting the recommendations of the SFCs which are generally not adhered to. The SFCs often base their decisions on devolution indexes created to rate the success of devolution efforts of different states (Sahasranaman, 2012) which is problematic. Scholars have called into question the veracity with which an index can capture the nuances of a state's devolution and validity of the subsequent revenue allocation (Oommen, 2009).

Effectiveness of State Finance Commissions

“The task of the proposed state finance commissions is to make sure that given the allocation of functions and responsibilities by a state government to its local bodies, matching financial powers or funds are put at their disposal and that too without too many constricting conditions” (Gulati, 1994).

Given that SFC has been an integral part of India's decentralization system for nearly 25 years, it is important to revisit the institutions' role in the current process of decentralization. Scholars have questioned the extent to which SFCs have fulfilled their constitutional mandate (Oommen et al., 2010), as it seems that SFCs are most effective in States where commitment to strong decentralization is already strong like Kerala and Karnataka (Rajaraman, 2002). As mentioned above, the primary objective of the SFCs is to ensure the financial viability of the Indian decentralization project as per the constitution. And while most SFCs have fulfilled this mandate by recommending target percentages of state taxes and amounts of funds to be devolved to local bodies, it is perhaps in the latter part of Gulati's quote where SFCs can play an even more important role. Essentially, SFCs should ensure that the formulas are effectively implemented and that the revenue is ultimately “at the disposal” of Panchayats, even accounting for procedural, logistical, and behavioral barriers' (Ananth Pur et al, 2016). There are abundant examples in the literature about the logistical barriers in data collection faced by the SFCs and as mentioned above, they continue to be pertinent barriers even today as seen in NIPFP report (2019), SFCs do not get access to the data promptly. Lack of a centralized and easily accessible method to monitor Panchayat expenses (Rao et al., 2011) as also the delays in disbursements from the State to the local bodies' accounts impacting the local infrastructure developments are some of the problems that continue to plague the PRIs (Natraj, 2014; Sahasranaman, 2012). In addition, delay in the appointment of chairperson/member and local body elections also affects the performance of SFCs (NIPFP 2019). ‘Even though creating an

easily digestible target for fiscal devolution to the PRIs is a central task of the SFCs, the numerous challenges that have arisen over the past 25 years signal the need for a renewal in the way SFCs conduct their operations. In this new, rapidly changing context SFCs can focus some of their effort (and certainly a number of resources) on addressing the barriers that stand between PRIs and a satisfactory, sustainable fiscal future. The following section will detail the conversations around some of these barriers, and potential steps for SFCs can take in their coming terms' (Ananth Pur et al, 2016).

Persistent Challenges in Decentralisation

a) Devolved Revenue: Tied and Untied Grants

Panchayati Raj Institutions (PRIs) broadly depend on two main sources of funding for their operations: a) those funds provided by the State and the Central government, and b) the revenue raised at the local level. The former includes both tied and untied grants which come with certain conditionalities that entail spending in specific, priority areas. The latter provides PRIs flexibility in spending and to treat funds as “fungible” and allocate resources as needed. Tied grants are generally linked to Centrally and State-Sponsored schemes, such as the employment guarantee scheme NREGA (Oommen et al., 2010). Funds devolved from the Central and State governments constitute the majority of revenue available to PRIs, even though in theory the village or Gram Panchayats have the ability to raise funds from tax and non-tax sources (Binswanger-MkHize, 2013).

Like the chicken and the egg debate, the merits of untied versus tied grants is an ongoing debate in decentralisation discourse. Some are of the view that tied government grants encourage compliance with national priorities (Nagarajan et al, 2014). ‘Giving tied grants to the PRIs ensures that these institutions will be more responsible in addressing some of the most pressing needs of local constituents. Moreover, the one-to-one mapping between funds and functions in the context of tied funds generates more transparency and accountability, allowing different stakeholders to better evaluate the performance of the PRIs’ (Ananth Pur et al, 2016). Conversely many have argued that tied grants enforce national priorities and do not necessarily reflect the priorities or the preferences of local bodies, thereby running counter to the very spirit of decentralization (Rani, 1999). This is contrary to the very essence of decentralisation. After all, untied grants provide freedom to PRIs to allocate funds to the services and functions that generate the most utility (Binswanger MkHize, 2013; Nagarajan et al, 2014). Equally, tied funds might lead to greater corruption and affect the quantum of funds available to local bodies (Binswanger-MkHize, 2013).

Some of the recent literature on fiscal devolution looks into the relationship between the nature of grants (tied or not) and the local revenue collection efforts. Some show that availability of tied grants pushes local governments to focus on the implementation of centrally and state-sponsored schemes instead of raising their own revenue (Nagarajan, 2014; Rajaraman, 2002). There are other studies that provide empirical evidence to show that converting tied grants into untied grants is directly associated with an increase in tax collection efforts. Empirical evidence

approximates that a 1-rupee reallocation of tied funds into fungible, untied grants can raise 0.65 rupees in taxes (Nagarajan, 2014). This evidence also seems to indicate that untied grants are related to better service delivery, as opposed to their untied counterparts (Binswanger-MkHize, 2013), without necessarily specifying the mechanism that makes this true.

It is evident that the literature largely remains inconclusive with respect to the relative merits of untied or tied grants. 'But it is nevertheless clear in specifying that each avenue has different merits, and can be jointly implemented in different contexts. Some scholars do seem to come close to concluding that untied grants have the ability to crowd in local tax revenue. In other words, untied grants might create economic incentives for PRIs to enhance their local resource mobilization efforts. This is pivotal in maintaining the fiscal and functional autonomy of local bodies' (Ananth Pur et al, 2016).

b) Local Resource Mobilization

Local resource mobilization is a key function for the long-term sustainability of the Panchayats. This aspect became even more evident during the recent pandemic that put undue strain on the fiscal resilience of the PRIs.

According to the 73rd amendments, the PRIs have the power to collect their own funds through tax and non-tax revenue. However, in reality, PRIs have not been effective in raising their own resources, especially tax revenue. According to the CPR 2019 report, the most common challenge is the unwillingness, sluggishness, or inability to define norms and provide the necessary pressure to the VPs to collect the taxes allotted to them, particularly land and house taxes. The 13th UFC emphasized the importance of establishing a regime for the collection of property taxes and improving Own source revenues, and the states that received performance grants appear to have done just enough to satisfy the conditionality, by removing barriers to the collection of property taxes and introducing enabling provisions to fix and collect such taxes.

Despite these recommendations, nothing much seems to have changed. According to the recent NIPFP 2019 report, local governments' income efforts have been inadequate, and they continue to be reliant on higher levels of government for funding, and acting as agents executing different programs of both the State and Union administrations.

Even though the constitution does not explicitly place the tax collection powers on any of the three subdivisions of PRIs (district, block, or VPs), all states have given de facto taxation powers to Village or Gram Panchayats (Natraj et al., 2014). House tax is the main source of own tax revenue which comprise over 50% of GP's tax revenue (Sahasranaman, 2012). In addition, they routinely collect water and professional taxes (ibid.). Other sources such as fees and other non-tax revenue make up a miniscule portion of the locally-raised resources and often include renting out government buildings and charging fees for setting up shop at local markets (Ananth Pur et al, 2016).

In general, VPs are the third-tier institutions endowed with tax collection powers, oftentimes passing on some tax revenue to higher levels of panchayats (Alok, 2013). Should the tier that is closest to the people that it serves be given the mandate of tax collection has been intensely debated in the literature. While some scholars (Natraj et al, 2014, Kumar, 2013) argue that the proximity to the electorate makes it challenging for the GP to levy taxes or enforce its collection, on the other hand, Binswanger MkHize (2013) feel that local bodies are better equipped to directly reflect the wishes of the community. Some scholars feel that local institutions can only be said to enjoy fiscal autonomy if they can raise on their own at least 50% of its revenue (Rani, 1999). A general contention against levying and collecting taxes is that the tax base is non-existent: people are not in a position to pay taxes due to poor resources. This has been challenged by Sahasranaman (2012) and Nagarajan et al. (2014) who feel that “it is not the lack of tax bases that hold revenue-raising back, but lack of willingness to tax.”

It is not that resource mobilization does not take place at the village level. There is a degree of informal resource mobilization that occurs at the village level, most notably through temples for events such as festivals and community celebrations (Ananth Pur, 2007). Often, community members are able and willing to donate a nominal part of their income to ensure that temple activities continue. Earlier research on willingness to pay contributions to local temples and festivities vis-à-vis paying stipulated taxes in 3 states – Karnataka, Tamil Nadu and Telangana-revealed that rural citizens are more willing to pay contributions for local temple activities as these are effectively and stringently enforced by informal panchayats/leaders. Further, the amount to be collected as well as the process of collection is formal and transparent. Conversely, the villagers felt that the tax collection process such as amount, date and time of collection etc were arbitrarily fixed and enforced. They wanted the process of tax collection to be more formal with stricter adherence to tax collection timings that are compatible with agricultural seasons rather than fiscal cycles (Ananth Pur et al, 2016).

According to the literature, some of the challenges associated with poor tax collection efforts among the panchayats also include outdated physical and digital infrastructure; low administrative capabilities at the local levels; skewed incentives that encourage functionaries to focus on implementing centrally and state-sponsored schemes instead of raising their own revenue; and reluctance from the State to part with tax-levying powers even when the SFCs have made clear suggestions on how to improve the Panchayats' tax collection performance (Kumar 2013; Natraj et al, 2014; Oommen et al., 2010; Rao et al., 2011; Sahasranaman, 2012).

The importance of local resource mobilization for local bodies cannot be overstated. Based on the challenges and potential solutions identified in the literature, SFCs are uniquely positioned to address these challenges by suggesting policy action. The SFCs should focus on providing concrete steps to State governments in order to address political, administrative, and behavioral bottlenecks from both the perspective of the tax collector and the perspective of the taxpayer. Therefore, SFC's must suggest the principles to be used in allocating money to local governments, as well as the spectrum of taxes and non-taxes to be delegated to them. The SFCs are important in the concept of fiscal decentralization because, in addition to arbitrating resource claims by state

and local governments, their recommendations might provide more stability and predictability to the transfer mechanism and flow of resources to the third-tier (NIPFP 2019).

c) Devolution of Functionaries: A Gap in the Literature

While the current scholarly work has a strong focus on the fiscal health of the Panchayats it does not extensively explore the devolution of functionaries and the way fiscal and functionary devolution interact. While reports constructing Devolution Index measure this aspect of functional devolution, the larger literature has tangentially broached this topic by emphasizing need of PRIs for better data collection and physical infrastructure. There are a few observations about the devolution of functionaries that do come up. Rao et Al (2011), for example, point out how the poorly delineated responsibilities of functionaries has the capacity to undermine the effectiveness of local governments.

Issues such as creating a separate cadre of functionaries for PRIs, their training needs capacity building not only to facilitate local governance functions but also to effectively raise local tax base and ensure compliance is equally important. Kumar et al.'s (2013) points to the necessity of providing better economic and non-economic incentives to local tax collectors. It is essential to understand how functionaries relate to service delivery and local resource mobilization efforts as it is critical in improving panchayats' performance. While broad themes do exist, future research should aim to address the gap and suggest ways in which the devolution of functionaries can further empower Panchayati Raj Institutions (Ananth Pur et al, 2016).

Decentralization in Tamil Nadu¹

In general, while extolling the Kerala and Karnataka models of decentralization, advocates of decentralisation have found Tamil Nadu's efforts at decentralization disappointing. This is because the Tamil Nadu model of decentralization exhibits a sandwich approach where significant power and authority still rests with District Collectors. A comparison between 2012-13, 2014-15 and 2015-16 reports that rank states based on the level of devolution shows that Tamil Nadu has made a significant improvement in the cumulative devolution index ranking (Table No. 1.1)

¹ This section is taken from 'Role of Panchayati Raj Institutions in dealing with Covid-19 Crisis' by Kripa Ananth Pur, *MIDS Occasional Policy Paper 10, Covid-19 Series*, July 2020.

Table No. 1.1: Comparison of Overall Devolution Ranking of States across three reports 2012-13, 2014-15 and 2015-16

State	2012-2013 ²	2014-2015 ³			2015-2016	
	Devolution Across States	Devolution in Policy	Devolution in Practice,	Ranking of States in the Aggregate Index of Policy adjusted against Practice	Cumulative Devolution Index (Improved Index + normal Index)	
					Improved Index (Dpi)	Normal Index (DPa)
Tamil Nadu	5	6	15	8	2	4
Kerala	3	1	1	1	1	1
Karnataka	2	2	3	3	3	5
Andhra Pradesh	Not covered	14	20	18	8	11
Telangana		13	17	15	7	5

Source: Devolution Reports 2012-13, 2014-15, and 2015-16

In Alok's (2013) index of decentralization, Tamil Nadu ranks 5th overall and 2nd in terms of how closely it follows the mandate of the constitution. In the TISS reports (2014-15 & 2015-16), Tamil Nadu's performance shows significant variation between the two time periods. The Improved index (DPI) ranking for Tamil Nadu 2015-16 is **2** (higher than Karnataka) and Normal Index (DPa) is at **4**. While during 2014-15, Tamil Nadu scored **6** under 'Devolution in Policy' (DPO) and **15** for 'Devolution in Practice' (DPr) thus giving it an aggregate index rank (DPa) of **8** for Policy adjusted against practice, in 2015-16 the scores are **4** (DPO) and **9** (-DPr) respectively giving it a DPa of **4**. This shows that Tamil Nadu still lags behind in the 'Devolution in Practice' ranking aspect of the composite index. This points to the inherent challenges in measuring devolution. Since at the state policy level there have not been any significant changes or measures to improve devolution. Two reasons may be attributed to explain this shift: (a) the increased weightage given to devolution of finances which pushes Tamil Nadu's rank higher; and (b) the provision of data by the state officials. In the 2014-15 report Tamil Nadu scored lower ranks due to non-provision of data (Ananth Pur, 2020).

² Alok, V. N. (2013). *Strengthening of Panchayats in India: Comparing Devolution Across States*. New Delhi: Indian Institute of Public Administration

³Tata Institute of Social Sciences. (2015). *How Effective is Devolution Across Indian States, 2015, Ranking of States in Devolution* Mumbai

Devolution index⁴ mainly tends to be an aggregation of the performance ranking of the three Fs devolved to the PRIs- namely Functions, Finances and Functionaries. If we unpack the Devolution index further along these three Fs for Tamil Nadu, we find a wide variation in the performance of these three domains. Tamil Nadu has transferred all 29 subjects to Panchayati Raj institutions. In 2015-16 TISS report, Tamil Nadu scored 7th in ‘Devolution in Policy’ and 11th rank in ‘Devolution in Practice’⁵ under devolution of functions. This is because many of the functions devolved are supervisory in nature without concrete powers of execution. The VPs have the responsibility of providing basic services such as roads, electricity, public distribution system, drainage and sanitation. Even in some of these domains, the technical responsibility rests with the higher tiers. Regarding finances, past experience in devolution of finances shows that Tamil Nadu has been performing consistently well in the devolution of finances. In 2015-16 TISS report, Tamil Nadu scored 3rd in Devolution in Policy and 2nd in Devolution in Practice⁶. However, much of the funds devolved are tied grants leaving VPs with limited access to untied grants. Although Panchayats are empowered to levy a wide range of taxes⁷ In reality, only a few of these taxes are levied. Lack of adequate functionaries directly working under the control of VPs continues to be a problem in Tamil Nadu. The rank for Devolution in Practice for functionaries reflects this by assigning Tamil Nadu a dismal 17th for 2014-15. Although this figure improves in 2015-16 TISS report to 5 (in Policy) and 3 (in Practice), this is misleading as the functionaries that are devolved to work at the VP level are from the line departments and are not under the control of VPs (Ananth Pur ,2020).

Several studies show that panchayats in Tamil Nadu have the potential to significantly raise resources and finance their operations thereby decrease their reliance on funds from the State. Nagarajan et al. (2014) show that in Tamil Nadu panchayats tax revenue makes up only between 0.15 and 0.2 percent of total village income, indicating that there is a high potential to increase this number and thus augment tax-generated income. In Tamil Nadu, house tax, the water charges, and the professional tax form the main sources of tax revenue for the VPs. Sahasranaman (2012) suggests that undervaluing houses and keeping tax rates static over time hampers efforts to raise local revenue in the state. This can be countered if the SFC can recommend that panchayats revise their tax rates every five years, thereby ensuring local taxation is in line with the market conditions. In sum, while Tamil Nadu may not be a laggard state, it is far from being a model state where decentralisation efforts are concerned. Tamil Nadu scores high on devolution of funds and functions but not functionaries and the 6th SFC needs to take this into account while making their recommendations.

⁴ In addition, TISS reports include IGT – Infrastructure, Governance and Transparency along with the 3 Fs- Functions, Finances and Functionaries in the calculation of the Devolution index.

⁵ <https://www.panchayat.gov.in/documents/20126/0/devolution2015-16.pdf/d5e26984-5783-3a14-e7f7-6113a6cfa7c4?t=1554884884392> – pages 58-60

⁶ <https://www.panchayat.gov.in/documents/20126/0/devolution2015-16.pdf/d5e26984-5783-3a14-e7f7-6113a6cfa7c4?t=1554884884392> – pages 58-60

⁷ VPs can levy entertainment tax, advertisement tax, tax on agricultural land, surcharge on additional stamp duty

Section I- Major Recommendations

1. Vertical Devolution

Major Recommendations

(This part has been discussed in detail in the section under the 'Vertical Devolution').

1. The 5th State Finance Commission recommended 10 per cent of the State Own Tax Revenue (SOTR) to Local Governments. We propose that a range between 12 to 15 per cent of the State Own Tax Revenue (SOTR) may be devolved to the Local Governments in the state of Tamil Nadu by the 6th SFC.
2. It is suggested that 65 per cent of the SFC grant may be shared with the VPs (VPs) and it is an increase of 10 point from the present share under 5th SFC. A suggestion may be made to earmark Rs. 3000 for conducting per Gram Sabha.
3. Being the middle tier 22 per cent of SFC share is suggested to Panchayat Unions by a 15 point drop from the present share as recommended by the 5th SFC.
4. We suggest 13 per cent of the SFC share to the district tier and out this amount, 2.5 per cent may be earmarked to the DPC. Attempts may be made to strengthen the DPC.
5. We suggest that an independent committee may be constituted at the state level to monitor and review and to conduct stringent follow up to ensure that the funds allocated to Panchayats both Union Finance Commissions (UFCs) and SFCs are reaching them without fail.
6. We suggest a collaborative mode of capacity building and training (CB&T) with SIRD and academic /educational institutions / research organizations
7. The concept and road map for 'Smart Panchayats' can be considered.

2. Allocation, Utilization and Governance of Union Finance Commissions (UFCs) in the State of Tamil Nadu

Major Recommendations

(This part has been discussed in detail in the section under the 'Allocation, Utilization and Governance of Union Finance Commissions in the State of Tamil Nadu)

It is seen that the overall ability of the State Government to draw Union Finance Commission (UFC) grants has been 'relatively slow'. This was the same trend during the 13th and 14th UFCs (both when the Panchayats were governed by elected representatives and by administrators (without the elected representatives)). Therefore, the capacity / ability of the state machinery at all levels may be increased in drawing funds from the 15th UFC. The above issues are critical in the case of the award of 15th UFC, we fear that if the same trend continues, the State again may lose very heavily in drawing the full amount under the 'tied' and 'untied' grants and health grant allocated to the State. In this context, some of the suggestions we made earlier while discussing the issues related to vertical devolution again reappears here.

1. We suggest that an independent committee may be constituted at the state level to monitor and review and to conduct stringent follow up to ensure that the funds allocated to Panchayats both Union Finance Commissions (UFC) and SFC are reaching them without fail. The poor utilisation of performance grant needs further inquiry.
2. It seems that online entry of *Annual Plan* and progress in *Plan Plus* and *TNRD Website* is not enough. A *Transparency Portal* may be the answer which ensure (i) local government- (each VP, PU and wise DP), category- wise concurrent monitoring by civil society, media and local citizens (ii) maintaining and monitoring of information and fund flow from State Govt. to each VP/PU/DP and, (iii) monitoring outcome for all key players. Therefore, A *Transparency Portal* is suggested.
3. Documentation /Utilization Certificate on the 15th FC and the proposed 6th SFC should be placed at the public domain.

3. Functionaries of PRIs Across the State of Tamil Nadu

Major Recommendations

(This part has been discussed in detail in the section under the 'Functionaries of PRIs Across the State of Tamil Nadu)

1. The VPs may be equipped with qualified functionaries who are professionally responsible and committed to the Panchayat Council. Currently the devolution of functionaries is middle heavy with most of the panchayat functionaries deployed at the Panchayat Union (PU) level. They can be either deployed from the (PU) or by fresh recruitment. The present imbalance in the domain of functionaries may be addressed.
2. The number of VPs varies widely among the Panchayat Unions (PUs) and the present level of variation may be reduced by restructuring the number of VPs. As much as possible, the number of VPs in each Panchayat Union (PU) may be in a uniform pattern.

3. It may be suggested to constitute an Administrative Reform Commission /Committee to study and report the measures to be followed for good governance at the grassroots.
 4. A special training and capacity building package may be needed to address the capacity deficit among the functionaries (officials)
- 4. Special Package to Address Multiple Deprivation at VPs and Sustainable Development Goals (SDGs) by applying Deprivation Index of VPs through Mission Antyodaya Survey**

Major Recommendations

(This part has been discussed in detail in the section under the ‘A Special Package to Address Multiple Deprivation at VPs and Sustainable Development Goals (SDGs) by applying Deprivation Index of VPs through Mission Antyodaya Survey’)

We suggest a special grant of Rs. 50 lakhs to each Most Deprived /Most Vulnerable category VP and Rs. 25 Lakhs to each Deprived /Vulnerable VP. This has a special importance in the context of achieving SDGs and its local application at the grassroots levels. The amount needed for the ‘Most Deprived /Most Vulnerable VPs’= 28x Rs. 50 Lakhs= Rs. 14.00 crore. The amount needed for ‘Deprived /Vulnerable VPs’= 262 x Rs.25 Lakhs= Rs. 65.50 crore. Total amount needed= Rs. 79.50 crore, around Rs. 80.00 crore.

5. Surplus and Deficit Panchayats in Tamil Nadu

Major Recommendations

(This part has been discussed in detail in the section under the ‘Surplus and Deficit Panchayats in Tamil Nadu’).

1. We have a suggestion that a special package may be introduced to wipe off all the deficits in the accounts of the VPs. It is better to constitute a committee which may be authorized to work out the volume of deficit Panchayats and its total financial commitment. In other words, the deficit amount is the pending dues accumulated in the Panchayats towards TWAD and TANGEDCO. An opportunity should be given to all VPs in the State to start their activities on a clean slate. Once a clean slate is offered, the possibility to move the VPs in to a business mode may be more. A new generation of ‘Smart VPs’ may emerge from this exercise.
2. If the above proposal is not feasible and acceptable, then the VPs will be allowed to accommodate with its own accumulated surplus amount to settle the dues reflected.

6. Own Source Revenue

6.1. House Tax

Major Recommendations

(This part has been discussed in detail in the section under the ‘House Tax’)

1. The title 'house tax' in the Tamil Nadu Panchayati Raj Act, 1994 should be changed to the generic title 'property tax as the nomenclature gives a wrong impression that only houses are taxed and not commercial buildings.
2. A thorough reform of the house tax system is recommended, and it may have a significant impact in the tax and fee regimes of the VPs. This involves issuing of house number and receipt to all the houses in each village once in every year to ensure that all new houses are brought into the tax net and moving all houses that have been extended or rebuilt to their appropriate tax brackets. Addressing the issue of underpayment also can provide a substantial boost to revenue from house taxes. Meanwhile, caution should be exercised to keep in mind the cultural and economic settings which may be heterogeneous in nature while attempting to provide a uniformity to the tax rate.
3. The tax base and tax rate has not been properly internalized by concerned stakeholders and grassroots level institutions. So, training and awareness on tax regime and its operationalization should be provided to elected functionaries and VP officials.
4. It is better to give more decision space to VPs in the domain of charging house taxes. So, it would be better if Panchayat Committees are given more decision space in this regard as it would be a collective decision for the good of all.

6.2. Professional Tax

Major Recommendations

(This part has been discussed in detail in the section under the 'Professional Tax').

1. The SFC can set upper and lower boundaries for professional tax rate slabs and VPs may be required to set their choice within the boundaries. This will ensure that professional tax slabs are revised every five years and serve to augment VP income without shrinking their decision space.
2. Attempts may be made for conducting periodic, scientific assessment of profession tax mapping and list of persons who are paying profession tax should be a public document and accessible in public domain including Gram Sabha.
3. Citizen education should be given to propagate that "no eligible person should be exempted from the profession tax" and thereby inculcating a "sense of pride for an enlightened citizen for paying profession tax".
4. A consensus based democratic and transparent approach may be a more enabling factor for local tax regime rather than a confrontational one which is followed at higher levels of government (States and Union).
5. Citizen education programme, civic engagement, literacy on local fiscal architecture, and public action can be proliferated in the local governance which in turn would facilitate an upward growth in profession tax.

6.3. Water Tax

Major Recommendations

(This part has been discussed in detail in the section under the 'Water Tax').

1. Accountability and transparency in the distribution and supply of water and the taxes and charges levied for water consumption should be seriously taken up by the VPs. The VPs should come up with some mechanism to ensure transparency and accountability in the water charges and taxes being levied on the consumers.
2. A 'wide decision space' for the VPs in the domain of fixing water charges should be strengthened and they should ensure water meter reading is done in a transparent manner and consumers are only billed accordingly.
3. Training should be given to VPs to develop economically feasible water purifying units to provide water to local communities on business mode and it can be developed into a large-scale operation with household connections.
4. To reduce the exorbitant expenditure involved in the maintenance of water tanks and pipes, training should be given to OHT operators on important aspects of plumbing. Therefore, the capacity building of the OHT operators should be seriously taken up.
5. A high-power committee should be constituted to study the extent of water crisis and address the problems in connection with water tax and maintenance costs.
6. The *Jal Jeevan Mission*, Ministry of Jal Shakti, Government of India, has launched a safe and adequate drinking water scheme to provide water to all households in rural India by 2024 and if so, it may be possible to achieve universal coverage by a convergence mode between VPs in Tamil Nadu and the Mission. The untied grant fund from the 15th FC can also accelerate the process.

7. Sanitary Workers

Major Recommendations

(This part has been discussed in detail in the section under the 'Sanitary Workers ').

Attempts should be made to appoint the required number of sanitary workers in each VP and there should be capacity building and training (CB&T) for the sanitary workers.

8. Honorarium/Allowances /Sitting Fees /Fixed Travel Allowances

Major Recommendation

(This part has been discussed in detail in the section under the 'Honorarium /allowance/ Sitting Fees/ Fixed Travel Allowance').

Keeping with the general trend in the neighbouring states, it is essential to fix a fair amount as honorarium, travel allowances, sitting fees to the elected functionaries (Presidents, Vice Presidents, Chairman, Standing Committees and Members) of the three tier Panchayats with periodic revisions.

9. Panchayat Data Sources

Major Recommendation

Lack of reliable grassroots level data hampers the process of data centric governance that Tamil Nadu is moving towards. Tamil Nadu RDPR needs a modernized MIS with real time data updates. The 6th SFC may consider allocating dedicated funds for the upgrading of MIS for the Department of Rural Development and Panchayat Raj and further to ensure transparency, make it public.

Section II -Field Findings

1.Vertical Devolution

Major Recommendations

1. The 5th State Finance Commission recommended 10 per cent of the State Own Tax Revenue (SOTR) to Local Governments. A range between 12 to 15 per cent of the State Own Tax Revenue (SOTR) may be devolved to the Local Governments in the state of Tamil Nadu.
2. It is suggested 65 per cent of the SFC grant may be shared with the VPs (VPs) and it is an increase of 10 point from the present share under 5thSFC. A suggestion may be made to earmark Rs. 3000 for conducting per Gram Sabha.
3. Being the middle tier 22 per cent of SFC share is suggested to Panchayat Unions by a 15 point drop from the present share as recommended by the 5th SFC.
4. We suggest 13 per cent of the SFC share to the district tier and out this amount, 2.5 per cent may be earmarked to the DPC. Attempts may be made to strengthen the DPC.
5. We suggest that an independent committee may be constituted at the state level to monitor and review and to conduct stringent follow up to ensure that the funds allocated to Panchayats both Union Finance Commissions and State Finance Commissions are reaching them without fail.
6. Generally, there is a gap in between two SFCs, it is better to continue the tenure of one commission up until the next commission is constituted.
7. Suggested collaborated mode of capacity building and training (CB&T) with SIRD and academic /educational institutions / research organizations

Appropriate provisions and space may be given for the application of modern science, technology, management including artificial intelligence in the rural development sector while utilizing SFC share of the Panchayats. The concept and road map for 'Smart Panchayats' can be considered.

1. Field findings on Vertical Devolution in Madurai – A Note

While considering the need-based devolution, taking the aspirations of the people, the energetic and enthusiastic local political functionaries, the vibrant local governments and the present economic status of the State into consideration, a range between 12 to 15 per cent of the State Own Tax Revenue (SOTR) can be devolved to the Local Governments. Our understanding is that the resources can be shared between State and Local Governments in a non -zero -sum game framework. As per the need-based devolution, 12 to 15 per cent of SOTR may be an essential requirement to address the Constitutional requirements and the State specific mandatory commitments of the Local Governments.

1.a. Vertical Devolution under 5th State Finance Commission

The 5th SFC recommended that vertical sharing ratio between Rural Local Governments /Bodies may be determined as 8:37:55 amongst District Panchayats, Panchayat Unions and VPs” (5th SFC Report, Government of Tamil Nadu, 2016, Para 10,49, Page 245) and the recommendations were accepted by the Government. Accordingly, the allocations were made but there were minor variations in the amount devolved among the tiers for different period on what was recommended.

We have analysed vertical devolution (finance) data for three districts Madurai, Nilgiris and Krishnagiri (See Table No: 2.1,2.2,2.3 and Figure 2, 3 and 4).

1.b. Need Based Devolution

This section is based on wider consultations and interviews with key players of the Panchayat Raj system (including civil society activists who have a stake in decentralization and development) in the State of Tamil Nadu, particularly from the field work in Madurai district through intensive field work in four VPs, 2 PUs and one DP, and the field work in 15 VPs from 15 different districts (details given in the methodology section in the introduction chapter). It is also important to mention that during the second phase of the field work, we also interacted with the functionaries of different PUs and DPs. Before any consultations and interviews, the concerned literature has been critically reviewed. In addition, all the recommendations of the five SFC Reports, their Action Taken Reports (ATRs) were analysed. We made an attempt to study the logic, rational and arguments of the earlier SFCs and its impact on vertical and need based devolution. Moreover, intensive case study methodology has been applied to arrive at the following observations and conclusions on the issue of vertical devolution.

A. Village Panchayat (VP): 65 per cent of the SFC grant may be shared with the VPs. As per the Tamil Nadu State Panchayat Raj Act, 1994, all kind of civic duties are performed by the VPs. The provisions in the state Panchayat Act, activity and responsibility mapping exercises, agency role and de facto and informal activities have extended the domain space of the VPs. The VPs have to directly engage with the local population each day both as individuals as well as communities during Gram Sabha meetings for addressing their basic services, civic aspirations and even livelihoods. Civic engagement, public action, citizen participation and community mobilization can be ensured only through the involvement of the VPs. In the State, the Gram Sabha participation is relatively vibrant and it has emerged as an active platform of direct democracy. The present provision of Rs.1000 for conducting Gram Sabha is inadequate and it can be increased in to Rs.3000 per meetings. The efficacy of the local government and local democracy can be built only through the good governance of the VPs and ultimately it is determined by the resource available to that particular tier. Whenever there is a demand for the devolution of more powers and finance to the VPs, it was not considered seriously because of three reasons. One is the ‘poor staff strength’ of the VP and the second is the ‘poor capability of the tier’ to handle responsibilities and management of finance. Third is the ‘issue of deficit panchayat’. After a detailed field work and analysis of the working of the Panchayat system in the State of Tamil Nadu, we are convinced by the fact that all the above three reasons which are often cited as the ‘reasons’ for not devolving power to the VPs lack ground based empirical evidences.

Since we have empirical evidence from the ground realities to answer the three critical questions (of course we argue these points separately), we strongly suggest 65 per cent of the SFC grant share to VPs. The detailed discussion with the functionaries and to the VPs and limited analysis of the fund flow, shows that the earlier ratios recommended by the SFCs were quite inadequate to a governance entity which is expected to show more sensitivity towards gender and socially deprived communities. The share of the VP has never exceeded more than 60 per cent of the earmarked amount for the three tiers. (It is seen that 60 % share was recommended by 2nd, 3rd

and 4th SFC to VP. It was 64 % under 5th SFC whereas under 1st, it was only 45 %). See Figure No.5 for the distribution of SFC Amount to VP- Case of Lakkiampatti VP (2016-17 to 2020-21). The Covid -19 pandemic has accelerated the cause for arguing more share in favour of the VPs. The activities and engagements in collaboration with the state and district administration during the period of Covid -19 by the selected VPs from 16 districts was a real litmus test to the testimony and efficacy of the VPs. Our engagement with the local citizens and the functionaries of the Panchayats gives an impression the Post Covid-19 scenario may exert more pressure on the governance entity which is in the proximity of the neighbourhood, the VP. Our limited analysis also suggest more potential demand will be generated from the marginalized community in the post-pandemic period and therefore a major share to the VPs may be needed in the immediate future. This nature of ‘need-based devolution’ from the local community is not seen in the other two tiers (Panchayat Unions and District Panchayats).

We suggest empowering the VPs to hire services on contract/temporary basis whenever needed to deliver the public goods and fulfil the ‘need-based aspirations’ of the local citizens. However, we are not in favour making any recruitment /appointment of staff / personnel. . When there is a high demand for need based devolution from local citizens, a responsible local government can respond very positively from an activist stream. There are inspiring evidences from the case study Panchayats from Madurai and other districts on how the VPs have positively responded to the demands for ‘need based devolution’. However, the detailed analysis shows that only more than half (58%) of the SFC share was utilized for development activities, out of the remaining portion, 28 per cent was used for paying electricity and water charge and 14 per cent for salary of the Panchayat staff. This was not really in response to the decisions of the Panchayats but the panchayats were restricted to spend in such a pattern by the strict regulatory mechanism of the higher officials. The operation of the Account No.2 is used as strict regulatory mechanism by state regime. See Figure No.5 for the distribution of SFC Amount to VP- Case of Lakkiampatti VP (2016-17 to 2020-21). There are instances of availing the services/expertise to deliver the core basic services to the citizens. There are good number of examples of making contract appointment of persons with technical and managerial skills to run water schemes as pump operators, health management as sanitary worker /sweeper, accounting and book keeping as accountants, managing libraries as librarians. There are VPs which are managing the services and delivering public goods in adherence with local wisdom and rule of law, without much complaints. Of course, systems and institutions for checks and balance have to be introduced and strengthened. We are not in favour of suggesting any ‘conditionalities’ on the shared grants from the SFC, but suggest a few which is only indicative for considerations. While we assessed the capacity building and training (CB&T) needs of the elected representatives it was widely felt that the existing arrangements at the training institutions in the State including (SIRD) is falling short in terms of content, quality, volume, and pedagogy of the training. It is widely reported that the clients have to satisfy with the ‘supply side’ rather than to comply their demand for CB&T. The option to ‘purchase’ what the elected representatives wants in the domain of CB&T from the ‘market’ may be allowed from the SFC grant within a separated earmarked head for this purpose by a ‘maximum’ limited amount. Workable collaboration with SIRD and local educational institutions may be a viable proposal. In a collaborative mode the education institutions including state Universities, engineering colleges, medical colleges, management institutions and research institutions can be

thought of. An ‘innovation fund’ may be earmarked for innovation in the area of decentralization and development. Appropriate provisions and space may be given for the application of modern science, technology, management including artificial intelligence in the rural development sector while utilizing SFC share of the Panchayats. Provision for ‘Smart Panchayats’ may be given to other tiers. But caution may be exercised to avoid any misinterpretations, otherwise it may lead to imposing ‘schemes’. Another major issue we noticed was that the funds allocated by the SFCs are not fully transferred to the VPs. For instance, the 5th SFC while allocating the grants or funds for the local governments came up with a ratio of 8:37:55 in which 8 per cent of funds allocated to District Panchayats (DPs), 37 per cent to Panchayat Unions and 55 per cent to VPs. However, during the field visit in selected 19 VPs(15 case studies + 4 VPs from Madurai district), it was found that the fund distribution was not done in the said ratio and it was revealed that around 50 per cent from the funds allocated to the VPs has been transferred to the District Rural Development Agency (DRDA) for road maintenance for a period of two years .The diversion of funds has occurred during the period when the elections were not held and elected representatives were absent and it was ‘justified’ on that ground. This issue which was not foreseen during the time of constitution of the SFCs has today emerged as a critical issue. Even in the case of funds allocated by the UFCs also the same problem has been noticed, that is funds allocated are not fully reaching the VPs. This problem of faulty vertical devolution in which VPs are denied of their allocated amount should be addressed immediately. We suggest that an independent committee may be constituted at the state level to monitor and review and to conduct stringent follow up to ensure that the funds allocated to Panchayats by both UFC and SFC are reaching them without fail.

B. Panchayat Union (PU): As the nomenclature implies, it is the union (federation) of VPs. The middle tier is designed in such a way that there are two issues to be handled at the Panchayat Union. First, as a tier of entity, it is one of the units of governance which needs all the functional requirements, and it is ensured at the tier in terms of council and its staff and finance. On the other side, the tier is placed at the middle as it has functional and structural linkages upwards with District Panchayat (DP) and downwards with VPs. Moreover, it is an important tier as it connects the other two tiers. Mainly this aspect is being ignored which needs to be strengthened. Our estimate and analysis for the financial requirements of the tier by considering the constitutional requirements, the requirements vested with the tier by the State Act and our intensive field work in two Panchayat Unions in Madurai districts and engagements with other Panchayats Unions in 15 districts, 22 per cent of SFC share is suggested. No previous SFCs had recommended less than 32 per cent to the Panchayat Union. While analysing the staff structure of the Panchayat Union, it is seen that more than half of the staff are appointed to support a good number of VPs falling within its jurisdiction . It is felt that the rationale for such a decision maybe that the scale of economy and technology may not very favourable for appointing individual staff for each VP which are very small in terms of number of households and limited requirement of expertise. The Panchayat Union is designed as common place where all the technical and non-technical persons are available and their respective ‘services’ are available for the VPs that require it.

What we trying to argue here is that the staff who are located at the Panchayat Union needs facilities including travel allowance and better accommodation for their temporary deployment to the VP to perform a particular task. In many cases it was reported that a lethargic behaviour

has crept in among the staff due to that scarcity of travelling allowances. This might lead the functionaries, who are supposed to make site visits and field supervision, to heavily depend on the favour of the contractors which in turn may lead to rent seeking behaviour. In this context, a reasonable amount which is enough to facilitate the field staff to conduct their site visit and field supervision, may be earmarked from the SFC grant either by the Panchayat Union Council or SFC can make some provision from the suggested 22 per cent. We suggest the 22 percent share for the Panchayat Union from the SFC based on these issues. We identify a set of needs and aspirations which a VP may not fulfil because of the 'issue of scale issue' (measurement in terms of economy, technology, environment and volume). Solid and liquid waste management, market services, processing units, roads and bridges which connects many VPs and watershed projects which covers many VPs are need-based services which can be offered through the support of effective devolution from Panchayat Union. It may not be again viable if it is handled by the District Panchayat. The 'issue of accessibility with scale' can be addressed only if that service is located and managed by a Panchayat Union. Here is the relevance of the middle tier (Panchayat Union) which has to consider more aspects than the 'issue of scale' alone. The field experiences of Panchayat Unions in Madurai district and other districts give an impression that certain need-based devolution can be effectively addressed by the Panchayat Unions, though the number of need-based devolution is limited. Moreover, joint projects by the Panchayat Union in collaboration with VPs may be another option to address certain 'hierarchy of need-based devolution'. We have visualized and estimated the space, nature and hierarchy of potential need-based devolution while suggesting the 22 per cent share for the Panchayat Union from the SFC.

C. District Panchayat (DP): We suggest 13 per cent of the SFC share to the district tier. This may be a paradigm shift from the earlier finance commissions. Generally, 8 per cent was recommended by the earlier SFCs, of course the second SFC had recommended no share to the DP. Since all line departments are having separate budget allocations with well-structured functionaries, there is no need for more separate financial allocation and separate staff to the District Panchayat (DP). Moreover, the letter and spirit of the State Act and its underlying philosophical overtones is against creating a 'mini secretariat' at the district headquarters as what is designed in the States of Karnataka and Maharashtra. The main responsibility and functions of the DP is to coordinate and supervise various line departments and provide a peer group responsibility to the other two tiers. In this context, some argue (we were informed during the field visits) that any amount of financial allocation more than a minimum share say, 8 per cent may disempower the tier into the status of another 'line department' and create space for direct engagement with contractors. Moreover, it diverts it from the responsibilities of coordination of line departments, planning, monitoring and evaluation of development activities of the entire district. Our suggestions to share 13 per cent of the SFC grant is more in line with what the Constitution and State Act expect from the DP particularly in the background of the award of the 15th Finance Commission to the district tier. Of course, when we apply, the 'need based devolution approach' as the basic principle in sharing the resources among the vertically located tiers, the visible and basic needs are not exerted at the district tier. We have also not come across any socially and economically deprived/marginalized sections of the society either directly or indirectly engaging for availing any basic services with elected executives /members of the District Panchayats. However, there are different set of need-based demands which have to be

addressed by the district tier. A ‘new set of need based devolution’ is generated and demanded by the functionaries (both officials and elected representatives) of the VPs and Panchayat Unions. They expect a strong support structure in terms of administrative and technical matters from the District Panchayat rather than district officials. There are different need -based devolution such as (i) the disaster management plan,(ii) the operationalization of SDGs in the local context of the respective district,(iii) joint projects of three tiers Panchayats and (iv) peer group responsibility towards other two tiers (PUs and VPs). Moreover, there are no other players to honour such needs. The pattern of resource utilization from the earlier experiences of the District Panchayat in utilizing grants from the SFCs and the 13th UFC prevents anyone from suggesting more than 10 per cent of the SFC. However, the present staff strength of the District Panchayat has to be considered seriously. It is suggested that 2.5 per cent may be earmarked to the DPC from the share of the District Panchayat. The suggestion has a special context when the President of the District Panchayat is heading the District Planning Committee (DPC) and the major share of the District Panchayat members are also the members of the DPC. It is essential to come out with suitable strategies to strengthen the DPC,

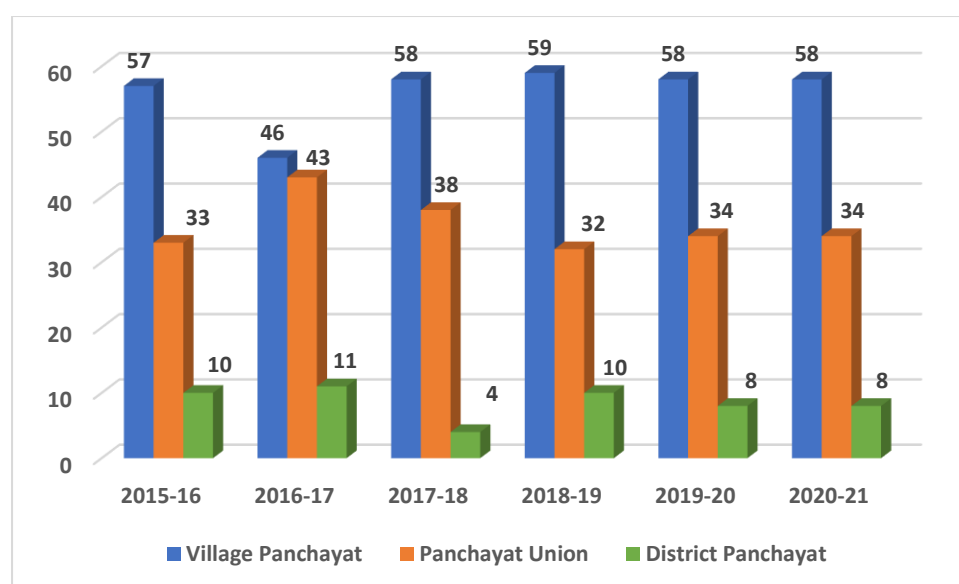
D. District Planning Committee (DPC): The working of the DPC is not extensively either researched or discussed in the Panchayat Raj literature in the country and that is the case with Tamil Nadu too. But our modest enquiry in this domain from the district of Madurai mainly and other districts provide an encouraging picture. Of course, at present the DPCs are not constituted, yet awaiting the election to the DPCs. The potential functionaries who are supposed to be the key actors when it is constituted are not aware of its structure, role responsibilities and functions. However, the Madurai district had made relatively remarkable achievements in conducting regular DPC meetings and transactions, its resolutions and decisions into actions, when the DPC was in operation, (24-09-2012 to 14-09-2016). As per the records total 14 DPC meetings were held in Madurai during the period (refer Table No.4). The official record of the DPC in the district is the reason for good feeling, confidence, and trust towards the institution. Our enquiries with the other districts in the functioning of the earlier DPCs also strengthen our observations. As DPCs are vested with certain Constitutional responsibilities and additional importance in the background of Covid -19 pandemic, SDGs and 15th FC award (and particularly health grant, grant for incubation of new cities, and grants for shared municipal services) special attempts may be needed to strengthen the DPCs .Apart from preparing the District Plan, the DPCs can prepare the District Human Development Reports (the States of Karnataka and Gujarat did it for all districts), District Economic Review, research and evaluation a studies, surveys and localizing the SDGs in the context of Tamil Nadu . The DPCs can mobilize the expertise of the academic institutions as a third-part agency for rigorous research studies. Resources in terms of expertise in all major domains are needed at the disposal of the DPCs to perform, which is a major deficit. Therefore 2.5 per cent of the District Panchayat share in each district can be shared to the concerned DPC. This will generate an ownership feeling and significance of the DPC in the concerned districts.

Table No. 2.1: SFC Fund Distribution to VPs, PUs and DPs in the District of Madurai for a Period of 6 Years from 2015-16 to 2020-21 (Amount in Rs.)

PRI	2015-16	%	2016-17	%	2017-18	%	2018-19	%	2019-20	%	2020-21	%
VP	50,34,69,79 0	57	31,67,54,71 2	46	39,13,95,80 3	58	76,05,53,493	59	61,61,14,596	58	61,61,14,596	58
PU	29,47,04,36 3	33	29,27,57,67 8	43	25,79,90,39 7	38	40,91,49,639	32	36,45,70,858	34	36,13,09,327	34
DP	8,80,92,021	10	7,76,65,328	11	2,80,82,851	4	12,82,84,232	10	8,23,61,830	8	9,03,64,850	8
Total	88,62,66,17 4	100	68,71,77,71 0	100	67,74,69,05 1	100	1,29,79,87,36 4	100	1,06,30,47,28 4	100	1,06,77,88,77 3	100

Source: Data Furnished by the (AD Panchayat), Madurai District, Tamil Nadu

Figure No. 2: Percentage of SFC Fund Distribution to VPs, PUs and DP in the District of Madurai for a Period of 6 Years from 2015-16 to 2020-21



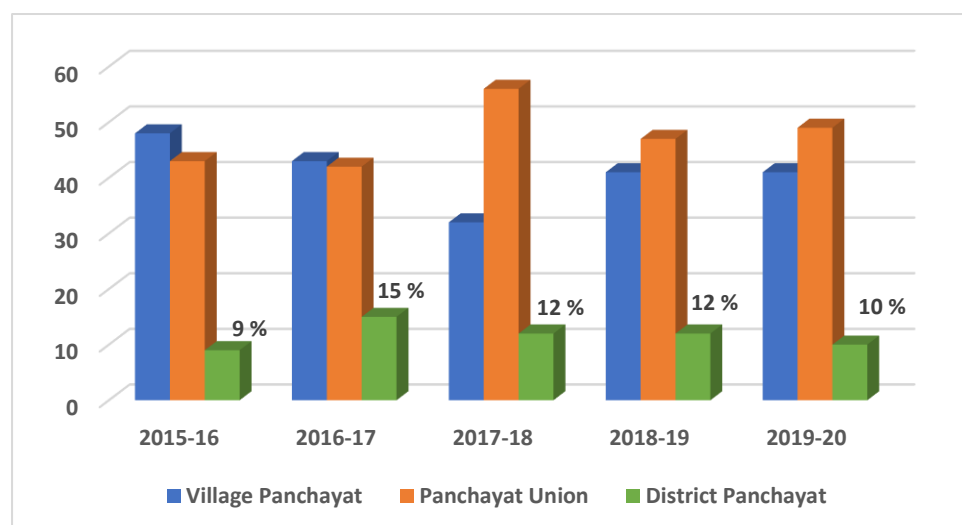
Source: Table No. 2.1

Table No. 2.2: SFC Fund Distribution to VPs, PUs and DPs in the District of The Nilgiris for a Period of 5 Years from 2015-16 to 2019-20 (Amount in Rs.)

PRI	2015-16	%	2016-17	%	2017-18	%	2018-19	%	2019-20	%
VP	96573064	48	61756397	43	61391606	32	148131704	41	141164481	41
PU	87367520	43	59937085	42	108194855	56	169372006	47	165697164	49
DP	17338636	9	20855298	15	22231396	12	44034533	12	34650061	10
Total	201279220	100	142548780	100	191817857	100	361538243	100	341511706	100

Source: Data Furnished by the (AD Panchayat), The Nilgiris District, Tamil Nadu

Figure No. 3: Percentage of SFC Fund Distribution to VPs, PUs and DPs in the District of the Nilgiris for a Period of 5 Years from 2015-16 to 2019-20



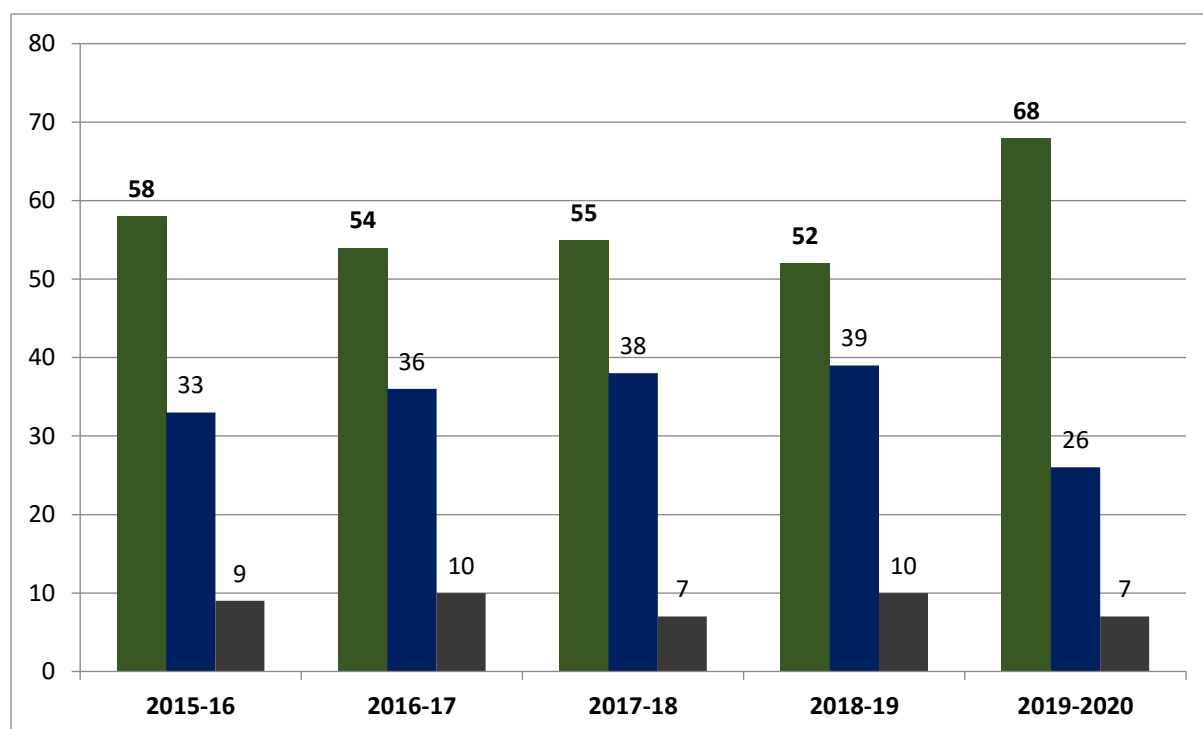
Source: Table No. 2.2

Table No. 2.3 : SFC Fund Distribution to VPs, PUs and DPs in the District of Krishnagiri for a Period of 5 Years from 2015-16 to 2019-20 (Amount in Rs.)

PRI	2015-16	%	2016-17	%	2017-18	%	2018-19	%	2019-20	%
VP	55597419	57.8	47572922	54.11	47572922	55.3	622082585	51.5	113810790	67.6
	7	8	3		3	5		2	9	2
PU	31819865	33.1	31600468	35.94	32308735	37.5	466725595	38.6	431851485.	25.6
	2	3	8		6	9		5	8	6
DP	86392123	8.99	87534852	9.96	60607204	7.05	118734361	9.83	113033947	6.72
Total	96056497	100	87926876	100.0	85942378	99.9	120754254	100	168299334	100
	2		3	1	3	9	1		2	

Source: Data Furnished by the (AD Panchayat), Krishnagiri District, Tamil Nadu.

Figure No. 4: Percentage of SFC Fund Distribution to VPs, PUs and DPs in the District of Krishnagiri for a Period of 5 Years from 2015-16 to 2019-20



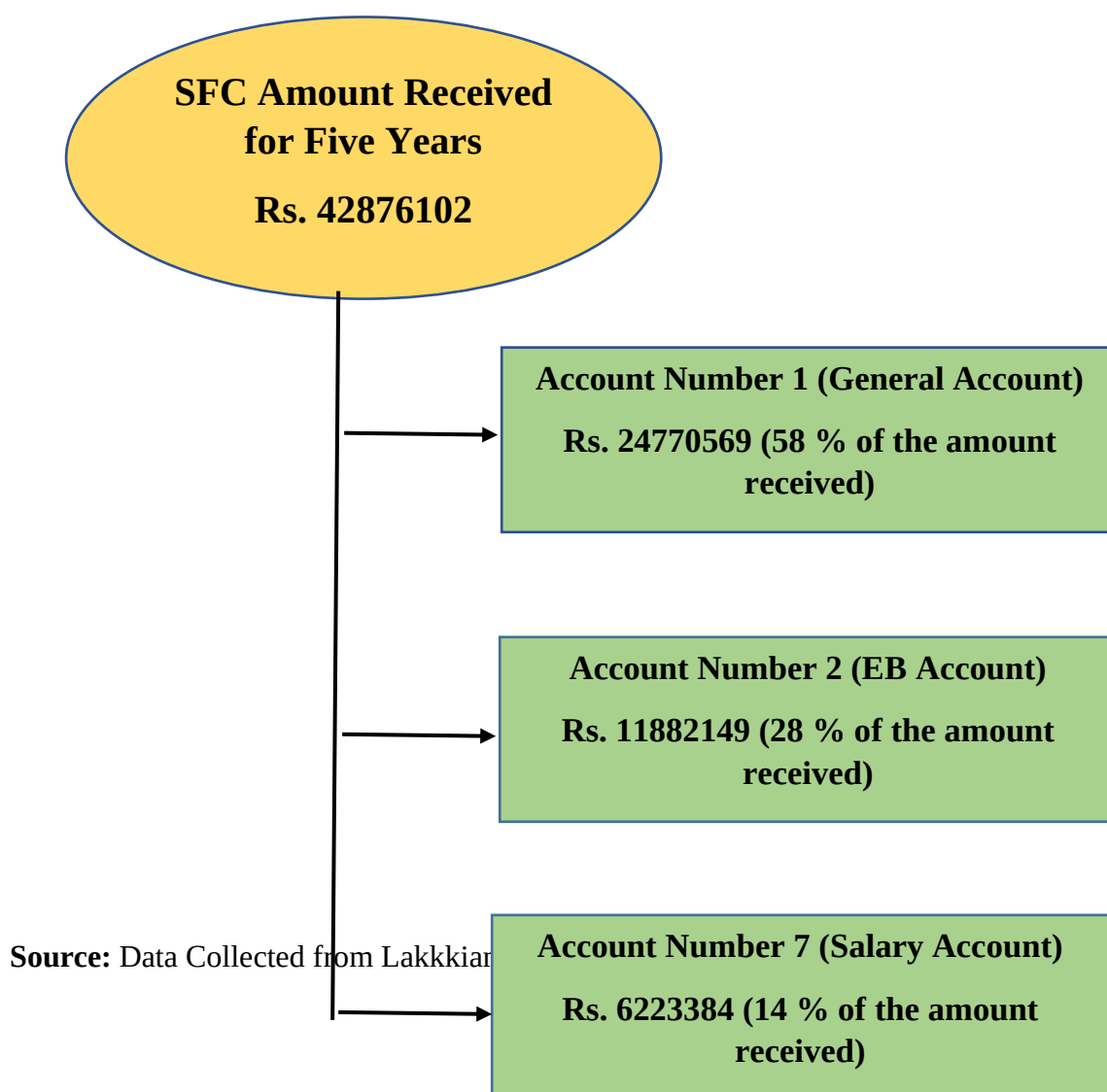
Source: Table No. 2.3

Table No.2.4: District Planning Committee (DPC), Madurai Meetings Held (24-12-2012 to 14-09-2016)

Sl No	Dated
1.	24-09-2012
2.	21-12-2012
3.	20-03-2013
4.	18-06-2013
5.	17-09-2013
6.	10-12-2013
7.	12-06-2014
8.	13-10-2014
9.	12-01-2015
10.	02-04-2015
11.	08-07-2015
12.	29-12-2015
13.	14-06-2016
14.	14-09-2016

Source: Data Furnished by the (AD Panchayat), Madurai District, Tamil Nadu.

Figure No. 5: SFC Amount to VP- Case of Lakkiampatti VP (2016-17 to 2020-21)



2.Allocation, Utilization and Governance of Union Finance Commissions (UFCs)in the State of Tamil Nadu

Major Recommendations

It is seen that the overall ability of the State Government to draw Finance Commission grants has been ‘relatively slow’. This is the same trend during the 13th and 14th FCs (both the incidents when the Panchayats were governed by executives the elected executive and without the elected. Therefore, the capacity / ability of the state machinery at all levels may be increased in drawing funds from the 15th FC. The above issues are critical in the case of the award of 15th FC, we doubt if the same trend continues the State again may lose very heavily in drawing the full amount under the ‘tied’ and ‘untied’ grants and health grant allocated to the State. In this context, some of the

suggestions we made earlier while discussing the issues related to vertical devolution again reappear here.

1. We suggest that an independent committee may be constituted at the state level to monitor and review and to conduct stringent follow up to ensure that the funds allocated to Panchayats both Union Finance Commissions and State Finance Commissions are reaching them without fail.
2. Generally, there is a gap in between two SFCs, it is better to continue the tenure of one commission up until the next commission is constituted.
3. It seems that online entry of *Annual Plan* and progress in *Plan Plus* and *TNRD Website* is not enough. A *Transparency Portal* may be the answer which ensure (i) local government- (each GP, PU and wise DP), category- wise concurrent monitoring by civil society, media and local citizens (ii) maintaining and monitoring of information and fund flow from State Govt. to each VP/PU/DP and, (iii) monitoring outcome of all key players. Therefore, A *Transparency Portal* is suggested.
4. Documentation /Utilization Certificate on the 15th FC and the proposed 6th SFC should be placed at the public domain.

Field Experience on Allocation, Utilization and Governance of Union Finance Commissions(UFC) Grants in the State of Tamil Nadu

1.Issues Related to Allocation, Release and Utilization of 14th UFC Grants and the State of Tamil Nadu and Lessons for Utilization of 15th UFC

After the Constitutional Amendment Acts, the 10th, 11th and 12th Union Finance Commissions generally recommended grants to local governments within the range of 1 to 1.5 per cent of the central divisible pool. The 13th FC recommended an increased amount of 2.50 per cent of the divisible pool with an additional concept of ‘performance grant’ (PG) with a set of conditionalities. The 14th FC made certain significance in its award, (i) there was considerable increase from 2.5 percent to 4.5 per cent, (ii) the award amount was not recommended to middle and district tiers of the Panchayats, and (iii) the concept of performance grant was continued with 10 per cent of the total allocated amount to Gram /VPs along with 90 per cent of basic grant (BS). As usual, in the case of 13th FC, conditionalities were attached to release and utilise both the BG and PG. The 14th FC recommended that a total of Rs.200292.29 crore may be given as grant- in-aid the GPs /VPs in all the states covered under Part IX and IXA. A total of Rs.180263 crore was earmarked as BG whereas Rs.20029 crore as PG. The 14th FC has also recommended a package of advisories for strengthening local governments. The interim report for the year 2020 -21 of the 15th FC recommended Rs.90, 000 crore to local governments in the ratio 67.5: 32.5 between rural and urban local governments. Again, the 15th FC for a five-year period (2021 -26) recommended grants of Rs.436361 crore for local governments. In view of the challenges of the current Covid19 pandemic, out of the total grants for local governments Rs.70, 051 crore is earmarked for the improvement of health services.

Here, an attempt has been made to understand how the state of Tamil Nadu had performed towards the earlier awards, experiences, lessons, achievements and failures (if any) and also the take away for other states. It will enable the state to frame a policy package for the better

governance of the award under the 15th FC and also the awards for the future Finance Commissions. The Table numbers No. 2.5 and No.2.6 (a) (b) (c) give the 14th and 15th FCs grants to the State of Tamil Nadu, respectively.

2.Tamil Nadu's Position in Drawing Basic Grants and Performance Grants Under 14th UFC

While arranging States in decreasing order of percentage of cumulative release of basic grants under the 14th UFC made to them, Tamil Nadu has been positioned at 20th rank with 79.92 per cent as against the national average of 91.90 per cent (Table No. 3). The national average among the States of the basic grant drawing for 14th UFC is at a satisfactory level but the percentage of drawing in the case of Tamil Nadu needs more detailed examination. It is also important to see that 16 States could draw 100 per cent and three States nearly 100 per cent of the allocated amount (Table No.3).Tamil Nadu is considered as one of the States that has shown a considerable 'sluggish nature' in drawing funds. Again, the ability of the State of Tamil Nadu to draw the Performance Grant (PG) as earmarked by the 13th and 14th FCs had been relatively less than the national average. It was only 21.20 per cent as against 79.30 per cent under 13th FC and subsequently it was 46.91 per cent as against 55.02 per cent under the 14th FC (Table Nos. 4&5). In the above two cases, the position of the state is located at 26th and 17th positions in the decreasing order, respectively.

The major points for discussion are the following 3 issues.

1. Why the overall ability of the State Government to draw Finance Commission grants has been 'relatively slow'?
2. Is there a mismatch between the overall capacity/ability of the state machinery in general and the capacity / ability of the state in drawing funds from 13th and 14th FCs?
3. How the capacity / ability of the state machinery can be increased in drawing funds from the 15th FC?
4. The policy suggestions for capacity building and training (CB&T) of the key players in drawing full funds and its proper utilization.

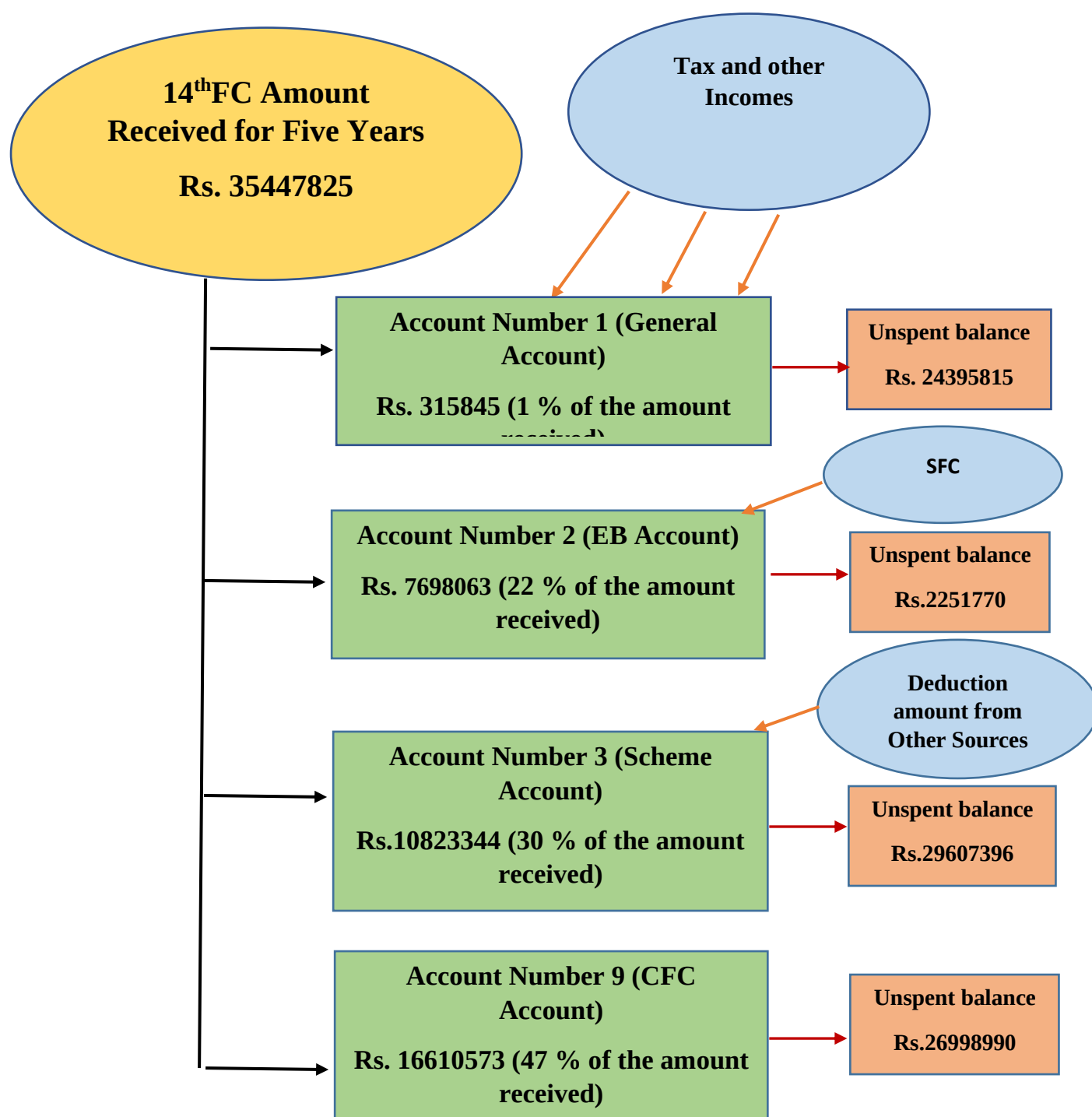
The above issues are critical in the case of the award of 15th FC, we fear that if the same trend continues, the State again may lose very heavily in drawing the full amount under the 'tied' and 'untied' grants and health grant allocated to the State .

Table No. 2.5 :14th UFC Grant (Basic & Performance) to the State of Tamil Nadu for a period of 5 Years (2015-16 to 2019-20)

Year	Allocation of Basic Grant (Rs.in Crore)	Performance Grant (Rs.in crore)	Total (Rs. In crore)
2015-16	947.65	-	947.65
2016-17	1,312.19	172.12	1484.31
2017-18	1,516.12	194.78	1710.90
2018-19	1,753.87	221.20	1975.07
2019-20	2,369.86	289.64	2659.50
Total	7,899.69	877.74	8777.43

Source: 14th Finance Commission Report 2015-16 to 2019-2020

Figure No. 6. 14th Finance Commission Amount to VP- Case of Lakkiampatti VP (2016-17 to 2020-21)



Source: Data Furnished by Lakkiampatti VP, Dharmapauri District

Table 2.6 (a): Details 15 FC interim report (Tamil Nadu) in Rs. Crore

Year	RLB	Tied Grant (50%)	Untied Grant (50%)
2020-21	3607	1,803.5	1,803.5

Source: 15th Finance Commission Report Interim Report, 2020-2021

Table 2.6 (b): Details 15 CFC (Tamil Nadu) in Rs. Crore

Year	RLB	Tied Grant (60%)	Basic/Untied Grant (40%)
2021-22	2666	1600	1066
2022-23	2761	1657	1104
2023-24	2791	1675	1116
2024-25	2957	1774	1183
2025-26	2884	1730	1154

Source: 15th Finance Commission Report , 2021-22 to 2025-26

Table 2.6 (c): Range for Distribution of Funds to the Three Tiers (15 FC)

Panchayat	Minimum	Maximum
Gram Panchayat	70%	85%
Block Panchayat	10%	25%
District	5%	15%

Source: 15th Finance Commission Report, 2021-22 to 2025-26

Table 2.7: 14thFC allocation and releases of Basic Grant – 2015-16 to 2017-18 (as on 06.07.2018) (In Rs. Crore)

State	2015-16			2016-17			2017-18			Total		
	Allocn	Release	% age	Allocn	Release	% age	Allocn	Release	% age	Allocn	Release	% age
Sikkim	16.03	16.04	100.00	22.20	22.20	100.0	25.65	25.65	100.0	63.88	63.89	100.02
Bihar	2269.2	2269.2	100.0	3142.1	3142.1	100.0	3630.4	3630.4	100.0	9041.7	9041.7	100
Chhattisgarh	566.18	566.18	100.0	783.98	783.98	100.0	905.81	905.81	100.0	2256.0	2256.0	100.00
Gujarat	932.25	932.25	100.0	1290.9	1290.9	100.0	1491.47	1491.47	100.0	3714.58	3714.58	100.00
Himachal Pradesh	195.39	195.39	100.0	270.56	270.56	100.0	312.60	312.60	100.0	778.55	778.55	100.00
Jharkhand	652.83	652.83	100.00	903.96	903.96	100.0	1044.45	1044.45	100.0	2601.24	2601.24	100.00
Manipur	22.25	22.25	100.0	30.80	30.80	100.0	35.59	35.59	100.0	88.64	88.64	100.00
Tripura	36.24	36.24	100.0	50.18	50.18	100.0	57.98	57.98	100.0	144.40	144.40	100.00
Haryana	419.28	419.28	100.0	580.57	580.57	100.0	670.80	670.80	100.0	1670.65	1670.65	100.0
Madhya Pradesh	1463.61	1463.61	100.0	2026.62	2026.62	100.0	2341.57	2341.57	100.00	5831.80	5831.80	100.00
Maharashtra	1623.32	1623.32	100.0	2247.77	2247.77	100.0	2597.10	2597.10	100.0	6468.19	6468.19	100.00
Odisha	955.52	955.52	100.0	1323.09	1323.09	100.0	1828.71	1528.71	100.0	3807.32	3807.32	100.0
Telangana	580.35	580.34	100.0	803.58	803.58	100.0	928.47	928.47	100.0	2312.40	2312.39	100.00
Kerala	433.76	433.76	100.0	600.62	600.61	100.0	693.96	693.96	100.0	1728.34	1728.33	100.0
Uttarakhand	203.26	203.26	100.0	281.45	281.45	100.0	325.19	325.19	100.0	809.90	809.90	100.00
Rajasthan	1472.00	1471.95	100.0	2038.17	2038.17	100.0	2354.92	2354.92	100.0	5865.09	5865.04	100.00
Uttar Pradesh	3862.60	3852.60	99.7	5348.45	5334.58	99.7	6179.65	6179.65	100.0	15390.70	15366.83	99.84
Andhra Pradesh	934.35	928.41	99.4	1293.75	1285.43	99.4	1494.81	1485.09	99.35	3722.91	3698.93	99.36
Karnataka	1002.85	972.36	97.0	1388.62	1368.20	98.5	1604.42	1580.18	98.49	3995.89	3920.74	98.12
Tamil Nadu	947.65	947.65	100.0	1312.19	1312.19	100.0	1516.12	758.06	50.00	3775.96	3017.90	79.92
West Bengal	1532.21	1470.86	96.0	2121.61	582.42	27.5	2451.33	2369.18	96.65	6105.15	4422.46	72.44
Punjab	441.70	441.70	100.0	611.61	305.81	50.0	706.66		0.00	1759.97	747.51	42.47
Arunachal Pradesh	88.52	88.52	100.0	122.58	61.29	50.00	141.62		0.00	352.72	149.81	42.47
Goad	14.44	14.44	10.0	20.00	0.00	0.00	23.10		0.00	57.54	14.44	25.10
Jammu & Kashmir	373.96	367.72	98.33	517.81	0.00	0.00	598.29		0.00	1490.06	367.72	24.68
Assam	584.80	292.40	50.00	809.76	0.00	0.00	935.60		0.00	2330.16	292.40	12.55
Total	21624.53	21218.06	98.12	29942.87	26646.38	88.99	34596.26	31316.82	90.52	86163.66	79181.26	91.90

Source: Ministry of Finance (MoF), Govt. of India, Devolution of Union Finance Commission Grants to Panchayats, Accountability Initiatives, Centre for Policy Research, New Delhi.

Table 2.8: Allocations and Releases of Performance Grants including forfeited of PRIs, as recommended by the 13thFC (2010 - 15) (in Rs. Crore)

State	2011-12			2012-13			2013-14			2014-15			Total		
	Allocn	Release	% age	Allocn	Release	% age	Allocn	Release	% age	Allocn	Release	% age	Allocn	Release	% age
Telangana	0.00	0.00	-	00	00	-	00	00	-	261.64	335.64	128.3	261.64	335.64	128.3
Andhra Pradesh	210.12	0.00	0.0	474.90	0.0	0.00	545.87	1019.41	186.7	333.80	542.14	162.4	1564.69	1561.55	99.8
Rajasthan	158.33	213.28	134.7	357.85	357.85	100.0	411.34	577.39	140.4	448.69	205.64	45.8	1376.21	1354.16	98.4
Kerala	78.39	66.36	84.6	177.17	127.78	72.1	203.64	274.65	134.9	222.14	201.48	90.7	681.34	670.27	98.4
Haryana	43.68	58.81	134.6	98.72	98.72	100.0	113.48	159.17	140.3	123.78	56.73	45.8	379.66	373.43	98.4
Himachal Pradesh	22.38	30.11	134.5	50.57	50.57	100.0	58.13	52.45	90.2	63.41	58.13	91.7	194.50	191.26	98.3
Bihar	199.17	168.69	84.7	450.16	324.66	72.15	17.43	770.84	149.0	564.42	426.47	75.6	1731.18	1690.65	97.7
Maharashtra	221.06	186.06	84.2	499.63	611.30	122.3	574.31	231.68	40.3	626.46	847.06	135.2	1921.46	1876.10	97.6
Uttar Pradesh	393.49	331.18	84.2	889.35	198.76	22.3	1022.27	2323.97	227.3	1115.10	485.51	43.5	3420.21	3339.42	97.6
Karnataka	181.09	243.87	134.7	409.29	204.64	50.0	470.46	864.81	183.8	513.18	223.44	43.5	1574.02	1536.76	97.6
Madhya Pradesh	165.40	140.02	84.7	373.83	269.61	72.1	429.70	574.99	133.8	468.72	418.93	89.4	1437.64	1403.55	97.6
Chhattisgarh	67.16	56.54	84.2	151.80	109.82	72.3	174.49	244.90	140.4	190.33	82.87	43.5	583.78	494.13	84.6
West Bengal	166.61	24.01	14.4	376.57	188.28	50.0	432.85	362.84	83.8	472.15	432.85	91.7	1448.17	1007.98	68.6
Jharkhand	60.96	8.81	14.4	137.79	137.79	100.0	158.38	143.22	90.4	172.76	75.22	43.5	529.89	365.04	68.9
Assam	63.42	53.37	84.2	143.35	175.38	122.3	164.77	46.55	28.3	179.73	78.25	43.5	551.27	353.55	64.1
Manipur	8.80	1.28	14.5	19.89	0.00	0.0	22.86	29.79	130.3	24.93	10.86	43.6	76.48	41.93	54.8
Tripura	11.78	1.72	14.6	26.62	12.69	47.7	30.60	26.42	86.4	33.37	15.30	45.8	102.37	56.12	54.8
Punjab	45.24	6.51	14.4	102.24	0.00	0.0	117.53	152.80	130.0	128.20	55.81	43.5	393.21	215.11	54.7
Mizoram	8.11	1.17	14.4	18.32	0.00	0.0	21.06	17.66	83.9	22.97	0.00	0.0	70.46	18.83	26.7
Jammu & Kashmir	36.92	5.34	14.5	83.46	0.00	0.0	95.93	17.33	18.1	104.64	45.56	43.5	320.94	68.22	21.3
Gujarat	93.80	13.52	14.4	212.0	0.00	0.0	243.69	43.91	18.0	265.82	115.74	43.5	815.31	173.17	21.2
Tamil Nadu	123.97	17.87	14.4	280.19	0.00	0.0	322.07	58.03	18.0	351.32	152.96	43.5	1077.55	228.87	21.2
Sikkim	7.41	1.06	14.3	16.75	0.00	0.0	19.26	3.44	17.9	21.01	9.15	43.6	64.43	13.65	21.2

Meghalaya	12.57	1.83	14.5	28.42	0.00	0.0	32.67	5.93	18.2	35.63	0.00	0.0	109.29	7.76	7.1
Uttarakhand	23.76	3.44	14.5	53.71	0.00	0.0	61.73	11.16	18.1	67.34	0.00	0.0	206.54	14.59	7.1
Orissa	104.16	15.02	14.4	235.41	0.00	0.0	270.60	48.78	18.0	295.17	0.00	0.0	905.34	63.80	7.0
Nagaland	12.26	1.75	14.3	27.71	0.00	0.0	31.86	5.70	17.9	34.75	0.00	0.0	106.58	7.45	7.0
Arunachal Pradesh	11.02	1.57	14.2	24.90	0.00	0.0	28.62	5.10	17.8	31.21	0.00	0.0	95.75	6.67	7.0
Goa	3.64	0.51	14.18	22.0	0.00	0.0	9.45	1.66	17.6	10.31	0.00	0.0	31.62	2.17	6.9
Total	2534.70	1653.69	65.2	5728.81	28367.86	50.1	6585.00	8074.57	122.6	7182.97	4875.71	67.9	22031.48	17471.83	79.3

Source: : Ministry of Finance (MoF), Govt. of India, Devolution of Union Finance Commission Grants to Panchayats, Accountability Initiatives, Centre for Policy Research, New Delhi.

Table 2.9: 14thFC allocation and releases of Performance Grant – 2015-16 to 2017-18 (as on 06.07.2018)

State	2016-17			2017-18			Cumulative		
	Allocn	Release	% age	Allocn	Release	% age	Allocn	Release	% age
Chhattisgarh	102.84	102.84	100.00	116.37	116.37	100.0	219.21	219.21	100.00
Gujarat	169.32	169.32	100.0	191.61	191.61	100.00	360.93	360.93	100.00
Haryana	76.15	76.15	100.00	86.18	86.18	100.00	162.33	162.33	100.00
Manipur	4.04	4.04	100.00	4.57	4.57	100.00	8.61	8.61	100.00
Rajasthan	267.35	267.35	100.00	302.55	302.55	100.00	569.90	569.90	100.00
Sikkim	2.91	2.91	100.00	3.30	3.30	100.00	6.21	6.21	100.00
Tripura	6.58	6.58	100.00	7.45	7.45	100.00	14.03	14.03	100.00
Andhra Pradesh	169.70	168.62	99.36	192.04	190.79	99.35	361.74	359.41	99.36
Karnataka	182.15	179.46	98.52	206.13	204.08	99.01	388.28	383.54	98.78
Telangana	105.41	105.41	100.00	119.28	0.0	0.00	224.69	105.41	46.91
Himachal Pradesh	35.49	35.49	100.00	40.16	0.00	0.00	75.65	35.49	46.91
Assam	106.22	106.22	100.00	120.20	0.00	0.00	226.42	106.22	46.91
Madhya Pradesh	265.84	265.81	100.00	300.83	0.00	0.00	566.67	265.84	46.91
Punjab	80.23	80.23	100.00	90.79	0.00	0.00	171.02	80.23	46.91
Uttarakhand	36.92	36.92	100.00	41.78	0.00	0.00	78.70	36.92	46.91
Jharkhand	118.57	118.57	100.00	134.18	0.00	0.00	252.75	118.57	46.91
Tamil Nadu	172.12	172.12	100.00	194.78	0.00	0.00	366.90	172.12	46.91
Odisha	173.55	173.55	100.00	196.40	0.00	0.00	369.95	173.55	46.91
Maharashtra	294.84	294.84	100.00	333.66	0.00	0.00	628.50	294.84	46.91
Kerala	78.78	78.78	100.00	89.16	0.00	0.00	167.94	78.78	46.91
Arunachal Pradesh	16.08	16.08	100.00	18.20	0.00	0.00	34.28	16.08	46.91
Goa	2.62	2.62	100.00	2.97	0.00	0.00	5.59	2.62	46.87
Uttar Pradesh	701.57	699.75	99.74	793.92	0.00	0.00	1495.49	699.75	46.79
Jammu & Kashmir	67.92	66.79	98.34	76.86	0.00	0.00	144.78	66.79	46.13
West Bengal	278.30	268.97	96.65	314.93	0.00	0.00	593.23	268.97	45.34
Bihar	412.15	0.00	0.00	466.41	0.00	0.00	878.56	0.00	0.00
Total	3927.65	3499.45	89.10	4444.71	1106.90	24.90	8372.36	4606.35	55.02

Source: : Ministry of Finance (MoF), Govt. of India, Devolution of Union Finance Commission Grants to Panchayats, Accountability Initiatives, Centre for Policy Research, New Delhi.

3.The Guidelines & GOs of the Government of Tamil Nadu and its Compliance with 14th Union Finance Commission (14th UFC)

Here, the Guidelines and GOs prepared by the Government of Tamil Nadu for administering the 14th UFC has been reviewed. The purpose is to see how the guidelines are complied with the recommendations of the UFC and to take away the lessons for administering the recommendations of the 15th UFC. The responses of the Panchayat functionaries (both the officials and elected representatives) from the selected 19 VPs are recorded. The Matrix No.1 has been prepared and analysed in this context.

Our analysis made with the support of the Matrix No.1 shows that the Guidelines and GOs prepared by the Government of Tamil Nadu for administering the 14th UFC are largely complied with that of the 14th UFC. However, there are some references which is against the letter and spirit of the ‘trust-based approach’ of 14th UFC.

Matrix No.1: Guidelines Prepared by the Government of Tamil Nadu for Administering 14th UFC (Basic & Performance Grants) and the Responses of the Selected VPs and the Comments of the Research Team

Item /Issues	Requirements	Response of the VP (Presidents, Members & Secretaries)	Comments
1. Basic Grants (BG) received from the 14 th FC.	Rs. 3 Lakhs was released as a <i>Minimum Lum Sum Grant</i> to each VP per year and the balance amount is distributed among the VPs as the horizontal sharing formula suggested by the 5 th SFC. (The said amount was deposited in Account No.2 whereas the remaining amount was deposited in Account No.3 and later it was moved to Account No.9.)	Aware only on ‘BG’ from 14 th UFC but nothing more on the details including Rs. 3 lakhs as <i>Minimum Lum Sum Grant</i> and the sharing formula of the 14 th UFC grants among the VPs.	This is a general trend among all the selected 19 VPs from our study. Since the VPs have little freedom on the operation of the Account No.2. It is against the letter and spirit of depositing Rs.3 lakhs from the 14 th UFC.
2. Performance Grant (PG) received from the 14 th FC.	The PG for each VP had been sanctioned annually based on the eligibility criteria achieved by the VPs.	Some VPs have not even heard of PG. No one is able to explain anything on the eligibility criteria for achieving it by the VPs.	When we mentioned the ‘eligibility criteria; there was a demand to know more about it. It gives an impression that there is very poor financial literacy on the architecture of the union, state and local financial

			relations among the key players in the VP. Out of the selected 19 VPs, only 7 had received PG.
3. Eligibility criteria for receiving PG.	The Govt. of Tamil Nadu had laid down 2 criteria. (i). Submission of audit report of annual accounts of the relevant year (ii). At least 5% increase in the collection of OSR over the previous years as reflected in the audited accounts.	Majority of them are not aware the conditionalities for availing PG. While considering the eligibility criteria, it was not that difficulty for the VPs in the state to draw the amount from PG. this was shared by the majority of the VPs.	If it would have been properly explained and communicated to the concerned VPs, majority of them would have availed PG. The OSR collection has a long tradition in Tamil Nadu.
4. Identification of the requirement of basic amenities	Issued guidelines for the preparation of VPDP for comprehensive development of each VP including ' <i>Perspective Plan</i> ' for a five-year period and ' <i>Annual Plan</i> '. The administrative sanction (AS) was accorded by the District Collector who is authorized to accord AS.	All VPs except one had prepared VPDP. Majority of them prepared ' <i>Perspective Plan</i> ' for a five years period and ' <i>Annual Plan</i> ' for each year. Also prioritized requirements based on the volume of resources. AS was accorded by the District Collector	The VPDP is the major achievement. The document is seen in all the selected VPs, except one. While the AS is accorded by the District Collector, the decision space in planning with the resources from the 14 th UFC have been condensed.
5. Executing agency for utilization of grants	It is visualized only by the VPs since they are responsible for the delivery of civic services. Funds are intended to be administered and executed by the VPs with the participation of the local citizens through Gram Sabha	Only VPs had administrated and executed the projects drawn by the resources from 14 th FC. In all the selected VPs, attempts were made to mobilize peoples' participation through the Gram Sabha.	The major purpose of awarding the grants to VPs is seen to be fulfilled to certain extent. The capability (including planning and delivery of public goods) of the VPs is seen.

6.Types of works to be taken up	14th FC had recommended to utilize the grant for basic functions/. Delivery of civic services and accordingly the Government of Tamil Nadu prepared a '<i>list of works</i>' to be included.	Large majority of VPs utilized the grants for the works related to basic functions /delivery of services/civic amenities. But there are a few works other than what it was intended. The construction of VP building is one such case. <i>(The question is why the grant from FC is utilized while there are other sources of funding)</i>	The 'types of works' to be taken up' in the guidelines is visualized as only permissible items. The list is treated as 'exhaustive one' There are problems for taking up works related to basic functions/ delivery of civic services by a few VPs which are located in forest and plantation areas.
6.Street lights	Provisions for streetlights is mentioned in the guidelines such as (i)New streetlights in uncovered and extension areas with LED lights and (ii)Conversion of Non-LED with LED lights.	Streetlights are seen as an item in some of the VPDPs, but very little attention in the area of conversion of Non -LED with LED lights. Technical specification for the initialization of LED street light was also followed.	Since 'settlement of electricity charges' is given priority in the list of works in the VPDP, the installation street lights and the conversion of Non-LED with LED lights are getting neglected.
7.Water Supply	Water supply works are given priority in the guidelines. The specifications are (i) water supply works be planned to ensure 55 LPCD in rural areas (ii) alternative /augmentation of sources, enhancement of motor capacity, extension of pipelines, deepening of open wells, (iii) number of OHTs be restricted to the requirement of the population (iv) mini power pumps should not be taken from this grant.	Water supply works are one of the priorities in the items in the VPDP. However, the specifications are not strictly followed. The required technical knowhow is not ensured by the TWAD	It is alleged that while preparing the specifications, the topography of the area has not been taken in to consideration. Since 'settlement of water charge' is given priority in the list of works (in the VPDP), the water supply is not getting expected attention. Provision for free water supply connection has more attraction rather than

	collecting charges as per the meter reading. The guideline says “the VP should settle their dues towards electricity consumption charge to TANGEDCO and water charge to TWAD as 1st charge from 14th Central Finance Commission”. The VPs had expressed some complaints against both service providers. Excess charges are being levied by the TWAD based on unmetered calculations of water discharge. It is complained that volume of water supply is not based on the calculations on the exact readings. This is also applicable in the case of electricity by TANGEDCO. It is a fact that streetlights and water supply are basic civic functions of every local government and it is also mentioned in Section 110 of the Tamil Nadu Panchayats Act, 1994. However, directions for the settlement of electricity and water charges to service providers as the priority item number one from the 14th UFC is against the spirit of decentralization & recommendations of the 14th UFC (See Figure No 6). Such trends should not be continued in future. This may be similar to what the Government of Karnataka did by the ‘Escrow Account System’ to divert the grants from 14th UFC to VPs. And finally, it is dropped due to critical observation of many.
8.Roads	The guidelines have made the directions to the VPs while laying of TB Roads, (i) up-gradation of the non-BT roads to BT standards, (ii)strengthening of existing Roads are the maximum number of projects listed in the VPDP. However, the VPs had expressed There is a high demand for the construction of rural roads from the local community. For local leaders, there

	damaged BT Roads, (iii) Maintenance of existing damaged BT roads which require renewal. There are also directions to the sanctioning authority to follow criteria .it says “Cement Roads should not be taken up under the scheme”.	strong reservations against the criteria attached in the road construction and the directions given to the sanctioning authority. There are many cases where roads are constructed without following the guidelines. Many cement roads are seen constructed in the rural areas by the VPs.	is an attraction towards the construction of roads, may be due to political advantages. The critical reading of the guidelines gives an impression that the 14th UFC grant has been converted in to a ‘road scheme’ by the Government of Tamil Nadu.
9.Creation of parks/physical fitness centres in rural areas	It elaborates the construction of parks, playground, sports clubs, and centres of physical culture.	Very minimum number of activities / projects under the ‘creation of playground, parks, sports clubs and cultural centres’ have been listed in the VPDP of the selected VPs. While fixing priorities these items are getting unnoticed. However, these items have a potential to address some degree of social marginalization and social deprivations.	Creation of playground, parks, sports clubs and cultural centres are important projects for youth, students and senior citizens It has significant role in pushing social capital in to a new direction.
10.Sanitation and waste management	Construction, repair and maintenance of community sanitary complexes, sewage systems and drains, solid waste management in convergence with MGNREGS and SWM Schemes	Maintenance of women community sanitary complexes (WCSCs), soak pit, construction of drains, projects related to solid waste management are included in many VPDP documents. In many VPs, the	Majority of the VPs had reported that appropriate technology option is the major issue in sanitation and waste management. In many cases it was felt that spatial issues are ignored. However, WCSCs

10.Other works		‘sanitation related activities’ had been considered as a tool for gendered planning.	have a critical role in addressing issues related to women.
	Any other permitted works such as burial /cremation ground.	A few VPs had made it for ‘Other works’ including burial / cremation ground whereas majority of VPs had never opted. Majority of the work was on traditional in nature.	It is seen that many VPs had very limited choice of operation. It was reported that many VPs had suggested certain types of works which generate assets. The potential of burial /cremation in addressing social marginalization has been neglected.
11.Negative list	In the guidelines there is a mention on ‘negative list’. It means works which are not eligible under the ‘capital grant fund of the state finance commission grant’. The guidelines say “works other than specifically given in the guideline also should not be taken from the 14 th FC fund”.	Around 50 % of the VPs are not aware the negative list. Some VPs had projects under negative lists	Some of the activities/projects are difficult to distinguish whether they are from negative list or not. The provision in the guidelines has been incorporated that “works other than specifically given in the guideline also should not be taken from the 14 th UFC fund”. It is against the letter and spirit of depositing Rs.3lakhs from the 14 th UFC.
12.Safeguard of weaker section	Minimum 30% of the fund allocated to each VP every year, should be spent in SCs/STs habitations.	Majority of the VPs had some project activities in SCs/STs habitations, but difficult to determine the share of allocation was minimum 30% or below. There are a	No effective mechanism is seen to track the provision which protect the interest of SCs/STs and their habitations. More tools and procedures can be introduced to

		few VPs where 30% of the fund were not allocated in SCs/STs habitations as reported by the local communities from the SCs /STs community.	protect the interest of SCs/STs. Geo tagging of the SC/ST habitations and the projects taken up in them, and social map /vulnerability map can be suggested.
13. Technical and administrative support towards O & M and capital expenditure	2% of the annual allocation of the BG of the 14 th FC is given to Account No.1 of every VP for meeting the cost of technical and administrative support for taking up some activities such as (i) preparation of VPDP, (ii) conduct of Gram Sabha, (iii) surveys, (iv) consultations, (v) cost of essential consumables and other documents. (vi) Uploading of online accounts, (vii) data entry in PRIA Soft, (vi) cost of providing internet connectivity, and (vii) computer recurring charges.	Not even one VP among the 19 selected GPs is aware of this provision of spending 2% for technical and administrative cost from the allocation of 14 th FC grant. Generally, the cost is met from the accounts which is available. Therefore, no one is able to comment whether 2 % is adequate to meet the technical and administrative cost. However, a few commented that if we calculate separate account of the technical / administrative cost, it may be more than 2 %.	It is better to allocate the 5-8% of the annual allocation of the BG of the 14 th FC to VPs to meet technical and administrative cost. <i>(The MoF recommended that the cost of administrative and technical support towards O&M and capital expenditure should not exceed 10 % of the allocation made to a VP)</i>
14. Two (2 %) of grant for the administrative and technical cost	It is mentioned that certain works /activities are not entitled to be undertaken from the 2% administrative cost. It includes (i) honorarium, TA/DA (elected functionaries), (ii) salary of staff (permanent & contract), and (iii) cultural activities.	Since 2 % of for the administrative and technical cost is not demarcated as a separate entity, it is difficult to monitor at the VP level. There are a few VPs that had spent the BG for the salary of contract staff and a	It is quite difficult for a deficit VP to follow all the advisories. Deficit syndrome may show no real interest to fulfilling the spirit of such conditions.

15.Placement of work list&approval in the Gram Sabha (GS)	All the works shortlisted by the VPs under the 14 th FC should be placed before the GS. It should be approved before taking it for AS.	few cultural activities. Majority of the VPs had placed the work list in the GS and approved the VPDP by the GS. But 4 VPs had not placed the document before the GS and not approved the document of VPDP.	As per records the GS participation was not very encouraging. Since the placement of work list& approval in the Gram Sabha is a mandatory procedure, it turned into a mere formality.
16.Preparation of estimate	There is a detailed description on how the estimate is prepared. It should be prepared by qualified engineers based on actual measurements and field realities. Every estimate should be checked by Assistant Executive Engineer and Executive Engineer. The estimate of roads should have photographs of the site at every 100 m distance. There is a long and rigid administrative and technical channel for completing the technical sanction (TS).	The verified documents of the VP had fulfilled all the requirements. Estimates are seen in majority of cases. More than 50 per cent of VPs had made complaints against the engineers for the delay in getting the estimates. The estimate of roads is seen with photographs of the site at every 100 m distance, as suggested in the guidelines.	There is a need to simplify the cumbersome and highly bureaucratic procedure of preparation of estimate. The preparation of the estimates compliance at higher levels may not be suited for VPs. It is better to have a separate procedure and protocol for preparing estimates at VP level. The accumulation of 'huge unspent balance amount' may be the result of cumbersome and bureaucratic procedure.
17.Administrative Sanction (AS)	After detailed scrutiny and TS by competent authority from engineering wing of the DRDA and finally the approval of PD DRDA, the AS is accorded by the District Collector.	In majority cases, it was seen that the works are delayed by the time taken for getting the AS form the District Collector. There is a strong demand from the side of the VPs	The Administrative sanctioning authority should be the VP. It may give the responsibility and ownership to the VP. Bestowing the AS with the District Collector is

19.Mode of Execution		for a simple procedure of AS.	disempowering the VP. Moreover, it is against the ‘trust-based approach’ propagated by the 14 th FC.
	Mode of execution is through tender as per the Tender Transparency Act, 1998.The BDO (VP) is the monitoring officer at the block level and PD, DRDA is the counterpart at the district level. The quality of the work is vested with the engineers, starting from the Overseer to Executive Engineer. The District Collector is the overall authority of the implementation.	The mode of execution is bureaucratic in nature. Since the involvement of the VP is very limited, the public participation is hardly ensured. There is a strong demand from the VP to ensure public participation. A few VPs had opined that poor public participation had negatively affected the local resource mobilization. There are some complaints against the provisions Tender Transparency Act, 1998.	A ‘new pattern’ should follow for the execution of public works by the VP. The fact is that the mode of execution suited at higher levels may not be suitable to local level where more possibilities are needed to mobilize public participation. The accumulation of ‘huge unspent balance amount’ may have some correlation on the cumbersome and bureaucratic mode of execution.
20.Release of Fund	There was a separate procedure to release the BG and PG from the 14 th FC.	There are complaints against the procedure to release grants from 14 th FC.	The procedure should be simplified and funds should be directly transferred to VPs.
21.Release of Fund (Basic Grant)	1).The Director of RD & PR released BG to the District Collector as per the directions of the Government of India. 2). The Director of RD & PR has earmarked 2% of the annual allocation of the BG of the 14 th FC to each VP and deposited to the Account No.1 of the concerned VP. For meeting the cost of technical and administrative support.	It is suspected that the major concern of the Government is to give directions to the VP to clear the electricity and water dues rather than the local economic development of the respective VPs. The VPs have made a point that the	Why BG of FC should go to District Collector? Why can’t it directly move from the Director of RD & PR to VP? The fund flow from the Director RD & PR to VP through the District Collector only reinforces the

	3). The District Collector has to work out the average demand for 6 months towards CC charge for TANGEDCO and water charge to TWAD 4). In case the full due is not met with the minimum SFC grant of Rs. 7 lakhs the balance is met by the 14th FC(BG). The quantum amount is deposited to the Account No.2 of the VPs concerned. The remaining amount is deposited to the Account No.3. 5). The District Collector has to release the earmarked amount to the Account No.1, 2 & 3 of the VPs. 6). It is mentioned that any amount is not supposed to keep at the district level.	guidelines are prepared such a way to protect the interest of the service providers, (TANGEDCO and TWAD).	latter's position as the Inspector of Panchayats. It gives an impression that the State Government and the District Collectors are protecting the interest of TANGEDCO and TWAD rather than the VPs.
22.Release of Fund (PG)	1). The Director of RD & PR has to furnish the list of eligible VPs for the receipt of PG from the 14th FC. 2). The Director of RD&PR has to release the PG to the District Collector 3). The District Collector has to release the amount to the concerned VPs to the Accounts No.1, 2 and 3 as per the dues available to the TANGEDCO and TWAD. 4). It is also mentioned that no amount is supposed to keep at the district level.	It is suspected that the major concern of the Government is to give directions to the VP to clear the electricity and water dues rather than the local economic development of the respective VPs. The VPs have made a point that the guidelines are prepared such a way to protect the interest of the two service providers, (TANGEDCO and TWAD).	Why the released amount under PG of FC should go to District Collector? Why can't it directly move from the Director of RD & PR to VP? The fund flow from the Director RD & PR to VP through the District Collector only re-enforces the latter's position as the 'Inspector of Panchayats'. "The State Government and the District Collectors are protecting the interest of TANGEDCO and TWAD even at the cost of the VPs", as commented by President of one VP.

23. Online entry of Annual Plan and progress in Plan Plus and TNRD Website	The detailed online entry of annual plan on work- wise and category- wise is available in the <i>Action Plan Soft and Plan Plus soft</i>. There is a mechanism for concurrent monitoring by the block and district administration. Based on the progress of the work, Government of India had released the fund. All the works under the 14th FC should be entered in website owned by the Govt. of India.	Around 60 % of the VPs had entered all the required data/ information in the online platform. Very rarely, the VPs could use the online data for monitoring /evaluation/ review at local level. Since the data has little utility at local level, no attention was made any MIS by the VPs.	Online entry of Annual Plan and progress in <i>Plan Plus</i> and <i>TNRD Website</i> is not enough. A <i>Transparency Portal</i> may be the answer which ensure (i) local government- wise (each GP, PU and DP), category- wise concurrent monitoring by civil society, media and local citizens (ii) maintaining and monitoring of information and fund flow from State Govt. to each VP/PU/DP and, (iii) monitoring outcome of all key players.
Documentation /Utilization Certificate	It is mentioned that the works taken up under the 14th FC should be properly documented at district level. Utilization certificate should be initiated from the concerned VP. The VPs have to submit to the District Collector and who has to consolidate and submit to the Directorate. The Additional Chief Secretary is entitled to modify the provisions of the guidelines in consultations with the director RD&PR Govt of Tamil Nadu.	No proper documentation of works which was taken up by the 14th FC grant both at the VP level and district level was available. All the VPs had utilization certificate of the concerned works.	Documentation /Utilization Certificate should be made mandatory and be accessible to the public.

Source: Responses of the Selected 19 VPs, Report of the 14th FC and various GOs and Guidelines of the Government of Tamil Nadu.

4.The Guidelines & GOs of the Government of Tamil Nadu, the Guidelines & Orders of the Ministry of Finance (MoF) Ministry of Panchayati Raj (MoPR), Govt. of India and its compliance with 14th Union Finance Commission (UFC)

Here, the Guidelines and GOs prepared by the Government of Tamil Nadu, the guidelines and orders of the Ministry of Finance (MoF) and Ministry of Panchayati Raj (MoPR), Govt. of India for administering the 14th UFC have been reviewed. The purpose is to see how the guidelines are complied with the recommendations of the FC and to take away the lessons for administering the recommendations of the 15th UFC. The Matrix No.2 has been prepared and analysed by in this context. The comments of the Research Team is a critique on the approach of the 14th UFC and its compliance. Our analysis with the support of the MatrixNo.2 show that the Guidelines and GOs prepared by the Government of Tamil Nadu for administering the 14th UFC are largely complied with that of the 14th UFC. However, there are some references which is against the letter and spirit of the ‘trust-based approach’ of 14th UFC.

Matrix No.2: Analysis of the Guidelines of MoF / MoPR, Govt of India and Govt. of Tamil Nadu that Operationalized the 14th UFC Recommendations.

14 th FC Recommendations	MoF / MoPR Guidelines	Govt. of Tamil Nadu Guidelines	Comments
1. Basic Grant (BG) and Performance Grant (PG) 90% and 10%, respectively.	# BG (90%) and PG (10%) to duly constituted GPs. # The cost of administrative and technical support towards O& M and capital expenditure should not exceed 10 % of the allocation to a GP/VP under any circumstance and expenditure can be incurred only by the GP/VP concerned. # (14th FC has not distinguished between O & M and capital expenditure within basic services.)	# The ratio is fixed for BG and PG as 90:10, respectively. # 2% of the annual allocation of the BG of the 14th FC is given to Account No.1 of every VP for meeting the cost of technical and administrative support for taking up some activities.	# Both MoF / MoPR and Govt. of Tamil Nadu Guidelines are in full compliance with the 14th UFC recommendations. # One additional advisory from the MoF / MoPR that the cost of administrative and technical support for O&M and capital expenditure should not exceed 10 % of the allocation of the GP/VP. It also insisted that the expenditure can be incurred only by the GP / VP concerned. The same provision was incorporated in the guidelines of the Tamil Nadu. This is an acceptable

			advisory. But the O&M expenditure had been cut short in to 2 % in Tamil Nadu as against 10 % by the advisory of the MoF / MoPR . It was reported that 2% is not enough for the purpose envisaged.
2.BG for GPs / VPs fixed at Rs.200292.20 crore, with state- wise share as stipulated.	BG fixed at Rs.200292.00 crore for GPs / VPs.	Government of India had earmarked an amount of Rs.8777.43 crore as 14 th FC grant to the State of Tamil Nadu for a period of 5 years (2015-16 to 2019-20). It has two components, Rs.7899.69 crore as BG and Rs.877.74 as PG.	Full compliance
3.BG for GPs / VPs to be distributed using formula prescribed by respective SFCs. In case SFC formula is not available, the GPs / VPs share should be distributed across them by using 2011 Census population and area based 90:10 ratio, respectively.	BG to be distributed by using formula prescribed by respective SFCs. If it is not available, the 14 th FC recommendations can be applied (by using 2011 Census population with 90 % weightage and area with 10% weightage).	The amount of BG of the 14 th FC was received by the Govt. of Tamil Nadu. And it was distributed based on the formula adopted by the 5 th SFC.	Full compliance (MoF / MoPR Guidelines and Govt. of Tamil Nadu Guidelines)
4.The entire amount of 14th FC to be distributed to PRIs is shared only to GPs / VPs. This is because the tier at village level is mandatory responsible for the delivery of core basic civic services. The other two tiers at	# Funds should be used for delivery of basic primary services and it may motivate the local citizens to pay for quality of services. Again, it is stated that funds to be used for planning and delivery of services within the functions devolved to the	Issued guidelines for the preparation of VPDP for comprehensive development of each VP including 'Perspective Plan' for a five-year period and 'Annual Plan'.	The 14 th FC recommendations did not stipulate the preparation of GP / VP level plans as a condition for the release grants (both BG and PG). But MoPR and Govt. of Tamil Nadu guidelines stipulated

middle and district were denied the share.	GPs as per the respective State Panchayat Raj Act. # As per the Act, rules, directions, guidelines, procedures of the respective states, a plan document should be prepared and expenditure to be incurred accordingly. # Expenditure is directed only for basic civic services.	for a planning process and the preparation of GPDP /VPDP. Though VPDP is the major achievement, the stipulation that GP/VP must prepare a plan document has opened the window for further conditionality. However, both MoF / MoPR and Govt. of Tamil Nadu Guidelines are not in compliance with the 14th FC recommendations.
5. Rs.20092.20 crore for GPs / VPs for a period of 4 years (2015-20) as PG based on two criteria (i) audited statement of account on receipt and expenditure and (ii) increase in OSR over the previous year. # The above criteria for the entire award year as the kept unchanged. # The State Government concerned should prepare the procedure and operational criteria for the disbursal of PG. It is decided based on the two eligibility conditions:	There are 3 pre -requisites for realising the PG. (i) In the first year (2015-16) no utilization certificate is required. All the successive years, utilization certificate of previous instalments is essential for releasing the grant. (ii)The concerned States have to prepare eligibility list of GPs/VPs entitled to PG, latest by March. The concerned States also have to notify ‘schemes’ for disbursement including incentive and operational criteria. (iii)The schemes for disbursement including incentive and operational criteria should be as per the 14th FC recommendation.	1. The Director of RD & PR has to furnish the list of eligible VPs for the receipt of PG from the 14th FC. 2.The Director of RD&PR has to release the PG to the District Collector 3. The District Collector has to release the amount to the concerned VPs to the Accounts No.1, 2 and 3 as per the dues available to the TANGEDCO and TWAD. 4. It is also mentioned that no amount is supposed to keep at the district level. MoF / MoPR guidelines stated that the concerned States also have to notify #These additional stipulations from MoF/MoPR are in accordance with the need for streamlining the procedure of the release and therefore, reasonable and required. On the other side, this provision has given more chance for MoF/MoPR create adapt more conditions for States and GPs/VPs to draw funds. The 14th FC stated that “the concerned States must incorporate 14th FC guidelines without any additions” and accordingly it is a defilement. # Why BG of FC should go to District

(i) audited account for a year not earlier than 2 years preceding the year in which the GP/VP is looking for PG, (ii) Improvement in OSR over the preceding year as reflected in audited accounts. # Union Government has to accept a detailed procedure prepared by States. The concerned States must incorporate 14th FC guidelines without any additions.		‘schemes’ for disbursement including incentive and operational criteria. The word on ‘schemes’ has opened the space for converting grants into ‘schemes’.	Collector? Why can’t it directly move from the Director of RD & PR directly to VP? The fund flow from the Director RD & PR to VP through the District Collector only reinforces the latter’s position as the Inspector of Panchayats. “The State Govt. and the District Collectors are protecting the interest of TANGEDCO and TWAD even at the cost of the VPs”, as commented by the President of one VP.
6.The GPs / VPs have to prepare book of accounts which should capture (i) income on account of own taxes (ii) non taxes (iii) assigned taxes (iv) devolution grants from the states (v) grants from FC (vi) grants for any agency functions assigned by Union / State Government.	The GPs / VPs have to prepare book of accounts which should capture (i) income on account of own taxes (ii) non taxes (iii) assigned taxes (iv) devolution grants from the States (v) grants from FC (vi) grants for any agency functions assigned by Union / State Government.	There is separate procedure to deal with the accounting procedure and to release the BG and PG from the 14th FC.	Full compliance (MoF / MoPR Guidelines and Govt. of Tamil Nadu Guidelines)
7.C&AG should continue the Technical Guidance and Supervision (TG&S). Concerned States should facilitate GPs/VPs to compile accounts and have audited in -time	# C&AG has to audit the release and transfer of grant -in- aid. It also conducts audit of expenditure in selected GPs / VPs in accordance with the TG & S.	Introduced C & AG audit. A detailed online MIS is suggested. The detailed online entry of annual plan on work- wise and category- wise is available in the	# C & AG audit is an additional stipulation to release and transfer the grant -in- aid from the side of MoF / MoPR. As it is part of the audit mechanism, it is desirable.

8.If any irregularities /mismanagement of funds strict action is recommended.	# State Govt. should facilitate TG & S of the C & AG and motivate GPs / VPs. The GPs / VPs to compile accounts have them audited in -time.	Action Plan Soft and Plan Plus Soft. There is a mechanism for concurrent monitoring by the block and district administration. Based on the progress of the work, the Govt. of India had released the fund. All the works under the 14 th FC should be entered in the website owned by the Govt. of India.	# Online entry of Annual Plan and progress in Plan Plus and TNRD Website is part of MIS and it is acceptable.
	# The approach of the 14 th FC was a 'trust based one'. In other words, the assumption is that the GPs / VPs discharge the respective statutory functions with all due care. On the other side, stern actions are suggested, if any irregularities /mismanagement of funds are seen.	. It is mentioned that the works taken up under the 14 th FC should be properly documented at district level. Utilization certificate should be initiated from the concerned VP. The VPs have to submit to the District Collector and who has to consolidate and submit to the Directorate. Additional Chief Secretary is empowered to modify the provisions of the guidelines in consultations with the Director RD&PR Govt. of Tamil Nadu.	Since arrangements are stipulated to ensure effective monitoring / transparency mechanism and address irregularities and it is acceptable and is in full compliance with MoF / MoPR Guidelines and Govt. of Tamil Nadu Guidelines.
	# It is recommended that States should constitute a High Level Monitoring Committee (HLMC) under the Chief Secretary with Secretaries of Finance, Panchayati Raj and Urban Development to monitor and carry out concurrent evaluation of the performance of the GPs / VPs to see the funds are properly utilized.		

Source: Report of the 14th FC, Guidelines of the MoF & MoPR, Govt. of India and various GOs and Guidelines of the Govt. of Tamil Nadu.

3.Functionaries of PRIs Across the State of Tamil Nadu

Major Recommendations

1. The VPs may be equipped with qualified functionaries who are professionally responsible and committed to the Panchayat Council. It can be either placed by deployment of a few staff at the Panchayat Union or by anew recruitment. The present imbalance in the domain of functionaries may be addressed. There should be an optimum level 3 Fs .
2. The number of VPs widely varies among the Panchayat Unions and the present level of variation may be reduced by restructuring the number of VPs. As much as possible, the number of VPs in each Panchayat Union may be in a uniform pattern .
3. It may be suggested to constitute an Administrative Reform Commission /Committee to study and report the measures to be followed for good governance at the grassroots .It is also to address the irregularities in public administration .
4. A special package may be needed to address the capacity deficit among the functionaries (officials)

Discussion on Functionaries of PRIs Across the State of Tamil Nadu

The general perception is that functionaries are the inevitable part of any organization for the effective discharge of functions. Moreover, it is also generally professed that organizations may need full authority to deal with the functionaries in terms of recruitment, posting, fixing of salary and allowances, control, taking disciplinary action, if needed. The Panchayati Raj Institutions (PRIs), especially Gram Panchayats, are vested with general functions and functions related to planning and implementation of developmental schemes. While appointing functionaries to the PRIs, the principle of economy of scale is also to be considered, as it is not feasible to appoint a number of functionaries to a Panchayat with a relatively small population. The numbers and duties of functionaries of PRIs in general and specific to each tier vary from State to State. Very often, without considering the state specific factors, the functionaries are being compared and wrong conclusions are arrived at. The staff position of the Panchayats in Tamil Nadu is generally misconstrued without considering the logic, philosophy, the structural relations of the vertically and hierarchy organized tiers of the panchayat system

Are VPs really understaffed? - An exploration of the functionaries of VPs, show that most of the States are faced with a shortage of functionaries. The Secretaries of the PRIs are supposed to be the key functionaries since the execution of day-to-day functions/ activities vested in him/her. But many States in India do not have a Secretary for every Gram Panchayat. Tamil Nadu is a State where one Secretary is in charge of each VP but also does not have functionaries other than Secretaries for day-to-day functioning of Panchayats. Out of the 19 selected VPs, only one has an ‘in -charge arrangement’ (Kadinamala). This is an exceptional case where the Secretary post is reserved for a widow of a particular tribal caste (*Arunthathiyar*) and the district administration could not find a person to recruit the post. There are contract staff in every Panchayat and the designation, and the number varies. Mainly, the contract staff are in four categories, (i)OHT Operator. (ii)Sweeper, (iii)Librarian and(iv) Sanitary Worker. While looking at the staff pattern in the VP, one may get an impression that the VPs are ‘highly understaffed’. However, when one looks the staff pattern of both the tiers together (VP and

Panchayat Union), the picture may be different. More than half of the staff in the Panchayat Union are supposed to render their respective service to the VPs. Since the VPs vary across the state, a uniform staffing pattern becomes problematic. Therefore, a system was designed at the Panchayat Union level to provide the service to the VPs. There is one BDO and 8 Deputy BDOs exclusively for the supporting VPs. The duties and responsibilities of the 8 Deputy BDOs are well demarcated. Apart from one each for general administration of 11 VPs, Audit and MGNREGS, there are 5 Zonal Deputy BDOs to support two VPs each. To provide technical support exclusively to the VPs, an engineering wing headed by one Assistant Engineer and 6 Junior Overseers have also been appointed. In addition to this, there are six Accountants, three Assistants, two Junior Assistants, one Typist, one Clerk, one Record Clerk and 4 Office Assistants. It is also important to note that the service of 4 Welfare Officers (Grade 1) and 7 Rural Welfare Officers (Grade 2) are shared by the 11 VPs and one Panchayat Union. The Diagram is constructed by the staff structure provided by the Jawadu Hills, Tiruvannamalai District, Tamil Nadu. The Purple colour in the Diagram is marked as the staff who are supposed to provide service for 11 VPs whereas Navy Blue colour indicate the staff under the Panchayat Union.

As per the administrative norms and the analysis of work study, the total strength of the staff, both technical and non-technical, placed at the Panchayat Union, who are supposed to provide service among 11 VPs cannot be treated as ‘understaffed’(?). The number of VPs widely varies among the Panchayat Unions, during our field work we could come across large Panchayat Unions which has to support 50 VPs whereas in another Panchayat Union only 7 VPs coming under it. Here, the most critical question is that what is the role and functions of the concerned staff who are placed at the Panchayat Union. Are the concerned VPs satisfied with the service of the staff who are supposed to backing the Panchayats by providing desirable service? The answer is not affirmative, as reported by many Presidents of the VPs. The major complaint is that instead of ‘supporting’, ‘helping’, ‘coordinating’, the concerned staff is more concern on ‘supervising’, ‘inspecting’, ‘scrutinizing’, and ‘examining’. One VP has made a very disturbing comment that ‘they are mainly doing some sort of policing’. So what is the present reality in the VPs. Whether the three ‘Fs’ (functions, finance and functionaries) are proportionally arranged in a workable and balanced design mode? High level imbalance between the 3 Fs is reflected in the recent Devolution Index Report. The low level of devolution of functionaries which is disproportionate to the other two Fs (functions and finance). In this context, the poor devolution in terms of functionaries in the VPs has to be addressed either by deployment of staff or by appointing required number of competent staff. This is an area which needs urgent attention and requires expert opinion. It may be better to constitute an administrative reforms commission /committee .

From the perspective of administrative reforms, the critical question is how to ensure the service of the concerned staff who are placed to support the VPs to the satisfaction of the latter. This is a challenge in the domain of CB&T and also requires reorientation of the local bureaucracy placed there to support the VPs within the jurisdiction of the area. It was felt that the logic and rational for such a decision is that the scale of economy and technology may not very favourable for appointing individual staff for each VP which are very small in terms of number of households and limited requirement of expertise for the VPs. (Some points

mentioned here was also mentioned in section under ‘Vertical Devolution’. But since it is an important point in this context, repetition may justified).

The Panchayat Union is designed as common place where all the technical and non-technical persons are available and their respective ‘services’ are available rather than the ‘functionary’ as such. What we try to argue is that the staff who are located at the Panchayat Union needs facilities their temporary deployment to the VP to perform a particulate task. In many cases it is reported that a lethargic behaviour has crept among the staff due to scarcity of travelling allowances. In many cases the functionaries who are supposed to make site visits and field supervision have to heavily depend on the contractors which in turn may lead to rent seeking behaviour. In this context, a reasonable travelling allowance which is enough to facilitate the field staff to conduct their site visit and field supervision form the grant, may be earmarked either by the decision of the Panchayat Union Council or SFC can make some provision from the suggested 20 per cent. Our suggestion for 20 percent share for the Panchayat Union (PU) from the SFC is backed by these issues. See Table No. 2.10.

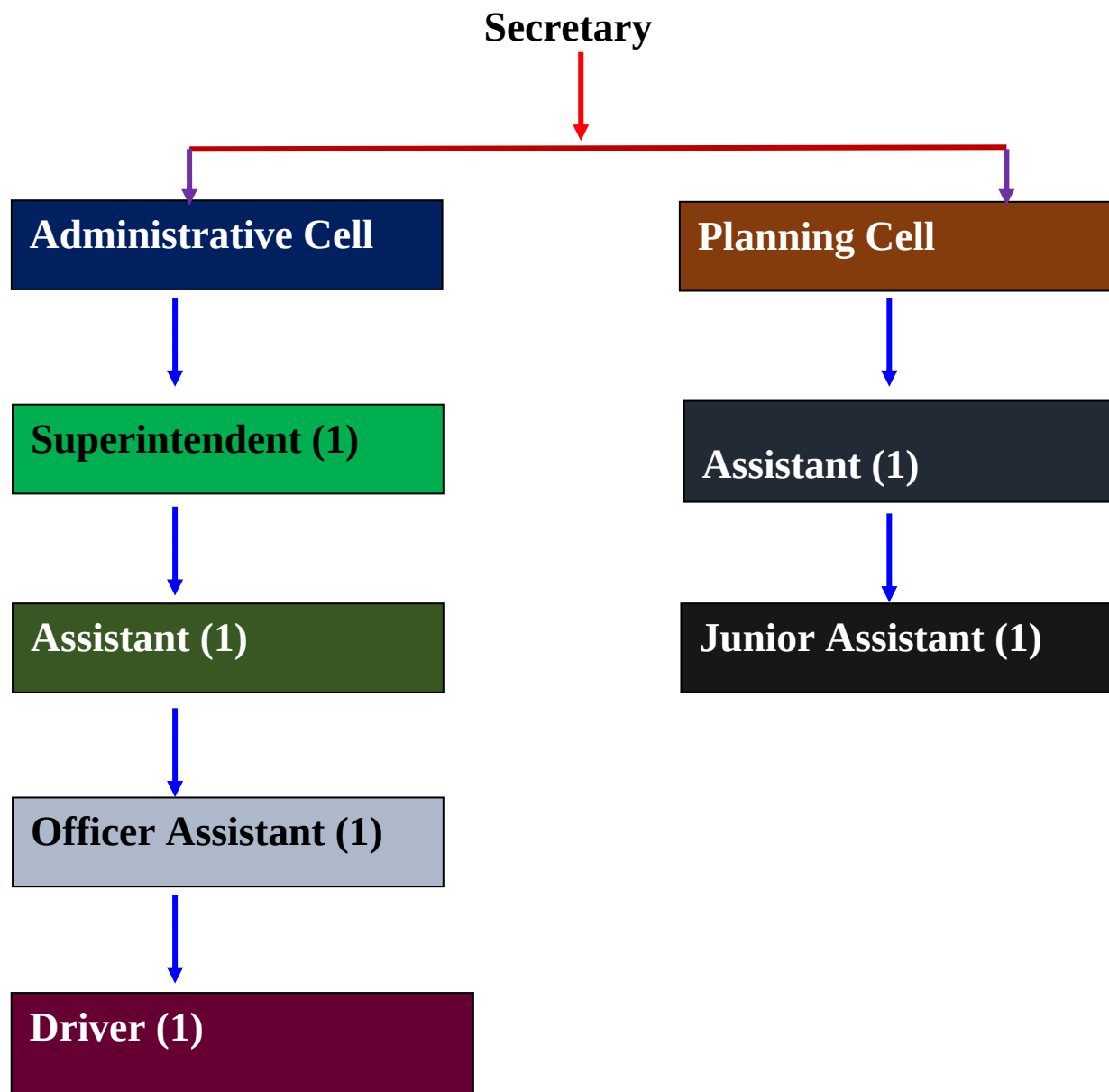
Table No. 2.10: Staff Details of the 19 Selected VPs in Tamil Nadu

SL. No	Name of Panchayat	Designation				
		Secretary	OHT Operator	Sweeper	Librarian	Sanitary Workers
1.	Ahamalai	1	1	1	0	0
2.	Balamore	1	0	0	1	0
3.	Jambulingapuram	1	3	1	1	3
4.	Kadinamala	1(In Charge)	-	-	-	1
5.	Karakathikottai	1	1	1	1	2
6.	Karivedu	1	2	1	1	2
7.	Keeranatham	1	1	2	0	10
8.	Kovilur	1	57	4	1	16
9.	Lakkiampatti	1	34	12	-	49
10.	Manchukondapalli	1	2	-	-	1
11.	Marudhathur	1	2	-	-	-
12.	Pudumadam	1	4	1	0	10
13.	Puthambur	1	5	1	1	4
14.	Valathi	1	2	3	-	7
15.	Vaniangudi	1	20	2	1	16
Madurai District						
16.	Chinnakkatlai	1	2	3		
17.	Sakkilipatti	1	1	2		
18.	Erkudi	1	3	8		
	Achampathu *					
19.	Vandapuli	1	2	3		

Source: Data Furnished from VPs in Tamil Nadu

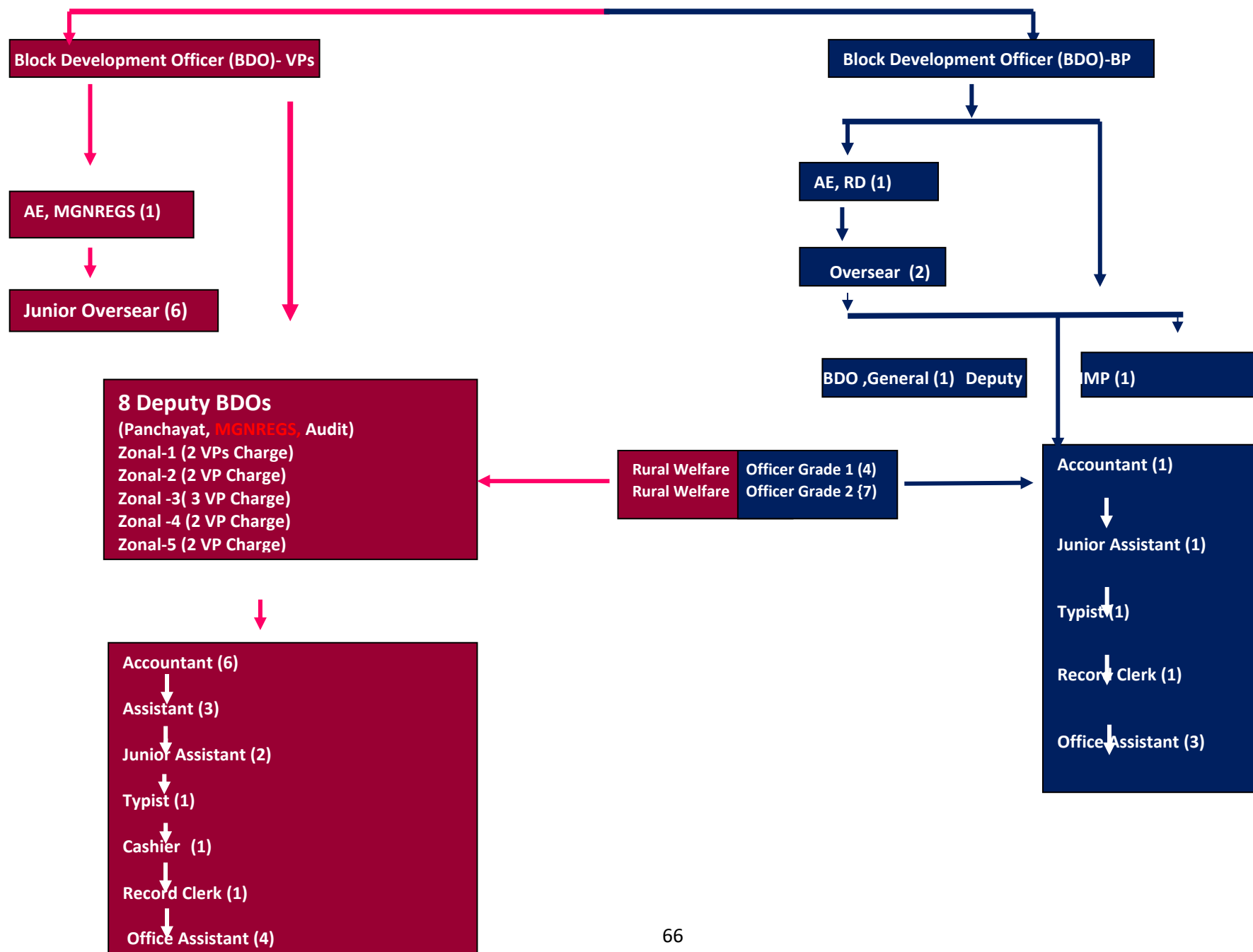
* Note * 4 contract/part time staff

Figure No.7: The Staff Structure in the Madurai, District Panchayat



Source: Information Collected from Madurai District, Tamil Nadu

Fig 8. The Staff Structure in the Panchayat Union, Jawadhu Hills, Tiruvannamalai District



Source: Information Collected from Jawadhu Hills PU, Tiruvannamalai District, Tamil Nadu.

4. Surplus and Deficit Panchayats in Tamil Nadu

Major Recommendations

1. We have a suggestion that a special package may be introduced to wipe off all the deficits in the accounts of the VPs. It is better to constitute a committee which may be authorized to work out the volume of deficit Panchayats and its total financial commitment. In other words, the deficit amount is the pending dues accumulated in the Panchayats towards TWAD and TANGEDCO. An opportunity should be given to all VPs in the State to start their activities in a clean slate. Once a clean slate is offered, there is a possibility to move the VPs in to a business mode may be more. A new generation of 'Smart VPs' may emerge from this exercise.
2. If the above proposal is not feasible and acceptable, then the VPs will be allowed to accommodate with its own accumulated surplus amount to settle the dues reflected.

Field findings on Surplus and Deficit Panchayats in Tamil Nadu

1. The Process of Accumulating Surplus in accounts of VPs

A two and a half decade of devolution based on a variety of formulae have changed many VPs and Panchayats Unions into having surplus funds. Number of factors have contributed to such an achievement. It is a fact that the devolution grants from the State Finance Commissions (SFCs) has been the main source of financing for the Panchayats. However, the Own Source Revenue (OSR), the contribution of various awards of the Union Finance Commissions, centrally and state sponsored schemes, local contributions and citizen participation have also contributed to a certain extent in shaping the economic viability of the Panchayats. The current annual financial statement of the VPs shows that majority of them are in surplus. As per the analysis of the latest balance sheet, the total accumulated surplus of the 19 selected villages is Rs.52,94,17,856. The average accumulated surplus per VP is worked out as Rs.2,78, 64,098. The details of surplus accumulated as 'Unspent Balance Amount in the Account' of the selected 19 VPs is shown in Table No. 2.11. These accumulated surplus raises two important questions - is it desirable, and is it economically prudent? Meanwhile, the general assumption is that accumulating large surplus is neither desirable nor economically prudent for institutions of self-governing and therefore should not be encouraged. It may be a symptom of governance deficit which needs a serious analysis. Here, there are a few pertinent questions on the process of 'accumulating surpluses in the various accounts of the VPs.

2. Whether the accumulated surplus is real one?

- a. If the answer is affirmative,
- b. Then, whether the surplus is generated after addressing the real 'need-based devolution' (needs and aspirations of the local community from the VPs)?
- c. If the surplus is accumulated in the accounts without addressing the need-based devolution of the local community, then how can it be termed surplus? Does it indicate the poor absorption capacity of the Panchayat?

d. Does it reflect the poor autonomy and freedom in spending the resources by the Panchayat Councils?

e. Is it the result of 'bureaucratic capture' and its culture?

f. Could it be a combination of many factors of open and covert in nature?

We held discussions with key actors to address these questions. Our discussion with the key actors of the VPs on the issue of accumulating surplus in the various accounts of the Panchayats prove some degree of correlation between accumulating surplus and devolution of functional freedom of the VPs. While accepting our limitations to probe further on the very important issue we are equally excited to locate it and to suggest a detailed enquiry to understand the process of accumulation of 'so called surplus' in the VPs.

3.The Process of Deficit Panchayats

While seeing the processing of accumulating surplus in the VPs, simultaneously an opposite trend is also seen in some Panchayats, an issue of 'deficit' and even 'chronic deficit'. Details of deficit Panchayats from selected districts shown in Table No. 2.12 and details regarding the deficit amount in the selected VPs is given in Table No 2. 13. The issue was seriously discussed in the 5th SFC and it recommended that 10 per cent of the overall devolution intended for Rural Local Governments be credited into a pooled fund and distributed to the deficit Panchayats. In response to the recommendations of the of the 5th SFC, "the break up pooled fund had been done as 40 per cent to deficit Panchayats, 20 per cent vested with Director of Rural Development and Panchayati Raj, 20 per cent with District Collectors and 20 per cent to TWAD to meet deficit on combined water supply schemes". The list of deficit Panchayats include 127 Panchayat Union and 3921 VPs. As per the Govt. Order (Ms.) No. 94 Rural Development and Panchayati Raj (PRI-1) Department dated 23/8/2017 an amount of Rs. 515.94 crore has been sanctioned as pooled fund for deficit Panchayats for the year 2017-18.As per the Govt. order (Ms.) No. 74 Rural Development and Panchayati Raj (PRI-1) Department dated 01/06/2018 an amount of Rs. 590.19 crore has been sanctioned as pooled fund for deficit Rural Local Governments for the year 2018-19.

4. What are the Policy Suggestions to address the Deficit fund Syndrome in Panchayats?

It is learnt that the deficit VPs are under severe pressure and humiliation due to the pending payments towards two service providers - electricity and water. The morale and self -esteem of the chronic deficit Panchayats are extremely painful. All the major 'initiatives 'taken by the State Government based on the recommendations of the 5thSFC did not have any effective policy suggestions to address the issue of deficit syndrome in VPs. Attempt were also made to 'divert' some award amount from the 14thFC while depositing the same in a 'protected envelop' (Account No.2) to operative exclusively for the payment towards TWAD and TANGEDCO. All these attempts did not make a positive impact. Our effort to document the details of the deficit Panchayats both at the aggregated and disaggregated levels could not yield much good results. It was surprising to know that some Panchayats seem to be a surplus as well as a deficit panchayat at the same time!. For example, take the case of Lakkiampatti VP from Dharmapuri District, which has an accumulated amount of surplus with Rs.33393024 (Refer

Table No.2.11) whereas the deficit is Rs. 11187915 (Refer Table No. 2.14). Same is the case with Manchukondapalli VP from Krishnagiri district, has a surplus of Rs. 19637073(Refer Table No. 2.11) and deficit of Rs.918099 (Refer Table No. 2.15). If the surplus is coming under Account 2 , after clearing the electricity and water dues, the Panchayats should be allowed to utilise the surplus funds for productive and need based projects arising from the Gram Sabha.

5. Consequences

It is evident that one of the challenges faced by the Panchayats in Tamil Nadu', is the spectre of 'surplus and deficit Panchayats'.The pertinent question here is how prevalent is this syndrome and how to defeat this spectre? Whenever there is any demand from the local citizens for any core basic services, in many incidents, it will be rejected by the Panchayat on the ground that it is 'deficit one'. The interesting point is that 'spectre of deficit Panchayat' is used as a tool to dishonour any need-based devolution and aspirations of the marginalized community.

We have a suggestion that a special package may be introduced to wipe off all the deficits in the accounts of the VPs. It is better to constitute a committee which may be authorized to work out the volume of deficit Panchayats and its total financial commitment. In other words, examine if the deficit amount is the pending dues accumulated in the Panchayats towards TWAD and TANGEDCO? An opportunity should be given to all VPs in the State to start their activities on a clean slate. Once a clean slate is offered, there is a possibility to move the VPs in to a business mode. A new generation of 'Smart VPs' may emerge from this exercise. If the above proposal is not feasible and acceptable, then the VPs may be allowed to accommodate with its own accumulated surplus amount to settle the dues reflected. It is seen that from our sample, for example, the Lakkiampatti and Manchukondapalli can VPs have the potential to clear their pending dues to TWAD and TANGEDCO by adjusting their own surplus if it is allowed to do so. The same may be the case with other VPs too. However, a detailed exercise needs to be taken up to assess the underlying causes of this conundrum of 'deficit-surplus' panchayats.

Table No 2.11: Detail of the Surplus Accumulated as ‘Unspent Balance Amount in the Account’ of the 19 Selected VPs

Sl No	Name Of the VP	Account No. (Amount in Rs)											
		Account No-1	Account No-2	Account No-3	Account No-4	Account No-5	Account No-6	Account No-7	Account No-8	Account No-9	Account No-10	Account No-11	Total
1.	Ahamalai	8312.84	3949810	20078	7655	0	14889165	0	0	0	0	0	18875020.84
2.	Balamore	2379295	3947018	154851	0	0	0	358231	0	5279210	0	0	12118605
3.	Jambulingapuram	75601	1213235	729262	0	0	0	49656	8976	3111305	0	0	5188035
4.	Kadinamala	33093	5410859	55295	0	0	0	352260	77082	2051203	0	0	7979792
5.	Karakathikottai	513972	1977449	489964	0	0	113	114941	30218	3488879	0	0	6615536
6.	Karivedu	214161	1438199	248849	0	0	0	43099	7742	772309	0	0	2724359
7.	Keeranatham	299273719.5	629227	1460765	0	0	0	424051	82172	7158519	23236345	0	332264798.5
8.	Kovilur	173813	285647	5670854	0	0	0	363592	17434	28458622	0	0	34969962
9.	Lakkimpatti	3076079	2097	540488	0	0	0	1068415	885284	27820661	0	0	33393024
10.	Manchukondapalli	390442	4351251	3064423	0	0	0	428366	91404	14375610	0	0	19637073
11.	Marudhathur	22315	424318	2276029	0	0	0	390045	27937	1786511	0	0	4927155
12.	Pudumadam	2043.04	267710.48	872702.06	0	0	0	200046.67	332457.31	4840420.59	0	0	6515380.15
13.	Puthambur	49122.60	1091.10	924076.10	0	0	0	137100.00	17336.00	2045411.00	0	0	3174137
14.	Valathi	469709	2075795	2640886	0	2088142	0	146355	245531	23231	0	0	7689649
15.	Vaniangudi	37335.35	5411554.81	687702.51	0	0	0	1411678.51	160704	9345739.64	0	0	17054714.82
4 Selected VPs from Madurai District													
16.	Chinnakkattalai	30032	321297	89452	0	0	0	58970	4970	1891317	28043	0	2424081
17.	ErkudiAchampathu	3725713	131003	29381	0	0	0	348602	0	2517694	0	0	6752393
18.	Sakkilipatti	12044	2490395	20735	0	0	0	62588	4555	1967195	0	0	4557512
19.	Vandapuli	31439	243253	79403	0	0	0	67790	2360	2104341	28043	0	2556629
	Total	9974082	25366772	4693390	7655	2088142	14889278	4230278	1523942	66463376	23292431	0	529417856
	Average	524952	1335093	247021	403	109902	783646	222646	80207	3498072	1225917	0	27864098

Source: Data Collected from Selected 19 VPs in Tamil Nadu

Table No. 2.12: Details of Deficit Panchayats from the Selected Districts

Sl. No	Name of the District	Total No. of GPs	Number of deficit GPs	% of deficit GPs	Total deficit amount (in Rs.)
1.	Coimbatore	227	Data Yet to be Furnished		
2.	Cuddalore	683	Data Yet to be Furnished		
3.	Dharmapuri	251	117	47 %	123227968
4.	Kanyakumari	95	54	57 %	91773862
5.	Karur	157	Data Yet to be Furnished		
6.	Krishnagiri	333	100	30 %	43770882
7.	Madurai	420	Data Yet to be Furnished		
8.	Pudukkottai	497	159	32 %	Data Yet to be Furnished
9.	Ramanathapuram	429	Data Yet to be Furnished		
10.	Ranipet*		Data Yet to be Furnished		
11.	Sivagnaga	445	Data Yet to be Furnished		
12.	The Nilgiris	35	7	20 %	Data Yet to be Furnished
13.	Theni	130	Data Yet to be Furnished		
14.	Thiruvannmalai	860	Data Yet to be Furnished		
15.	Thoothukudy	403	Data Yet to be Furnished		
16.	Villupuram	688	Data Yet to be Furnished		

Source: Data Collected from selected districts in Tamil Nadu

Table No.2.13: Details of amount deficit in selected 19 VPs

Sl. No	Name of the VP	Amount (in Rs.)
1.	Ahamalai	Data Yet to be Furnished
2.	Yerkudi Achapathu	Data Yet to be Furnished
3.	Balamore	No deficit
4.	Chinnakattalai	Data Yet to be Furnished
5.	Jambulingapuram	Data Yet to be Furnished
6.	Kadinamala	No deficit
7.	Karivedu	No deficit
8.	Karkathikottai	No deficit
9.	Keeranatham	Yes
10.	Kovilur	No deficit
11.	Lakkiampatti	11187915#
12.	Manchukondapalli	918099#
13.	Marudhathur	No deficit
14.	Pudumadam	Data Yet to be Furnished
15.	Puthambur	Data Yet to be Furnished

16.	Sakkilipatti	Data Yet to be Furnished
17.	Valathi	No deficit
18.	Vandapuli	Data Yet to be Furnished
19.	Vaniyangudi	Yes

The detailed breakup (accumulated amount and current amount) on deficit of Lakkiampatti and Manchukondapalli is provided in Table No. 4 and Table No.5 respectively

Source: Data collected from the selected 19 VPs in Tamil Nadu

Table No. 2.14: Detailed Breakup (Accumulated Amount and Current Amount) on Deficit of Lakkiampatti VP, Dharmapauri District, Tamil Nadu (Amount in Rs.)

Outstanding CC Charges on 01/10/2021	Demand Raised During the Month 10/2021	Total Amount Outstanding	Amount Received and Credited During the Month 10/2021	Balance Amount Outstanding (to be paid) as on 31/10/2021
10129862	1058053	11187915	Nil	11187915

Source: Data Furnished by Lakkiampatti VP, Dharmapauri District, Tamil Nadu

Table No.2.15: Detailed Breakup (Accumulated Amount and Current Amount) on Deficit of Manchukondapalli VP, Krishnagiri District, Tamil Nadu (Amount in Rs.)

Outstanding Amount on 2017-18	Outstanding Amount on 2018-19	Outstanding Amount on 2019-20
533908	893849	918099

Source: Data Furnished by Manchukondapalli VP, Krishnagiri District, Tamil Nadu

5. A Special Package to Address Multiple Deprivation at VPs and Sustainable Development Goals (SDGs) by applying Deprivation Index of VPs through Mission Antyodaya Survey

Major Recommendations

We suggest a special grant of Rs. 50 lakhs to each Most Deprived /Most Vulnerable category VP and Rs. 25 Lakhs to each Deprived /Vulnerable VP. This has a special importance in the context of SDGs and its local application at the grassroots levels. The amount needed for the 'Most Deprived /Most Vulnerable VPs' = $28 \times \text{Rs. 50 Lakhs} = \text{Rs. 14.00 crore}$. The amount needed for 'Deprived /Vulnerable VPs' = $262 \times \text{Rs. 25 Lakhs} = \text{Rs. 65.50 crore}$. Total amount needed = Rs. 79.50 crore, say Rs. 80.00 crore.

A Note on A Special Package to Address Multiple Deprivation at VPs and Sustainable Development Goals (SDGs) by applying Deprivation Index of VPs (VPs) through Mission Antyodaya Survey

As part of analysing 'Need Based Devolution' (NBD) we seriously searched for a methodology to identify the deprivation and marginalization process which is undergoing in the two domains of infrastructure /institutional and social processes in the rural areas of Tamil Nadu. Our approach towards inclusion of deprived communities and spatial entities into the socio economic and political process is a three -pronged approach; (i) to assess the gaps in the spatial entities (infrastructure facilities of physical, social, economic and institutional capital) existing in the area covered by the Panchayat which gives adequate weightage to a well-designed deprivation index., (ii) to assess the deficit in capability of the local community mainly comprising of the most deprived people of the Panchayat which again gives adequate weightage to a well- captured index of capability deprivation (say, capability deprivation index) and (iii) to construct another cumulative 'Deprivation Index' of the summation of the above two indexes with a score for accommodating both the above two constructed values. We found that data from Mission Antyodaya Survey can be used to classify the VPs in Tamil Nadu and to contextualize SDGs at Panchayat level to address multiple deprivation.

Mission Antyodaya (MA) Survey

Mission Antyodaya (MA) was first adopted in the Union Budget, 2017-2018. It is envisaged as an accountability and convergence framework for transforming lives and livelihoods on measurable outcomes on panchayat /village base. The MA is a scientific yet novel initiative of the Government of India to converge as well as to manage the optimum resources allocated by 27 Ministries of the Union Government to accelerate development in rural areas. It strives to realize the vision of poverty-free India. It aims at the well-being of one crore households to make 50,000 Village /Gram Panchayats (VPs/GPs) poverty free by addressing multi-dimensional poverty in India through convergence of programmes and schemes along with a saturation approach that focuses on raising

income and institutional strengthening. That is, it involves convergence of schemes to raise income of households through a cluster approach and the GPs serve as the focal point of convergence. It also enables convergence, partnerships and networking with professionals, institutions, and enterprises for the transformation of rural livelihoods. For instance, Self Help Groups (SHGs) are a grassroots level networking group that has been successful in social mobilization at the local level which has helped them to be successful when it comes to convergence approach. Under the MA, priority is given to SHGs in Antyodaya clusters where they play crucial role in strengthening of agriculture, horticulture, and animal husbandry activities along with other developmental activities at the grassroots level. To ensure accountability, the MA framework stresses on strengthening capacity for social audit at the local level. Thus, the MA is built on the foundation of convergence, accountability, and measurable outcomes to provide sustainable livelihoods to the rural poor. In other words, it aims to converge government interventions in the form of schemes and programmes with VPs as the basic unit for planning and adopting a saturation approach by pooling human and financial resources to provide sustainable livelihoods. An annual survey in VPs across the country is an important aspect of the MA framework. Popularly known as MA Survey, it ranks the VPs on the basis of the score obtained on various parameters used in the MA Survey. Since its inception, the Survey has been carried out prior to the preparation of the VPDP/GPDP. The survey data and findings are used as a base to assess the gap in each VP and villages in terms of infrastructure, access to basic amenities and the overall socio-economic and human development (including gender development). These gaps have to be addressed in the VPDP/GPDP.

Primary Objectives of MA

- To ensure effective use of resources through the convergence of various government schemes with VPs as the basic unit of planning.
- To build and encourage partnerships with network of professionals, institutions, and enterprises to strengthen and transform rural livelihoods.
- Conduct a nationwide MA Survey to assess the measurable outcomes at the VP level and to assess the gaps that needs to be addressed.
- Support the process of participatory planning for VPDP/GPDP by addressing the gaps found in the survey and thus develop a focused micro plan for sustainable livelihoods by improving governance and service delivery at the grassroots level.

Methodology Adopted for MA Survey

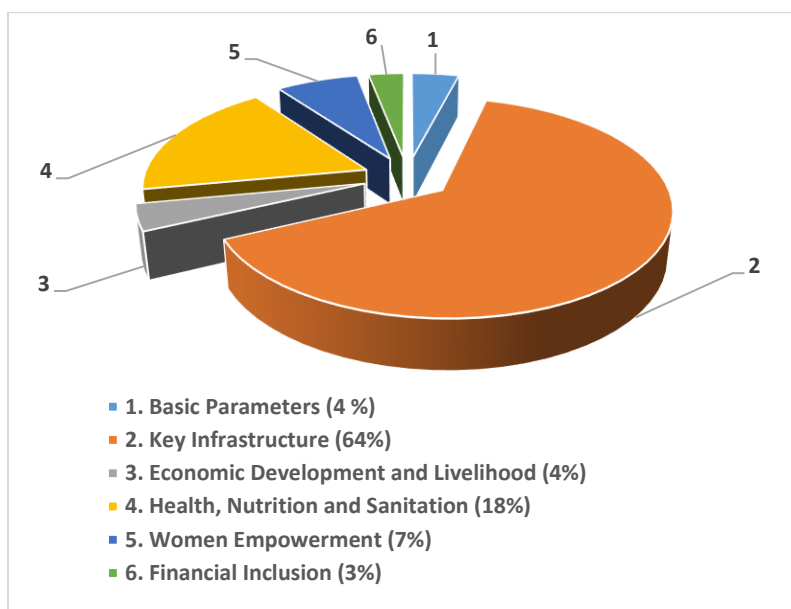
The MA Surveys are conducted at the VP level, if a VP has more than one village, the average will be taken as the score value for the VP.

Parameters and Score Value for MA Survey 2017 and 2018

As a precursor to the preparation of annual VPDP/GPDP, the MoPR has directed all the States to undertake the MA Survey every year - a survey by which the VPs all over the country are ranked

based on three indicators i.e., basic infrastructure, human development, and economic activity. By this exercise, the development gaps needing specific intervention are identified and the VPs prepare the VPDP/GPDP. In 2017 and 2018, the VPs were ranked on the basis of 46 parameters but only six out of 29 subjects devolved were evaluated. In other words, 46 parameters connected to six subjects such as (i) health, nutrition, and sanitation (ii) economic development and livelihood (iii) financial inclusion (iv) basic parameters (v) key infrastructure (vi) women empowerment only were evaluated (Figure No. 9).

Figure No.9: Subjects Evaluated and Ranking Parameters in MA Survey 2017&2018



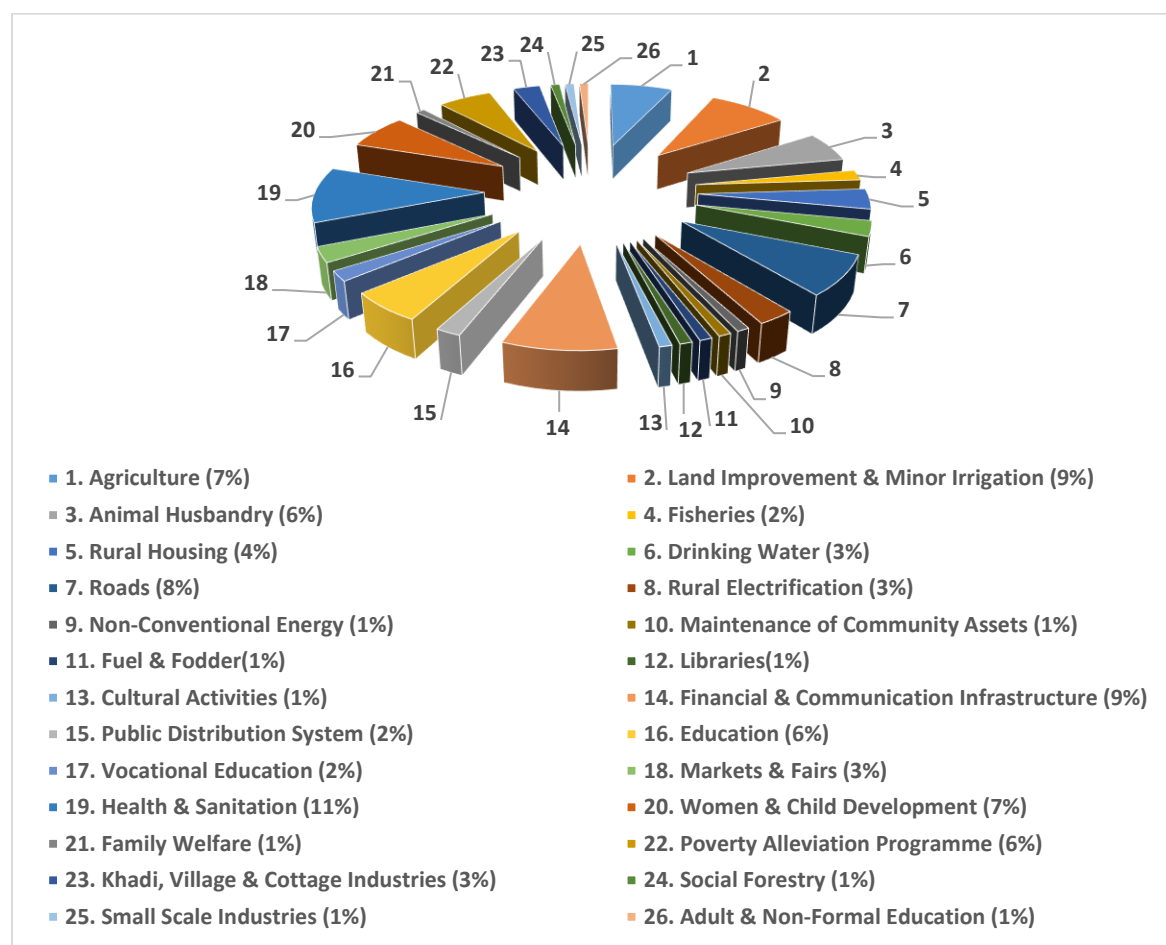
Source: Compiled and Computed by the authors based on the inputs from MA Website

In 2017 and 2018, there were 46 parameters, and the maximum score was 100. The major limitation of the parameters and score value applied in the MA Survey 2017 and 2018 is that only limited association has been established between the questions in the parameters and the functional domain of the VP. When all the four questions in the MA Survey format of 2018 were distributed, it was found that there were no questions related to 12 subjects. Another major criticism against the MA Survey 2017 and 2018 is that it has not covered all the 29 subjects transferred to the VPs.

Parameters and Score Value for MA Survey 2019 and 2020

The MA Survey 2019 is a restructured one and some of the limitations of the earlier exercise were rectified. As in the case of the Survey in 2018 within the same methodological framework, the MA Survey 2019 was conducted at the village level. However, the number of the parameters and the score value were drastically changed. The parameters were increased from 46 to 112 to cover all the 29 subjects transferred to the VPs as per the Eleventh Schedule of the Constitution (Figure no. 10).

Figure No.10: Subjects Evaluated and Ranking Parameters in MA Survey 2019 & 2020



Source: Compiled and computed by the authors based on the inputs from MA Website, MOPR.

However, out of the 29 subjects only 26 subjects were given score value and three subjects (social welfare, welfare of the weaker sections and minor forest produce) were assigned zero value. Two subjects (i). land improvement, implementation of land reforms, land consolidation and soil conservation and (ii). minor irrigation, water management and watershed development) are clipped in to one as ‘land improvement and minor irrigation’. One new subject namely ‘financial and communication infrastructure’ were included in addition to the 29 subjects transferred to VP. Though the total score values have been fixed as 100, the value of each parameter has been changed as per the increase in the number of questions. In 2019, the number of parameters used for scoring has been increased from 46 to 112. Therefore, the VPs score value of 2019 may not be comparable with that of 2017 and 2018. However, the comparison may be possible only if all the methodological cautions in the background are taken seriously. Along with the comparison of the score value of the VPs in 2018 and 2019, the other level of comparisons such as average score value of the VPs at the district and state levels also may be possible. The MA methodology as

well as parameters and score value have remained unchanged since 2019. Attempts are being made to revise the parameters and score value for the MA Survey by incorporating more emphasis on drinking water by incorporating components of Jal Jeevan Mission under Department of Drinking Water & Sanitation, Ministry of Jal Shakti. Ministry of Skill Development and Entrepreneurship is also supporting the Jal Jeevan Mission as the installation of Functional Household Tap Connection (FHTC) to every rural household requires skilled workforce in areas like masonry, plumbing, fitting and electricity.

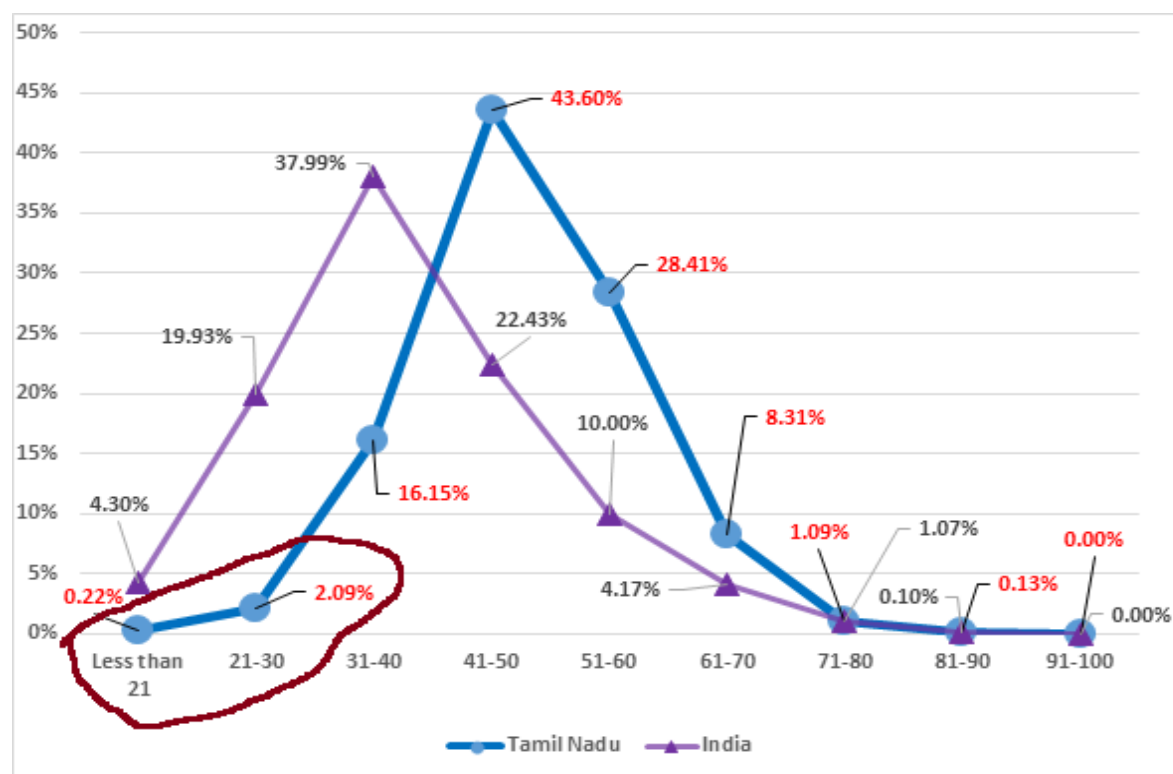
Design of Survey tool for MA Survey.

The questionnaires that have been designed for the MA survey are classified as Part A and Part B. Part A deals primarily with the availability of the infrastructures under 29 subjects. VPs are expected to ensure economic empowerment and social justice to the rural poor through implementation of development activities. Whereas Part B deals with the services availed by the rural poor under sectors like health, nutrition, social security, water management and efficiency for a decent living.

Mission Antyodaya in Tamil Nadu

Two values (All India and Tamil Nadu) plotted in the graph (Figure no.11). X axis represents the score range (less than 21 to 91-100) of VPs and the Y axis represents the percentage of VPs falling under the respective score range. From the graph it is evident that India appears to be near to Y axis, below 41-50. However, in the case of Tamil Nadu, it is above 41-50 and it is located far away from the Y axis. Average score of Tamil Nadu in the year 2020 is 48.

Figure No. 11: MA Survey 2020: Grouping of VPs Based on Score Range



Source: Computed and Compiled from Mission Antyodaya Survey 2020

We have classified the VPs as ‘most deprived’ /‘most vulnerable’ and deprived /vulnerable according to the score value in MA survey 2020. The circled portion in the Figure No. 11 shows the most vulnerable and vulnerable VPs. The VPs with a score value less than 21 comes in most vulnerable groups and there are 28 VPs in this group They are classified as the ‘*Most Deprived /Most Vulnerable Villages Panchayats in the State of Tamil Nadu*’ in terms of infrastructure, access to basic amenities and the overall socio -economic and human development. VPs with a score value of 21 to 30 comes under vulnerable groups and 262 VPs comes in the category of vulnerable VPs. Again, they are classified as the ‘*Deprived Villages Panchayats in the State of Tamil Nadu*’ in terms of infrastructure, access to basic amenities and the overall socio -economic and human development.

‘Most Deprived /Most Vulnerable Village Panchayats’ (VPs) in the State of Tamil Nadu

The 28 VPs coming under most deprived /vulnerable category is distributed among 13 various districts of the State. They are distributed as follows - Chengalpattu(2 VPs), Erode(1 VP), Krishangiri (2 VPs), Namakkal(1 VP), Pudukkottai(2 VPs), Ramanathapuram(3 VPs), Ranipet(2 VPs), Salem(3 VPs),Sivaganga(2 VPs),Thiruvallur(1 VP), Thirupathur(3 VPs), Thiruvannamalai (2 VPs)and Virudhunagar(4 VPs).

‘Deprived /Vulnerable Village Panchayats’ (VPs) in the State of Tamil Nadu

The VPs coming under vulnerable category is from 28 districts including Chengalpattu(17 VPs), Cuddalore (16 VPs), Dharmapuri (3 VPs), Dindigul (8 VPs), Erode(3 VPs), Kallakurichi (3 VPs), Kanchipuram (9 VPs), Krishangiri (6 VPs), Madurai (5 VPs), Namakkal(4 VPs), Perambalur (2 VPs), Pudukkottai(31 VPs), Ramanathapuram (15 VPs), Ranipet (7VPs), Salem(11 VPs), Sivaganga (13 VPs), Thenkasi (3 VPs), Thanjavur (5 VPs), Thiruchirappalli (5 VPs), Thirunelveli (7 VPs), Thiruvallur(15 VPs), Thirupathur(14 VPs), Thiruppur (1 VP), Thiruvannamalai (11 VPs), Thoothukudy (5 VPs), Vellore (8 VPs), Villupuram (10 VPs) and Virudhunagar(31 VPs).

See Table No. 2.16 and Table No. 2.17 for the list of ‘Most Deprived /Vulnerable’ and Deprived /Vulnerable VPs according to MA survey in Tamil Nadu respectively.

Table No. 2.16: Most Deprived /Most Vulnerable VPs According to MA Survey 2020 (Score Value less than 21)

Sl. No	District Name	VP Name	Score Value	State Rank	National Rank
1.	CHENGALPATTU(730)	Amanthangaranai(223954)	9	76	82
2.	SIVAGANGA(585)	Vaniyankadu(228322)	13	75	78
3.	RAMANATHAPURAM(583)	Melamadai(227474)	14	74	77
4.	VIRUDHUNAGAR(597)	Thulukkankulam(234078)	15	73	76
5.	KRISHNAGIRI(577)	Kumbalam(224982)	16	72	75
6.	SALEM(584)	95, Belur(227594)	16	72	75
7.	CHENGALPATTU(730)	Thirumani(224385)	16	72	75
8.	SALEM(584)	Velur(227924)	16	72	75
9.	PUDUKKOTTAI(582)	Neivathali(226688)	16	72	75
10.	RAMANATHAPURAM(583)	Panaikkulam(227479)	16	72	75
11.	TIRUPATHUR(732)	Narayanapuram(232613)	17	71	74
12.	TIRUVANNAMALAI(593)	Parayampattu(231584)	17	71	74
13.	RANIPET(731)	Perumalrajapet(232544)	17	71	74
14.	THIRUVALLUR(589)	Pinjivakkam(229263)	17	71	74
15.	NAMAKKAL(580)	Keelur(226275)	18	70	73
16.	ERODE(573)	Talamalai(223832)	18	70	73
17.	VIRUDHUNAGAR(597)	Panikkurippu(234067)	18	70	73
18.	SIVAGANGA(585)	Sevinipatti(228311)	19	69	72
19.	PUDUKKOTTAI(582)	Edaiyathoor(226892)	19	69	72
20.	SALEM(584)	Semmanatham(227920)	19	69	72
21.	VIRUDHUNAGAR(597)	T.Veppankulam(234074)	19	69	72
22.	TIRUPATHUR(732)	Nekkanamalai(232187)	19	69	72
23.	RAMANATHAPURAM(583)	Melakidaram (227169)	20	68	71

Sl. No	District Name	VP Name	Score Value	State Rank	National Rank
24.	KRISHNAGIRI(577)	Chinnarandoddi(224971)	20	68	71
25.	RANIPET(731)	Kainoor(232523)	20	68	71
26.	TIRUPATHUR(732)	Alasandapuram(232599)	20	68	71
27.	VIRUDHUNAGAR(597)	Vidathakulam(234331)	20	68	71
28.	TIRUVANNAMALAI(593)	Puliyur(231156)	20	68	71

Source: Computed and Compiled from Mission Antyodaya Survey 2020

Table No. 2.17: Deprived /Vulnerable VPs According to MA Survey 2020 (Score value between 21-30)

Sl. No	District Name	VP Name	Score Value	State Rank	National Rank
1.	TIRUVANNAMALAI(593)	Palamarathur(231155)	21	67	70
2.	THOOTHUKUDY(594)	Muthaiahpuram(232001)	21	67	70
3.	SALEM(584)	Nagalur(227919)	21	67	70
4.	CUDDALORE(570)	Keelpathi(222424)	21	67	70
5.	VIRUDHUNAGAR(597)	Poombidagai(234111)	21	67	70
6.	NAMAKKAL(580)	Selur Nadu(226052)	21	67	70
7.	TIRUPATHUR(732)	Chettiyappanur(232174)	21	67	70
8.	PUDUKKOTTAI(582)	Kuppayampatti(226967)	22	66	69
9.	PUDUKKOTTAI(582)	Senganam(226763)	22	66	69
10.	PUDUKKOTTAI(582)	Thiruvakkudi(226738)	22	66	69
11.	CHENGALPATTU(730)	Thandarai(224149)	22	66	69
12.	RANIPET(731)	Nandiveduthangal(232538)	22	66	69
13.	TIRUVANNAMALAI(593)	Thuringikuppam(231340)	22	66	69
14.	PUDUKKOTTAI(582)	Mannakudi(226679)	22	66	69
15.	TIRUVANNAMALAI(593)	Athuvambadi(231308)	22	66	69
16.	PUDUKKOTTAI(582)	Vannarapatti(226984)	23	65	68
17.	SIVAGANGA(585)	Velangudi.a(228324)	23	65	68
18.	PUDUKKOTTAI(582)	Vettivayal(226915)	23	65	68
19.	CHENGALPATTU(730)	Sirupairpondi(223934)	23	65	68
20.	TIRUPATHUR(732)	Kumaramangalam(232700)	23	65	68
21.	KANCHIPURAM(574)	Thathanur(224266)	23	65	68
22.	TIRUPATHUR(732)	Reddiyur(232195)	23	65	68
23.	SALEM(584)	Aladipatti(227564)	23	65	68
24.	RAMANATHAPURAM(583)	Kulapatham(227470)	23	65	68
25.	SIVAGANGA(585)	Sembanoor(228055)	23	65	68
26.	TIRUVANNAMALAI(593)	Kanamalai(231150)	23	65	68
27.	CHENGALPATTU(730)	Appur(224036)	23	65	68

Sl. No	District Name	VP Name	Score Value	State Rank	National Rank
28.	TIRUPATHUR(732)	Velathigamanibenda(232200)	23	65	68
29.	VELLORE(595)	Kuppampattu(232579)	23	65	68
30.	PUDUKKOTTAI(582)	Sirumarudur(226764)	24	64	67
31.	CUDDALORE(570)	Pichavaram(222933)	24	64	67
32.	MADURAI(578)	Angadimangalam(225243)	24	64	67
33.	DINDIGUL(572)	Vellakavi(223314)	24	64	67
34.	DINDIGUL(572)	Kuttupatti(223322)	24	64	67
35.	KRISHNAGIRI(577)	Kullampatti(224798)	24	64	67
36.	PUDUKKOTTAI(582)	Egaperumalur(226670)	24	64	67
37.	PUDUKKOTTAI(582)	Thandalai(226912)	24	64	67
38.	PUDUKKOTTAI(582)	Kallukaranpatti(226963)	24	64	67
39.	SALEM(584)	P.K.Hills Keelnadu(227766)	24	64	67
40.	TIRUCHIRAPPALLI(591)	Vannadu(230444)	24	64	67
41.	THIRUVALLUR(589)	Somadevanpattu(229439)	24	64	67
42.	TIRUVANNAMALAI(593)	Kovilur(231151)	24	64	67
43.	VIRUDHUNAGAR(597)	Uluthimadai(234121)	24	64	67
44.	VIRUDHUNAGAR(597)	Agathakulam(234084)	24	64	67
45.	VIRUDHUNAGAR(597)	Minakkulam(234101)	24	64	67
46.	VIRUDHUNAGAR(597)	Nallukuruchi(234103)	24	64	67
47.	VIRUDHUNAGAR(597)	Aladipatti(234292)	24	64	67
48.	VIRUDHUNAGAR(597)	Mithilaikkulam(234307)	24	64	67
49.	VIRUDHUNAGAR(597)	Pallimadam(234310)	24	64	67
50.	RANIPET(731)	Pudupadi(232292)	24	64	67
51.	VELLORE(595)	Kondamanaidupalayam(232745)	25	63	66
52.	NAMAKKAL(580)	Kuppandapalayam(225982)	25	63	66
53.	THANJAVUR(586)	Vadagal(228793)	25	63	66
54.	PUDUKKOTTAI(582)	Thondaman Oorani(226980)	25	63	66
55.	SIVAGANGA(585)	Periyakannanoor(228052)	25	63	66
56.	SIVAGANGA(585)	Karungulam.p(228294)	25	63	66
57.	SALEM(584)	Palamalai(227644)	25	63	66
58.	RAMANATHAPURAM(583)	Thiyagavanseri(227357)	25	63	66
59.	RAMANATHAPURAM(583)	Vagavayal(227359)	25	63	66
60.	KRISHNAGIRI(577)	Kondampatty(225065)	25	63	66
61.	CHENGALPATTU(730)	Unamancheri(224065)	25	63	66
62.	KALLAKURICHI(729)	Nemili .U(233759)	25	63	66

Sl. No	District Name	VP Name	Score Value	State Rank	National Rank
63.	CUDDALORE(570)	Karukkai(222868)	25	63	66
64.	VIRUDHUNAGAR(597)	Muthusampuram(234182)	25	63	66
65.	TIRUPATHUR(732)	Poongulam(232852)	25	63	66
66.	VIRUDHUNAGAR(597)	Mudukkankulam(234061)	25	63	66
67.	VILLUPURAM(596)	Perungapur(233001)	25	63	66
68.	VILLUPURAM(596)	Vadakottippakkam(233324)	25	63	66
69.	CHENGALPATTU(730)	Nelvoypalayam(224135)	26	62	65
70.	PUDUKKOTTAI(582)	Palavarasan(226754)	26	62	65
71.	VIRUDHUNAGAR(597)	T. Velangudi(234117)	26	62	65
72.	THIRUVALLUR(589)	Arasur(229286)	26	62	65
73.	PUDUKKOTTAI(582)	Keelachery(226747)	26	62	65
74.	VIRUDHUNAGAR(597)	T.chettikulam(234073)	26	62	65
75.	PUDUKKOTTAI(582)	Perungudi(226731)	26	62	65
76.	PUDUKKOTTAI(582)	Velivayal(226773)	26	62	65
77.	KANCHIPURAM(574)	Thandalam(224109)	26	62	65
78.	VIRUDHUNAGAR(597)	Athikulam Sengulam(234265)	26	62	65
79.	VIRUDHUNAGAR(597)	Idayankulam(234268)	26	62	65
80.	CUDDALORE(570)	Natham(222885)	26	62	65
81.	TIRUCHIRAPPALLI(591)	Pallapuram(230132)	26	62	65
82.	VILLUPURAM(596)	Thatchampattu(233019)	26	62	65
83.	THIRUVALLUR(589)	Kallambedu(229246)	26	62	65
84.	PUDUKKOTTAI(582)	Sathiyadi(226910)	26	62	65
85.	CUDDALORE(570)	Ammeri(222411)	26	62	65
86.	VIRUDHUNAGAR(597)	Udayanampatti(234328)	26	62	65
87.	THOOTHUKUDY(594)	Mela pandiyapuram(231945)	26	62	65
88.	DHARMAPURI(571)	Gurubarahalli(223095)	26	62	65
89.	THIRUVALLUR(589)	Vilangadupakkam(229453)	27	61	64
90.	ERODE(573)	Gundri(223813)	27	61	64
91.	PUDUKKOTTAI(582)	Kanadu(226893)	27	61	64
92.	PUDUKKOTTAI(582)	Sattiyakudi(226762)	27	61	64
93.	DINDIGUL(572)	Mannavanur(223306)	27	61	64
94.	NAMAKKAL(580)	Alathur Nadu(226043)	27	61	64
95.	CHENGALPATTU(730)	Vettakarakuppam(224156)	27	61	64
96.	CHENGALPATTU(730)	Veerabogam(224157)	27	61	64
97.	CHENGALPATTU(730)	Edaiyur(224348)	27	61	64
98.	CHENGALPATTU(730)	Saloor(224380)	27	61	64

Sl. No	District Name	VP Name	Score Value	State Rank	National Rank
99.	CUDDALORE(570)	Thatchur(222742)	27	61	64
100	MADURAI(578)	Rajakkalpatti(225139)	27	61	64
101	KRISHNAGIRI(577)	Muthali(224831)	27	61	64
102	THOOTHUKUDY(594)	Nanal Kadu(231815)	27	61	64
103	TIRUVANNAMALAI(593)	Kuttakarai(231152)	27	61	64
104	TIRUCHIRAPPALLI(591)	Amma Chathiram(230234)	27	61	64
105	THIRUVARUR(590)	Velukkudi(229842)	27	61	64
106	KANCHIPURAM(574)	Katrampakkam(224230)	27	61	64
107	THIRUVARUR(590)	Semmangudi(229734)	27	61	64
108	VILLUPURAM(596)	Veliyampakkam(233224)	27	61	64
109	ERODE(573)	Thiginarai(223834)	27	61	64
110	VILLUPURAM(596)	Urani(233312)	27	61	64
111	VIRUDHUNAGAR(597)	Reghunathamadai(234113)	27	61	64
112	VIRUDHUNAGAR(597)	Sooranur(234072)	27	61	64
113	SIVAGANGA(585)	Thirukostiyur(228316)	27	61	64
114	VIRUDHUNAGAR(597)	K. Mettupatti(234172)	27	61	64
115	SIVAGANGA(585)	Siruvathi(227954)	27	61	64
116	CUDDALORE(570)	B-sitheri(222788)	27	61	64
117	SALEM(584)	Kottavaradhampatti(227809)	27	61	64
118	RAMANATHAPURAM(583)	Pattinamkathan(227265)	27	61	64
119	RAMANATHAPURAM(583)	V.sethurajapuram(227188)	27	61	64
120	RAMANATHAPURAM(583)	Keelaselvanur(227157)	27	61	64
121	PUDUKKOTTAI(582)	Nilaiyur(226908)	27	61	64
122	TENKASI(733)	Chidhambarapuram(230621)	28	60	63
123	CUDDALORE(570)	Semakottai(222892)	28	60	63
124	DHARMAPURI(571)	Ajjanahalli(223216)	28	60	63
125	DINDIGUL(572)	Kudagipatti(223321)	28	60	63
126	KANCHIPURAM(574)	Putheri(224024)	28	60	63
127	KRISHNAGIRI(577)	Veerana Kuppam(225083)	28	60	63
128	PUDUKKOTTAI(582)	Amanji(226660)	28	60	63
129	PUDUKKOTTAI(582)	Minnamozhi(226904)	28	60	63
130	PUDUKKOTTAI(582)	Thinaiyakudi(226913)	28	60	63
131	RAMANATHAPURAM(583)	vengaloor(227398)	28	60	63
132	RAMANATHAPURAM(583)	Mullimunai(227515)	28	60	63
133	SIVAGANGA(585)	Thoonugudi(227962)	28	60	63
134	SALEM(584)	Vazhavanthi(227922)	28	60	63
135	SALEM(584)	Vellakkadai(227923)	28	60	63

Sl. No	District Name	VP Name	Score Value	State Rank	National Rank
136	SIVAGANGA(585)	Athapadakki(228026)	28	60	63
137	SIVAGANGA(585)	Kumarapettai(228300)	28	60	63
138	THANJAVUR(586)	Kurungalur(228750)	28	60	63
139	THIRUVALLUR(589)	Kuruvattucheri(229198)	28	60	63
140	THIRUVALLUR(589)	Ariyathur(229401)	28	60	63
141	TIRUNELVELI(592)	Kadamboduvalvu(230579)	28	60	63
142	TIRUVANNAMALAI(593)	Nariyambadi(231288)	28	60	63
143	THOOTHUKUDY(594)	Keelaarunachalapuram(231986)	28	60	63
144	VILLUPURAM(596)	Kolathur .t(233658)	28	60	63
145	VILLUPURAM(596)	Kilsiviri(233296)	28	60	63
146	VILLUPURAM(596)	Parangani .t(233934)	28	60	63
147	VIRUDHUNAGAR(597)	Ranisethupuram(234318)	28	60	63
148	KALLAKURICHI(729)	Varanjaram(233631)	28	60	63
149	CHENGALPATTU(730)	Mugunthagiri(223971)	28	60	63
150	TIRUPATHUR(732)	Echangal(232176)	28	60	63
151	RANIPET(731)	Karikkal(232524)	28	60	63
152	TIRUPATHUR(732)	Elagiri village(232360)	28	60	63
153	TIRUPATHUR(732)	Periyakammiyampattu(232375)	28	60	63
154	CHENGALPATTU(730)	Venkatapuram(224071)	28	60	63
155	RANIPET(731)	Uriyur(232263)	28	60	63
156	TIRUPATHUR(732)	Kalendra(232181)	28	60	63
157	TIRUPATHUR(732)	Kalendra(232181)	28	62	63
158	THIRUVARUR(590)	Musiriyam(229724)	29	59	62
159	VILLUPURAM(596)	Karai(232978)	29	59	62
160	VELLORE(595)	Puthur(232500)	29	59	62
161	VELLORE(595)	Peenjamandai(232225)	29	59	62
162	RAMANATHAPURAM(583)	Kattivayal(227506)	29	59	62
163	VELLORE(595)	Tholapalli(232592)	29	59	62
164	TIRUCHIRAPPALLI(591)	Kombai(230423)	29	59	62
165	KALLAKURICHI(729)	Varagur(233593)	29	59	62
166	PUDUKKOTTAI(582)	Velvarai(226774)	29	59	62
167	TIRUCHIRAPPALLI(591)	Unaiyur(230270)	29	59	62
168	CUDDALORE(570)	Narumanam(222973)	29	59	62
169	TIRUVANNAMALAI(593)	Marakkunam(231274)	29	59	62
170	RAMANATHAPURAM(583)	Kookudi(227509)	29	59	62

Sl. No	District Name	VP Name	Score Value	State Rank	National Rank
171	DINDIGUL(572)	Sathampadi(223332)	29	59	62
172	CUDDALORE(570)	Vallam(222900)	29	59	62
173	DINDIGUL(572)	Sirangattupatti(223335)	29	59	62
174	SALEM(584)	Chettichavadi(227786)	29	59	62
175	VELLORE(595)	Palambattu(232224)	29	59	62
176	SIVAGANGA(585)	Maviduthikkottai(227939)	29	59	62
177	PUDUKKOTTAI(582)	Mimisal(226751)	29	59	62
178	RANIPET(731)	Sembedu(232549)	29	59	62
179	THIRUVALLUR(589)	Melakazhani(229204)	29	59	62
180	PUDUKKOTTAI(582)	Karakkottai(226895)	29	59	62
181	VIRUDHUNAGAR(597)	Chokkampatti(234215)	29	59	62
182	KANCHIPURAM(574)	Eraiur(224222)	29	59	62
183	CUDDALORE(570)	Visoor(222904)	29	59	62
184	VIRUDHUNAGAR(597)	Endappuli(234390)	29	59	62
185	VIRUDHUNAGAR(597)	Chinnavadi(234386)	29	59	62
186	KRISHNAGIRI(577)	Reddipatty(225079)	29	59	62
187	CUDDALORE(570)	Lakkur(222710)	29	59	62
188	KRISHNAGIRI(577)	Naralapalli(224949)	29	59	62
189	THIRUVALLUR(589)	Thangalperumbulam(229327)	29	59	62
190	THIRUVALLUR(589)	Puduvallur(229268)	29	59	62
191	MADURAI(578)	Panaikulam(225264)	29	59	62
192	TIRUPATHUR(732)	Chickkanankuppam(232605)	29	59	62
193	RAMANATHAPURAM(583)	Theeyanur(227134)	29	59	62
194	MADURAI(578)	Usilampatti(225304)	29	59	62
195	VIRUDHUNAGAR(597)	Sennilaikkudi(234322)	29	59	62
196	CUDDALORE(570)	Thurinjikollai(222792)	29	59	62
197	TENKASI(733)	Chathirapatti(230620)	29	59	62
198	VIRUDHUNAGAR(597)	Kottaipatti(234276)	29	59	62
199	RAMANATHAPURAM(583)	Kadambur(227500)	29	59	62
200	TENKASI(733)	Sangupuram(230903)	29	59	62
201	THANJAVUR(586)	K.vallundampattu(228740)	29	59	62
202	THANJAVUR(586)	Palaynagaram(28686)	29	59	62
203	THIRUVALLUR(589)	Kondakarai(229305)	30	58	61
204	THIRUVALLUR(589)	Devendavakkam(229404)	30	58	61
205	THIRUVARUR(590)	Vadakaravayal(229960)	30	58	61
206	VILLUPURAM(596)	Kilsevr(233465)	30	58	61

Sl. No	District Name	VP Name	Score Value	State Rank	National Rank
207	CHENGALPATTU(730)	Kanathur(224126)	30	58	61
208	CUDDALORE(570)	Arisiperiyankuppam(222361)	30	58	61
209	CHENGALPATTU(730)	Aakkinaambedu(224117)	30	58	61
210	KANCHIPURAM(574)	Kolathur(224234)	30	58	61
211	KANCHIPURAM(574)	Perinjambakkam(224251)	30	58	61
212	CHENGALPATTU(730)	Vallam(224067)	30	58	61
213	CUDDALORE(570)	Ulleripattu(222404)	30	58	61
214	MADURAI(578)	Valayapatti(225147)	30	58	61
215	CHENGALPATTU(730)	Siruvangunam(224148)	30	58	61
216	NAMAKKAL(580)	Bail Nadu(226045)	30	58	61
217	PERAMBALUR(581)	Udumbiam(226576)	30	58	61
218	PERAMBALUR(581)	Elanthalapatty(226299)	30	58	61
219	CHENGALPATTU(730)	Kadambur(223904)	30	58	61
220	PUDUKKOTTAI(582)	Kulathur(226675)	30	58	61
221	PUDUKKOTTAI(582)	Theeyadur(226766)	30	58	61
222	CHENGALPATTU(730)	Chithamur(223958)	30	58	61
223	PUDUKKOTTAI(582)	Semboothi(226947)	30	58	61
224	TIRUPPUR(634)	Ayyampalayam(221978)	30	58	61
225	PUDUKKOTTAI(582)	Kunnur(226750)	30	58	61
226	VIRUDHUNAGAR(597)	Vadukapatti(234461)	30	58	61
227	VIRUDHUNAGAR(597)	Pattampudur(234415)	30	58	61
228	PUDUKKOTTAI(582)	Kattumavadi(226896)	30	58	61
229	CUDDALORE(570)	Keelorathur(222706)	30	58	61
230	PUDUKKOTTAI(582)	Karu.keelatheru(226821)	30	58	61
231	RAMANATHAPURAM(583)	Vallanthalai(227249)	30	58	61
232	VIRUDHUNAGAR(597)	Pillaiyarnatham(234284)	30	58	61
233	RAMANATHAPURAM(583)	Radhappuli(227350)	30	58	61
234	TIRUPATHUR(732)	Vallipattu(232199)	30	58	61
235	RAMANATHAPURAM(583)	Kavanoor(227415)	30	58	61
236	SALEM(584)	Manguppai(227703)	30	58	61
237	VIRUDHUNAGAR(597)	Inam nachiarcoil(234270)	30	58	61
238	SIVAGANGA(585)	A.thekkur(228286)	30	58	61
239	SALEM(584)	Manjakuttai(227917)	30	58	61
240	SALEM(584)	Thalaisolai(227921)	30	58	61
241	DHARMAPURI(571)	Bothakadu(223203)	30	58	61
242	SIVAGANGA(585)	Manaivikottai(227938)	30	58	61

Sl. No	District Name	VP Name	Score Value	State Rank	National Rank
243	VIRUDHUNAGAR(597)	Keelakkandamangalam(234299)	30	58	61
244	TIRUPATHUR(732)	Kailasagiri(232695)	30	58	61
245	SIVAGANGA(585)	Ilandakarai(228029)	30	58	61
246	THANJAVUR(586)	Ammaiyagaram(228844)	30	58	61
247	DINDIGUL(572)	Anjukulipatti(223441)	30	58	61
248	RANIPET(731)	Palayam(232802)	30	58	61
249	VIRUDHUNAGAR(597)	Veeracholan(234124)	30	58	61
250	DINDIGUL(572)	Boothagudi(223317)	30	58	61
251	VIRUDHUNAGAR(597)	Pillaiyarnatham(234109)	30	58	61
252	TIRUVANNAMALAI(593)	Anukkumalai(231207)	30	58	61
253	VELLORE(595)	Agaram(232563)	30	58	61
254	TIRUVANNAMALAI(593)	Melsilambadi(231153)	30	58	61
255	VELLORE(595)	Gollamangalam(232572)	30	58	61
256	TIRUVANNAMALAI(593)	Veeranam(231429)	30	58	61
257	THOOTHUKUDY(594)	Elavelangal(231919)	30	58	61
258	KANCHIPURAM(574)	Melottivakkam(224016)	30	58	61
259	KANCHIPURAM(574)	Salamangalam(224102)	30	58	61
260	RANIPET(731)	Chithambadi(232518)	30	58	61
261	ERODE(573)	Koothampalayam(223819)	30	58	61

Source: Computed and Compiled from Mission Antyodaya Survey 2020

Logic and Rational for the Recommendations

The Most Deprived /Most Vulnerable VPs and Deprived /Vulnerable VPs are identified in terms of four major gaps in (i) infrastructure, (ii) access to basic amenities and (iii) the overall socio - economic and (iv) human development including gender development. This deprivation index has been created based on the performance of 29 subjects devolved to the Panchayats as per the XI Scheduled of the Constitution. Therefore, any intervention in the theses 290 VPs (28+262VPs) will address the ‘Need Based Devolution’ (NBD) of the citizens who are residing in these VPs. Not only that, it may address the ‘Need Based Devolution’ (NBD) in the domain of 29 subjects transferred to the Panchayats and finally, the VP itself.

A Strategy to Achieve Sustainable Development Goals (SDGs)

Addressing this deprivation will also provide a strategy to achieve SDGs in the Most Deprived /Most Vulnerable category of VPs in Tamil Nadu. When we construct the SDGs in the local context of Tamil Nadu by addressing the underlying causes of deprivation, a larger number of relevant SDGs will also get achieved. It would be interesting to evaluate the performance of the VPs and measure the changes in the context of SDGs after one year of implementation. Since what

is proposed is a special grant, it should be tied to project specific objectives which are not only local specific but also address the relevant SDGs. A high level monitoring committee at the state level can be constituted to monitor this intervention.

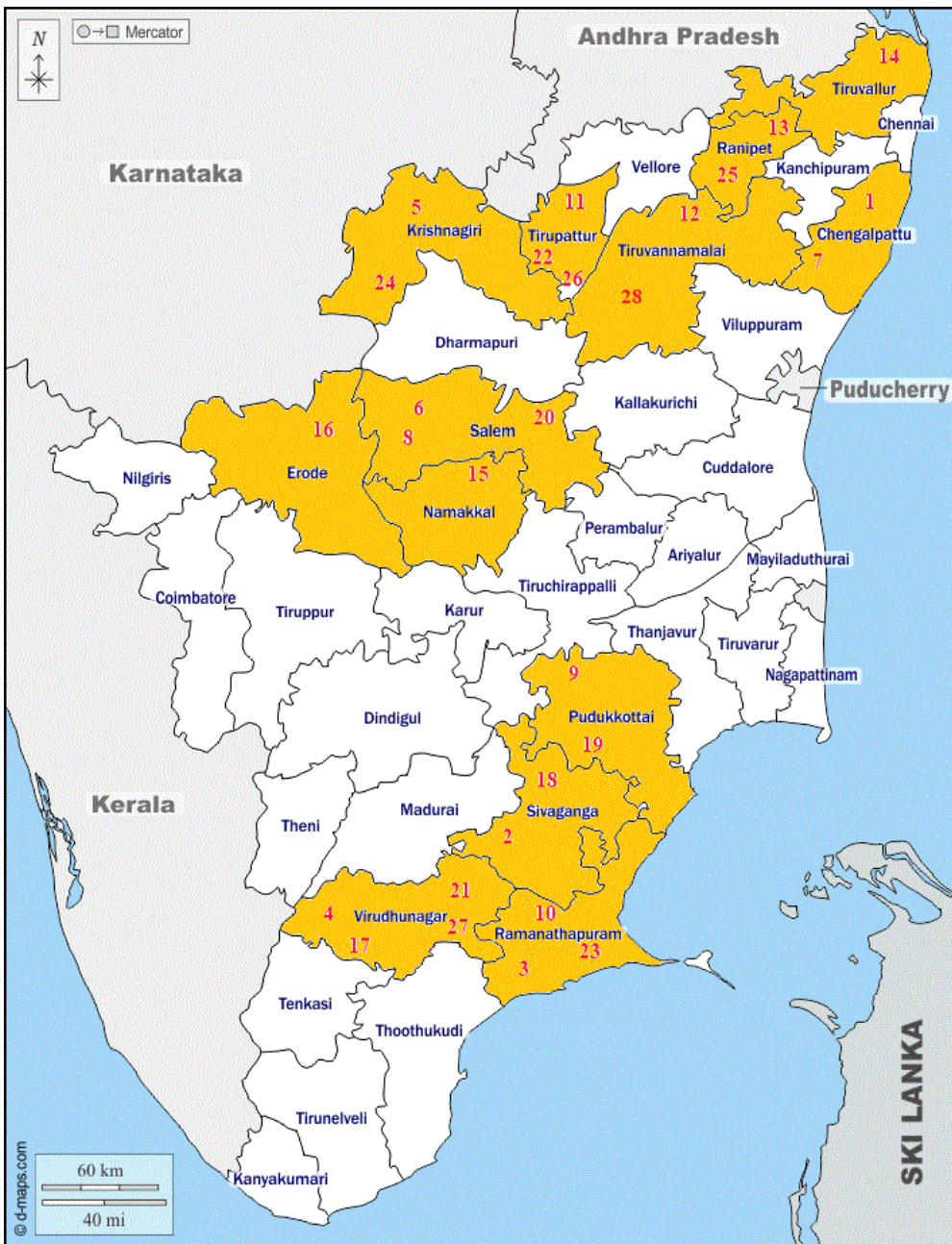
We suggest for a special grant of Rs. 50 lakhs to each Most Deprived /Most Vulnerable category VP (Table No. 2.16) and Rs. 25 Lakhs to each Deprived /Vulnerable VP (Table No.2.17)

The amount needed for the ‘Most Deprived /Most Vulnerable VPs’= $28 \times \text{Rs. 50 Lakhs}$ = Rs. 14.00 crore

The amount needed for ‘Deprived /Vulnerable VPs’= $262 \times \text{Rs.25 Lakhs}$ = Rs. 65.50 crore

Total amount needed= Rs. 79.50 crore, say Rs. 80.00 crore.

Figure No.12: ‘Most Deprived / Most Vulnerable’ VPs have been Plotted in the Map of Tamil Nadu.



Source: Table No.2.16

Figure No. 13: 'Deprived / Vulnerable' VPs have been Plotted in the Map of Tamil Nadu.



Source: Table No. 2.17

6. Own Source Revenues

6.1. House Tax

Major Recommendations

(This part has been discussed in detail in the note under the 'House Tax)

1. The title 'house tax' in the Tamil Nadu Panchayati Raj Act, 1994 should be changed to the generic title 'property tax' as the nomenclature gives a wrong impression that only houses are taxed and not commercial buildings.
2. A thorough reform of the house tax system is recommended, and it may have a significant impact in the tax and fee regimes of the VPs. This involves issuing of house number and receipt to all the houses in each village once in every year to ensure that all new houses are brought into the tax net and moving all houses that have been extended or rebuilt to their appropriate tax brackets. Addressing the issue of underpayment also can provide a substantial boost to revenue from house taxes. Meanwhile, caution should be exercised to keep in mind the heterogeneous cultural and economic settings while attempting to provide a uniformity to the tax rate.
3. The tax base and tax rate has not been properly internalized by concerned stakeholders and grassroots level institutions. So, training and awareness on tax regime and its operationalization should be provided to elected functionaries and VP officials.
4. It is better to give more decision space to VPs in the domain of charging house taxes. So, it would be better if Panchayat Committees are given more decision space in this regard as it would be a collective decision for the good of all.

Field findings on the Implementation of House Tax

It is interesting to note that Tamil Nadu has managed to collect house taxes even during the pandemic period (2019-2020) and (2020-21) and the fact that people were willing to pay house tax even in the time of crisis in a way shows their trust in Panchayats. We are arguing that it is a rare achievement as only a few states like Karnataka, Goa, Andhra Pradesh, West Bengal Tamil Nadu and Kerala managed to collect house taxes, and raise their own source revenue (OSR) during the time of pandemic in the country. Details of House Tax Collected in 19 Selected GP in Tamil Nadu, 2016-2021 is given in Table No.2.18.

1. The Tamil Nadu Panchayati Raj Act, 1994 mentions about the house tax in detail and those pertaining to property tax are also listed under the title house tax(**Chapter IX - Taxation and Finance, Section 171, Section 172, SCHEDULE – I See Section 172(1)**) and there is no separate title called 'property tax' . This has led to an impression that only houses are taxed and those including commercial and government buildings are exempted from the tax net. The same confusion does not exist in the Tamil Nadu Municipalities Act 1994 as they have chosen the title property tax. To avoid the confusion and make clarity, the title 'house tax' in the Tamil

Nadu Panchayati Raj Act, 1994 should be changed to the generic title ‘property tax. For instance, Valathi VP in Villupuram district, Tamil Nadu has not collected building taxes including those from 162 shops including medical shops, stationery shops, slaughterhouses and hotels and thus failed to make use of a chance to raise their own source revenue (OSR) despite potential taxable sources. During the field visit it was noticed that, since Valathi is a small VP no tax collectors have been appointed and VP Secretary is in charge of collecting taxes. But during the interaction with the Secretary, it was revealed that he is not aware about provisions related to collection of taxes from shops. Meanwhile, it is also interesting to note that in the case of Lakkiyampatti VP, Dharmapuri district they have collected property tax from all government buildings including the District Collector Office, SP office, RTO office (See Table No.2.19. for details of tax demanded and collected from the government office buildings in Lakkiampatti VP for the year 2020-2021). Details of Breakup of Tax Collection from Houses (Residential), Shops, Govt. Buildings and Private Institutions (including schools) Lakkiampatti GP (Average of 3 years) is given in Figure No. 14. In case of Lakkiampatti VP, the tax amount they demanded and collected under property tax was equal. For instance, in Lakkiampatti VP, there are a total of 40 government buildings and from these the VP demanded a total of Rs. 5, 99, 470 as tax and they were able to collect the same amount they demanded right from 2018 – 2021. (See Table No. 2.20 for details of tax demanded and collected from Govt. Building from Lakkiampatti Panchayat 2018-2021). Among the selected 19 VPs in Tamil Nadu, none of the other VPs have attempted to collect tax from government buildings, irrespective of size or number have not dared to collect taxes from government institutions. In the case of property tax demanded and collected from under private building property tax, Lakkiyampatti VP has demanded a tax amount of Rs. 70603 from six private buildings (six private educational institutions) and they were successful in collecting the same amount without fail (See Table No. 2.21 for details of tax demanded and collected private institutions (including Schools) from Lakkiampatti VP for the year 2020-2021). From the demand and collection of property tax in the year 2021 in Lakkiampatti VP in Dharmapuri in Tamil Nadu, it is evident that the VP was able to effectively demand and collect the property tax and thus raise their OSR (See Table No. 2.22 for details of tax demanded and collected from private educational institutions from Lakkiampatti Panchayat from 2018-2021). The Lakkiampatti VP has also managed to collect shop tax in a better manner. In 2018 -2019, Lakkiampatti VP was able to collect 79.65 per cent of tax demanded from 727 shops, in 2019-020, the VP was able to collect 78.74 per cent of the tax demanded from 762 shops and in 2020-21, the VP was able to collect 84.51 per cent of the tax demanded from 794 shops (See Table No. 2.23 for details of tax collected and demanded from shops in Lakkiampatti Panchayat from 2018-2021). So how could Lakkiampatti successfully raise their OSR? The answer lies in the procedure the VP has adopted when it comes to tax collection. In Lakkiampatti VP, there are six tax collectors appointed on a temporary basis with a salary of Rs.380 per day and they work on all working days. The Demand and Collection of Shop Tax in Lakkiampatti VP is given in Fig. No. 15.

2. In the case of house tax (Residential) collection, the Lakkiampatti VP was able to collect 78.74 per cent of the house tax demanded in the year 2020-21 (See Table No. 2.24 ; for details of tax collected from House Tax (Residential) from Lakkiampatti Panchayat 2018-2021). Here the pertinent questions are (i) who are exempted from the net (ii) whether it was a technical error, or it had something to do with political patronages (iii) how to bring those eligible under tax net? A detailed study is recommended to access the real tax potential of villages including property tax. Demand and Collection of House Tax (Residential) in Lakkiampatti VP is given in Fig. No. 16.

3. At present there is no uniformity in fixing the house tax rate and it appears disparate. Most of the Panchayats follow a flat rate system with the exception of reinforced cement concrete (RCC) houses. See Table No. 2.25 for details of house tax collected and method followed among the selected 19 VPs in the year 2020-2021.) The normal and local parlance of classification of the houses are three and they are (i) thatched, (ii) tiled / asbestos kutcha house and (iii) concrete. In some VPs, the house tax for the first two house types is collected on a flat basis. That is, Rs. 44/ from a thatched category and Rs.66 from a kutcha one including 10 per cent for library cess and the remaining on slab basis according to the size on plinth area. The slab is fixed between the range of Rs.0.50/ and Rs.1.50 per sq.mt. In another VP (Vandapuli VP from Maduarai district), tax is collected on flat basis even from the concrete houses at the rate of Rs.110 per houses including Rs.10 is for library cess. We have come across a third VP (JambulingapuramVP, Thoothukudy district)where another provision of levying surcharge from the commercial buildings is seen. It is in the of range 20 to 60 per cent - 20 per cent be collected from small commercial units and 60 per cent from big commercial units including cinema theatres. In Lakkiyampatti VP, Dharmapuri district for tiled houses (Kutcha), the house tax levied is 20 paisa per square feet and one per cent of building value. For thatched house, the house tax levied is 20 paisa per square feet along with one per cent of building value. For asbestos house, the house tax levied is 30 paisa per square feet and one per cent of building value. For concrete house (pucca), the house tax levied is 50 paisa per square feet and one per cent of building value. As the building approval fees, around five per cent of the building value is charged. It has been reported that 10 per cent for library cess is also collected along with tax. Meanwhile, in Manchukondappathi VP, in Krishnagiri district, Tamil Nadu all are tiled houses and there is a fixed flat rate system and Rs 66 per house is levied as house tax. It has been reported that 10 per cent for library cess is also collected along with tax. In Kadinamala VP, the Nilgiris, there are 17 PMAY (G) houses in Kadinamala VP and the house tax levied on them is Rs. 260 per house per year. There are 17 green houses and Rs 370 per house per year. There are 260 tiled houses in the VP and Rs 66 per house per year is charged. In the case of estate quarters which houses 164 families of tea estate workers, the tea estate factory pays Rs. 12, 000 yearly. It has been reported that 10 per cent for library cess is also collected along with tax. This indicates that a thorough reform of the house tax system is recommended, as it may have a significant impact in the tax and fee regimes of the VPs. This involves issuing of

house number and receipt to all the houses in each village once in every year to ensure that all new houses are brought into the tax net and moving all houses that have been extended or rebuilt to their appropriate tax brackets. Addressing the issue of underpayment also can provide a substantial boost to revenue from house taxes. Meanwhile, caution should be exercised to keep in mind the cultural and economic settings which may be heterogeneous in nature while attempting to provide a uniformity to the tax rate.

4. During the field visit in the selected 19 VPs in Tamil Nadu, we found that the tax base and tax rate has not been properly internalized by concerned stakeholders and grassroots level institutions. So, training and awareness on tax regime and its operationalization should be provided to elected functionaries and VP officials.
5. It is better to give more decision space to VPs in the domain of charging house taxes. Panchayat Committees should be empowered to fix the irregularities in fixing house tax instead of relying only on the VP President. In most of the VPs, the team observed that the President of the VP had the final say in matters relating to house tax. While this can have both positive and negatives impacts, the potential for drawbacks are more as the decision will be centred on one person which can often be biased. So, it would be better if Panchayat Committees are given more decision space in this regard as it would be a collective decision for the good of all.
6. Best practices should be emulated instead of following the rule books blindly. For example, Lakkiampatti Panchayat of Dharmapuri district has set a model in raising their OSR by collecting at least taxes from all government sources including District Collector Office and SP office.

Table No 2.18: Details of House Tax Collected in 19 Selected GP in Tamil Nadu, 2016-2021(Amount in Rs)

Sl. No	Name of the VP	2016-17	2017-18	2018-19	2019-20	2020-21	Total
1.	Ahamalai	85800	67700	125000	36200	11050	325750
2.	Balamore	41610	43000	43000	25350	62320	215280
3.	Jambulingapuram	61775	73237	78080	96650	107090	416832
4.	Karakathikottai	28500	34410	34590	32330	37100	166930
5.	Kadinamala	25360	26869	26950	27830	27940	134949
6.	Karivedu	13780	14054	15290	7040	23750	73914
7.	Keeranatham	4935810	5164209	695590	6369396	875822	18040827
8.	Kovilur	300000	307450	251220	86600	301500	1246770
9.	Lakkiampatti	3053760	2755711	2923323	3075056	3557581	15365431
10.	Manchukondapalli	28763	28763	28760	38180	38180	162646
11.	Marudhathur	35160	35160	35630	35110	40360	181420
12.	Pudumadam	503270	527985	653330	681850	695410	3061845

Sl. No	Name of the VP	2016-17	2017-18	2018-19	2019-20	2020-21	Total
13.	Puthambur	334519	420359	459419	419639	432049	2065985
14.	Valathi	50690	27520	54960	5100	10855	149125
15.	Vaniangudi	1685710	1696820	1677208	1480650	1680000	8220388
4 Selected GP in Madurai District							
16.	ErkudAchampathu	514319	754039	777079	1190419	1540778	4776634
17.	Sakkilipatti	42160	42160	47040	52150	52150	235660
18.	Vandapuli	77060	34600	39000	13454	139970	304084
19.	Chinnakattalai	96290	96290	97590	72590	122990	485750

Source: Data Collected from the 19 Selected VPs

Table No.2.19: Details of Tax Collected from the Govt. Office Building by the Lakkiampatti VP for the Year 2020-2021 (Amount in Rs.)

SL. No	Name of the Properties	Demand	Collection	Balance
1	District Collectrate Office DPI	44000	44000	0
2	SP Office DPI	44000	44000	0
3	RTO Office DPI	22000	22000	0
4	Executive Engineer Office Agri. Engineering Department DPI	22000	22000	0
5	Executive Engineer Office PWD Dept DPI	22000	22000	0
6	RTO Office DPI	22000	22000	0
7	EB Office DPI	27500	27500	0
8	Agri. Assistant Director Checking Centre DPI	1650	1650	0
9	District Forest Office DPI	1100	1100	0
10	Fire Office DPI	3300	3300	0
11	Fire Centre Officer, Fire Police Buildings, Fire Service & Relief Dept. DPI	27720	27720	0
12	Commercial Tax Office DPI	22000	22000	0
13	Civil Supply Corporation DPI	2310	2310	0
14	Civil Supply Corporation DPI	2310	2310	0
15	Civil Supply Corporation DPI	16170	16170	0

SL. No	Name of the Properties	Demand	Collection	Balance
16	Civil Supply Corporation Office DPI	9240	9240	0
17	Agro Service DPI	1100	1100	0
18	Govt. Auto Mobiles Works DPI	11000	11000	0
19	Executive Engineer Melpennaiyar PWD Dpt. DPI	11000	11000	0
20	Circuit House DPI	5500	5500	0
21	Assistant Divisional Engineer NH Office DPI	1100	1100	0
22	Agri . Joint Director Office DPI	27500	27500	0
23	Agri. Joint Director Office (Coconut Tree)DPI	1100	1100	0
24	Seeds Testing & Certificate Centre DPI	3600	3600	0
25	Child Development Office DPI	2200	2200	0
26	Joint Director District Survey Office DPI	5500	5500	0
27	State Bank of India (ATM Centre) DPI	1100	1100	0
28	TNEB Lakkiyampatti Office DPI	3300	3300	0
29	Assistant Director Town Panchayat Office DPI	19360	19360	0
30	Police New Reserve Quarters DPI	44000	44000	0
31	Police Old Reserve Quarters DPI	1650	1650	0
32	Police New Reserve Quarters DPI	49500	49500	0
33	Railway Police Quarters DPI	12760	12760	0
34	Police Quarters (DSP) DPI	5500	5500	0
35	Police Quarters (IP)DPI	5500	5500	0
36	Police Quarters (SI) DPI	5500	5500	0
37	Police Community Hall DPI	33000	33000	0

SL. No	Name of the Properties	Demand	Collection	Balance
38	X- Block police Quarters DPI	19800	19800	0
39	Z- Block Police Quarters DPI	19800	19800	0
40	New Police Quarters DPI	19800	19800	0
	Total	599470	599470	0

Source: Source: Data Collected from the Lakkiampatti VP

Table No. 2.20: Details of Tax Demanded and Collected from Govt. Building from Lakkiampatti Panchayat 2018-2021

Sl.No	Year	Total No. of Govt. Buildings	Total Government Buildings Demand (Amount in Rs.)	Collection of Govt. Buildings (Number)	Collection (Amount in Rs.)	Pending
1	2018-2019	40	599470	40	599470	0
2	2019-2020	40	599470	40	599470	0
3	2020-2021	40	599470	40	599470	0

Source: Source: Data Collected from the Lakkiampatti VP

Table No. 2.21: Details of Private Institutions (including Schools) from Lakkiampatti Panchayat for the year 2020-2021(Amount in Rs.)

SL.No	Door No	Name of the Properties	Demand	Collection	Balance
1	5/448-A	Seventh Day School Adventist Hr. Sec. School Collectorate, Dharmapuri	12760	12760	0
2	4/1335	Jack & Jill Matric Hr. Sec. School EB Colony, Dharmapuri	7772	7772	0
3	1/797-A 1/798,1/799. 1/800	Kamadhenu Arts & Scince Coillage Adhiyaman Bypass Road, Vennampatti, Dharmapuri	31395	31395	0

4	2/969-A1	Girivassan B.ED College Nelli Nagar, Dharmapuri	5227	5227	0
5	2/969-A	Vigneshwara Teacher Training Institute, Nelli Nagar, Dharmapuri	5227	5227	0
6	3/514 3/514-1 3/514-2 3/514-3	Vidhya Mandhiri School Erikarai Road, Pidamaneri, Dharmapuri	8222	8222	0
Total			70603	70603	0

Source: Source: Data Collected from the Lakkiampatti VP

Table No. 2.22 Details of Tax Demanded and Collected from Private Educational Institutions from Lakkiampatti Panchayat 2018-2021

Sl.No	Year	Total No. of Educational Institutions Buildings	Total Private Educational Institutions Buildings Demand (Amount in Rs.)	Collection of private Educational Institutions Buildings (Number)	Collection (Amount in Rs.)	Pending
1	2018-2019	6	70603	6	70603	0
2	2019-2020	6	70603	6	70603	0
3	2020-2021	6	70603	6	70603	0

Source: Source: Data Collected from the Lakkiampatti VP

Table No. 2.23. Details of Tax Demanded and Collected from Shops in Lakkiampatti Panchayat (2018-2021)

Sl.No	Year	Total No. Of shops	Total shops Demand (Amount in Rs.)	Collection of Shops (Number)	Collection (Amount in Rs.)	Pending (Amount in Rs.)	% age of Collection over demand
1	2018-2019	727	95964	579	76434	19530	79.65
2	2019-2020	762	100584	600	79200	21384	78.74
3	2020-2021	794	104800	673	88564	16236	84.51

Source: Source: Data Collected from the Lakkiampatti VP

Table No. 2.24: Details of Tax Demanded and Collected from Panchayat House Tax (Residential) from Lakkiampatti Panchayat 2018-2021

Sl.No	Year	Total No. of Houses	Total Demand (Amount in Rs)	No. of Houses collection (Number)	Collection (Amount in Rs)	Pending (Amount in Rs.)	% age of Collection over demand
1	2018-2019	13448	3149796	9103	2176816	972980	69.11%
2	2019-2020	14513	3277242	9286	2325783	951459	70.97%
3	2020-2021	15504	3525575	9807	2775865	749710	78.74%

Source: *Source: Data Collected from the Lakkiampatti VP*

Table No.2.25: Tax Collection Details on the Housing Tax from the 19 Selected VPs, 2020-2021

Sl No	Name of the Panchayat	Whether Collecting tax from Residential Houses?	Whether Collecting Taxes from Govt. Offices?	Whether Collecting Tax from Shops?	Whether Collecting Tax from Private Institutions (Including Schools)	Basis of Tax Collection	Method of Collection
1.	Ahamalai	Yes	No	No	No	Thatched (Kachha)- Rs.150.00 Tiled House - 0 Asbestos- 0 Pucca House - Rs.200.00	Direct & Door to Door
2.	Balamore	Yes	No	No	No	Thatched (Kachha)- 0 Tiled House - Rs.70.00 Asbestos- Rs.50.00	Direct & Door to Door
3.	Jambulingapuram	Yes	No	Yes	No	Thatched (Kachha)- 0 Tiled House - Rs.0.50 per Sq Ft Asbestos- Rs.0.50 Per Sq Ft Pucca House - Rs.1.00 Per Sq ft	Direct & Door to Door
4.	Karakathikottai	Yes	No	Yes	No	Thatched (Kachha)- Rs.44.00 Tiled House - Rs.55.00 Asbestos- Rs.66.00 Pucca House - Rs.110-440 Baed on Area	Direct & Door to Door
5.	Kadinamala	Yes	No	No	No	In PMAY-G house tax levied on Rs. 260 per house per year. The green houses levied Rs 370 per house per year. There are 260 tiled houses in the VP and Rs 66 per house per year is charged. In the case of estate quarters which	Door to Door Collection

Sl No	Name of the Panchayat	Whether Collecting tax from Residential Houses?	Whether Collecting Taxes from Govt. Offices?	Whether Collecting Tax from Shops?	Whether Collecting Tax from Private Institutions (Including Schools)	Basis of Tax Collection	Method of Collection
						houses 164 families of tea estate workers, the tea estate factory pays Rs. 12, 000 yearly	
6.	Karivedu	Yes	No	No	No	For thatched house the house tax levied is Rs 40/-, tiled house levied Rs 40/-, the asbestos sheet house levied Rs 50/- and the concrete house levied Rs 70/-.	Door to Door Collection and paid at office
7.	Keeranatham	Yes	No	Yes	No	Thatched (Kachha)- Rs.1.00 per sq ft Tiled House - Rs.1.00 per sq ft Asbestos-Rs.1.00 per sq ft Pucca House - Rs.1.00 per sq ft Commercial Buildings - Rs.1.60 per sq ft	Direct & Door to Door
8.	Kovilur	Yes	No	No	No	For thatched house the house tax levied is Rs 100/-, tiled house levied Rs 120/-, the asbestos sheet house levied Rs 150/- and the concrete house levied Rs 200/-.	Door to Door Collection
9.	Lakkiampatti	Yes	Yes	Yes	Yes	For tiled houses (Kutchu), the house tax levied is 20 paise per square feet and one per cent of	Separate tax collectors appointed for

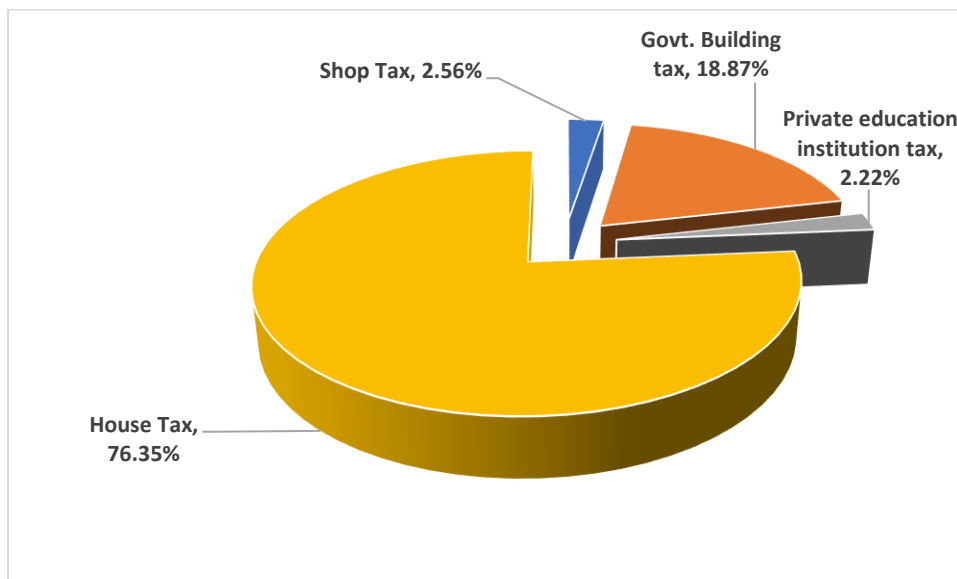
Sl No	Name of the Panchayat	Whether Collecting tax from Residential Houses?	Whether Collecting Taxes from Govt. Offices?	Whether Collecting Tax from Shops?	Whether Collecting Tax from Private Institutions (Including Schools)	Basis of Tax Collection	Method of Collection
						building value. For thatched house, the house tax levied is 20 paisa per square feet along with one per cent of building value. For asbestos house, the house tax levied is 30 paisa per square feet and one per cent of building value. For concrete house (pucca), the house tax levied is 50 paisa per square feet and one per cent of building value. N	tax collecting. Three methods used for tax collection (1) Door to door Collection (2) Paid at office and (3) Special camp conducted in January, February and March
10	Manchukondapalli	Yes	No	No	No	All are tiled houses and there is a fixed flat rate system and Rs 66 per house is levied as house tax.	Door to Door Collection
11	Marudhathur	Yes	No	No	No	For thatched house the house tax levied is Rs 100/-, tiled house levied Rs 150/-, the asbestos sheet house levied Rs 150/- and the concrete house levied Rs 200/-	Door to Door Collection and paid at office

Sl No	Name of the Panchayat	Whether Collecting tax from Residential Houses?	Whether Collecting Taxes from Govt. Offices?	Whether Collecting Tax from Shops?	Whether Collecting Tax from Private Institutions (Including Schools)	Basis of Tax Collection	Method of Collection
12	Pudumadam	Yes	No	Yes	Yes	Thatched (Kachha)- 0.50 Per sq ft Tiled House - 00.60 Per sq ft Asbestos- 00.60 Per sq ft Pucca House - Rs.0.90 Per sq ft	Direct & Door to Door
13	Puthambur	Yes	No	Yes	No	Thatched (Kachha)- Rs.0.40 per sq ft Tiled House - Rs.0.40 per sq ft Asbestos-Rs.0.40 per sq ft Pucca House - Rs.0.50 per sq ft. Shops Rs.200/- per shop	Direct & Door to Door
14	Valathi	Yes	No	No	No	For thatched house the house tax levied is Rs 44/-, tiled house levied Rs 66/-,the asbestos sheet house levied Rs 66/- and the concrete house levied Rs 110/- to Rs 440 depends on the measurement(Sq feet)	Door to Door Collection and paid at office
15	Vaniangudi	Yes	No	Yes	No	Thatched (Kachha)- 0 Tiled House - Rs.55.00 Asbestos-Rs.110.00 Pucca House - Rs.440.00	Direct & Door to Door
16	Chinnakkatlai						

Sl No	Name of the Panchayat	Whether Collecting tax from Residential Houses?	Whether Collecting Taxes from Govt. Offices?	Whether Collecting Tax from Shops?	Whether Collecting Tax from Private Institutions (Including Schools)	Basis of Tax Collection	Method of Collection
17	Erkudi Achampathu						
18	Sakkilipatti						
19	Vandapuli						

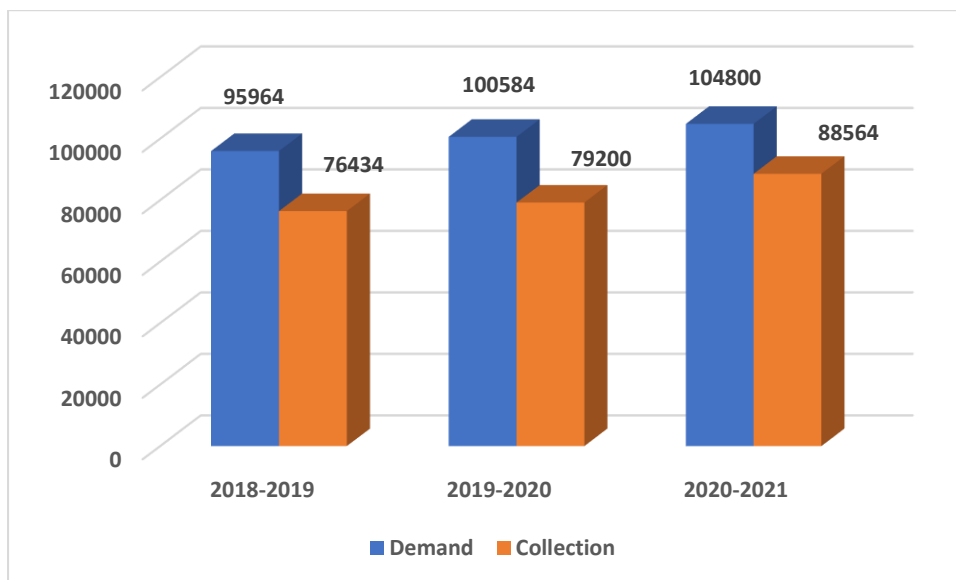
Source: *Data Collected from the respective VPs*

Fig No.14: Details of Breakup of Tax Collection from Houses (Residential), Shops, Govt. Buildings and Private Institutions (including schools) Lakkiamatti VP (Average of 3 years)



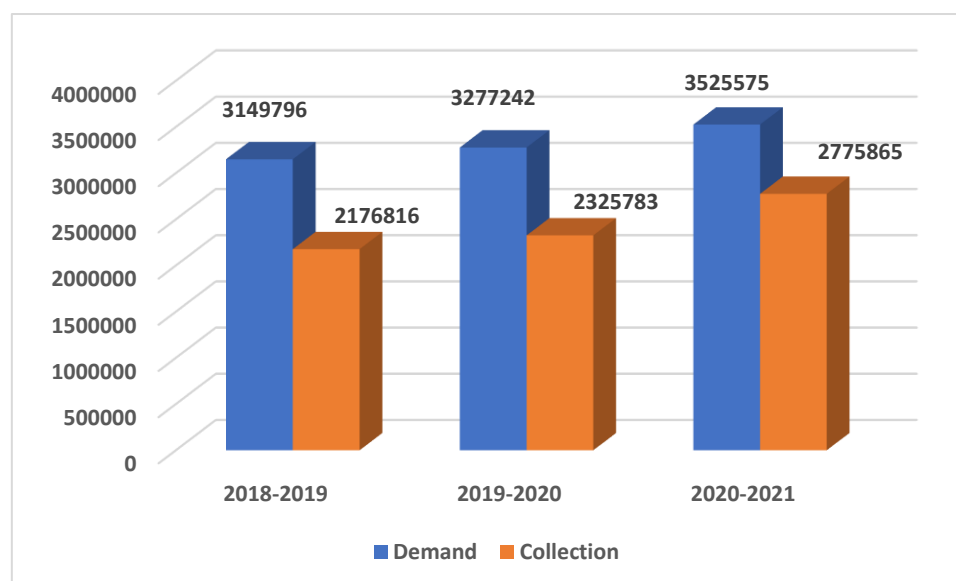
Source: Field Data

Fig No.15: Demand and Collection of Shop Tax in Lakkiamatti VP (Year Wise) (2018-2021) (Amount in Rs.)



Source: Field Data

Fig No.16: Demand and Collection of House Tax (Residential) in Lakkiampatti VP Year Wise (2018-2021) (Amount in Rs.)



Source: Field Data

6.2 Professional Tax

Major Recommendations

1. The SFC can set upper and lower limits for professional tax rate slabs and VPs can be required to set their choice within those limits. This will ensure that professional tax slabs are revised every five years and serve to augment VP income without shrinking their decision space.
2. Attempts may be made for conducting periodic scientific assessment of profession tax mapping and list of persons who are paying profession tax should be a public document and accessible in public domain including Gram Sabha.
3. Citizen education should be given to propagate that “no eligible person should be exempted from the profession tax” and there should be a “sense of pride for an enlightened citizen for paying profession tax”.
4. A consensus based democratic and transparent approach may be a more enabling factor for local tax regime rather than a confrontational one which is followed at higher levels of government (States and Union).
5. Citizen education programme, civic engagement, literacy on local fiscal architecture, and public action can be proliferated in the local governance which in turn would facilitate an upward growth in profession tax.

Field findings on Professional Tax

The States are empowered to levy a tax on profession, trade, callings, and employments (Article 276 of the Constitution). According to the section of 198 A of the Tamil Nadu Panchayati Raj

Act 1994, VPs have the power to collect Profession Tax. The general practice is that the salaries /wage of the employees are deducted by the employer and remitted to the VP. The present practice has certain advantages over other states (say Karnataka and Maharashtra) where it is collected by the respective commercial taxes department. Here, in Tamil Nadu, it enhances local accountability and efficiency in profession tax collection as it is based on sources of local knowledge and wisdom. Moreover, the person who levies the profession tax may be in a position to observe how the money is utilized by the VPs. The 5th SFC has stated that the recent trends in profession tax collection have been increasing and it is mainly due to two factors. One is the number of persons being brought within the domain of profession tax and the second they are also increasingly falling in the higher slabs of tax. The same trend is observed in our selected VPs, and this is one item of revenue that shows an up-ward growth over time in all the Selected Panchayats. As a result, the 5th State Finance Commission expressed its opinion that the present practice prevailing in Tamil Nadu in levying, collecting and appropriating profession tax should be continued. During the field visits for the present study, it was ascertained by all the stake holders in the selected VPs, and they also opined the possibilities of widening the tax bases and bring more and more employees under the net. The existing literature on local finance in Tamil Nadu also supports the view. One such study observes that “Just as with house tax, a reform that can have far- reaching implications on the quantum of professional tax collected is a periodic revision of rates” (Sahasranaman,2012). However, the 5th SFC mentioned the constitutional limitations for such a move. The 14th FC also recommended the same and it was accepted by the Government of India. Since the upper limit is prescribed as Rs.2500 per annum by the Constitution (Article 276), necessary amendment is required in this direction.

While our field visits in the 19 selected VPs in the Madurai and 15 other districts, it was observed that mainly employees who are employed in the government/semi- govt sector are only covered in the professional tax net as a system is evolved under which the salaries /wage of the employees are deducted by the employer and remitted to the VP. What about ‘others’ who are employed in private sector, informal sector and self-employed? The list of ‘others’ is very exhaustive in the rural and semi -urban context of Tamil Nadu who can be included as a categorify of professions such as lawyers, doctors, teachers, contractors, traders and etc. The ‘local businesses’ is the category which is largely exempted from the profession tax net. Do they pay professional tax? The answer is not affirmative as they are outside the orbit of the professional tax net. Take the case of a VP (Sakkilipatti, Madurai District), it is located in a relatively remote rural area and may give an impression that the potential for mobilizing of resource under professional tax is limited. Our discussion gives an impression that the present amount is being collected as professional tax is only an underestimated amount of what actually would have been collected. The per year average amount of profession tax collected from Sakkilipatti VP ,Madurai District for a period of five years from 2016-17 to 2020-21 is Rs. 7024/- (Refer Table No. 2.26). Chinnakattali VP, Madurai District is different is located in the suburb of the city and the potential for mobilizing of resource under professional tax is high. A rough estimation may give a feeling that it would be more than that what the VP collects as ‘profession tax’. The per year average amount of profession tax collected from Chinnakattali VP , Madurai District for a period of five years from 2016-17 to 2020-21 is Rs. 1,12,445/. Since

the profession tax is levied only on Govt. employees, the analysis of the profession tax may not give any meaningful implications. It has variations due to the posting and transfer of Govt. employees. Here, any results based on the ‘tax effect’ on this sector cannot be analysed as it. levied only from the Govt. employees only which gets deducted by the employer and directly remitted it to the VP. Hence the demand and collection is the same. Any assessment of the vibrancy of the VP in collecting professional tax is possible only if the tax bracket is widened to include all informal and non-formal employees. For example, in Lakkiamapatti VP, Dharmपुरi District the pending amount for collection is nil for three consecutive years (Refer Table No.2.27). The situation might have been different if they were also taxing non-government employees.

Consensus Based Democratic and Transparent Approach Towards Local Tax Regime

Our discussion with knowledgeable persons in the 19 selected VPs clearly revealed that there are many eligible persons who are not paying profession tax. A rough estimation from the 19 selected VPs indicates that the present collection from this sector is only around 50 -60 per cent of the actual potential. No tax is collected from employees working in shops. For example, in the case of Lakkiamapatti VP, Dharmपुरi District building tax is collected from 673 shops in the year 2020-2021. If the profession tax would have been collected from at least one person per shop on a minimum amount of Rs. 120, then the VP could have raised its OSR. (Refer Table No.2.28). In other words, the present amount from profession tax can be increased substantially by a new tax initiative which is transparent, and consensus based. Convergence between economic rationality and political expediency may be needed. Scientific assessment of tax mapping and citizen education may be applied. The political efficacy and trust among the local community towards the VP may be a prerequisite to create social capital in the rural areas which in turn generate a political culture of paying what is due to the local governments. “No eligible one should be exempted from the profession tax” and there should be a “sense of pride for an enlightened citizen for paying profession tax” should become the two local mottos.

Table No.2.26: Details of ‘Professional Tax’ Collected from the 19 Selected VPs in Tamil Nadu for a period of 5 years 2016-2021 (Amount in Rs.)

Sl. No	Name of the VP	2016-17	2017-18	2018-19	2019-20	2020-21	Total
1.	Ahamalai	52655	41150	50115	51690	27950	223560
2.	Balamore	5900	8240	6740	7500	8750	37130
3.	Jambulingapuram	21330	34330	41931	31885	31320	160796
4.	Karakathikottai	20618	25264	38488	42730	39780	166880
5.	Kadinamala	0	930	930	930	930	3720
6.	Karivedu	5660	5660	5660	6440	6440	29860
7.	Keeranatham	38236952	5608397	63093731	5557043	74088110	186584233
8.	Kovilur	555020	248400	251220	237500	375910	1668050
9.	Lakkiamapatti	5747203	4080408	4352561	4341686	4662038	23183896
10.	Manchukondapalli	18500	35590	63662	56310	56310	230372

11.	Marudhathur	18500	20200	20350	20350	20640	100040
12.	Pudumadam	170575	192250	213480	204890	200810	982005
13.	Puthambur	16380	20920	26655	35580	36180	135715
14.	Valathi	299878	231715	224175	187190	142920	1085878
15.	Vaniangudi	2076668	2820851	2612181	1987295	2615000	12111995
4 Selected Panchayats in Madurai District							
16.	Erkudi Achampathu	16780	18700	18190	25615	26940	106225
17.	Sakkilipatti	7360	6490	6490	5660	9120	35120
18.	Vandapuli	52580	14580	15820	12355	30205	125540
19.	Chinnakattalai	118455	103930	110670	113820	115350	562225

Source :Data collected from the VPs in Tamil Nadu

Table No. 2.27: Number of Government Employees and Tax collection in Lakkiampatti VP, Dharmapuri District, Tamil Nadu

Year	Total number of Govt Employees	Total DemandAmount (in Rs.)	Collection Amount (in Rs.)	Pending Amount (in Rs.)
2018-2019	1400	4352561	4352561	0
2019-2020	1593	4341686	4341686	0
2020-2021	1687	4662038	4662038	0

Source :Data collected from Lakkiampatti VP, Dharmapuri District, Tamil Nadu

Table No.2.28: Shops Tax Details in Lakkiampatti VP, Dharmapuri District, Tamil Nadu

S.No	Year	Total No. of Shops	Demand Amount from Shops (in Rs.)	Number of Shops in which Tax is Collected	Collection Amount(in Rs.)	Pending Amount (in Rs.)
1	2018-2019	727	95964	579	76434	19530
2	2019-2020	762	100584	600	79200	21384
3	2020-2021	794	104800	673	88564	16236

Source :Data collected from Lakkiampatti VP, Dharmapuri District, Tamil Nadu

6.3. Water Tax

Major Recommendations

1. Accountability and transparency in the distribution and supply of water and the taxes and charges levied for water consumption should be seriously taken up by the VPs. The

VPs should come up with some mechanism to ensure transparency and accountability in the water charges and taxes being levied on the consumers.

2. A 'wide decision space' for the VPs in the domain of fixing water charges should be strengthened and they should ensure water meter reading is done in a transparent manner and consumers are only billed accordingly.
3. Training should be given to VPs to develop economically feasible water purifying units to provide water to local communities on business mode and it can be developed into a large-scale operation with household connections.
4. To reduce the exorbitant expenditure involved in the maintenance of water tanks and pipes, training should be given to OHT operators in important aspects of plumbing. Therefore, the capacity building of the OHT operators should be seriously taken up.
5. A high-power committee should be constituted to study the extent of water crisis and address the problems in connection with water tax and maintenance costs.
6. Then *Jal Jeevan Mission*, Ministry of Jal Shakti, Government of India, has launched a safe and adequate drinking water scheme to provide to all households in rural India by 2024 and if so, it may be possible to achieve universal coverage by a convergence mode between VPs in Tamil Nadu and the Mission. The untied grant fund from the 15th FC can also accelerate the process.

Field findings on Water Tax

One of the main reasons for VPs becoming deficit is due to the exorbitant expenditure it has to incur in the supply, distribution of water and maintenance of water sources including water tanks and pipes. Majority of the VPs are under pressure from service providers involved in the supply and distribution of water in VPs as they do not have sufficient funds to settle their arrears.

During the field visit, it was observed that the VPs are entrusted with the task of providing water supply for domestic purposes. As per the Government Order, (GO.Ms.No.260 Rural Development Department, dated 09/12/1998) the VPs are directed to collect a deposit of Rs.1000/- and fix a monthly water charge of at least Rs.30/- for the supply of drinking water through household connections. The GO is silent on water charges to be levied from business, commercial, institutional, and industrial establishments. Water is supplied mainly through public taps, then in some VPs there are household water connections, own water supply schemes along with that Tamil Nadu Water Supply and Drainage Board (TWAD) with the support of Combined Water Supply Schemes (CWSS) offers drinking water to the villagers in selected VPs (See Table No.2.29). There is 'wide decision space' for the VPs in the domain of fixing water charges (See Table No.2.30). The VPs are empowered to fix the rates for monthly water charges within the orbit of the GO based on the Panchayats resolutions and deposit. Regarding the water charges, the water supplied through public taps are unmetered. There have also been complaints against excess charges are being levied by the TWAD based on unmetered calculations of water discharge. It has been reported that the volume of water supply is not based on the calculations on the exact readings. Many VPs have complained that there is scarcity of funds and the water charges collected are not sufficient to meet O & M cost of water

supply. It has been reported that the bulk water charge for VPs is Rs.3- /per KL which is not sufficient enough. The actual average maintenance cost is worked out as Rs.4.81 per KL. Though water tariff has not been revised since 2002 and there is high chance that TWAD may revise the rate of water charges. During our discussion with the functionaries of the selected VPs, we could understand that the fact is known to them, and they expect a very favorable recommendation from the 6th SFC in this regard. During our interaction with the villagers it was evident that they are unsatisfied with the overall water supply and delivery process especially TWAD water supply and pricing and the VP functionaries also echoed the same. Villagers want the entire process to be transparent and accountable. An empirical study argues that merely by being judicious in the use of water, quite a good number of VPs in Tamil Nadu have the potential of saving approximately one -third of the expenses incurred on water service delivery (Ramesh and Narayanasamy, 2010). The study also documents that the existing capacity of the OHPs in the 14 of the 17 VPs is more than the standard requirement and therefore more chances of wastage and more expenses of maintenance. All these add to the high O&M expenses of the VPs. The above observation was ascertained with varying degrees in the selected 19 VPs while examining the administrative cost of the drinking water supply schemes. During the field visit it was reported that the maintenance costs related to water tanks and pipes posing a huge problem to the VPs as they have to rely on plumbers to fix the leaks in supply pipe and distribution pipes and the VPs have to pay plumbers accordingly. This excess expenditure can be avoided if VPs are willing to provide training in plumbing to OHT operators. Many VPs have sufficient OHT operators but they have not been provided with any training to fix the leaks in supply pipes and distribution pipes. Here are a few case studies related to water supply and maintenance among the selected VPs.

Case 1 - Lakkiampatti VP which has a population of 39,697. There are 16,298 households and out of it a total of 3,522 households have piped water connection. For household water connection Rs 50 per monthly is collected as water fees. A total of 3231 public taps are available in Lakkiampatti VP. Though the Lakkiampatti VP has 90 bore wells, 5 community wells, 88 hand pumps and 102 mini overhead storage tanks (OHT) in working condition, water from these sources are not used for drinking due to high fluorine content in water. For the supply of drinking water, the people in the Lakkiampatti VP depend on TWAD. The TWAD supplies drinking water twice a week in eleven streets in Lakkiampatti VP. The Lakkiampatti VP pays Rs. 8.15 per 1000 liters to the TWAD for providing water. The SFC funds to PRIs are used to provide water charges to TWAD. Lakkiampatti VP has a total of 34 OHT operators, the highest among the selected 19 VPs (See Table No:2. 31). However, the VP has to depend on plumbers to fix the leaks identifies by the OHT operators and this is causing additional financial burden to the VP.

Case 2 - There are VPs that have own water supply schemes and do not depend on TWAD for water and Valathi VP in Villupuram district is one among them. The Valathi VP runs its own drinking water supply scheme for providing free water to the local community with the support of 240 public taps and no individual is provided drinking water by piped connections to their households. The Valathi VP is not having any water supply scheme supported by the TWAD and therefore no amount is paid as ‘water charge’ to the TWAD. The VP has seven water tanks

with a capacity of 2 lakhs liters along with a hand pump, power pump and a mini power pump and for the maintenance of water source including pipeline repair, the Valathi VP has spent a total of Rs. 2125268 from 2016 to 2021(See Table No: 2.32).

Case 3 -Kovilur VP in Thiruvannamalai district is a tribal Panchayat which is located in the Eastern Ghats in Jawadu Hills. The Panchayat has a population of 18119 from 3188 households. The Panchayat had developed its own drinking water supply system and no scheme is supported from TWAD except the construction of a few over- head tanks handed over to the Panchayats. The Panchayat had 70 water tanks with a capacity of 21,30000(53 tanks with the capacity of 1,00,00 liters, 12 tanks with the capacity of 30,000-liters 4 tanks with the capacity of 60,000 liters, one tank with the capacity of 10,000009-ltrs). There are 212 public taps and 66 household connections. The *Jal Jeevan Mission* has started its activities in the Panchayat and expecting to cover full piped water connection by 2022. The public tap water is free of cost whereas it is charged Rs. 360/per year from those who have household connections, in addition to a deposit charge of Rs.1000/per unit. The latest amount collected for the year 2020-21 from the households who have piped water connections is Rs.7,300/ and it was Rs.1,360/ for the year 2016-17 and the collection amount was Rs.16,000 in 2017-18. It is seen that ‘door to door collection system’ is followed in the Panchayat. As per records no amount could be collected in the previous two years (2018-19 and 2019-20) due to Covid 19 pandemic. The average maintenance cost per year is worked out as Rs.10, 58806 towards four major items such (i) hand pump maintenance, (ii) power pump maintenance, (iii) mini-power pump maintenance and (iv) pipeline repair (See Table No. 2.33). The amount is remitted in the Account No.1 and the expenditure of the maintenance is also incurred from the same account.

Case 4: The narrative from Karivedu VP shows that the Covid 19 pandemic has not affected the collection fees of drinking water from those who have piped water connections to their households. It is a small VP covering three habitations and having 243 households with 762 population. The Panchayat has developed its own drinking water supply scheme with the support of six bore wells and it is having four overhead water tanks (OHT)with the capacity of 80000- liters(two tanks with the capacity of 30000 liters and two tanks with the capacity of 10000-liters). All the tanks are constructed by the support of state schemes. Since the water sources are not supported by the TWAD, no financial liability is incurred and therefore the Panchayat did not have to pay any amount as ‘water charge’. On the other side, the Panchayat collect water fees from those 185 households who have piped water supply connections. Activities are underway in the VP to provide piped water supply to other households under the *Jal Jeevan Mission*. As per records, the average amount of water fee per year is Rs. 91482. It is important to note that even during the COVID 19 period (2020 -21), the VP could mobilize Rs.109300/ towards water fees. It is also having 27 public water taps for free supply of drinking water. The VP spends an average amount of Rs. 1, 05,251.8 for attending the maintenance cost of the drinking water supply schemes (See Table No: 2.34).

Table No.2.29 : Details of Water Facilities in the Selected 19 VPs

Sl No	Name of VP	Water Scheme		No. of OHT	No of GLR	No. of OHT Operators	No. of Household Connection	No. of Public Tap	Water Fee	Water Deposit
		Own Scheme	TWAD							
1	Kadinamala	Spring water(Gravity Source)	Nil	1	12	Nil	Nil	32	Nil	Nil
2	Karivedu	Bore Well-4	Nil	4	Nil	2	185	27	Yearly Rs-600/-	Nil
3	Kovilur	Dug Well-112 Bore Well-11 Lake-1	Nil	70	Nil	57	162	20	Yearly Rs-600/-	Nil
4	Lakkampetti	Bore Well-90 Community Well-7 Hand Pump-100 (12 not Working) Mini OHT with Bore Well--109	Yes (Hotenakkal Combined Water Project)	32	3	34	3522	3231	Yearly Rs-600/-	Per Household Rs3000/- Connection Charge
5	Manchukondapalli	Bore Well-23(17 Functioning) Community Well-5(2Functioning) Hand Pump-100 Mini OHT with Bore Well-15(Each OHT	Yes (Hotenakkal Combined Water Project)- The scheme is not Functioning now	8	Nil	7	Nil	580	Nil	Nil

		1000Ltr Capacity)								
6	Marudhathur	Dug Well Bore Well-4	Yes(Rajiv Gandhi Combined Water Supply Scheme- Source: EraiyurVellar River)	4	Nil	2	96	4	Monthly Rs 30/-	Per Household Rs1000/- Connection Charge
7	Valathi	Dug Well Bore Well-4	Nil	7	Nil	2	120 (Just Completed in JJM)	240	Nil	Nil
8	Balamore			Nil	Nil	0	0	Nil		
9	Jambulingapuram			7	Nil	3	405	70		
10	Pudumadam			13	Nil	4	994	340		
11	Vaniangudi			18	Nil	20	130	1260		
12	Karkathikottai			2	Nil	1	63	63		
13	Ahamalai			7	Nil	1	0	78		
14	Puthambur			15	3	5	323	53		
15	Keeramthanam			11	Nil	1	2244	286		
4 Selected VPs in Madurai District										
16	ErkudiAchampathu	Data has not been collected								
17	Sakkilipatti	Data has not been collected								
18	Vandapuli	Data has not been collected								
19	Chinnakattalai	Data has not been collected								

Source: Data Furnished by the Respective VP

Table No.2.30: Details of Water Fee Collected in 19 Selected VPs, 2016-2021 (Amount in Rs)

Sl. No	Name of the VP	2016-17	2017-18	2018-19	2019-20	2020-21	Total
20.	Ahamalai	Only public taps are available					
21.	Balamore	Only public taps are available					
22.	Jambulingapuram	176850	77160	64490	49320	15120	382940
23.	Kadinamala	Only public taps are available					
24.	Karakathikottai	Only public taps are available					
25.	Karivedu	71445	134137	72462	70064	109300	457408
26.	Keeranatham	592920	819720	826340	1086300	901260	4226540
27.	Kovilur	1360	16000	0	0	7300	24660
28.	Lakkiampatti	786920	847440	659680	894080	945440	4133560
29.	Manchukondapalli	Only public taps are available					
30.	Marudhathur	Only public taps are available					
31.	Pudumadam	267790	414050	273780	213300	208440	1377360
32.	Puthambur	25200	67600	146800	80400	193800	513800
33.	Valathi	Only public taps are available					
34.	Vaniangudi	79800	79800	79800	73200	73200	385800
4 Selected VPs in Madurai District							
35.	ErkudiAchampathu	106920	178560	103680	167400	119160	675720
36.	Sakkilipatti	-	-	-	-	-	
37.	Vandapuli	-	-	-	-	-	
38.	Chinnakattalai	-	-	-	-	-	

Source: Data Furnished by the selected 19 VPs.

Table No. 2.31: Permanent & Temporary OHT Operators in Lakkiampatti VP

Sl.No	Name	OHT Tank	Capacity (Litres)	Qualification	Experience	Salary
1.	M. Perumal	Senthil Nagar BDO Vairavanathan Sreet	30000	5 th Std	32	5190
2.	K. Shanmugam	Vennampatti	30000	-	27	4940
3.	C. Mani	V. Jettihalli	30000	5 th Std	21	5190
4.	M. Sagunthala	Ponnagar	30000	-	21	5190
5.	M. Senthil	Senthil Nagar BDO Vairavanathan Street	30000	12 th Std	25	6190
		Lakkoiyampatti	30000	12 th Std	25	
6.	M. Chinnaswamy	Lakkiyampatti	60000	-	21	5940
7.	G. Lakshmanan	Kullanoor	30000	2 nd Std	21	4940
8.	R. Sokkalingam	Panathoppu	30000	12 th Std	16	250

9.	K. Siva	New Colony	30000	8 th std	11	250
10.	P. Soma sekar	Agri Nagar	30000	8 th std	5	250
11.	R. Govindhan	TNHB Vennampatti	100000	-	15	250
12.	K. Kaliyappan	Adhiyaman Nagar	60000	-	16	250
13.	R. James	Pidamaneri	30000	8 th std	16	250
14.	R. James	Nelli Nagar	100000	8 th std	16	250
15.	V. Madhava Reddy	Leporsy Colony	30000	-	16	250
16.	P. Ganavel	Manthoppu	60000	10 th std	12	250
17.	M. Sreenivasan	KullanoorBarathi Nagar	10000	12 th std	13	250
18.	M. Sreenivasan	Teachers Colony	60000	12 th std	13	250
19.	P. Tamilarasu	MonnaiyanKottai	30000	12 th std	7	250
20.	C. Chinnaswamy	Senthil Nagar	10000	-	8	250
21.	R. Palani	TNHB Vennampatti	10000	10 th std	4	250
22.	P. Saravanan	TNHBVennampatti	100000	5 th std	12	250
23.	G. Jayalakshmi	Ashok Nagar	10000	8 th std	3	250
24.	G. Samuvel	EB Colony	30000	12 th std	2	250
25.	N. Thangarasu	Elango Nagar	10000	8 th std	4	250
26.	A.Vinothkumar	TNHB Vennampatti	10000	12 th std	7	250
27.	J. Gunavathi	Nandi Nagar Pidamaneri	20000	6 th std	5	250
28.	J. Gunavathi	Ranga NagraPidamaneri	10000	6 th std	5	250
29.	R. Ramesh	TNHB Vennampatti	100000	10 th std	4	250
30.	M. Venkatesan	Alagapuri	30000	Diploma	4	250
31.	S. Settu	Treasury Colony	60000	5 th std	2	250
32.	P. Anandhan	Pidamaneri	10000	10 th std	3	250
33.	G. Singaravel	AmmasiKottai	30000	5 th std	6	250
34.	M. Stalin	Teachers Colony	60000	7 th std	1	250
	Total		1340000			

Source: Data Furnished by the Respective VP

Table No. 2.32: Drinking Water Maintenance Cost Spent (2016-2021) by Valathi VP (Amount in Rs.)

Sl. No	Item	2016-17	2017-18	2018-19	2019-20	2020-21	Total
1.	Hand pump maintenance	0	18180	8980	20590	4300	52050
2.	Power pump maintenance	227061	129110	119725	188027	64115	728038

3.	Mini Power pump maintenance	46850	20590	6000	174010	39150	286600
4.	Pipeline repair	232677	188269	0	443900	193734	1058580
	Total	506588	356149	134705	826527	301299	2125268

Source: Data collected from the VP, Valathi, Villupuram District

Table No. 2.33: Drinking Water Maintenance Cost (2016-2021) spent by Kovilur VP (Amount in Rs.)

Sl. No	Item	2016-17	2017-18	2018-19	2019-20	2020-21	Total
1.	Hand pump maintenance	471270	286015	128590	116725	286793	1289393
2.	Power pump maintenance	1481744	0	0	0	0	1481744
3.	Overhead tank maintenance	0	649152	931629	648043	0	2228824
4.	Pipeline repair	294068	0	0	0	0	294068
	Total	2247082	935167	1060219	764768	286793	5294029

Source: Data collected from the Kovilur VP, Thiruvannamalai District

Average= Rs. 10, 58,806

Table No. 2.34: Drinking water maintenance cost (2016-2021) spent by Karivedu VP (Amount in Rs.)

Sl. No	Item	2016-17	2017-18	2018-19	2019-20	Total
1.	Hand pump maintenance		10780			10780
2.	Mini Overhead tank maintenance	12565				12565
3.	Overhead tank maintenance	50310	66280	112412	18760	247762
4.	Pipeline repair	28976				28976
5.	Power pump maintenance	12000	22400	43204	43320	120924
	Total	103851	99460	155616	62080	421007

Source: Data collected from Karivedu VP

Average= Rs. 1,05,251.8

7.Honorarium/Allowances /Sitting Fees /Fixed Travel Allowances

Major Recommendations

1. It is better to fix an amount as honorarium, travel allowances, sitting fees to the elected functionaries (Presidents, Vice Presidents, Chairman, Standing Committees and Members) of the three tier Panchayats.

A Note on Honorarium/Allowances /Sitting Fees /Fixed Travel Allowances

The responsibilities and functions of the elected representatives irrespective of the tier in which he/she represents demands maximum service to their respective constituency to fulfil the aspirations of the local community. Efficient constituency management requires almost full attention of the elected representatives. The implementation of rural development programmes /schemes of different levels of government are also needed the maximum involvement of the elected representatives. Moreover, elections are treated as ‘social audit’ in many times and every action of the elected representatives are being tracked and they are under the constant surveillance of the public. Of course, all the involvements and commitments are not measured in terms of monetary benefits, and it cannot be compensated. But a decent public life without being tempted to corrupt needs some amount of financial protection from the system itself. Honorarium, allowances, sitting fees, fixed travel allowance are considered in the above background which also may be proxy variables of decentralization. A comparison of the elected executives in Tamil Nādu with their counterparts in the neighbouring States of Kerala and Karnataka gives the impression that the elected representatives in Tamil Nādu are performing practically without any amount under honorarium and other allowances (See Table No: 2.35, 2.36 and 2.37). No one can assert that the elected representatives in Tamil Nadu are doing less effort than their counterparts in the neighbouring the States. Against this background, it is better to fix an amount as honorarium, travel allowances, sitting fees to the elected functionaries (Presidents, Vice Presidents, Chairman, Standing Committees and Members) of the three tier Panchayats.

Table No. 2.35: Honorarium of Elected Representatives of PRIs in Tamil Nadu (Amount in Rs.)

Sl No	Position	Honorarium	Fixed Travel Allowance (FTA) *	Sitting Fees	TA for Attending Meeting
1.	VP President	1000	500	100	Nil
2.	VP Member	Nil	500	50	Nil
3.	Panchayat Union President	Nil	750	75	Nil
4.	Panchayat Union Member	Nil	400	50	Nil
5.	District Panchayat President	Nil	1500	100	50
6.	District Panchayat Member	Nil	500	100	50

(*though the amount is given as fixed travel allowance, it is also known as ‘honorarium’. But the amount is same). It is based on G.O 2007.

Source: Directorate of RD &PR, Government of Tamil Nadu Field Data

Table No.2.36: Honorarium of Elected Functionaries of PRIs in Kerala (Amount in Rs.)

Sl No	Position	VP	Panchayat Union	District Panchayat
1.	Panchayat President	14200	15600	16800
2.	Panchayat Vice President	11600	13000	14200
3.	Standing Committee Chairman	9200	9800	10400
4	Panchayat Member	8000	8600	9800

There are other allowances and sitting fees

Source; Directorate of RD &PR, Government of Kerala Field Data

Table No. 2.37: Honorarium of Elected Functionaries of PRIs in Karnataka (Amount in Rs)

Sl No	Position	VP	Taluk Panchayat	Zilla Panchayat
1.	Panchayat President	3000	6000	35000
2.	Panchayat Vice President	2000	4000	15000
3.	Panchayat Member	1000	3000	5000

There are other allowances and sitting fees

Source: Directorate of RD &PR, Government of Karnataka Field Data

8.Sanitary Workers

Major Recommendations

Attempts should be made to appoint the required number of sanitary workers in each VP and there should be capacity building and training (CB&T) for the sanitary workers.

Note on Sanitary Workers

As per the norms of the Government of Tamil Nadu, there should be a sanitary worker for every 50 households. This is more decisive in the background of the introduction of health grant by the 15th FC in which “in view of the challenge of the current pandemic, out of the total grants for local governments, Rs.70051 crore is earmarked for the improvement of health services”.

As per the GO Ms.No.129 RD&PR, Department 14/09/2013, in VPs having up to 3000 population there should be one sweeper, for 3001-10000 population, there should be two sweepers and above 10001, there should be three sweepers. For example, take the case of Vanyiankadu VP and there are 9400 households, and the required number of sanitary workers are 188 but only a small number is employed in the VP. This is same with other selected VPs. The functions of the sanitary workers should be devolved to the Panchayats and presently they are not treated as the staff of the concerned Panchayat. Even sweepers are treated as the contract staff of the Panchayats.

Panchayat Data Sources

A comparison of Tamil Nadu’s online presence in the form of Management Information Systems (MIS) for decentralisation with its neighbouring states shows an abysmal picture. There is no access to VP level data to the public and the information that is available has not been updated since 2015.

Neighbouring states like Karnataka, for example has a sophisticated Management Information Systems (MIS) with a special Panchathanthra portal which is a dedicated data bank on panchayats (<http://www.panchatantra.kar.nic.in/stat>). Even the newly formed state Telangana has made an attempt to introduce e panchayat MIS portal to modernize its Panchayat database. The website which was still at a nascent stage in 2016 has now been updated to show the house tax collection for the financial year 2021-22. (<http://epmis.telangana.nic.in/>).

In contrast the Tamil Nadu Rural Development and Panchayat Raj department the data in the website appears rudimentary (<http://www.tnrd.gov.in/>) . There is an urgent need to modernize the database to ensure more cohesion in linking devolution of funds with functions.

Annexure

Annexure No. 1: Basic Information of the Selected VPs

Sl. No	Name of the VP	Name of the District	Population	Number of Household	Reason for Selecting the VP	Rank of the VP in Mission Antyodaya Survey 2020
1.	Ahamalai	Theni	2184	431	Highest Range in Geographical Area	42
2.	Achampattu Yerkudi	Madurai	4270	1642	Purpose for sampling is to study Vertical Devolution	47
3.	Balamore	Kanyakumari	306	213	Lowest Range in Population	31
4.	Chinnakattalai	Madurai	3174	1014	Purpose for sampling is to study Vertical Devolution	48
5.	Jambulingapuram	Thoothukudy	3177	1150	Medium Expenditure on MGNREGS	49
6.	Kadinamala	The Nilgiris	778	228	Lowest Expenditure on MGNREGS	44
7.	Karivedu	Ranipet	762	243	Lowest Range in Geographical Area	38
8.	Karkathikottai	Pudukkottai	1646	411	Medium level Proximity to the Peri Urban	35
9.	Keeranatham	Coimbatore	28470	5694	Highest Own Source Revenue (OSR) Collection	60
10.	Kovilur	Thiruvannamalai	12553	3188	Highest Expenditure on MGNREGS	24
11.	Lakkiampatti	Dharmapuri	65784	16298	Highest Range in Population	69
12.	Manchukondapalli	Krishnagiri	2704	744	Lowest level Proximity to the Peri Urban	49
13.	Marudhathur	Cuddalore	1645	431	Lowest Own Source Revenue (OSR) Collection	47

Sl. No	Name of the VP	Name of the District	Population	Number of Household	Reason for Selecting the VP	Rank of the VP in Mission Antyodaya Survey 2020
14.	Pudumadam	Ramanathapuram	8760	3071	Medium Own Source Revenue (OSR) Collection	43
15.	Puthambur	Karur	1930	735	Medium Range in Geographical Area	53
16.	Sakkilipatti	Madurai	1896	479	Purpose for sampling is to study Vertical Devolution	43
17.	Valathi	Villupuram	4613	1147	Medium Range in Population	56
18.	Vandapuli	Madurai	2620	881	Purpose for sampling is to study Vertical Devolution	44
19.	Vaniyangudi	Sivaganga	26000	8680	Highest level Proximity to the Peri Urban	61

Source: Data collected from 19 VPs in Tamil Nadu

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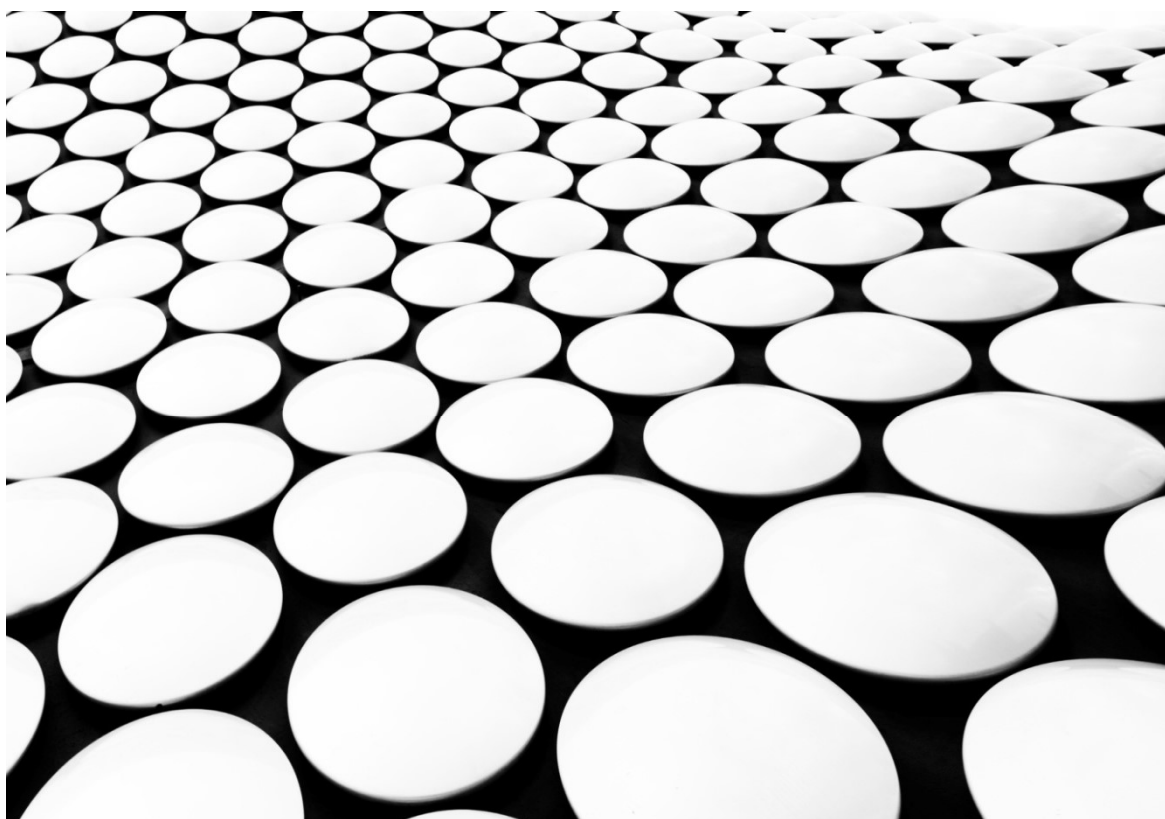
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School Infrastructure Management by Local Bodies in Tamil Nadu

**Analysis and Recommendations on Operations and
Maintenance Expenses**



December 2021

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Abbreviations:

BDO	Block Development Officer
CEO	Chief Education Officer
CoSE	Commissionerate of School Education
CPWD	Central Public Works Department
CTP	Commissionerate of Town Panchayat
DEO	District Education Officer
DMA	Directorate of Municipal Administration
DRD & PRD	Directorate of Rural Development & Panchayat Raj Department
EM	Estate Manager
FY	Financial Year
GO	Government order
GoTN	Government of Tamil Nadu
NAS	National Achievement Survey
NCC	National Cadet Corps
O&M	operations and maintenance
PPP	Public Private Partnership
PWD	Public Works Department
RMSA	Rashtriya Madhyamik Shiksha Abhiyan
SDGs	Sustainable Development Goal
SED	School Education Department
SFC	State Finance Commission, Government of Tamil Nadu
SFC	State Finance Commission
SS	Samagra Shiksha
SSA	Sarva Shiksha Abhiyan
SSFC	Sixth State Finance Commission
TE	Teacher Education
TEI	Teacher Education Institutions
TNEB	Tamil Nadu Electricity Board
TNSPC-2021	Tamil Nadu State Policy for Children-2021
UDISE	Unified District Information System for Education
UNICEF	United Nations Children's Fund
WASH	Water, Sanitation and Hygiene
YoY	Year on Year

1 Background and Context

UNICEF works in over 190 countries and territories to save children's lives, to defend their rights, and to help them fulfill their potential, from early childhood through adolescence. In India UNICEF work across India to save children's lives, help them fulfill their potential and defend their rights.

Tamil Nadu is the seventh most populous state in India. Close to fifty per cent of the state's population live in urban areas. Tamil Nadu is one of India's pioneer states for initiating pro-poor policies and social protection programmes for children and women in the most marginalized communities. The State introduced progressive legislations and schemes such as social security measures, expansion of health, nutrition, WASH and education systems and public distribution system. Over the decades, these social policies were implemented effectively with high public investment in social sector and strong administrative structures and systems that facilitated effective planning and monitoring. This significantly demonstrated impact on well-being of children in health, nutrition and education.

Considering the substantial progress made in last couple of decades in improving outcomes for children and reducing multi-dimensional deprivations in Tamil Nadu, the UNICEF state office for Tamil Nadu's programme efforts focuses largely on enhancing social inclusion and strengthening an enabling environment by developing a convergent social policy approach and comprehensive systems that integrate efforts for greater impacts on child well-being. UNICEF works around the **three pillars of social policy work** - public finance for children, decentralization and child friendly local governance, and social protection for vulnerable families and their children.

2 The Sixth SFC and its Terms of Reference

The three-tier structure envisaged under the 73rd and 74th Constitutional Amendments has been in place for two decades in Tamil Nadu. As envisaged in Article 243 (I) and 243 (Y) of the Constitution of India, inserted through the 73rd and 74th Amendments, each State has to constitute a State Finance Commission once in five years to review the financial position of the local bodies and to make its recommendations to the Governor of the State.

The State Finance Commission reports are landmark documents, for they mark, not only the fulfillment of the constitutional obligation to have a specially tasked body to recommend on the appropriate sharing of resources by the State Governments with the local bodies, but also provide an opportunity to look back periodically on the journey thus far on decentralization by assessing the role, performance and needs of the local bodies. As a constitutional body, the State Finance

Commission is in a unique position to examine and evaluate the path taken so far and influence through its recommendations, the future of the critical institutions which are at the base of the pyramid of governance in the country.

In pursuance of the constitutional provisions and the State legislations, State Finance Commissions are being constituted in Tamil Nadu once in five years. The Sixth State Finance Commission (SSFC) was constituted and notified in the Tamil Nadu Government Gazette thru G.O.Ms.No.171.

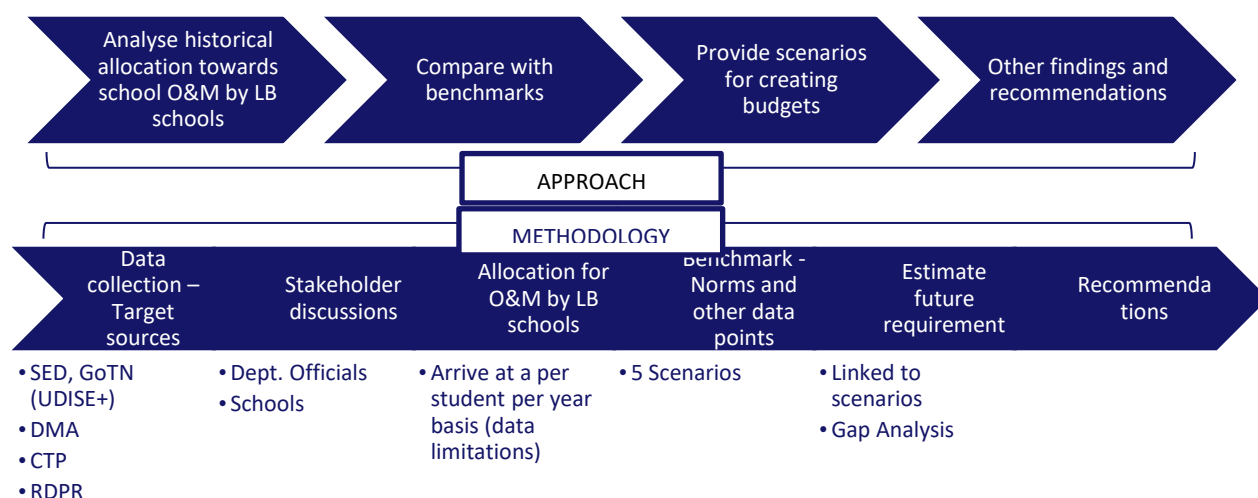
The Commission's terms of reference include reviewing the financial position of the rural and urban local bodies - village panchayats, panchayat union councils, district panchayats, town panchayats, municipalities and municipal corporations and making recommendations. The Commission covers the period of five years commencing from April 1, 2022.

3 Report in focus

UNICEF (Tamil Nadu and Kerala state office) is assisting The Sixth State Finance Commission, GoTN on various initiatives. One such initiative is in the education sector relating to estimating the future requirements of operations and maintenance (O&M) expenses of Schools run by local bodies - panchayat, municipalities and corporations). This report attempts to assess the historical spend by Government entities towards maintenance of school infrastructure and compare it with aspirational benchmarks, further the report brings out suitable approach and provides scenarios for creating budgets for school infrastructure maintenance amongst other recommendations.

4 Approach and Methodology

The A&M is presented in the diagram below:



1. **Defining the objective:** The objective of the study is to analyse the spending by local bodies (urban and rural) for operations and maintenance (O&M) of schools run by Local Bodies (LBs). The current levels of spending are then measured against good practices to see if there is a need for increase in spending for O&M.
2. **Data collection:** The first step was to identify the relevant departments and information to be collected from. Following departments were identified as relevant for the study:
 - School Education Department
 - Commissionerate / Directorate of Municipal Administration
 - Commissionerate of Town Panchayats
 - Directorate of Rural Development & Panchayat Raj Department
 - Forest Department
 - Adi Dravidar and Tribal Welfare Department
 - PWD: Building division
 - UDISE+

Then from each department/ agency the key information to be obtained was drawn. This was followed by writing to respective department(s) along with specific data request relevant to that department. Further visits to department to follow up on the request and to have discussion were also undertaken. In addition to the above we also referred public documents such as:

- a) TN budget documents
- b) TN policy notes of various department(s)
- c) SFC reports and ATRs of previous SFC, TN

3. **Stakeholder consultations:** Discussion with school teachers was undertaken in more than 20 districts. Key areas covered are outlined below:

- Category of school / location of the school
- Strength (students and teachers)
- Infrastructure facilities (number of class rooms, availability of toilet, capacity of the toilet, etc.)
- Support functions (availability of housekeeping staff)
- Grants being received and their ability to meet the maintenance expenses
- Historical maintenance details and amount being spent
- Operational process in getting maintenance work done (local body or PWD)
- Any other specific issues

4. **Spending by local bodies on O&M for school maintenance**

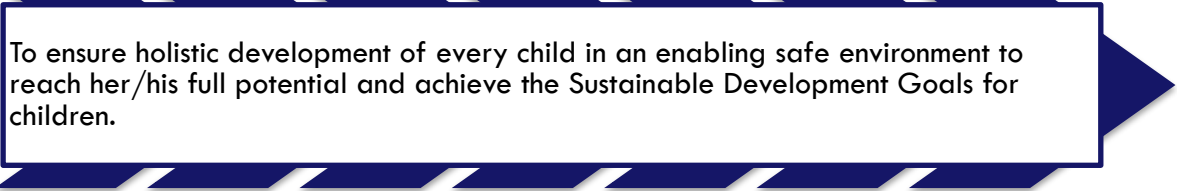
- **Historical spending:** This includes analysis of historical spending by LBs for School O&M expenses. Also, to analyse the trend and reasons for increase or decrease YOY. Then subsequently arrive at the O&M spending on a per student basis. It may be noted that while spending towards utilities such as energy, water etc. (which are met by local bodies directly) are also to be considered under O&M, the analysis here has been limited to repairs, maintenance and upkeep of school premises. However, if the spending towards
- **Norm based spending:** If we go by the norms prescribed by CPWD for school building and infrastructure maintenance, then what would be the yearly maintenance cost was arrived at.
- **Benchmark:** The next step was to obtain the following details:
 - a. Comparison of spending by schools in different local bodies. Spending in Corporations was compared with village panchayats (considering limited data availability) to arrive at the gap.
 - b. Spending by a government aided school in Chennai for the purpose of benchmarking on a per student basis.
 - c. Spending for O&M based on allocations (after adjustments) for Ekalavya School (a special category residential school for tribal children) by Government of India. The cost was normalised on a per student basis
 - d. Spending for O&M based on allocations (after adjustments) in case of school development on PPP basis in Gujarat. The cost was normalised on a per student basis

We then compared the spending by schools run by LBs against the benchmarked numbers. This helped us to arrive at the gap/ need to increase the current spending levels to improve the service levels by upkeep of school infrastructure. Based on this exercise we arrived at the funding requirements for O&M for school in near future. In this process, we attempt to understand the financing gap that is needed to bring about parity between government schools in Tamil Nadu and also set higher aspirations based on select benchmarks.

5 TN State policy for Children 2021

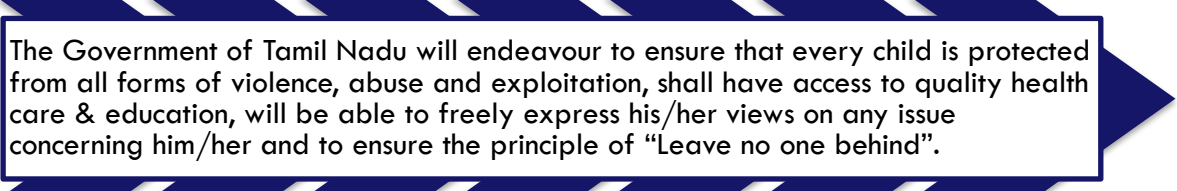
In order to remain steadfast in its commitment to create a bright future for its children, and achieve the Sustainable Development Goals for children, Govt of Tamil Nadu has developed the Tamil Nadu State Policy for Children-2021 (TNSPC-2021).

Vision:



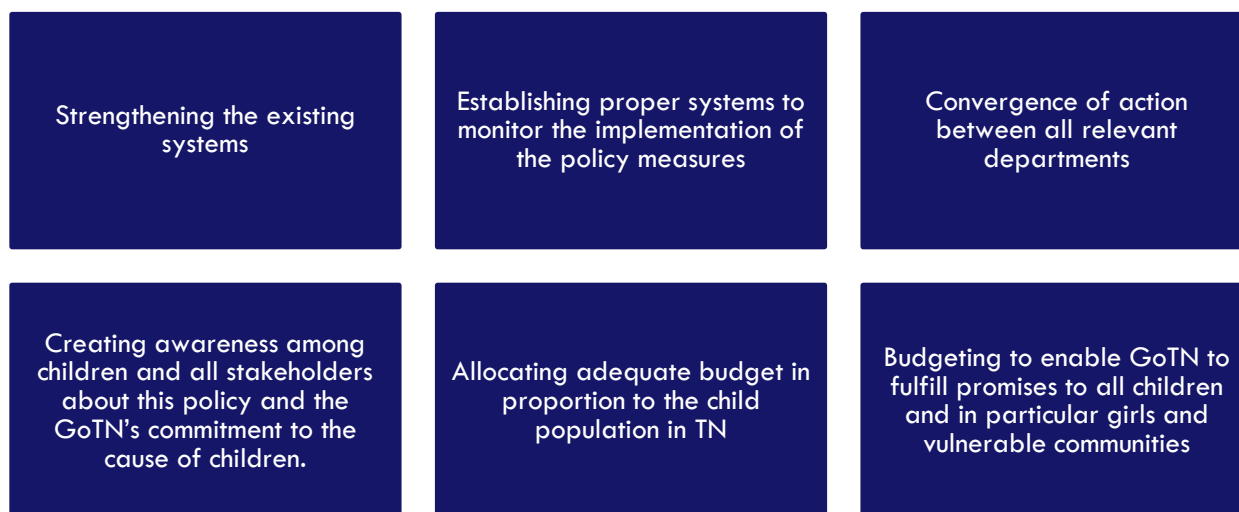
To ensure holistic development of every child in an enabling safe environment to reach her/his full potential and achieve the Sustainable Development Goals for children.

Mission:



The Government of Tamil Nadu will endeavour to ensure that every child is protected from all forms of violence, abuse and exploitation, shall have access to quality health care & education, will be able to freely express his/her views on any issue concerning him/her and to ensure the principle of “Leave no one behind”.

The Tamil Nadu State Policy for Children 2021 will be put into action by developing a comprehensive Plan of Action. The overarching objective of this policy is to ensure prevention and protection of children from all/any form of violence particularly from vulnerable sections.



The policy says every child shall have access to quality healthcare and education and able to freely express his or her views on any issue concerning him/her. **The Government will introduce and adopt child protection policy in all panchayat and urban local bodies for creating child safe spaces in whole state of Tamil Nadu.**

6 Tamil Nadu State Mission of Education for All

Samagra Shiksha is an Integrated Scheme for School Education aimed at ensuring inclusive and equitable quality education from Class 1-12th Standard. Samagra Shiksha subsumes three then existing schemes – Sarva Shiksha Abhiyan (SSA), Rashtriya Madhyamik Shiksha Abhiyan (RMSA) and Teacher Education (TE). The main outcomes of the Scheme are envisaged as Universal Access, Equity, Quality and strengthening of Teacher Education Institutions (TEIs), etc. The broader goal is to improve school's effectiveness in terms of providing quality education and equitable learning outcomes.

Samagra Shiksha aims to adopt a holistic approach to education with an intention to bring about administrative reform and focus on quality of education with an impetus on Teachers and Technology. It aims to introduce growing efforts to promote digital learning, enhance inclusion, reduce gender gaps, skill development, regional balance, and sports & physical education. Need for increased convergence between different programmes implemented by Samagra Shiksha and various directorates of School Education Department, Government of Tamil Nadu by instilling allocative efficiency and optimal utilization of budgetary and human resources.

Over the years, recognizing the importance of the efforts made to enhance the quality of education, the Tamil Nadu State Government has placed a greater focus on expansion of education, significantly improving the quality of education imparted and ensuring that educational

opportunities are available to all segments of the society. With this commitment the state government aims to build human capital by providing universal access, equity, quality at primary, upper primary, secondary and higher secondary level. Thereafter, increasing the enrolment in higher education and bring in a focus on employability in manufacturing and service sector.

Despite being **among the top three states** in school education – Tamil Nadu did not get a good score in learning outcomes and quality domain in 2021 (stood 22nd on this aspect)¹. This poses a significant challenge towards the objectives of Samagra Shiksha Scheme. It has to be noted that by 2030, Tamil Nadu aims to ensure that all girls and boys complete free, equitable and quality primary and secondary education leading to relevant and effective learning outcomes as part of SDGs.

Beyond the health consequences of Covid-19, the pandemic has caused closure of schools and high proportion of children in the age group of 6-14 are not enrolled in school in 2020 as compared to 2018 in rural areas². In addition to this, according to the ASER report³, one in four children in Class VIII in Tamil Nadu were not able to read Class II level texts and only 50% students studying in Class VIII were able to grasp division. Key indicators from the Unified District Information System for Education (UDISE), and National Achievement Survey (NAS) indicate that the state needs to focus on foundational skills in literacy and numeracy to have better learning outcomes.

The implication of global pandemic and adoption of education technology is likely to transform the education ecosystems across India and Tamil Nadu as well. This also creates various challenges and opportunity to reimagine the future of school education for 6.8 million students enrolled in Government and aided schools across ~45,000 schools in Tamil Nadu (out of 12 million students and ~59,000 schools)⁴.

7 School Education in Tamil Nadu

Tamil Nadu currently has 58,771 schools⁵ under private and government administration. These include schools that follow state, central and international syllabi. Within these, 37,439⁶ schools are under the control of Government of Tamil Nadu (including the Department of School Education) and the Local bodies in the state. The School Education Department, GoTN has budgetary allocation towards different areas. These are discussed in the following sections.

¹ Performance Grading Index Report 2021; Ministry of Education, GoI

² Annual Status of Education Report 2020, ASER Centre, New Delhi

³ Annual Status of Education Report 2018, ASER Centre, New Delhi

⁴ Annual Status of Education Report 2018, ASER Centre, New Delhi

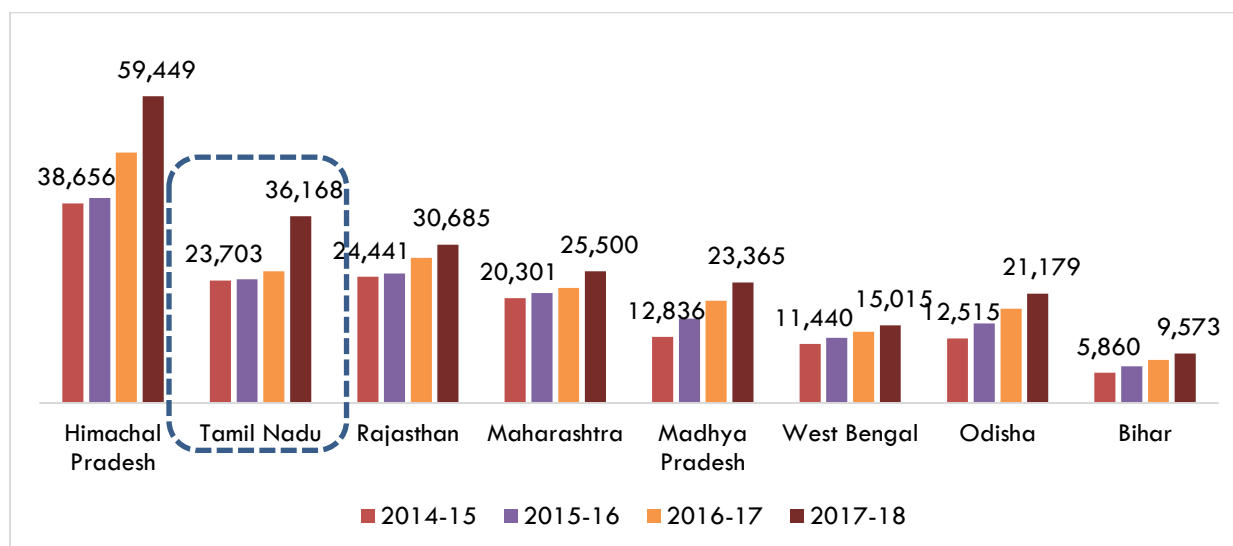
⁵ UDISE+ 2019

⁶ UDISE +2019

7.1 Expenditure Brief on School Education in Tamil Nadu

The Govt of Tamil Nadu has been increasing expenditure towards school education in the recent past. While the trends across states is not consistent, it may be noted that Tamil Nadu is one of the states whose spending on school education is one of the highest when measured on a per student basis.

Figure 1: Per student Expenditure of 8 States in India (INR)

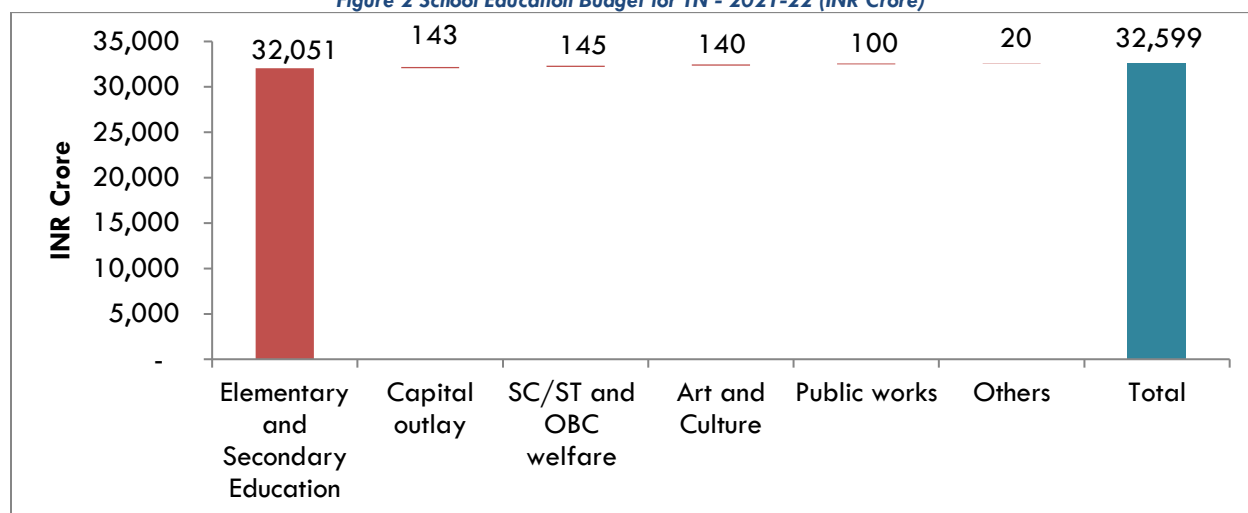


Source: State Education Finances Report, Centre for Policy Research, June 2020

As may be seen from the chart above, the allocation has increased by more than 50% over the period of 4 years. We understand that this upward revision is predominantly on account of implementation pay commission recommendations.

The funding for schools in Tamil Nadu comes from multiple sources. Predominant source is from budgetary allocation for School Education Department. School Education Department has an overall budget outlay for financial year 2020-21 is INR 32,599 crores. These are spent on various initiatives. The following are the avenues to which budgets are allocated.

Figure 2 School Education Budget for TN - 2021-22 (INR Crore)



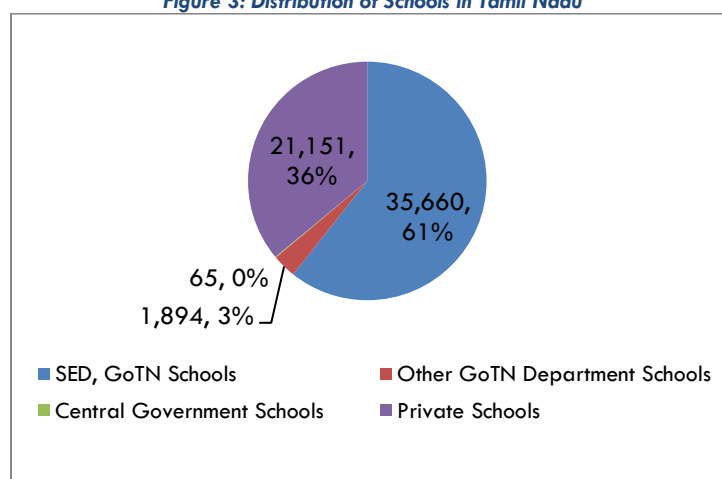
Source: Finance Department, Budget for 2021-22, Government of Tamil Nadu

It may be noted that the allocation for Public Works is only about 0.3% of the total budgetary allocation for school education department in Tamil Nadu. This is the only fund from SED for school maintenance.

7.2 Distribution of Schools in Tamil Nadu

The following figure presents distribution of schools in Tamil Nadu by management type.

Figure 3: Distribution of Schools in Tamil Nadu



Source: UDISE+

It may be noted that more than 60% of the schools are under the control of Government of Tamil Nadu and only about a third are under private administration.

The report focuses on schools maintained by local body for the purpose of O&M assessment. The number of schools under each of the local bodies and the corresponding number of students is provided below. There exists minor discrepancy (< 1%) in data sourced from UDISE and those from published information from Policy Notes etc. Some assumptions have been made in considering the average number of students per school so that the total number is reasonably aligned with student population. The total number of schools with local bodies, SED, GoTN and the corresponding number of students in these schools is provided in the table below.

	No. of Schools	Average No. of students / school	Total Students (Lakh)
Rural	28,031	68.5	19.2
Municipalities	740	219	1.6
Corporation	1,044	350	3.7
Total LB	29,815		24.5
SED, GoTN	6,029	444	26.8
Total	35,844		51.2

From the above, it may be noted that 83% of the total number of Government schools discussed here (i.e. SED+LB) are under the control of local bodies and 48% of the total number of student study in these local body schools.

7.3 Overview of Government School Administration in Tamil Nadu

Administration of schools in Tamil Nadu is broadly across the following aspects:

Table 1: Overview of TN's School Administration

S. No.	Aspect	Detail	Entities involved*
1	School Infrastructure and Utilities	Land ownership	Department of School Education, GoTN/Local Body
		Construction	For School Education Department Schools: Public Works Department, GoTN with funds from School Education Department Other Government Department Schools: Departments like Forests, Adi Dravidar and Tribal Welfare, Minorities Welfare, Other Backward Classes too have schools under their control. These are funded by the respective departments. Local Body Controlled Schools: Respective Local Body. There are some schools which are designated as School Education Department schools in UDISE but maintenance alone is the responsibility of LBs.
		Maintenance	
		Payment of utility fees like electricity and water charges, etc.	

S. No.	Aspect	Detail	Entities involved*
2	Curriculum	Teachers Recruitment, Payroll, Training and Development, Syllabus, Pedagogy	School Education Department, GoTN
3	Examination	Conduct of Exams	
		Evaluation and issue of certificates	

* Represents arrangement in general. There could be some exceptions

Source: Stakeholder consultations

The above table represents a typical arrangement with respect to Operations and Maintenance and there could be exceptions. Specific working arrangements for operations and maintenance in case of schools involving local bodies is presented in section 8.1 of this report.

Since, the focus of this study is limited to operations and maintenance of schools under the control of local bodies, the typical arrangement in SED, GoTN and local body schools is presented below. It may be noted that in the data provided by UDISE+, the segregation based on funding for school O&M is indistinguishable between SED, GoTN schools and Local body schools. Hence, these have been aggregated and represented herein.

Table 2: handling O&M in schools run by LBs

School category	Primary School	Elementary / Middle School	High School	Higher Secondary School
Corporation, Municipality	Respective Local Body's Engineering wing responsible for Buildings/School			
Village Panchayat	Block Panchayat's Engineer	Block Panchayat's Engineer	PWD	PWD
School Education Department	Block Panchayat's Engineer	Block Panchayat's Engineer	PWD	PWD
Source: Stakeholder discussions				

Having understood the overall working arrangements with respect to government schools in Tamil Nadu, it is imperative to understand in brief the legislative history of schools under local bodies. The same is discussed in the following section.

7.4 Schools Run by Local Bodies

The involvement of local bodies with administration of education in general and that of primary education in particular was the result of several factors. Under the Elementary Education Act of 1870, the local bodies were created and empowered to levy local tax for elementary education. The local bodies represented the self-government for the people and were entrusted with the important task of social service including primary education. The local bodies had been empowered to administer education in the state by the following Acts; The Tamil Nadu Elementary Education Act, 1920, the Madras City Municipal Corporation Act, 1919; the Tamil Nadu District Municipal Act 1919, the Tamil Nadu Panchayat Act, 1958 and the Madurai Municipal Corporation Act, 1971.⁷

Under these Acts the local bodies were managing bodies for schools, transfers and postings of teachers, maintenance of buildings, provision of school facilities, opening of new schools etc. The Directorate of School Education was entrusted only to supervise the schools under local bodies.

The Government of Tamil Nadu in 1981 took over the service of the teachers working in the Panchayat union schools and the powers vested with local bodies relating to education were transferred to the Directorate of School Education. In the year 1989 the state government transferred the powers vested with corporations and municipalities relating to education to this directorate and all the teachers working in municipalities and corporations were absorbed as government servants.

1981

- GoTN transferred the education- related powers of Local Bodies to the Directorate of School Education
- GoTN absorbed the service of teachers working in the Panchayat Union Schools into its fold

1989

- GoTN transferred the education-related powers vested with Corporations and Municipalities to this Directorate
- GoTN absorbed all the teachers working in municipalities and corporations as government servants.

Tamil Nadu Panchayats Act, 1994

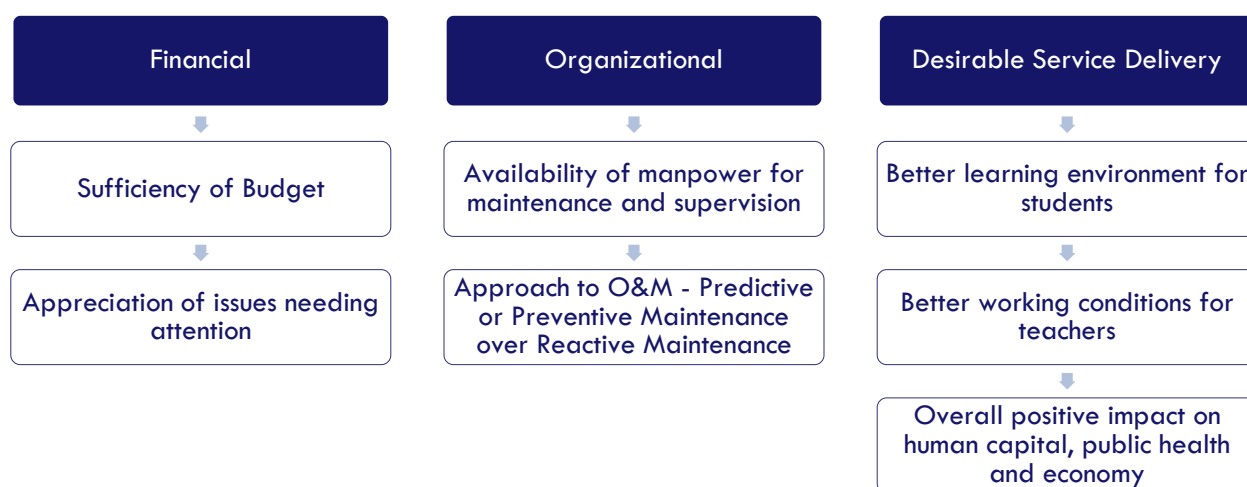
- It is the statutory responsibility of the Panchayat Unions concerned to ensure the maintenance of infrastructure facilities in these Schools

However, the local bodies are still looking after the maintenance of school buildings originally under their control. At present the local bodies do not have any educational activity other than maintenance of school building.

⁷ Source: School education department, GoTN

8 School Infrastructure Maintenance in Focus

Development and upkeep of school infrastructure is critical for having a consistent supply of human resources that can work for both economic and social development. Creation of new infrastructure can have its own share of advantages in terms of granting access of a particular public good (in this case school education) to a hitherto unserved population. In parallel, the upkeep and maintenance of existing infrastructure becomes critical owing to the need for utilizing the infrastructure to provide the intended public good with desirable quality consistently. There are two critical aspects concerning O&M of schools. These are financial and organizational.



The following section provides a brief overview of finances and organization concerning school maintenance of subject schools. It is imperative to understand that since education is a basic service, it is not prudent to have a return on investment-based approach. For this purpose, provision and maintenance of school infrastructure needs to be viewed with its own merit rather than financial or economic merit. Please refer Annexure 1 for additional details.

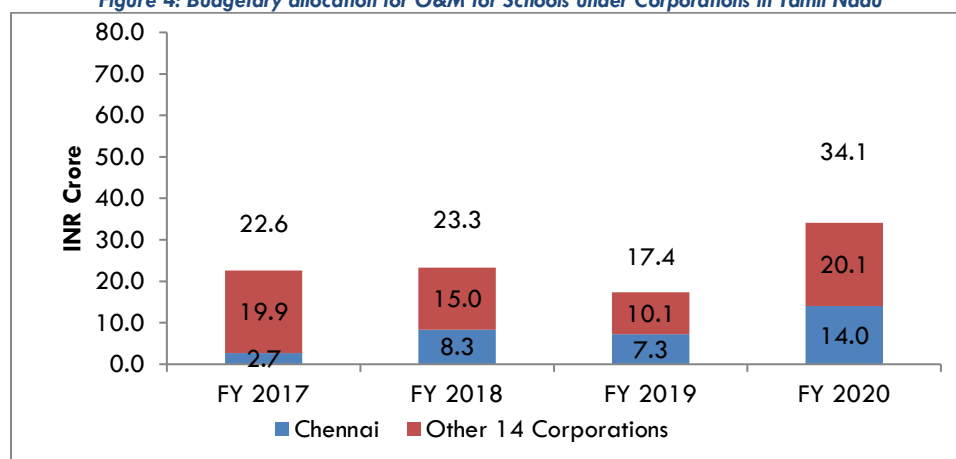
8.1 Current status and allocations

Budgetary allocations for operations and maintenance of Government schools in Tamil Nadu are from multiple sources. These are:

Budget Sources for School O&M					
LB funds	SFC devolution	Allocation as part of SED Budget	Allocation as part of RDPR Budget - SIDS	Special Schemes from Gol	CSR and Alumni through outreach

As mentioned above, Government of Tamil Nadu, in addition to provision from state budget and SFC devolutions, had undertaken an alumni outreach initiative wherein alumni can contribute in cash or kind to their alma-mater. Another similar initiative is reaching out to corporates for contributions through CSR. It may be noted that the quality of some schools that get corporate assistance are comparable to their private sector counterparts in terms of both facilities and general upkeep and maintenance. However, the scenario with a majority of schools that rely only on traditional sources mentioned above is typical and always wanting for more financial and organizational bandwidth to cope with the requirements. The needs of a school are obtained in writing from the head of a school. However, the allocation is normally on the basis of availability and grants linked to number of students. In addition, we are also faced with issues due to unavailability of reliable data for all the types of local bodies with respect to number of schools and O&M expenses. The following chart presents historical expenditure towards O&M of Corporation schools.

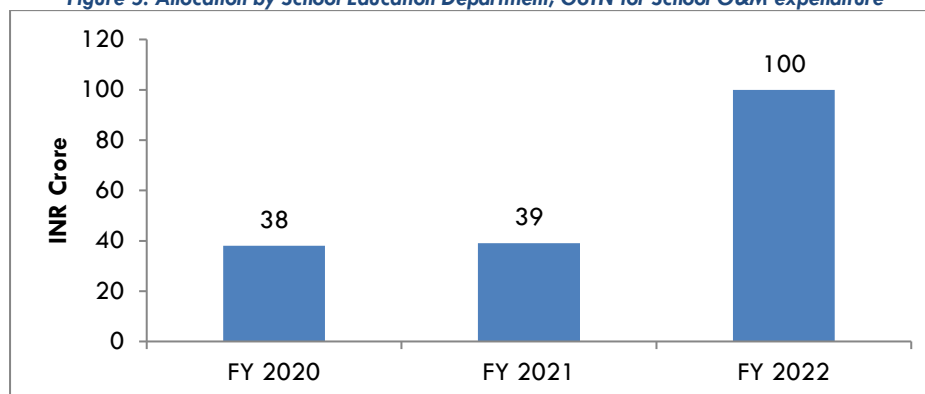
Figure 4: Budgetary allocation for O&M for Schools under Corporations in Tamil Nadu



Source: Respective Corporations

In the figure mentioned in the chart above, there is a possibility that those expenses included under the head operations and maintenance (Account Head: 230) could include capital expenditure. However, the entire amount has been considered to be for O&M only for the purpose of our analysis. The School Education Department for the purpose of periodic maintenance had allocated the following budget in the recent years.

Figure 5: Allocation by School Education Department, GoTN for School O&M expenditure



Source: Budget for School Education Department, DMA, DRD & PRD

In case of SED, GoTN too, the allocation is not linked to need but based on availability. The allocation for SED, GoTN is through the state budget (reference D. No. 43 of GoTN budget). The In case of rural local bodies, a sum of INR 150 crore has been allocated in FY 2022 for the purpose of school infrastructure maintenance (predominant use). In addition, Government of India through Samagra Shiksha has allocated the following amounts for schools based on the strength of students.

Table 3: Samagra Shiksha allocation for School Maintenance

No of students	Annual Grant (Rs.)
1 to 30	10,000
31 to 100	25,000
101 to 250	50,000
251 to 1000	75,000
1001 and more	100,000

Source: Samagra Shiksha

The following table presents a summary of overall allocations to Government schools (Including SED and Local Body) for O&M.

Table 4: Summary of allocation for School Maintenance from different sources (GoTN, SED and LB Schools)

Sources	Amount (INR Crore)	Source
LB Funds (incl SFC)	226	
Corporations	48 (38+10)	Respective Corporations with escalation
Municipalities and TPs	28 (27+1)	DMA
SIDS (RLBs) – part of SFC	150	Policy Note of RDPR for 2021-22, RDPR
SFC Devolution - Other	64	
Urban	NA	
Rural	64	Policy Note of RDPR for 2021-22
SED, GoTN	100	Policy Note of SED, GoTN for 2021-22
Gol Scheme	78	
Total	468	

Allocation from different sources aggregates to INR 468 crore.

8.1.1 Allocation through SFC

An allocation of INR 150 crore for the current year has been made for the predominant purpose of maintenance of schools with rural local bodies. Discussions with RDPR Department, GoTN confirmed that the allocation under SIDS too is from SFC devolution to rural local bodies. In addition, about INR 63.93 crore has been allocated through SFC for FY 2021-22 for engagement of staff for cleaning and upkeep of schools. This has been paid for about 33,587 workers. On this basis, the average allocation works out to INR 1,587 per worker per month. This implies that these workers are not hired regularly. This in turn has an adverse impact on overall upkeep and hygiene in schools.

It may be noted that in all the O&M budgets indicated in this section, the cost towards electricity and water charges have not been considered. In case the same is considered, the overall allocation would increase. Greater Chennai Corporation has allocated separate budgets for housekeeping and facility management in schools. However, to maintain parity the same is excluded from the purview of benchmarking discussed in section 8.3 of this report. While ascertaining the financing gap for school O&M, sanitation and housekeeping too have been considered on the basis of average allocation made by GCC.

8.2 Infrastructure Maintenance challenges

Private schools generally tend to have a dedicated organization for maintenance and upkeep of school infrastructure and assets. They also tend to take decisions regularly on the basis of need which is planned once in a year, reviewed almost on a quarterly basis and monitored. This is possible owing to an organizational structure that provides for continuous feedback and an avenue for escalation in the event of an urgent need. However, the same cannot be said about Government owned schools. Interactions held with officials and school representatives in 21 districts and key points raised in these stakeholder consultations are outlined in section

8.2.1 Organizational Challenges

In the context of Operations and Maintenance, we have seen that the responsibility is either the Engineering wing of the Local body or the Public Works Department. More often, the Engineers are not dedicated for schools and instead are responsible for all infrastructure in a particular region. Hence, this becomes a bottleneck in providing quality maintenance to schools that can lead to a productive outcome in terms of overall experience for students and teachers. Further, there is absence of preventive maintenance in schools which leads to inevitable breakdown maintenance leading to reduced availability of school's assets which in turn can potentially affect performance of students and teachers.

8.2.2 Availability and access to financial resources

This section discusses the work flow related to infrastructure maintenance in schools managed by SED, GoTN and local bodies.

For School Education Department, the Public Works Department (PWD), Government of Tamil Nadu (GoTN) does maintenance of school buildings only in High schools and Higher Secondary schools, i.e., for schools functioning under Secondary Education Department. PWD, GoTN does construction of new schools building and other related buildings too.

Following are the process involved for High School and Higher Secondary school's repair and maintenance work:

- Preparation of budget by School Education department, GoTN (usually based on previous year estimates), segregated into different education districts and intimated to the concerned Chief Education Officers
- Preparation of maintenance requirement by Head of School and submission to Block Education Officer who in turn submits it to DEO and then to CEO
- BEO and Engineers from Local PWD together prepare estimates and then submitted to CEO
- CEO allocates funds to school based on prevailing priorities. This results in overall allocation being less than requirement. This is intimated to the head of school.
- Head of School coordinates with local PWD for execution of work. PWD manages tendering and supervision. Completion is certified by Head of School and payment is approved by PWD.
- Payment from Treasury to Contractor

Process for Primary and Elementary Education Department or Local Body schools - work flow process:

The process here is similar to the above scenario. Except that the execution is managed by the Block Development Officer responsible or the Engineering wing in the local body. However, the issues and constraints remain the same with respect to availability of funds and manpower.

The above process substantiates that the need for undertaking repairs and maintenance work is initiated only by the school teachers and the Headmaster/Headmistress. There is absence of routine visits with a view to undertake preventive/predictive maintenance by the engineers concerned. There is absence of a facility management organization which can productively engage in preventive/predictive maintenance and as a consequence enhance user experience in these schools.

Having understood the above constraints, it is imperative to quantify them through a process of benchmarking with suitable comparators. The same has been discussed in the following section.

8.3 Benchmarking

For better comparison and to overcome data limitations on O&M (Municipalities and Town Panchayats in particular), benchmarking has been undertaken on a per student basis. Scenarios discussed in each of the subsections here present O&M budgets on a per student basis.

8.3.1 Comparison between different Managements in TN Government Schools

Based on data availability, the following benchmarks are drawn for financial allocations to O&M. The following table presents number of students, escalated budgets for the current year based on past allocations.

Table 5: Comparison of different Managements in TN Government Schools

School O&M - Management	No. of Students (Lakh)	Budget-Based on Historical allocation (INR Crore)	Average allocation per student (INR per year)
Corporations	3.59	37.60	1,049
Chennai	1.03	15.44	1,500
Other cities (14)	2.56	22.17	867
Village Panchayat	38.63	150	388
Source: GCC, DMA, Directorate of RD &PRD			

As observed in the table above, there is wide disparity in allocation between Corporation and Panchayat schools.

8.3.2 Comparison with typical private school

We had undertaken interactions with a typical large Government aided school in Chennai which has been in existence for more than 100 years and which has also expanded recently both in terms of infrastructure as well as student intake. The school has a total strength of 3,779 students and has an allocation of INR 75 lakhs per year only for repairs and maintenance of buildings. This works out to an allocation **INR 1,985 per student per year**.

8.3.3 Comparison with Government of India's Ekalavya Model Residential School

Government of India has come out with the plan of Ekalavya Model schools for promoting school infrastructure in tribal areas. These schools are to be run as residential schools. The following table provides the break-up of estimated expenditure.

Table 6: Comparison with Ekalavya Model Residential School

Component	Maximum permissible annual expenditure (INR Lakh)	Remarks
Staff salary	358	This includes salary of 52 regular staff as envisaged in the recruitment rules circulated to states
Direct expenditure on students (upto 22,000 per student)	105.60	Includes expenditure towards mess, uniform, text books, daily use items, medical, bedding, CBSE fees, school bag, etc.
Operational expenditure	25	Includes expenditure towards water & electricity, misc. (postage, telephone, POL, office stationery, furniture repair, equipment repair, etc.); computer lab maintenance; maintenance and repair of buildings; conducting admission tests
Expenditure on academic & co-curricular activities	4	Conduct of NCC/scout & guide activities, professional development of teachers, setting up of museum corner; vocational courses; other activities (pace setting activity, art & culture workshop, development of resource room, etc.)
Administrative expense of state society (2%)	10	2% of the total permissible recurring cost shall be kept towards administrative expense of the state society
Funds for capital expenditure (procurement of computers, smart classes, major repairs)	10	This amount shall be retained at the NESTS and may be made available to state EMRS societies based on submission of detailed plan by the state society. For certain common activities the work may be entrusted to central agencies. Funds under this head shall be used for schools which have students till 12th class only and running with full strength
Centralised activities (2%)	10	This amount shall be retained at the NESTS for carrying out central activities including sports/cultural meet, capacity building programmes, etc.
Total	522.60	
Total number of students	480	
Maximum cost per student per annum (Rs Lakh)	1.09	
Source: Report published by Government of India		

From the above table, it may be observed that a total of INR 25 lakhs is allocated for Operations and Maintenance. However, to make this comparable to a non-residential school and to exclude miscellaneous expenses, only 40% of this is considered for the purpose of benchmarking on a conservative basis. This works out to INR 10 lakh for 480 students. This translates to **INR 2,083 per student per year**.

8.3.4 Based on Gujarat Government's PPP initiative

Government of Gujarat is undertaking development of schools on PPP in which the contract proposes payment to private developer on a per student basis. The payment pertaining to O&M of school has various components out of which repairs and maintenance of infrastructure is a part. This is suggested in the document as **INR 6,500 per student per year**. However, these are supposedly large schools which operate on a different model and contain facilities different (excess) from a typical government school in Tamil Nadu. Hence, for the purpose of this benchmarking, only 40% of this amount is considered. This works out to **INR 2,600 per student per year**.

8.3.5 Based on Standards Governing Infrastructure Maintenance

A typical school with about 2 sections per grade and 12 grades was considered for the purpose of standards-based benchmarking. Going by the typical area required for classrooms or students at the rate of 1 sq.m. per student, a classroom of 500 sq.ft. can accommodate a maximum of 45 students. Besides, there are other facilities such as staff rooms, toilets, library etc. These facilities are categorized as must haves and nice to have facilities based on typical facilities required in schools. Based on these two scenarios were worked out to determine the area required per student. These are presented as under.

Table 7: Requirement assessment based on Typical school

Component	Total No.	Unit area	Area (sft)	Category
Classrooms	24	500	12,000	Must Have
Library	1	1,000	1,000	Must Have
Labs	1	3,000	3,000	Must Have
Indoor Auditorium	1	4,500	4,500	Nice to Have
HMs office	1	2,000	2,000	Must Have
Store etc.	1	3,500	3,500	Must Have
Staff Room	1	2,000	2,000	Must Have
Toilets	1	3,000	3,000	Must Have
Total			31,000	
Built up area per student based on Must Have facilities		24.5	sft	
Built up area per student based on all facilities		28.7	Sft	
Source: CPWD Maintenance Manual, 2019 and analysis based on data				

The following table present the CPWD norms for school maintenance as adopted to the current context. For the purpose of costing, average area required is considered at 24.5 sqft per student

Table 8: Analysis based on CPWD norms

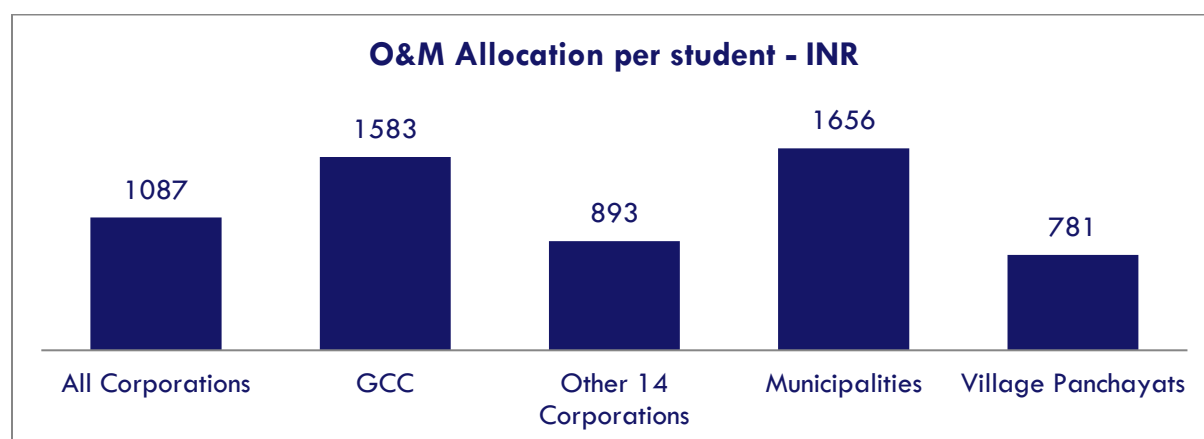
Maintenance Norms for Schools	Frequency	Cost	Average cost per year per unit (INR)	Average Cost per student per year based on 24.5sft per student
Painting with plastic/ Acrylic Emulsion paint, Acrylic Synthetic enamel paint, Oil bound distemper, etc.	2 years	55 - 90 per sq.ft of building area	38.75	920
Painting external surface with exterior emulsion or equivalent paint	5 years	65 per sft of building area	13	319
Painting external surface with water proofing cement paint	3 years	45 per sft of building area	15	368
Cleaning and disinfecting of water storage/ distribution tanks, water mains	6 months	900 per tank	1,800	13
Cleaning of Manholes/ Gully chambers and flushing of building sewers	1 year	2,500 per building	5,000	17
Cleaning of storm water drains	1 year	Rs. 2 per rft	Assumed as INR 2 per student per year	49
Cleaning Electrical installation, fans etc.	1 year	Rs. 5 per fitting	50 per classroom	1
Premix, semi dense/ dense carpeting of roads	5 years	Rs. 225 / sft	45	276*
Collection of water samples for physical, chemical and bacteriological analysis of water	6 months	Rs. 1,200 / sample	2,400	17
Total Per student per year (INR)				1,980
Source: CPWD Maintenance Manual, 2019 adapted for current situation				
* Since most schools do not have a road within the premises whereas it's likely they have large open spaces, the cost of maintenance of such spaces is likely to be minimal. Hence these are considered at 25% of the cost of same area of road.				

Based on benchmarks aligned to CPWD norms, it works out to INR 1,980 per student per year. This is similar to the case of private school as detailed in section 8.3.2.

8.3.6 Summary of Comparisons

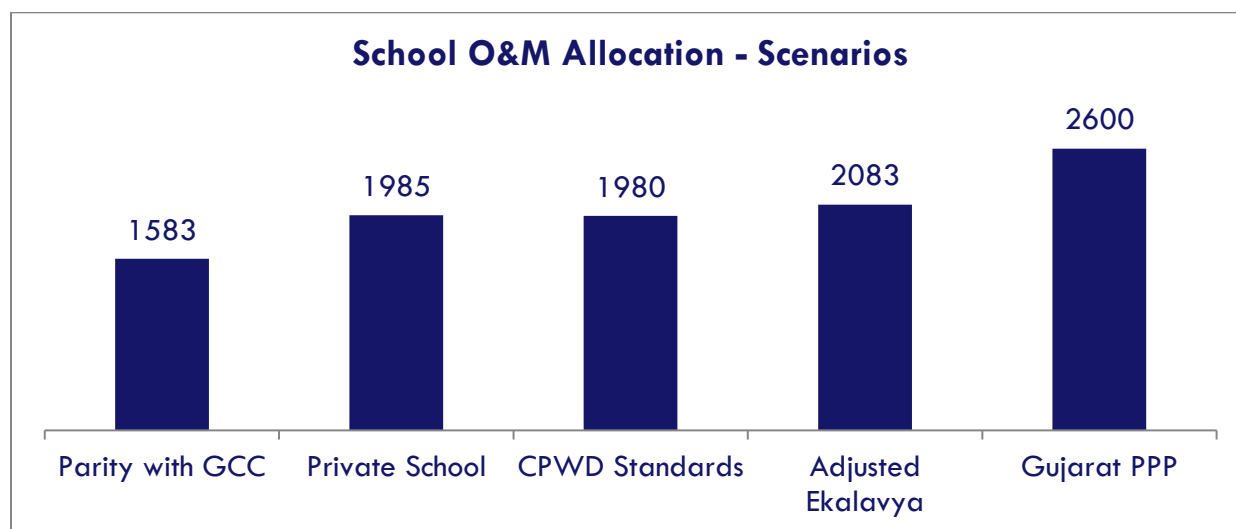
Summary of each of the benchmarks considered in sub-sections of the previous section are presented herein.

Figure 6 O&M per student per year in schools under different administrations (INR)



Source: Analysis based on primary data and secondary research

Figure 7 Scenarios for O&M allocation per student per year (INR)



From the above, it is evident that all the external benchmarks seem higher than the amounts allocated by entities in Tamil Nadu. Further, there is a great disparity between schools managed by different entities within GoTN itself. As a first, step, this anomaly needs correction. As mentioned earlier, the benchmarks are aspirational and hence should be understood in that context rather than a simple comparison. Estimation of allocation required based on select benchmarks is provided in the following section.

8.4 Estimation of infrastructure maintenance expenses

Owing to external benchmarks being higher and as a matter of better judgment being considered as an essential requirement, the estimates are drawn based on benchmarks with private schools, adjusted Ekalavya and adjusted Gujarat new schools.

In the ensuing scenario analysis, a question may arise as to why government schools should be spending higher towards O&M just because comparables in private sector and special government schools tend to spend higher. It is not just about allocating a higher budget; it is also about having a strong facility management organization. This is necessary to ensure that the monies allocated are spent effectively and assets are better maintained for better utilisation. This also might lead to overall reduction in life cycle cost of these assets.

8.4.1 Scenario 1: Benchmarking to bring parity of all school O&M budgets with GCC

As seen in the comparison above, there is high disparity between O&M allocation for schools in Chennai (under GCC) and other local bodies. This scenario aims to eradicate that disparity and suggests a similar allocation across all government schools in Tamil Nadu. The approach towards eradication of this disparity stems from the ideology stated in the Policy Note of GoTN for RDPR Department for the year 2021-22 which states “We must strive to achieve prosperity by developing the villages. For this, the amenities available in town should be brought to the villages as well”

Hence, a value of INR 1,583 is considered as an allocation on a per student basis for maintenance and INR 943 per student per year has been considered as an allocation for sanitation. Estimates are drawn for rural, municipal and corporation schools in Tamil Nadu. Separate budgets are allocated for maintenance and sanitation. The estimate has been drawn for about 19.2 lakh rural students, 1.62 lakh students in municipal schools, 3.65 lakh students in corporation schools and 26.8 lakh students in School Education Department schools.

Table 9: Benchmarking – parity with GCC

Scenario No.	Benchmark	Amount/ student/ year	Requirement (Rural schools)	Requirement (Municipal Schools)	Requirement (Corporation Schools)	Requirement (SED Schools)	Total
Scenario 1	Parity with GCC	INR	INR crore/ annum				
	Maintenance	1,583	304	27	58	424	813
	Sanitation	943	181	15	34	252	483
	Total	2,526	485	42	92	676	1,296

8.4.2 Scenario 2: Benchmarking based analysis with private school

In this scenario, a value of INR 1,985 is considered as an allocation on a per student basis for maintenance and INR 943 per student per year has been considered as an allocation for sanitation. Estimates are drawn for rural, municipal and corporation schools in Tamil Nadu. Separate budgets

are allocated for maintenance and sanitation. The estimate has been drawn for about 19.2 lakh rural students, 1.62 lakh students in municipal schools, 3.65 lakh students in corporation schools and 26.8 lakh students in School Education Department schools.

Table 10: Benchmarking with private school

Scenario No.	Benchmark	Amount/ student/ year	Requirement (Rural schools)	Requirement (Municipal Schools)	Requirement (Corporation Schools)	Requirement (SED Schools)	Total
Scenario 2	Private School	INR	INR crore/ annum				
	Maintenance	1,985	381	32	73	531	1,017
	Sanitation	943	181	15	34	252	483
	Total	2,928	562	47	107	784	1,500

Source: Analysis based on stakeholder discussions

8.4.3 Scenario 3: Based on benchmark with CPWD norms

In this scenario, a value of INR 1,980 is considered as an allocation on a per student basis for maintenance and INR 943 per student per year has been considered as an allocation for sanitation. Estimates are drawn for rural, municipal and corporation schools in Tamil Nadu. Separate budgets are allocated for maintenance and sanitation. The estimate has been drawn for about 19.2 lakh rural students, 1.62 lakh students in municipal schools, 3.65 lakh students in corporation schools and 26.8 lakh students in School Education Department schools.

Table 11: Benchmarking with CPWD norms

Scenario No.	Benchmark	Amount/ student/ year	Requirement (Rural schools)	Requirement (Municipal Schools)	Requirement (Corporation Schools)	Requirement (SED Schools)	Total
Scenario 3	CPWD Norms	INR	INR crore/ annum				
	Maintenance	1,980	380	32	72	530	1,015
	Sanitation	943	181	15	34	252	483
	Total	2,923	561	47	106	782	1,498

Source: Analysis based on stakeholder discussions

8.4.4 Scenario 4: Based on benchmark with Ekalavya Model School after adjustments

In this scenario, a value of INR 2,083 is considered as an allocation on a per student basis for maintenance and INR 943 per student per year has been considered as an allocation for sanitation. Estimates are drawn for rural, municipal and corporation schools in Tamil Nadu. Separate budgets are allocated for maintenance and sanitation. The estimate has been drawn for about 19.2 lakh rural students, 1.62 lakh students in municipal schools, 3.65 lakh students in corporation schools and 26.8 lakh students in School Education Department schools.

Table 12: Benchmarking with Ekalavya Model School

Scenario No.	Benchmark	Amount/ student/ year	Requirement (Rural schools)	Requirement (Municipal Schools)	Requirement (Corporation Schools)	Requirement (SED Schools)	Total
Scenario 4	Prorated Ekalavya ⁸	INR	INR crore/ annum				
	Maintenance	2,083	400	34	76	558	1,068
	Sanitation	943	181	15	34	252	483
	Total	3,026	581	49	110	810	1,551

Source: Analysis based on report published by Govt of India

8.4.5 Scenario 5: Gujarat PPP

In this scenario, a value of INR 2600 is considered as an allocation on a per student basis for maintenance and INR 943 per student per year has been considered as an allocation for sanitation. Estimates are drawn for rural, municipal and corporation schools in Tamil Nadu. Separate budgets are allocated for maintenance and sanitation. The estimate has been drawn for about 19.2 lakh rural students, 1.62 lakh students in municipal schools, 3.65 lakh students in corporations schools and 26.8 lakh students in School Education Department schools.

Table 13: Benchmarking with Govt of Gujarat's PPP Model

Scenario No.	Benchmark	Amount/ student/ year	Requirement (Rural schools)	Requirement (Municipal Schools)	Requirement (Corporation Schools)	Requirement (SED Schools)	Total
Scenario 5	Gujarat PPP ⁹	INR	INR crore/ annum				
	Maintenance	2,600	499	42	95	696	1,332
	Sanitation	943	181	15	34	252	483
	Total	3,543	680	57	129	948	1,816

Source: Analysis based on report published by Govt of Gujarat

8.4.6 Summary of Scenarios and Gap Analysis

The required allocation for O&M expenses of schools based on each of the scenarios is presented below. In addition, the gap between current allocation and the requirement has also been presented.

⁸ Expenses allocated for Ekalavya school include expenses other than O&M (like teacher salary, boarding, food, etc.). Therefore, for benchmarking with TN schools, only 40% of this amount is considered

⁹ Expenses allocated for these schools include O&M only. However, considering the multi-facilities provided in these schools, for benchmarking we have considered 40% of the allocation only.

Table 14: Summary of Benchmarking Scenarios

S N o	Benchmark	Amount/ student/ year	Req. (Rural schools)	Req. (Municipal Schools)	Req. (Corporat ion Schools)	Req. (SED Schools)	Total	Current Allocation	Gap
		INR	INR crore/ annum						
1	Parity with GCC*	1,583	304	27	58	424	813	394	419
	Sanitation	943	181	15	34	252	483	74	409
	Total	2,526	485	42	92	676	1,296	468	828
2	Private School	1,985	381	32	73	531	1,017	394	623
	Sanitation	943	181	15	34	252	483	74	409
	Total	2,928	562	47	107	784	1,500	468	1,032
3	CPWD Norms	1,980	380	32	72	530	1,015	394	621
	Sanitation	943	181	15	34	252	483	74	409
	Total	2,923	561	47	106	782	1,498	468	1,030
4	Prorated Ekalavya	2,083	400	34	76	558	1,068	394	674
	Sanitation	943	181	15	34	252	483	74	409
	Total	3,026	581	49	110	810	1,551	468	1,083
5	Gujarat PPP	2,600	499	42	95	696	1,332	394	938
	Sanitation	943	181	15	34	252	483	74	409
	Total	3,543	680	57	129	948	1,815	468	1,347

From the table above, it is observed that the annual gap at current levels is between INR 419 crore to INR 938 crore for LB and SED schools considering maintenance alone. However, when sanitation is also included, the gap widens to the range of INR 828 crore to INR 1,347 crore

9 Key Findings and Recommendations

9.1 Key findings

1. Noticeable disparity in O&M spending between rural schools and urban schools when the data was normalised to arrive at the spending on a per student per year basis. Disparity was also observed between different types of local bodies and different local bodies within the same type i.e between GCC and other Corporations etc.
2. Absence of O&M plan: During the discussions, it was not clear whether a school specific O&M plan exists for maintenance and upkeep of schools which can be used as a functional document.
3. Unscheduled emergency maintenance leading to disrupting classes and on-school activities
4. Shortfall in O&M spending leads to large spending at a later stage: Many schools run on a tight budget, and the lack of periodic maintenance results in unforeseen and untreated problems

to balloon into serious structural deficiencies potentially leading to higher cost of repairs and restoration

5. Early identification of issues and getting it rectified on time looks difficult in the current set of operations. Further, teaching staff being involved in O&M is not in the best interest of the education sector
6. During our discussions with key stakeholders, we understand lack of adequate resources which leads to postponement of maintenance. This leads to deterioration of assets under maintenance. Further, break-down maintenance is the norm in most cases. Periodic maintenance is seen only in few cases.
7. Periodic maintenance is rare and is mostly breakdown maintenance leading to reduced availability of quality school infrastructure. This affects service delivery.
8. Lack of monitoring the contractors leads to delay in completion of assigned civil and other related works. Further, also the quality check of work done by them
9. Teachers are made to focus on non-teaching work (like supervision of the contractor's work) leading to additional work pressure on them. The challenge here is two-fold:
 - a. This reduces teacher's availability for teaching work
 - b. Facility management and other administrative tasks are seen as a constraint to teaching. This leads to loss of focus and may limit their productivity even during the limited time available. This in turn has a potential adverse impact on human development
 - c. Teachers are not specialists in facility management. Hence their involvement in supervision and oversight is likely to be far less effective as compared to monitoring by specialist
10. Need to streamline allocation of cleaning staff and their pay which is critical to maintain clean and tidy schools.

9.2 Recommendations

1. Need to have a comprehensive school O&M policy in Tamil Nadu: For schools, preventative maintenance is key to running functional buildings and facilities. Given how crucial maintenance is for the upkeep and operational functionality of assets, investing in a long-term maintenance programme could be the answer to ensuring schools are always looking their best. Routine implementation means maintenance becomes one less thing to worry about.
 - a) With a maintenance programme, works can also be scheduled during school breaks or at the end of the year when students are absent from school or fewer in number.
 - b) A maintenance programme will help extend the life expectancy of school assets, freeing up capital for new buildings, or investing in greater teaching resources.
 - c) Issues such as loose roof tiles or cracking concrete walls pose a danger to both students and staff and must be rectified before injuries result. There is a need to take proactive

measures in having essential safety measures in place (eg. fire safety systems, clearing bushes on pathway, electrical points) as well as keep records of maintenance checks, safety measures (during monsoon time – specific check to avoid electrical related issues) and repair work which can be reviewed at will. A scheduled maintenance programme could help the schools to identify such problems well in advance before it becomes a costly repair.

The benefits of a long-term maintenance programme are manifested in happier, more focused students, better academic results, satisfied staff, an improved study and work environment and a budget less vulnerable to shocks.

2. Need to increase OM spending
 - a) Need to have a higher allocation of funds in order to implement TN state policy for children, 2021
 - b) Need to bring parity in OM spending between urban and rural areas
3. Reduce involvement of school teachers in O&M activities
 - Induction of Estate and Facility Management Organisation (EFMO) who can oversee either a single school or a cluster of schools (subject to geographical boundary or size of the school – student strength)
4. Earmarking of funds exclusively for school's O&M from SFC grant to LBs may enhance the upkeep of school infrastructure
5. Need to make the package for Facility Management Services (for upkeep of school infrastructure) more attractive for competent players to take part in the bidding process

Key advantages of Estate and Facility Management Organisation:

- **Monitoring** the operation and cleanliness of toilets could be substantially eased out
- **Liaisoning** with various external agencies such as PWD, TANGEDCO, Local bodies, private contractors, maintenance agencies, etc. could be effectively expedited
- **Security** of the students, staff and property by proper utilization of the services of Security Guards could be taken care of
- Electricity and water supply lines, fittings can **remain operational** for increased (nearly full time) time
- **Record** of repairs and follow up work to be diligently kept by EFMO.

10 Study Limitations

- Challenging study period on account of Chennai floods (including Diwali holidays)
- Covid and its impact on interactions with stakeholders
- Availability of data
- Estimation is based on data collected/ made available
- Number of assumptions have been used for the estimation purpose and any change in such assumption could impact the numbers

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12 Annexure-1

Benefits of well thought through O&M program for schools

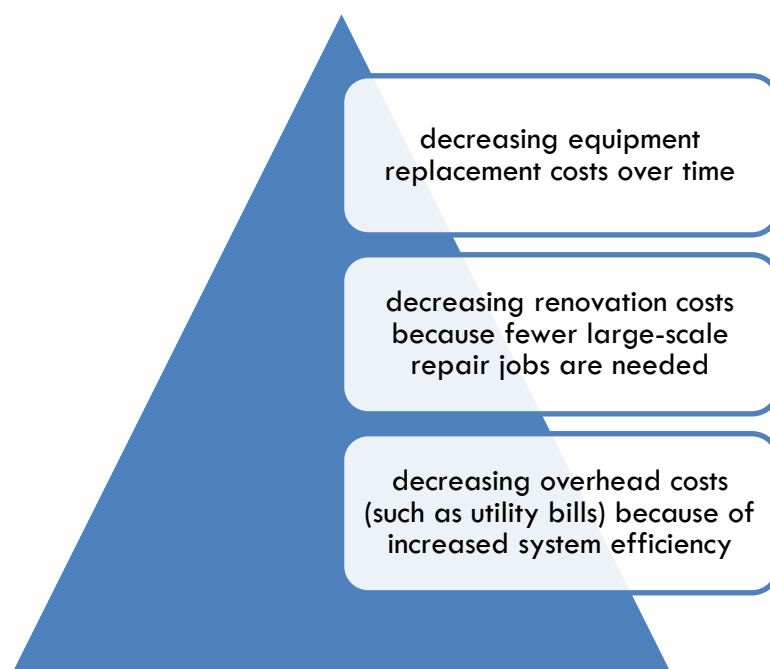
Operation and maintenance of a school, is not only about building and equipment, but also student and staff well-being. School facilities maintenance is about providing clean and safe environments for children and teachers. It is also about creating a physical setting that is appropriate and adequate for learning. **A classroom with broken windows and leaking roofs doesn't foster effective student learning.**

School facilities maintenance affects the physical, educational, and financial foundation of the school organization and should, therefore, be a focus of both its **day-to-day operations and long-range management priorities.**

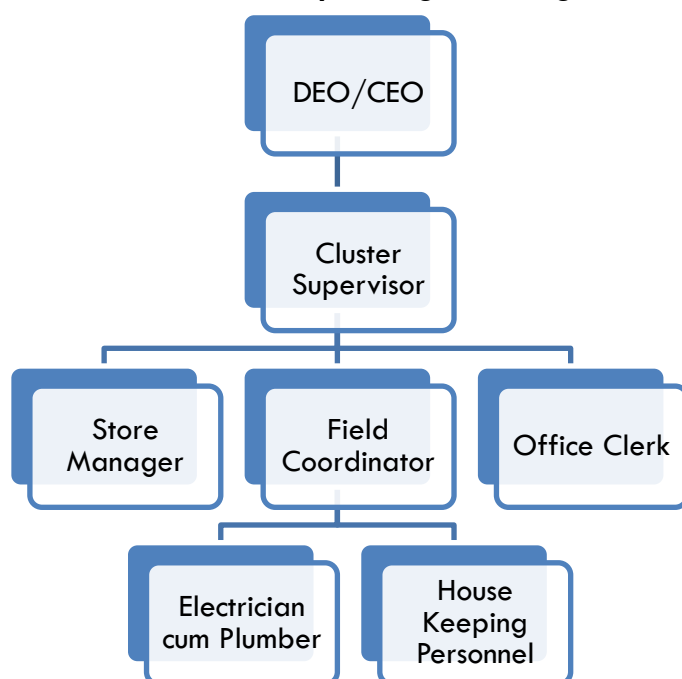
A sound facilities maintenance plan serves as evidence that school facilities are cared for appropriately. Failing to maintain school facilities adequately also discourages future public investment in the education system.

Effective facilities maintenance extends the life of older facilities and maximizes the useful life of newer facilities

Good facilities maintenance costs money but unlike many other investments, the return on the expenditure may not result in increased revenues. Instead, facilities maintenance produces savings by:



A simple organization structure for facility management is given below:



The details are given below:

S No	Position	Qualification	Reporting to	No of positions
1.	Cluster supervisor	Ideally a civil engineer with 5 years of experience (OR, atleast Diploma in civil engineering with ten years of experience)	DEO or CEO	1 person per every education district area
2.	Office clerk / Admin Assistant ¹⁰	Degree with five years of work experience	Cluster supervisor	1 person per Block panchayat area
3.	Field co-ordinator	Ideally a Diploma in civil engineering with five years of experience	Cluster supervisor	2 or 3 persons per education district
4.	Electrician cum Plumber	ITI trained	Field co-ordinator	2 persons per Block panchayat area
5.	Store keeper	A degree or a diploma	Cluster supervisor	1 person per Block panchayat area
6.	House-keeping personnel ¹¹	Qualification as per Govt recruitment norms	Field co-ordinator	1 person per every 30 students. Atleast 1 person even if the student strength is less than 30

¹⁰ This is for carrying out non-teaching work for schools. This person will work for a cluster of schools and will physical be available at every school on a scheduled day

¹¹ This person will be cleaning the class rooms, cleaning the toilets / urinals and provide housekeeping support to the noon-meal scheme area



CEGIS Support to the Sixth State Finance Commission - Tamil Nadu

Final Report

17 December 2021

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2. Background, Scope and Approach	4
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1.Overview

This report attempts to identify recommendations to improve capacity of Municipal Corporations (other than Chennai) in Tamil Nadu to cost effectively deliver improved service delivery outcomes to their citizens. The report is based on analysis of data shared with CEGIS by the Sixth State Finance Commission, field visits/ interviews with key stakeholders, review of relevant documents/ literature and good practices. It also incorporates feedback from the Sixth SFC provided on the draft submission.

The organization of this report is as follows - Section 2 outlines key steps in the report development process, Section 3 summarizes insights from the data analysis and primary discussions across themes, Section 4 provides details of the recommendations (justification, recommendation and supporting examples) along with a profile of the recommendation portfolio (across policy/ legislation, scheme modifications and process changes)

2. Background, Scope and Approach

The Tamil Nadu Sixth State Finance Commission (hereinafter referred to as the SFC) has been constituted to review the financial position of local bodies and make recommendations. One of the major terms of reference is to suggest ways for strengthening the service delivery capacities of local body administrations.

In this context, the Centre for Effective Governance of Indian States (CEGIS) is supporting the SFC. For Municipal Corporations other than Chennai (hereafter referred to as MCs), basis analysis of data facilitated by the SFC, consultations with relevant stakeholders and secondary research, CEGIS shall provide data backed recommendations on

1. Modifying the roles and responsibilities of MCs vis-a-vis that of line departments in view of the principle of subsidiarity and also taking into account the capacity of the MCs for taking up such responsibilities.
2. How autonomy of key functionaries within MCs can be enhanced, along with a corresponding accountability framework
3. Process improvements towards and institutional mechanisms for improving service delivery, collection efficiencies of own revenues, and effectiveness of expenditure

Towards this, CEGIS has followed the below approach

1. Analysis of data submitted by MCs to the SFC on key thematic areas (e.g., outcomes, resources, collection efficiencies, overall governance, service delivery models etc.) and identification of hypotheses on each
2. Interaction with a sample of MCs to validate these hypotheses - both through in person interviews and submission of web forms
3. Secondary research/ discussions with experts to identify potential areas of support to the MCs in view of their issues
4. Validation of some of these inputs and emerging recommendations with the CMA (ongoing)

3. Theme wise Insights

3.1 Outcomes (Service Delivery)

3.1.1 Key observations from analysis of MC data

- Ten of the 14 MCs (those who became MCs till 2014) are covered under the Ease of Living/ Municipal Performance index by MoHUA. On both, while all MCs are above the national median, there is significant gap between TN MCs and category toppers
- Over a third of the MCs have intermittent supply, and on an average, there is significant dependence on external sources for bulk water
- MCs ~ 100 lpcd of supply. However, despite 6 MCs claiming 100% metering of water, there does not appear to be substantiation of supply from last mile (customer side) quantum delivered
- Similarly, in terms of Underground Drainage System (UGD), the average coverage is ~ 26%. However, even within this limited number, the (Sewage Treatment Plant (STP) capacities are sufficient only to treat an estimated 15% of the sewerage. Decanting facilities/ Fecal Sludge Treatment Plant (FSTP) capacity is also limited
- Solid waste collection is reportedly high (all but 3 MCs claim 100% collection). However, a quick per capita assessment of implied generation shows significant variations across MCs. More importantly, composting and safe disposal are still low, with land availability remaining a large issue.

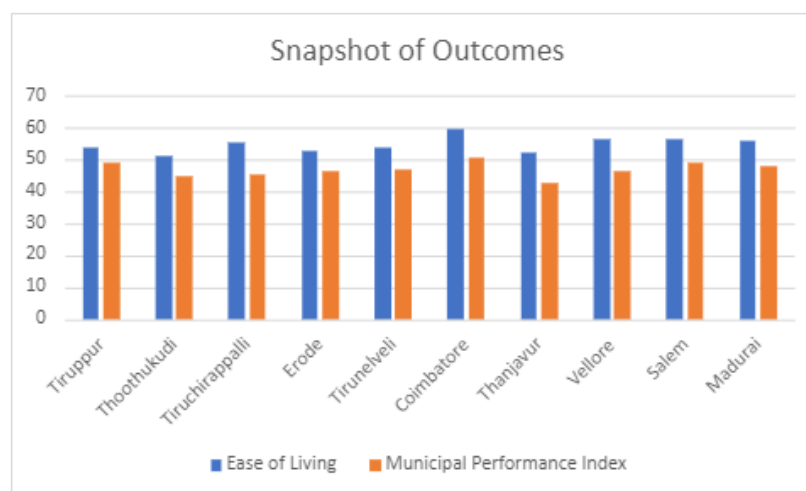
3.1.2 Inputs from Primaries

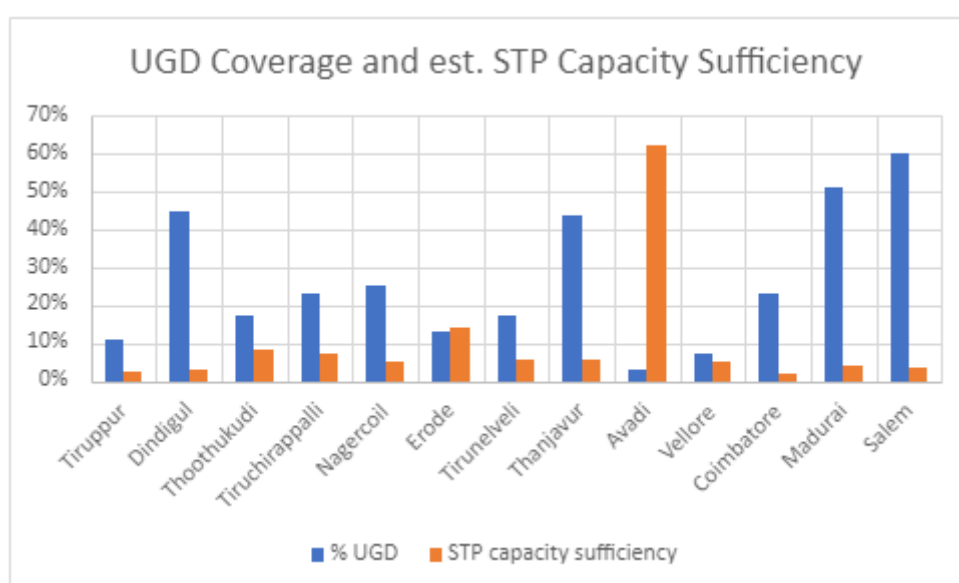
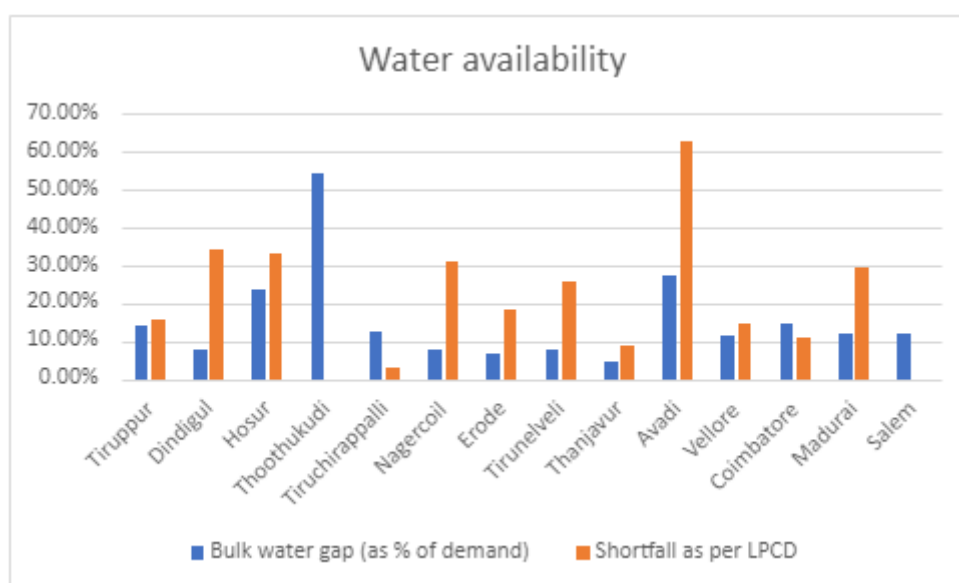
- MCs feel that while service delivery is influenced by both infrastructure availability and Operations and Management (O&M), the latter is typically weaker, since infrastructure creation happens intermittently through projects and schemes. In particular, they identify maintenance of legacy assets (especially water and drainage) as key issues. Also given the infrastructure creation projects over the past decade, there is likely to be a significant need for planned O&M over the coming years to ensure that the useful life of the assets is maximized.
- On infrastructure creation, MCs have indicated that they need support on being able to make strategic choices (e.g., UGD vs. decentralized coverage decisions on liquid waste management, assessment of different technologies in solid waste management (SWM) etc.). Given addition of new areas to MCs on an ongoing basis, infrastructure development and extension are likely to be relevant on an ongoing basis, and hence this could be an area for support (templates/ tools for project planning and alternative evaluation).
- A recurrent theme among MCs on service delivery is on the approach taken to converge service delivery in newly added areas with those of the core ULB. This convergence appears to be a fairly long drawn process (e.g., sometimes lasting 8-10 years), with a felt need for structured support and guidance on processes,

assessments and tracking. The processes related to transfer of assets falling in the newly added areas from the line departments to the MCs needs streamlining to ensure a time-bound handover.

- On a related note, MCs acknowledge that their definitions of “service delivery quality” are typically subjective. Even where MCs have a rough system to classify wards on “service access” (e.g. arterial roads, access to UGD, water etc.), this definition used for property tax classification is largely static and does not incorporate elements of service quality. MCs also concur that practical and easy to implement methods for capturing service quality would help them prioritize interventions, especially in the context of added areas. Additionally, such transparent “need based” assessments would also help provide justification for investments, which are currently seen as sometimes being politically driven at the State level.
- Finally, (again in the context of newly added areas), MCs feel that a standard mechanism to provide funds for improving infrastructure in newly added areas is required. While the Integrated Urban Development Mission (IUDM) has been used in the past, this is seen as an ad-hoc measure, and a dedicated funding window, along with guidelines on allocation based on “service quality gaps” is a strongly felt need.

3.1.3 Charts and Tables





3.2 Financial Resource Availability

3.2.1 Key observations from analysis of MC data

- Though “own income” accounts for a significant share of receipts, the distribution of revenue income is largely range bound (for FY20, min of 2030, max of 3267 and median of 2960). This is despite large variations in real estate prices (proxy for property tax potential) across MCs
- Non tax revenue has become a key component of total receipts, increasing from 29% in FY15 to 36% in FY20 (positive outliers are Tirunelveli, Erode and Salem). Tax revenues have also increased from 26% to 36% (positive outliers are Thoothukudi,

Coimbatore and Madurai). Overall, dependence on transfers from State and Central Governments has decreased.

- Within non tax revenues, fees and fines account for ~ 35%, and special services ~ 42%, with the rest coming from investments and income from properties. However, this mix has been largely static over the past 5 years (FY15-FY20). Given the higher buoyancy potential for special services and income from properties of late, this could merit closer scrutiny.
- There is significant variation in total receipts. Even accounting for the lumpy nature of capital receipts and taking a 5 year average (FY16-FY20), per capita receipts vary from ~ Rs. 3000 (Avadi, Tiruppur) to ~ Rs. 10,000 (Tirunelveli, Thanjavur)
- There seems to be low utilization of the O&M gap filling fund or Infrastructure gap filling fund, and apart from 2 ULBs which got Tamil Nadu Innovation Initiatives (TANII) fund in FY16 (Thoothukudi at Rs. 1.34 cr. and Madurai at Rs. 4 cr), there seem to be no further rounds.

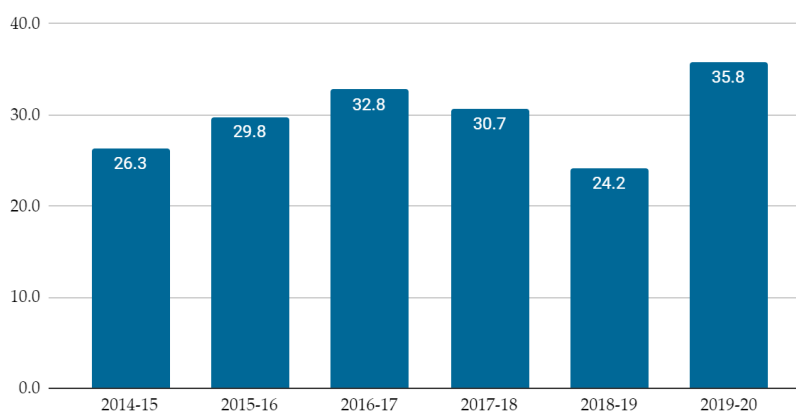
3.2.2 Inputs from Primaries

- It is generally felt that improving income from ULB properties (e.g., commercial complexes, shopping areas etc.) is a relatively high potential area for MCs. Many of the MC properties have not been monetized or are under long term leases negotiated several years ago (in many cases the leases having expired but rolled over at nominal charges). MCs also feel that unlike property taxes or service charges, which impact citizens more broadly, monetizing properties is a more focused approach
- There are recent examples of successful steps towards asset monetization. Of particular note is Thanjavur's tendering of commercial complexes (newly redeveloped shops) through a transparent auction process. The Supreme Court [judgement](#) associated with this also provides comfort to MCs to go for market-based price discovery on expiration of the old leases. (Refer to Annexure 5.1 for copy of the SC Judgement)
- Another high potential and minimally disruptive area of attention for raising financial resources seems to be widening the base for property taxes. First, the classification of wards into PT zones (typically based on access to infrastructure) is dated (usually done in 2008, with no subsequent updates). Even within the existing methodology (which is crude, but easy to implement), there have been no reclassifications since 2008, despite several infrastructural investments being made. Second, expanding the assessment base for PT by tightening the linkages between occupation certificates, PT assessments and property transfers is a repeated suggestion from multiple MCs
- The overall knowledge and appreciation of avenues like TANII for MCs to undertake relatively "risky" and "innovative" projects appears to be limited. During discussions, most MCs (especially Finance and Engineering heads) were not aware of

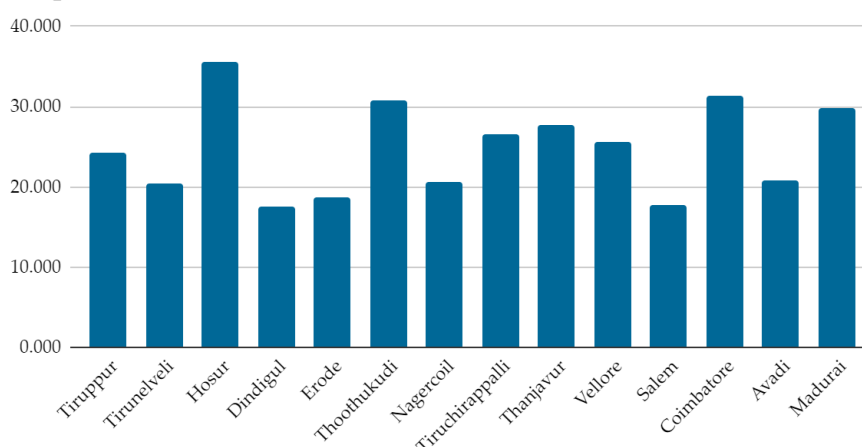
the features of TANII, but agreed that such an avenue would be useful to try out some of their long-standing internal ideas around revenue augmentation.

3.2.3 Charts and Tables

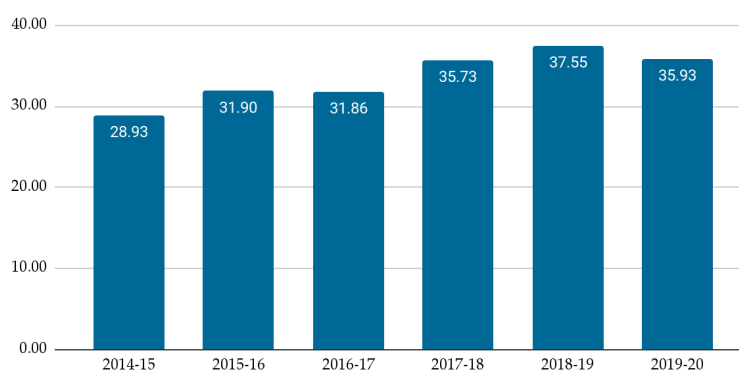
Average share of tax revenue for all corps out of total revenue over the years (in %)



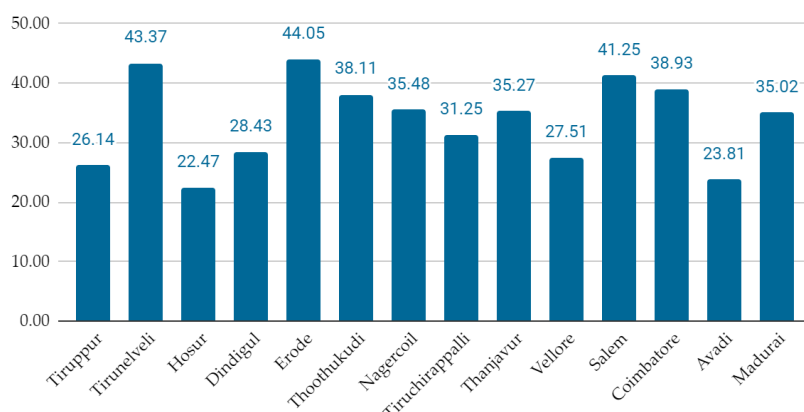
Average share of tax revenue out of total revenue for corporations from 2014-15 to 2019-20 (in %)



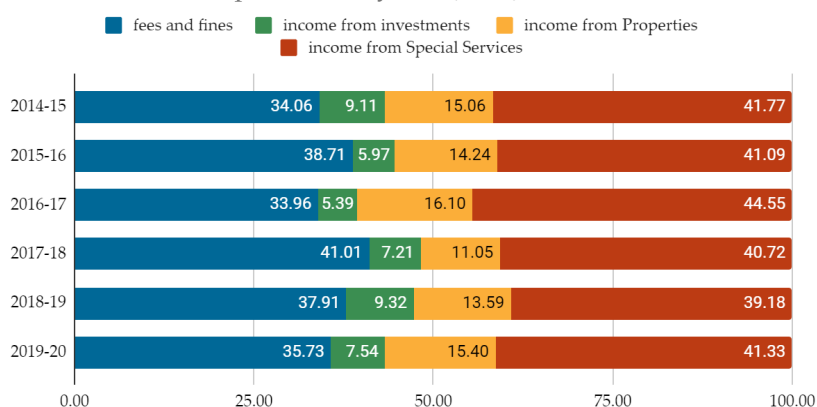
Average share of non-tax revenue generated by all municipal corps out of total revenue generated over the years (in %)



Average share of non-tax revenue for corporations out of total revenue from 2014-15 to 2019-20 (in %)



Average share of non-tax revenue component out of total tax revenue for all corps over the years (in %)



3.3 Quality of Expenditure

3.3.1 Key observations from analysis of MC data

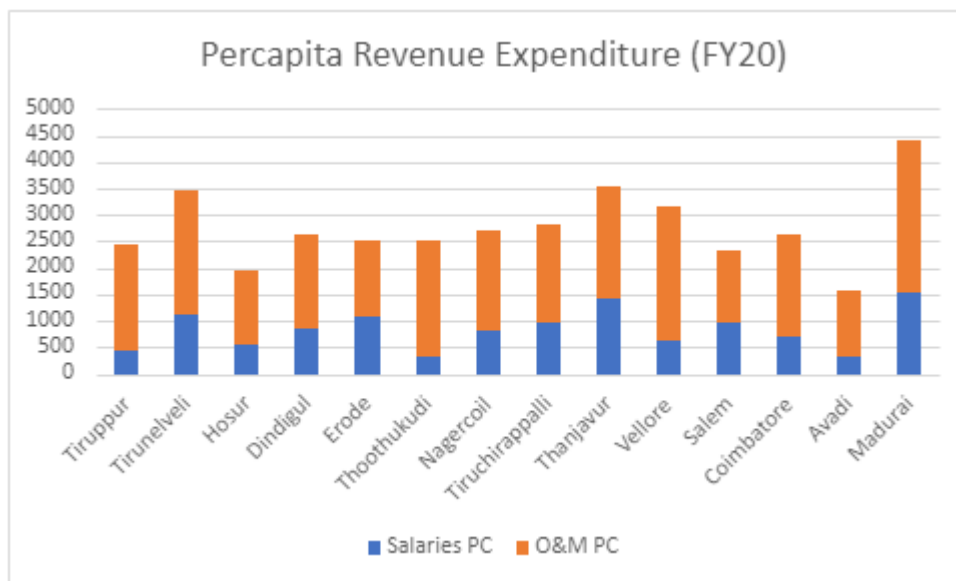
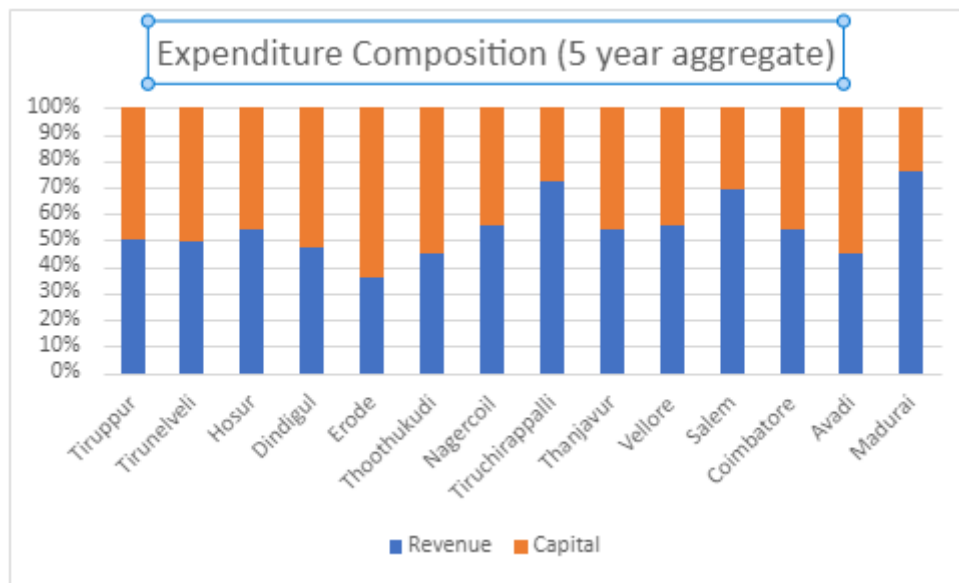
- The overall mix between revenue and capital expenditure has been mostly stable (slightly worsening from 56:44 in FY16 to 59:41 in FY20). However, there is variation across MCs in this (Erode is a positive outlier and Madurai and Salem are negative outliers)
- Even within revenue expenditure, the share of salaries vs. O&M expenditure varies significantly across MCs, from under 20% (Thoothukudi and Tiruppur) to above 40% (Erode, Thanjavur, Salem).
- Given that Capex is lumpy, comparisons for a single year could be misleading. However, even a 5 year combined view of capex shows large variations - Madurai,

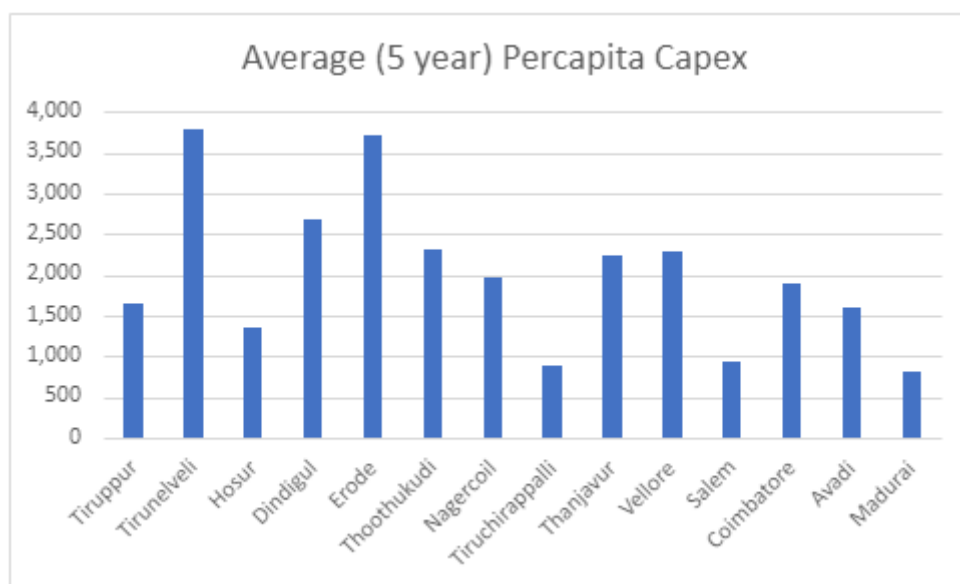
Salem and Trichy have under INR 1000 per capita (per year based on 5 year average) and Tirunelveli and Erode have over INR 3000 per capita

3.3.2 Inputs from Primaries

- Increasing stress on salaries, and issues in timely payment of pensions are highlighted by several MCs. Given the threshold limit of 49% for salary payments, post which freezes on recruitments are triggered, many MCs have resorted to outsourcing of certain functions/ functionaries. Hence, HR costs (committed expenses) seem to form a large chunk of the financial burden on MCs, and the current controls are felt to be working on keeping this burden range bound
- An interesting point of observation is on the above outsourcing. For a truly operative view of “committed expenses”, expenditure under such contract/ outsourcing arrangements needs to be included under the definition. However, doing so immediately would place an undue burden on the MCs. A state level assessment of the long term burden of committed expenditure under current trajectories of employment would be helpful to understand if these pressures are transitory, or whether structural changes need to be made (by the State and the MCs) towards this
- The recent initiatives of CMA around creating depreciation registers and asset registers (e.g., road ledger) is felt by the MCs as a positive step, which can help feed into project planning in the mid term. Connecting these registers with future rounds of funding, and potentially devolution (in the next SFC rounds) could help match resources to specific needs. This is particularly prominent given the thematic push by the CFC as well on specific areas (e.g., earmarking funds for water and sanitation)
- Capacity to comprehend and implement newer project models such as outcome funding (pay for outcomes rather than projects) seems to be relatively limited. While the transformative potential of such mechanisms on the quality of expenditure is high, these could happen on a pilot basis to start with for some success stories to be created to inform broader rollout

3.3.3 Charts and Tables





3.4 Human Resources

3.4.1 Key observations from analysis of MC data

- Availability of quality human resources is a key requirement for improved service delivery. On an average (in 2020), the sanctioned staff per 1000 population (2011) was 2.8.
- However the variation in actual working staff levels across MCs is lower (standard deviation of 0.5) than that of sanctioned numbers (standard deviation of 1.9).
- Issues of unavailability are particularly high for technical areas like legal cell and taxation appeal which have few sanctioned posts. Similarly, among major Departments, Revenue (56%) and Engineering (51%) have large vacancies.
- Average vacancy rates are at ~ 40%, and the sanctioned figures are quite dispersed compared to filled posts.
- MCs are already using outsourcing for several functions (sanitation workers, data entry operators, drivers etc.). Broadly, their qualitative feedback of such outsourcing channels also appears to be positive, and the cost is much lower (average of under 1.8 lakh per year which is much lower than the lowest grade pay).

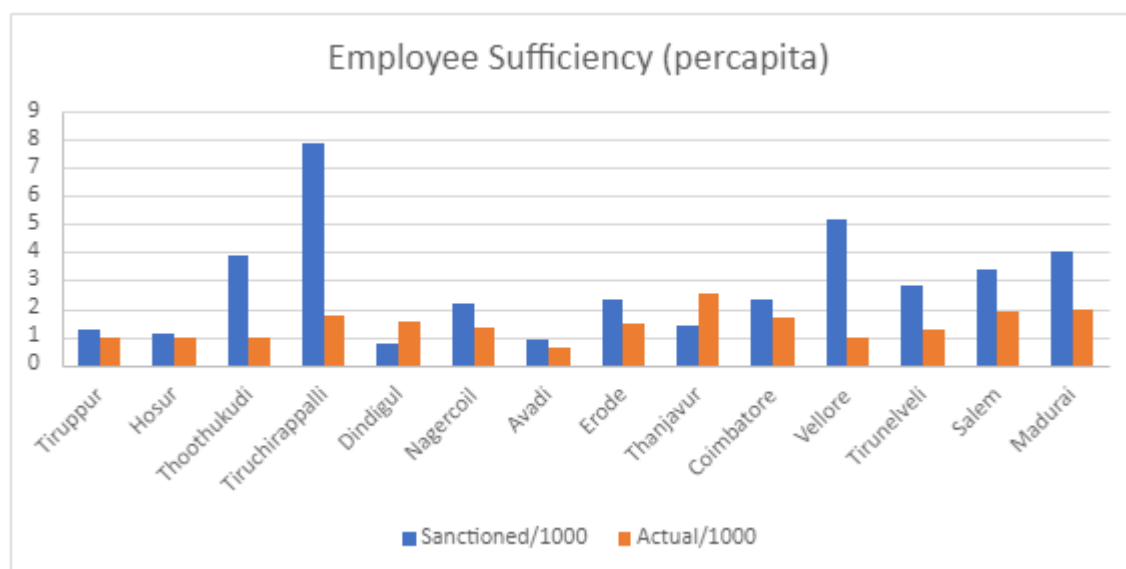
3.4.2 Inputs from Primaries

- Staffing is one of the top areas of concern of MCs, with demands being articulated across frontline and managerial positions. In the context of a freeze on regular recruitments (for MCs with high levels of committed expenses), frontline functions are seen as being relatively more outsourceable compared to managerial positions. For large municipal corporations there is a need for additional administrative heads (IAS / PCS Grade 1 cadre) particularly for the public health department.
- MCs acknowledge that “norms based benchmarks” should be put in place to drive sanction of posts and recruitments. Such benchmarking should consider key demand factors (e.g., population, newly added areas etc.) with a transition pathway towards greater convergence across MCs.
- In general, contracts and outsourcing are driven by constraints on regular recruitment, rather than from intrinsic benefits (e.g., greater accountability, lower long term commitments etc.) and costs (e.g., loss of MC’s internal capacities, managerial bandwidth of MCs to manage contracts etc.). Provision of guidelines to help MCs assess the relative suitability of different recruitment channels (e.g., on roll/ contract/ outsourcing functions and outsourcing functionaries) is requested.
- Within the current resource envelopes, there are many cases of redeployment driven by needs. To illustrate, some Municipal Corporations mentioned redeploying some of the Engineering Department resources to support tax assessments and punitive

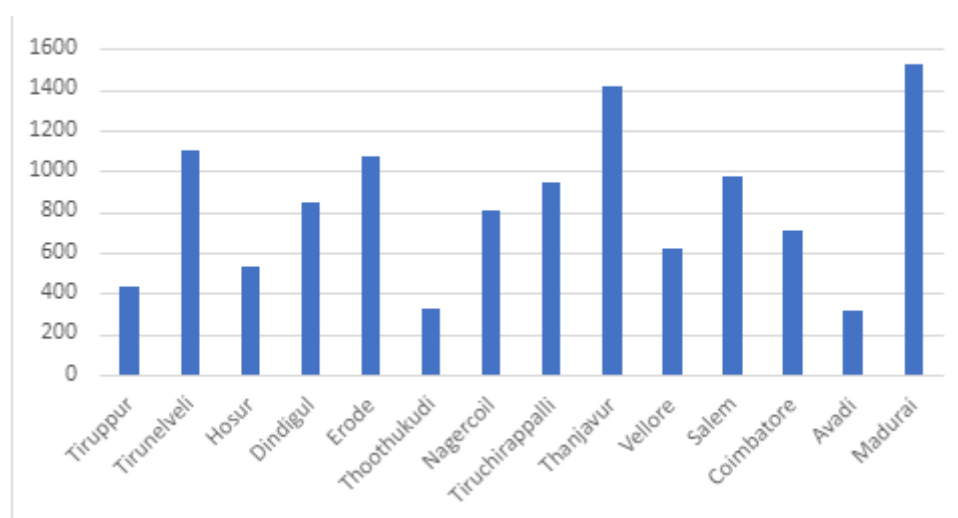
actions (e.g., disconnections) during the Jan-March quarter, since a large amount of assessment and collection work is focused then.

- Integration of newly added areas has been highlighted as a key issue on the HR front as well. In several cases, even after many years post assimilation, the HR integration does not seem to have happened. Provision of guidelines for time bound integration of the cadre is a key felt need.
- Having formal systems for rotation of staff across MCs is one of the most frequently emphasized areas for reform. It is strongly felt that such a system would both help reward good talent (e.g., officers who are able to conceptualize, design and procure projects have unique skill sets which might not be required within a particular MC all the time) and penalize poor performance. The current process for moving from one MC to another is felt to be highly non-transparent with avenues for rent seeking. Additionally, the option value of such a platform itself was felt as being useful in providing a performance orientation for staff.
- Training and capacity building was in general felt to be more rote and with limited practical application. A move from “designation based” training to “role based” training, with focus on fewer and more relevant modules emphasizing on the current demands on roles was requested. For instance, “handling community interfaces during execution of works” is a very specific and strongly felt need of MCs which are implementing works which involve road access restriction.

3.4.3 Charts and Tables



Salaries PC (Citizen Population)



3.5 Collection Efficiency

3.5.1 Key observations from analysis of MC data

- Given that property taxes and other charges account for a large share of MC revenues (Property taxes ~ 21%, Profession tax ~ 4.5% and Water supply and drainage tax ~ 8.2%), and given constraints around large revisions of tax rates, improving collection efficiency is a relatively more efficient pathway to increase revenues.
- However, the collection efficiencies of these have been dipping over time on property taxes and water/ sanitation taxes.
- This has resulted in piling up of arrears - for instance, in property tax, 5 MCs (Thoothukudi, Nagercoil, Thanjavur, Vellore and Salem) had arrears at over 100% of the current year demand in FY20.
- Similarly, collection efficiency of water and sewerage charges has also been stagnant/ declining (compared to benchmarks of 90% recommended by MoHUA).

3.5.2 Inputs from Primaries

- One area which multiple MCs have already begun working on is integrating multiple databases and touch points for better capture of assessee information. For instance, comparing PT records with electricity Discom records to check on the number and categorization of properties is being done on a periodic basis. However, this is currently done on an ad-hoc basis with room for structural support on data sharing and comparisons.
- On similar lines, MCs have also expressed interest in linking the PT database with the registration platform to ensure that property registration data concurs with the PT assessment data, and registration becomes a point of compliance for dues.

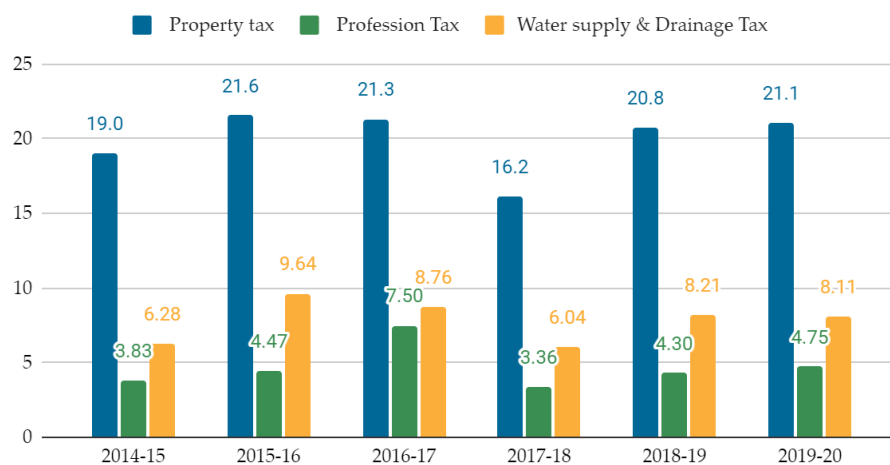
- Temporary redeployment to focus on collection functions during the first quarter of the calendar year was mentioned in some MCs.
- Bundling collection of service charges (water, sewerage) with PT was discussed, but MCs were inconclusive on the net benefits of such bundling.
- A specific suggestion was to impose interest charges on late collections. While Chennai Corporation has this¹ (both interest on late payments and incentive for early payments), a similar setup is felt to improve liquidity.
- A recurring request of the MCs is to place mechanisms for collection agents. This seems to have been attempted (e.g., through the postal network), but MCs feel that broad basing such partnerships would help improve collections. TANGEDCO prominently figured in some of the discussions, especially given the potential for linked service disconnection. MCs also seem to be open to incentives for their own staff linked to collection outcomes. However, the legality of such mechanisms, along with potential incentive mismatches was acknowledged as being important to consider
- MCs indicated limited control over litigations, as well as on amnesty and renegotiations on PT. Given arrears form a large chunk of the regulatory assets with the MCs, creating a mechanism for one-time renegotiation of dues was requested to be considered. On a related note, there is limited evidence with MCs on the response rates of collections to rate changes (Laffer curve effects).
- Given rate changes are the jurisdiction of the Property Tax Board, and given the long gap since the last revision (2008), pilots on changing rates and amnesty schemes could help understand the response on collections, and help shape better tax policy

1

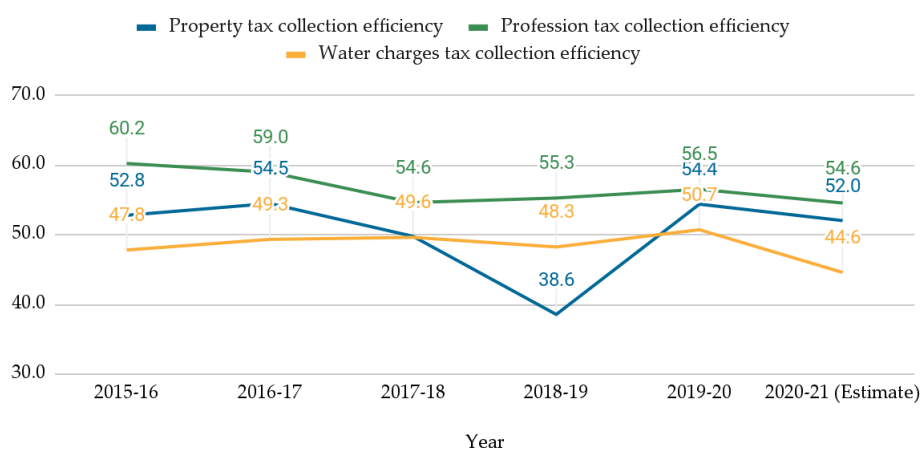
<https://www.thehindu.com/news/cities/chennai/pay-property-tax-by-oct-15-to-receive-5-incentive-chennai-corporation/article36815006.ece>

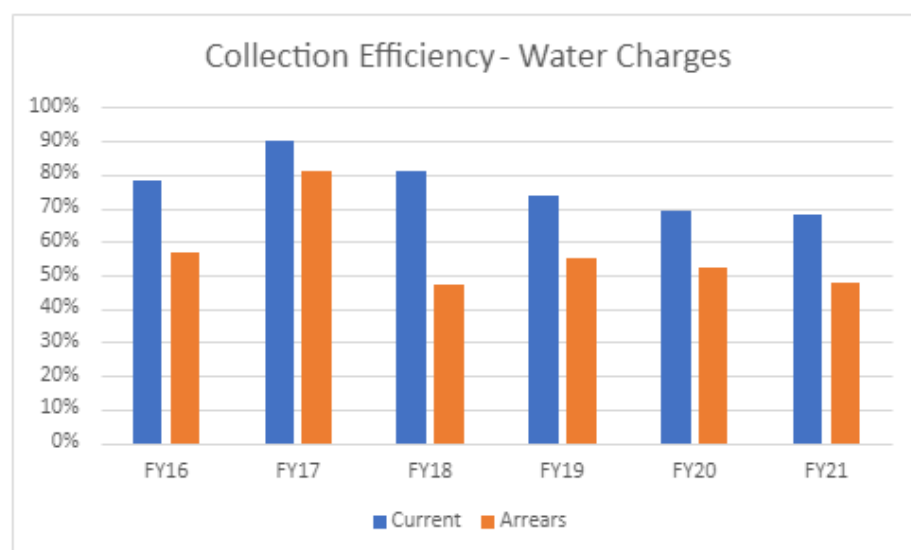
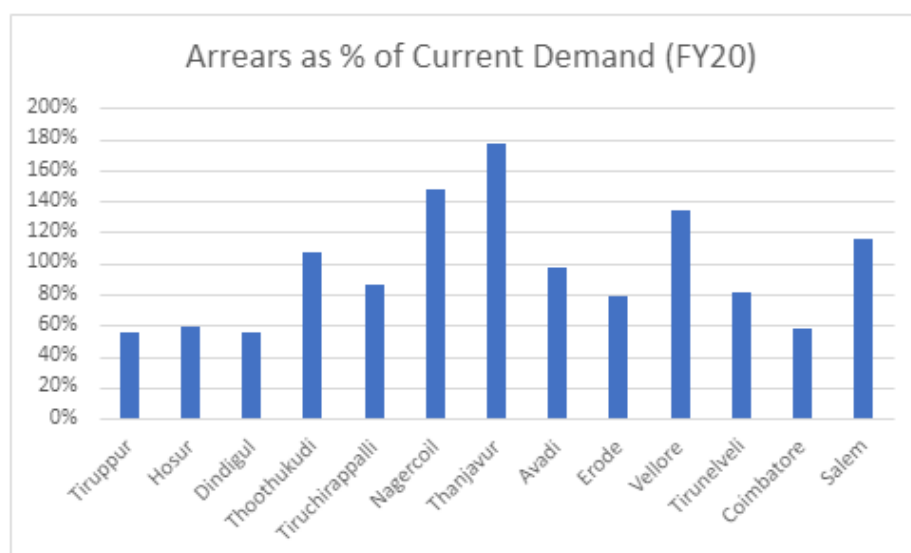
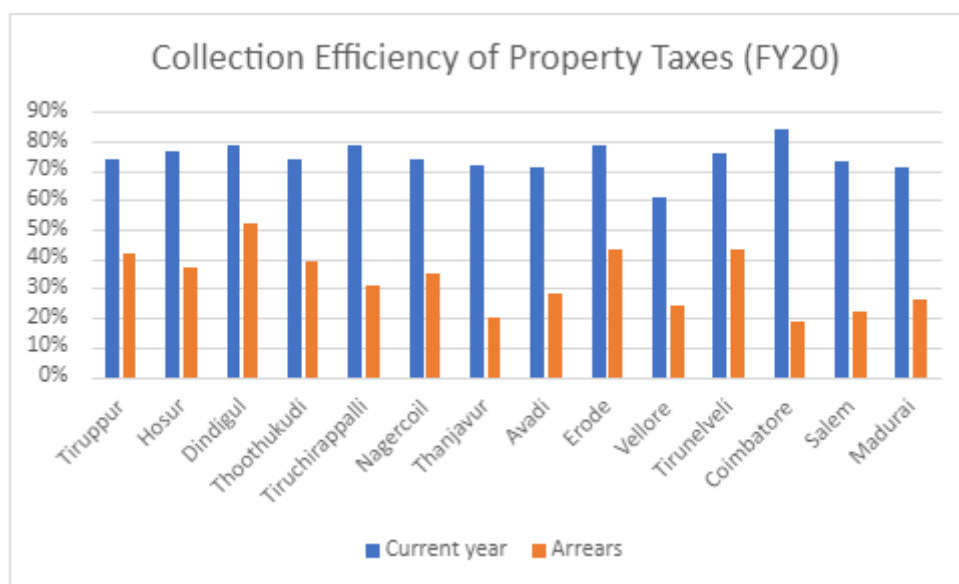
3.5.3 Charts and Tables

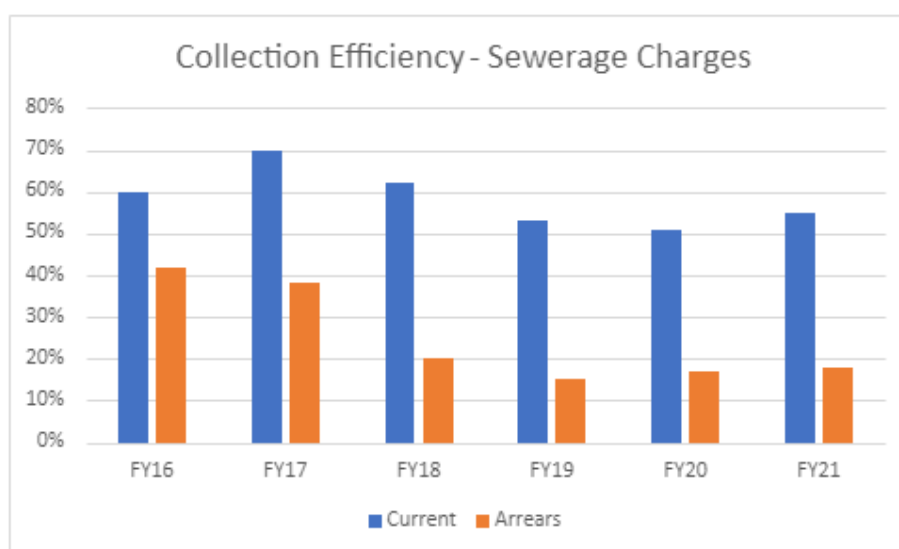
Average share of revenues from major taxes as a share of total revenue over the years (in %)



Average tax collection efficiency for all corporations for top 3 taxes over time (in %)







3.6 Cost Coverage and Ability to Charge

3.6.1 Key observations from analysis of MC data

- In principle, at a minimum, the operating expenses for key services (water, sanitation, solid waste management, parking etc.) need to be covered through user fee collections. However, across India, most ULBs collect only a fraction of even operating costs
- Property tax rates in India have been acknowledged as one of the least in the world (as % of GDP), despite property tax being one of the most progressive instruments. The 5th SFC has also highlighted potential to significantly enhance PT in ULBs, especially MCs. However, despite on-paper ability to increase property tax rates, actual increases have been much lower and less frequent
- There are issues in accurate apportionment and measurement of costs. For instance, even excluding the 2019 cohort of MCs, the per capita O&M costs (FY20) vary significantly
- Similarly there is variation (though of a lesser magnitude) in the tariffs
 - Water charges range from Rs. 53 to Rs. 220, at an average of Rs. 116 (meter rate) and from Rs. 15 to Rs. 200, at an average of Rs. 93 (tap rate)
 - Sewerage charges vary from under Rs. 60 (Tiruppur, Tirunvelveli, Trichy) to over Rs. 150 (Vellore, Coimbatore, Madurai, Avadi)
- The above create a wide range of cost coverage (fraction of O&M expenses covered by user charges)
- Correspondingly, there is also a large gap in measuring “quality of service delivered”. Even in areas like water, where 6 of 14 MCs have 100% metering, there is

limited information on quality of service (water quality, timings, pressure, regularity etc.)

- Such lack of objective basis for setting tariffs (driven by costs or quality of service) also reflects in the tariff setting frequency. Only 4 of the 14 ULBs had water tariff revisions in the past 5 years (post 2015), another 6 between 2010 and 2015, and the rest over 10 years ago (2010 or earlier)

3.6.2 Inputs from Primaries

- In general, there seems to be an understanding of broad principles for tariff setting (e.g., minimum coverage of O&M through user charges). However, there are two acknowledged issues - first, there seems to be limited formalization of how cost to serve (even the O&M component) should be calculated. Second, the user charges assume a collection rate of 100%, which for most services is felt to be extremely ambitious (typical collection rates are half of this)
- Templatization of the tariff setting/ proposal process was acknowledged as a useful area for support. Especially given political pressures (councils) in resetting tariffs, some guidance from the State (CMA) on the process for such tariff resetting, along with guidance to compulsorily undertake revisions on a periodic basis were felt to provide some cover for such revision proposals
- To support MCs on the tariff setting/ proposal process, it was also felt that some benchmarks on both costs and tariffs from across the States should be provided. This could also help communicate/ justify the increases to citizens for greater legitimacy, which was felt as being positively linked to compliance and collections
- On property taxes, while the rate setting powers are with the Property Tax Board, revision of the status of the PT zones over time was acknowledged as something the MCs could do within their powers. Given the criteria for such classification is largely objective and can be done relatively easily, this could be an immediate area of focus
- On assessments of willingness and ability to pay, MCs felt that this was largely a political process and that they would have limited capacity to implement formal assessments. They were of the opinion that a “cost based” rationale for justifying tariffs should be placed before the Council, supported by relevant benchmarks, and that the Council would bring qualitative assessments of willingness/ ability to pay

3.6.3 Charts and Tables

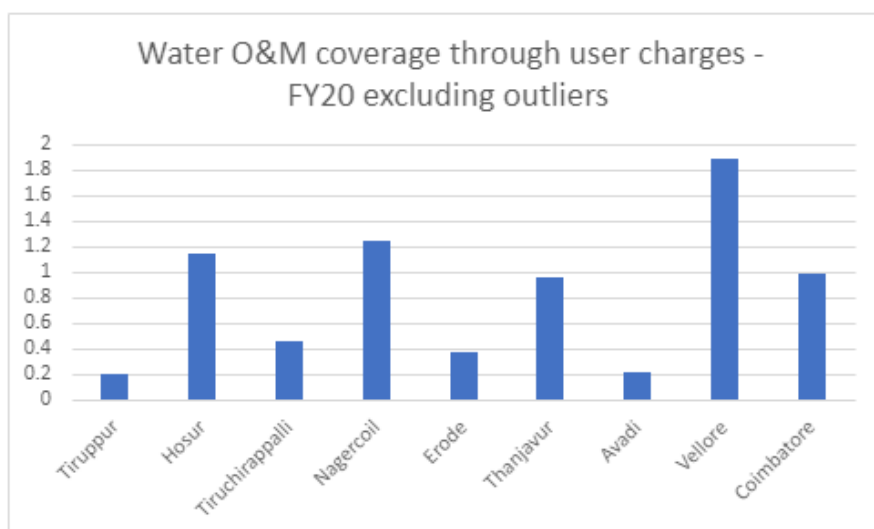
Comparison of water tariffs (as on Mar 2020) across MCs

	Meter Rate	Tap Rate	Supply Type	Year of Revision
Tiruppur	72	0	Intermittent	1993
Dindigul	0	46	Regular	2018
Hosur	0	125	Regular	2020

Thoothukudi	150	15	Regular	2015
Tiruchirappalli	0	160	Regular	2014
Nagercoil	53	50	Regular	2003
Erode	0	62	Regular	2017
Tirunelveli	100	0	Regular	2010
Thanjavur	0	75	Regular	2013
Avadi	220	0	Regular	0
Vellore	0	200	Regular	2020
Coimbatore	100	60	Intermittent	2013
Madurai	0	75	Intermittent	2012
Salem	0	151	Regular	2015

Per capita O&M and collection for water

	O&M per capita FY20	Collection Per capita FY20	O&M coverage through charges	%collection FY20
Tiruppur	680	135	0.2	-
Dindigul	57	250	4.41	42
Hosur	55	63	1.14	66
Tiruchirappalli	54	25	0.46	52
Nagercoil	75	93	1.24	69
Erode	378	139	0.37	86
Tirunelveli	20	186	9.4	62
Thanjavur	108	104	0.96	51
Avadi	15	3	0.22	39
Vellore	61	115	1.89	36
Coimbatore	226	224	0.99	54



3.7 Alternate Models of Ownership/ Service Delivery

3.7.1 Key observations from analysis of MC data

- In line with the 74th Amendment, several services have been moved under the purview of MCs. However, many services still witness joint participation in service delivery by MCs and other entities. These include para-statal agencies and line Departments
- Most MCs already maintain the lion's share of both roads and drains by themselves. ~ 95% of drains and ~ 90% of roads are maintained by MCs, and the rest by other Departments (Highways, PWD etc.). Given significant synergies and operational efficiencies from vesting this entirely with the MCs, the same could be evaluated
- Across MCs, the realization rate of own projects seems to be higher than TWAD - To illustrate, 754 of 816 MLD was realized for own projects (92%) compared to 74% for TWAD. This could potentially indicate maturity to diversify the choice of project implementation partners
- Almost all MCs have some form of Pvt. partnerships across service delivery areas (solid waste management, pumping O&M, street lights, UGD, water supply etc.), and are largely satisfied with the arrangement
- There seems to be broad support for privatization/ outsourcing SWM with 10 of the MCs indicating that it is a feasible idea, including indicating a preference for creating level playing fields for NGOs
- However, despite agreeing that some form of engagement with the Pvt. sector is efficient, most MCs are not able to quantify savings - on service delivery or employee costs (given the vacancy figures compared to sanctioned posts)

3.7.2 Inputs from Primaries

- MCs are in general in favour of taking O&M ownership of all roads and storm water drains within their jurisdictions, in view of greater operational control and better coordination on access, repairs, service interruptions etc. However, they also request that the funds for maintaining these be made available from line Departments (e.g., through share of road taxes proportionate to registrations in their jurisdiction)
- On para-statal agencies, MCs state having mixed experience working with TWAD Board. While the technical capabilities of TWAD Board are in general acknowledged, issues are felt on responsiveness and accountability. MCs with greater experience of designing and implementing projects feel that working internally (with support from Pvt. sector) at times is preferable to partnering with TWAD Board
- On the larger question of level and nature of engagement with the Private sector, MCs appear to be divided on the motivations. While most MCs feel that working with the Private sector is beneficial, they also feel that the cost savings are hard to quantify, and that most of the savings on personnel time are usually redeployed in other functions (given the large prevalence of vacancies). This also at times seems to put MCs on the defensive (one MC felt that the onus of justifying the Pvt. partner model was always on the MC, while there was no such close scrutiny for in house provision). Clarification of the value of Pvt. partnerships (in whichever form) through consideration of financial and non financial savings, and changes in service quality were considered important
- MCs feel largely confident about their technical capability in engaging with the Private sector, with ToR/ contract definition, procurement and renegotiations identified as areas for normative guidance from the CMA/ State

3.7.3 Charts and Tables

Municipal Corporation	% roads maintained by other Dept	% drains maintained by other Dept.
Tiruppur	2.54%	2.42%
Dindigul	13.26%	6.25%
Hosur	7.49%	4.75%
Thoothukudi	22.00%	3.41%
Tiruchirappalli	8.34%	5.43%
Nagercoil	16.47%	11.69%
Erode	13.63%	1.42%
Tirunelveli	11.08%	1.97%
Thanjavur	7.92%	48.60%
Avadi	1.60%	6.12%
Vellore	11.26%	1.03%

Coimbatore	19.90%	0.18%
Madurai	7.72%	2.20%
Salem	15.47%	4.72%

MCs profiled on engagement with the private sector for service delivery

MC	Waste collection	Street cleaning	Street lights	Pumping O&M	UGD	Water Supply	Health/ Sanitation
Tiruppur	Yes	Yes	Yes				
Hosur	Yes	Yes	Yes				
Tiruchirappalli	Yes	Yes	Yes	Yes			
Thoothukudi			Yes	Yes	Yes		
Dindigul	Yes		Yes		Yes	Yes	
Erode	Yes	Yes	Yes		Yes		
Nagercoil	Yes		Yes				
Tirunelveli			Yes		Yes		
Vellore	Yes	Yes	Yes		Yes		
Madurai							
Coimbatore						Yes	
Avadi			Yes	Yes		Yes	Yes
Salem			Yes			Yes	
Thanjavur	Yes	Yes	Yes	Yes	Yes		

3.8 Institutional Capacity and Transitions

3.8.1 Key observations from analysis of MC data

- There seems to be an effect of vintage on outcomes. If we split the MCs into 3 groups (pre 2000, 2000-2010 and post 2010). Despite having average endowment levels, older MCs seem to have better governance. While this need not be strictly causal, it is useful to assess the “transition” that a ULB goes through when it becomes a MC - in terms of both demands and opportunities for capacity enhancement

Particulars	Pre 2000	2000-2010	Post 2010
Municipal Corporations	Trichy, Tirunelveli, Coimbatore, Madurai, Salem	Tiruppur, Thoothukudi, Erode, Vellore	Hosur, Dindigul, Nagercoil, Avadi, Thanjavur
Municipal Performance Index score (2021)	48.04	45.56	42.6
Ease of Living score (2021)	56.24	53.6	52.18
Per Capita MC Income (2020)	INR 5762	INR 6691	INR 5241
Average sewerage charge (proxy to willingness to charge)	116.4	103	91
Non Tax Revenue to total revenue (proxy for diversification)	37.96%	33.95%	29.1%

3.8.2 Inputs from Primaries

- MCs feel that more structured support in transitioning to enhanced responsibilities (as Municipal Corporations) would be helpful. This could include both people level and institutional capacity building. Smoothing capacity in transition
- The Smart City Mission experience has placed greater resources and autonomy on the MCs over the past few years. Broadly three trends are observed
 - MCs feel that greater autonomy, especially for project level approvals are warranted given the SCM experience. While the usual approval limit within MCs for projects is INR 1 Crore, this is INR 3 Crore for SCM projects. MCs feel that they are able to handle projects up to INR 3 Crore internally, with periodic accountability to the CMA
 - While recognizing the SCM as a channel for infrastructural funding, MCs however do not necessarily see it in the true sense of an SPV (i.e. one that would be relevant through the O&M stages of projects). For instance, there are few projects where real investment is brought in by Private partners, or where the Smart City SPVs are envisaged playing an O&M role (sharing both costs and revenues with the MC).
- In general, with expanding size, MCs feel that support on improving systemic outreach to citizens will be valuable

- There is overall limited felt need for regulatory capacity improvement, with MCs preferring to focus on their service delivery/ provision roles in the near - mid term

4. Recommendations

Based on the above thematic analysis and inputs from primary interactions, and in corroboration with good practices, the following list of recommendations has been drawn up. These are organized across three groups (1) Revenue enhancement (especially property taxes), (2) HR and capacity building and (3) Service delivery and others. Under each group, recommendations have further been classified by category (i) those requiring policy or legislative actions (ii) those requiring modifications to schemes or creation of new schemes involving financial outlays and (iii) Process improvements and creation of/ modifications to guidelines which can be done relatively quickly. Finally, the tentative timelines to implementation for each recommendation is classified into (a) Short term (under 6 months), (b) Medium term (1-2 years) and (c) Long term (2-3 years). For each recommendation, an owner, along with key supporting stakeholders has been mapped:

4.1 Revenue Enhancement (especially Property Tax)

4.1.1 *Creation of a robust property database with unique property identifiers (UIDs²) using the existing GIS maps with timely updates*

- (a) Problem Statement: Lack of a consolidated and periodically updated database of properties that would aid in widening the property tax net through timely updation, in assessments and in tracking changes in ownership of properties as a result of transactions and mutations
- (b) Recommendation: Creation of a robust property database with unique property identifiers (UIDs) and linking these with the existing GIS maps created as part of the Jawaharlal Nehru National Urban Reform Mission (JnNURM). UID then becomes the basis of recording any transactions and calculating tax liabilities on the property
- (c) Example: Cities which have improved property tax assessments with the use of GIS are:
 - 1. Greater Visakhapatnam Municipal Corporation - Under Jawaharlal Nehru National Urban Renewal Mission (JNNURM), the Corporation introduced GIS mapping and unique property identifiers and added 50,000 new properties and 47,000 vacant land parcels to its property register. The Corporation doubled its tax collection from INR 77 crores to INR 169 crores from 2010-11 to 2013-14 on account of updated property rolls.
 - 2. Pune Municipal Corporation - The Corporation created a digital database of properties with GIS mapping and unique identifiers. With the update in property rolls, the taxable base for properties increased from 8.34 lakh to 9.23 lakh, resulting in an addition of Rs. 89 crore to the tax base.³

² Awasthi & Nagarajan, "Property Taxation in India: Issues Impacting Revenue Performance and Suggestions for Reform," 11

³<https://www.hindustantimes.com/pune-news/pmc-completes-gis-mapping-of-2-5-lakh-properties/story-6ChuhYmluO9fWqD88gmRIJ.html>

3. Karnataka's Asthi project - Among the property tax reforms, the state carried out cadastral-level GIS mapping. More than 3.8 million properties were covered under the exercise. The use of GIS mapping brought about 1.2 million additional properties under the tax net.

4.1.2 Linking the revenue and town planning data with such a property database to facilitate convergence

- (a) Problem Statement: Lack of interoperability of data and a coherent work flow across departments such as Town Planning and Revenue renders tracking property transactions difficult and thus impacts the efficiency of tax collection
- (b) Recommendation: Linking the revenue data with respect to stamp duties and the town planning data with respect to planning permissions, construction and completion with the property database through the UIDs to facilitate convergence. This has been recommended by the Fifth SFC in its report and would immensely benefit in widening the tax base almost real-time
- (c) Data / Evidence / Reference / Example: The Pune Municipal Corporation linked the servers of property tax and the Inspector General of Registration and Stamps Office helps get unassessed properties into the tax base.

4.1.3 Assess modifications to property tax assessments process / basis

- (a) Problem Statement: The Urban Local Bodies in the state levy property taxes based on the Annual Rental Values (ARV) method. However, the ARV is the least preferred of the three valuation methods due to the difficulty in determining market rental values
- (b) Recommendation: To change the valuation method to an unit area method given its predictability and ease of compliance under self assessment methods. This has been endorsed by the Fifth SFC in its 2016 report. As per the recommendation, The value of the property should be determined based on the guideline value of the land, the value of the building, the built up area, type and quality of construction, number of floors and its usage.
- (c) Data / Evidence / Reference / Example: Patna Municipal Corporation successfully transitioned to this method back in 2002⁴ and other cities like Delhi, Kolkata, Bengaluru and Pune also follow unit area based system of valuation.

4.1.4 Commission studies / pilots related to property tax assessments, collection platforms, IEC and improve capacity of municipal corporations

- (a) Problem Statement: The ULBs face a common problem of pending property revaluations that is mostly rooted in the resource and staff crunch.
- (b) Recommendation: The larger corporations with the state can experiment with artificial neural networks (ANN) based modelling of the real estate market to do mass assessments of properties. This could be done using both the static (construction and operational characteristics) and the dynamic parameters (state of

⁴ Awasthi & Nagarajan, "Property Taxation in India: Issues Impacting Revenue Performance and Suggestions for Reform," 19

the economy) in partnership with institutions such as Wadhvani AI. Such a model could potentially facilitate frequent revaluation cycles, say once every 2 to 3 years, and requires fewer staff to undertake the appraisal processes

- (c) Data / Evidence / Reference / Example: It has been previously demonstrated for a select Russian cities⁵ using the geographical, construction, operational, time, and macroeconomic factors as input parameters. The model was successful in predicting the value of properties with an acceptable degree of accuracy.

4.1.5 Assess devolution of property tax related powers to MCs - to decide on the tax rates and the incentive structure for enforcement agents and the taxpayers

- (a) Problem Statement: The tax rates are currently decided by the state government and are not linked to the financial needs of the ULBs. These rates are not revised frequently except under extraordinary circumstances. The last revision to the property tax rates in the state was in 2008.
- (b) Recommendation: While the state can prescribe the minimum and maximum tax rates, the municipal corporations should have the discretion in setting the property tax rates along with the incentive structure for enforcement agents and the taxpayers. This shall bring an immediate linkage to service delivery and build accountability for service delivery performance
- (c) Data / Evidence / Reference / Example: This has been recommended by the World Bank in its report titled - "Property Taxation in India: Issues Impacting Revenue Performance and Suggestions for Reform"

4.1.6 State level cell to support MCs in mapping properties, suggesting monetization options, reviewing contracts and support on auction processes.

- (a) Problem Statement: The Municipal corporations do not have the technical expertise in coordinating sophisticated GIS systems and unique property identifiers. They also lack the bandwidth to invest in their enforcement staff. Additionally, some MCs have attempted initiatives to monetize existing resources (e.g. commercial complexes, real estate) which have learnings (both on successes and failures) for other MCs. However, currently, there is no single institutional body to hold together and disseminate such learnings
- (b) Recommendation: The state should constitute a body or board which provides the ULBs with technical support and legal advisory to improve monetization initiatives. The body can serve as the nodal point for cadastral records and UID assignment of properties in the state which the ULBs can then refer to. This body will also maintain a repository of asset monetization initiatives undertaken, along with reference templates (e.g. DPRs, bid advisory notes, auction guidelines, contract templates, legal advisory etc.)
- (c) Data / Evidence / Reference / Example: Karnataka Municipal Data Society (KMDS), a registered society, was constituted in 2008, to strengthen urban local bodies (ULBs) through e-governance. The society maintains a state-level Municipal Data Cell where a centralized database of all the ULBs is maintained. The society overlooks the

process of rolling municipal applications, implementing technology reforms and capacity building of municipal staff.

4.1.7 Conduct an annual exercise of reclassification of property tax zones to ensure that the latest infrastructure access is reflected in the classification (interim measure)

(a) Problem Statement:

The prevailing system of zoning wards of MCs for PT assessment is based on some measure of infrastructure access (e.g., road width, UGSS, piped water supply etc.). While there is a need to switch over to a better objective criteria for indexing the zones to reflect true market appreciation of the properties (in the mid term), the wards have not been reclassified since 2008 within the existing system resulting in loss of PT revenue. This is under the ambit of MCs and can be done expeditiously

(b) Recommendation:

As an immediate step, MCs should reclassify their wards under PT zones on an annual basis to capture the investments made in the wards in the preceding years for better realisation of PT potential. The CMA should provide technical assistance to the MCs that may need support in undertaking the reclassification exercises.

4.2 Human Resource and Capacity Building

Ensuring availability of optimal bench strength of municipal staff with the required knowledge and skill sets is a common challenge for municipal corporations in the State. The felt need is greater in managerial and administrative head level positions (e.g., Assistant Commissioner for Public Health) compared to frontline functionaries as the latter can be outsourced. Lack of benchmarking has resulted in disproportionate availability of staff in the municipal corporations in the State. Mobility of municipal staff, especially the technical cadre across the MCs is undertaken on a case-to-case basis that limits leveraging in-house technical expertise on similar or advanced level projects being undertaken in other MCs.

Furthermore, the current approach for capacity building and training of municipal staff is supply-driven and designation-based with limited innovation in training delivery thereby restricting full-fledged participation of municipal staff. To address these issues and challenges, the following recommendations are proposed:

4.2.1 *The CMA should undertake a cadre benchmarking exercise to ensure availability of municipal capacity especially for merging MCs*

(a) Problem Statement

Data provided by the MCs indicate wide variations in the availability of municipal staff. On an average (in 2020), the sanctioned staff per 1000 population (2011) was 2.8. This is much lower compared to other municipalities in the international and national arena. For example, Durban has 30 civic workers per 1000 people, Pune and Ahmedabad have 7 and 6, respectively whereas Chennai has about 5.⁶ Primary consultations suggest that there are no

⁶

<https://timesofindia.indiatimes.com/city/bengaluru/citys-civic-strength-350-staff-for-11-people/articleshow/45540823.cms>

standard norms for arriving at the required staff capacity for merging municipal corporations. MCs require an objective criteria of staffing for effective and efficient service delivery.

(b) Recommendation

The CMA should formulate guidelines for integration of human resource cadres for newly added areas. Among other aspects, these should cover (i) sufficiency of HR across levels and functions in view of consolidated availability and service delivery needs (ii) identification of training needs and capacity building pipeline for the staffs of merging municipalities / town panchayats, (iii) resourcing and approvals for bridging quantity and quality gaps and (iv) norms for integration of cadre across added areas with specification of timelines for the integration process.

4.2.2 The CMA should evaluate developing processes for enabling mobility for personnel across Municipal Corporations, along with a transparent rule based system for movement, in consideration of factors such as need, performance, skills etc.

(a) Problem Statement:

The mobility of staff of MCs in the State especially in the technical cadre such as municipal engineering is limited to one-off transfers for reasons related to handling of new / complex projects in another MC or pending disciplinary actions against the staff etc. Currently, such transfers take place within a given cadre and ensure equivalence of the grade of the staff to avoid any long-term career progression issues. However, there are no policy / guidelines to effect such transfers and the process by which such transfers / deputations are currently made is not transparent. Lack of visibility in transfers results in uncertainty and limits the potential of leveraging in-house technical expertise in implementing similar or advanced level projects / schemes in other MCs that take up such projects.

(b) Recommendation

Given the wide variations in the life-cycle of projects handled by the MCs, the knowledge and skills deficit in one MC could be bridged by another MC within the State. For instance, officials involved in conceptualisation and structuring of a water supply project on a PPP mode could support another MC that is planning a similar project. Similarly, a municipal engineer who oversaw the takeover of a UGSS project from the parastatal could be deputed to the MC that is likely to witness a similar transition of assets.

The CMA should formulate guidelines that provide for a transparent and mutually beneficial process for deputation of staff from one MC to another. The guidelines should detail the parameters for (i) defining the felt need (ii) duration of deputation (iii) fixed and flexible terms and conditions (iv) incentives for deputation, if any. The number of such deputations could be limited to 10% of the total municipal staff for select grades.

4.2.3 Formulate a state-wide Capacity Building and Training Policy and a Capacity Building and Training Programme (CBTP) with appropriate funding provisions

(a) Problem Statement

With evolving functions of MCs, increased devolution of funds, greater transparency through RTI, globalisation, climate change and other factors, the MCs are placed in a complex and challenging role with increasing expectations of their performance and their ability to respond effectively and efficiently to the needs of their citizens. MCs are in a greater need to invest in their human capital to manage rapid urbanisation with available resources in a sustainable manner. At present there is no dedicated policy at the state or departmental level along with a dedicated capacity building programme to guide comprehensive and systematic capacity building of human resource of the MCs.

(b) Recommendation

The key objective is to strengthen GoTN's existing training systems to institutionalise a competency framework approach to capacity building in TN. This approach will allow GoTN to scale its existing training initiatives to all government employees by building and leveraging a standardized technology platform, individual "competency profiles" of all government employees, analysis of "competency gaps" between employees and roles, a network of high quality domestic and global training providers to fill these gaps, and modularized digital training content that employees can complete as convenient. The CMA could consider anchoring the urban component of the capacity building programme / platform within the TNIUS.

(c) Reference: CIDCO Capacity Building Platform - Ujjwal

- The City and Industrial Development Corporation (CIDCO) is a New Town Development Authority of Maharashtra responsible for town planning and development.
- In 2017, CIDCO launched 'Ujjwal' - its first online training portal to implement CIDCO's new Training Policy
- The New Training Policy was designed to aid the training and knowledge enhancement needs of all the Class I and Class II CIDCO Officers
- Ujjwal is an integrated platform that provides access to a wide range of managerial, technical and behavioural courses from world-class institutes.
- Ujjwal's Training Management System has four modules capturing (i) employee database including age, experience, designation, cadre and reporting officer (ii) list of 77 training partners and (iii) list of 999 training courses available for CIDCO employees with, training calendar, details of course description, intended audience, start and end dates and fees (iv) Feedback and outreach through rating of courses, monthly reports etc. are available
- So far 788 CIDCO employees have completed training in courses of their choice by providing plug-in training needs and knowledge gaps in a timely manner and the

platform has contributed in reduction of institutional barriers to training by promoting the role of the employee towards the organisation.

4.2.4 Develop and administer role based “training needs assessments.” Leverage ICT for “refresher trainings” and to track the effect of training on perceived capability and performance

Strengthening the capacities of the urban local bodies especially the municipal corporations is critical given their share of urban population, investment size and increasing absorption of functions and powers devolved to them. Together these 14 municipal corporations are responsible for providing high-quality municipal services to 10.5 million (Census 2011) urban population and during the past five years they have invested nearly Rs. 2600 (Excluding CCMC) in various municipal projects, schemes and works. Some of the municipal corporations such as Coimbatore, Tiruchirappalli etc. have started implementing water supply and sewerage projects on their own thereby acquiring new domain capabilities. Municipal Officials across levels take on responsibilities of tasks for which they do not have any prior experience or knowledge. For example, 12 of the 14 municipal corporations are setting up integrated command and control centres under the smart cities projects, several have taken up bio-mining projects under SBM etc. With growing citizens' expectations and increase in the number of municipal corporations taking up infrastructure projects in newer areas and/or large project size, there is a need for systematically building capacities and reducing competency gaps of municipal officials for achievement of better outcomes.

Some of the specific training and capacity building issues faced by the municipal corporations include limited capacity and skill sets to comprehensively appraise high-value projects. Further, projects that are likely to have significant environmental and social impacts and those with inter-sectoral linkages are particularly challenging for the officials. In such projects, training on stakeholder engagement and management including exposure to best practices in citizen engagement is of interest to the municipal officials. It was highlighted during our consultations that the felt need for capacity building and training is greater during the project implementation period due to lack of qualified field staff. It was also mentioned that often there are significant lags between the time of training received and use of knowledge /skills received and a just-in-time training to officials would be helpful. There is limited innovation in the delivery of training imparted as most of the training programmes follow a classroom based training delivered by subject matter experts with provision of exposure visits in some cases.

The current approach to capacity building and training of municipal functionaries across departments and levels needs to be revisited to make it more comprehensive, rigorous, inclusive and efficient. The Tamil Nadu Institute of Urban Studies is the nodal institute for imparting training and some training programmes are conducted directly by the CMA and other agencies such as TNUIFSL and TUFIDCO. A review of the training programmes offered by these agencies suggests that most of the training programmes focus on improving understanding of officials on new processes, guidelines etc. and contribute to expanding their knowledge base linked to specific programmes including the CSSs.

Further, the training programmes target ‘designations’ such as municipal engineer (for all technical training), sanitary worker (for SWM training) and not specific ‘roles’ that the officials in such designations perform in a given year. For example, an executive engineer may play a technical role during the project appraisal stage (DPR stage) and more supervisory role at the project O&M stage and considering the time-lag between these stages, he/she may not need both these competencies in a given year. Given that training needs are dynamic and linked to ‘activities’ rather than ‘designation’ that a municipal official holds, prioritization of the felt-training needs across designations and departments / organization would help in building capacities in a sustainable way. These 14 municipal corporations have a combined staff strength of 27,305 and even accounting for vacancies (~40%), nearly 16,383 officials need to be imparted training including learning on different competencies each year. Assuming a per person training duration of 10 days, this amounts to 1.6 lakh training days which can have a significant impact on service delivery operations – the core job functions of municipal functionaries. TNIUS’s capacity to manage training of such scale is limited – during 2018-19 – 2020-21, TNIUS trained 9,866 across 20 courses and most of these training courses targeted mid and junior level functionaries. Leveraging ICT to design an e-learning platform could open avenues for self-learning and training at scale and at the same time cover the training needs of a large number of officials who have limited or no access to high-quality training programmes.

(b) Recommendation:

The CMA should consider making a shift-from a ‘designation or a rule-based’ training system to a ‘role-based’ capacity building ecosystem would entail (a) identification of multiple roles that an individual is supposed to perform, (b) the set of activities associated with each role and finally (c) current and required competency level for each activity across behavioral, functional and domain aspects (DoPT, 2021). The CMA could evaluate developing a competency enhancement linked continuous learning platform that provides municipal officials flexibility in taking up courses of their choice relevant to their existing and required competencies. In order to incentivise acquisition of competencies, provision of one-time financial assistance to municipal officials could be explored. Further, salary increments of municipal staff could be linked to completion of training courses.⁷

4.2.5 *Provide Technical Assistance to MCs on Infrastructure Planning and Alternative Project Implementation Models*

(a) Problem Statement

MCs have gained funding access to several GoI and GoTN programmes and schemes that are linked to improvements in service delivery levels. Unlike sectors like roads where infrastructure choices are mature and to an extent standardised, municipal services such as water, solid waste management, sanitation etc. have alternative models of infrastructure and service delivery (e.g., sewerage vs. non-sewered sanitation) and often city managers have to take an incremental approach in achieving universal coverage due to lack of funds and

⁷ As per the AP Public Health and Municipal Engineering Services Rules 1965, PWD officials and subordinates need to pass an Accounts Test and the penalty to pass the test within the prescribed period results in stoppage of increment [G.O.Ms.No. 168, Municipal administration, dated 20-2- 1965]

competing priorities. However, a long-term planning perspective is required given that both capital and O&M funding needs to be factored in for uninterrupted service delivery. MCs require capacity to evaluate such choices in view of local context, long term sustainability and fiscal constraints.

(b) Recommendation

The CMA should strengthen its technical support to the MCs in the area of long-term goal setting for each MCs based on their current service levels, resources and implementation capacities. This support should include capital investment planning, comprehensive O&M of infrastructure assets created including assessment of service quality (e.g., timeliness of the services provided, interruptions during service delivery and complaint redressal etc.).

To aid this, two activities should be taken up by the MCs / CMA on an immediate / short-term basis. First, the Terms of Reference of consultants appointed by the MCs / CMA should include the task of creating a repository of template / tools and other resources related to infrastructure project planning and assessment of alternative implementation models (e.g., PPP) for both capital expenditure and O&M projects. For example, the City Wise Inclusive Sanitation Sanitation Assessment and Planning (CWIS SAP) Tool has been developed by BMGF to help decision makers compare outcomes of different sanitation interventions or investments. Similarly, the World Bank has an Urban Regeneration Decision [Tool](#) that helps decision making over four key phases of an urban regeneration project - scoping, planning, financing and implementation. The [PPP tools](#) developed by the World Bank can be used for (1) prioritization of infrastructure pipeline (2) assess the implementation mode of projects (PPP vs public sector) and (3) structuring of a sustainable PPP project. The Bank has also developed [tools](#) for 'Performance-based Contracting for Non-Revenue Water Reduction' and Climate Change Assessment and Adaptation.

Second, the MCs with support from CMA if required take analytical studies to forecast their committed liabilities over time, and in comparison with expected revenues for better longer term planning. The CMA should provide support to the MCs that require undertaking studies to assess their overall financial positions (and debt-service forecasting) with respect to committed expenditure on projects (both capex and opex), salaries including pension liabilities and contingencies. This would help the MCs in assessing the fiscal space for new debts and additional financial commitments.

The formation of four new municipal corporations in the State provides an opportunity to systematically build their technical infrastructure from scratch. Interventions such as GIS based mapping of municipal properties, utility infrastructure including roads could be taken up in these newly formed MCs early on to build a comprehensive municipal infrastructure database.

4.3 Service Delivery and Other Areas

4.3.1 Develop guidelines for measuring service delivery through a combination of access (e.g., infrastructure) and user feedback related elements, and use this as a basis for coming up with service improvement plans and resources for newly added areas.

(a) Problem Statement

Over the past two decades, several Municipalities have been upgraded as MCs. Additionally, there have been many rounds of additions of LBs to MCs, expanding their jurisdiction. Such transitions however lack a rule based mechanism (based on need) for allocation of resources for upgradation. This makes it difficult to allocate resources optimally. The current system of classification of wards into tiers based on access to infrastructure is crude, and even in its current form has not been updated since 2008 (wards have not been reclassified). Given the announcement in August 2021 to create additional Municipal Corporations (Tambaram, Kancheepuram, Kumbakonam, Karur, Cuddalore and Sivakasi), this assumes significance to evaluate needs of newly added/ upgraded areas

(b) Recommendation

Develop an easy to assess index of “deprivation” or “service delivery” which can be implemented at the ward level. This can include elements of access/ infrastructure and service delivery (e.g. kms of road length, kms of SWD length, total functional street lights, % households with water and sewerage connections, quantity of water supplied etc.). In addition to these, citizen centric measures such as complaints per capita, unresolved grievances, and citizen satisfaction with overall service delivery can be included. Given the emergence of phone based surveys as a low cost platform, such citizen focused assessments can be quickly rolled out to areas which are proposed to be added to Municipal Corporations, to assess their level of need rapidly. Both the ease of living index and SBM provide templates to carry out rapid citizen centric assessments. This index can be linked to funding available for such upgrades to make it more salient.

Create a fund which can be used by MCs with newly added areas, along with a set of rule based processes (drawing from the above deprivation index) for determining allocation. This fund will focus on equalizing levels of service delivery and access between core and added areas, to ensure that such equalization is achieved in a time bound manner

4.3.2 Create rule based processes to guide addition of new areas into MCs

(a) Problem Statement

The current process for announcing mergers of new areas into MCs is unclear, with limited transparency on the factors considered for such a decision. Given the wide variation in the profiles of ULBs declared as MCs (e.g. population, area, time for which they have been Municipalities etc.), together with wide ranging ramifications of such announcements, it is important to provide transparency on what factors can trigger an upgrade. This will also help ULB managers plan for transitions over time

(b) Recommendations

Create guidelines to advise decision makers on decisions of upgradation and merger of LBs to MCs. These guidelines can incorporate elements of (a) Administrative synergies (b) Economic synergies (c) Citizen/ elected representatives felt needs (d) Human resource efficiencies and integration considerations and (e) Financial sustainability in view of expenditures and revenues of the local bodies in consideration. There are domestic and

Global examples of such rule based systems which the State could draw from. Such a considered analysis of potential and challenges for integration would be a useful input to decision making both prior to and post the merger decisions

(c) Examples

Gujarat:

- In Gujarat, municipal corporations can identify areas that could be added within their jurisdictions and submit proposals to the State Government. For example, both Ahmedabad and Gandhinagar Municipal Corporations identified Bopal-Ghuma and surrounding areas for including them within their municipal boundaries.
- The Municipal Corporations discuss the underlying rationale for such inclusion with the State Government and negotiate the areas for merger. However, the final decision is taken by the State Government.
- For the newly added areas, funds are allocated from a State Government scheme called Golden Jubilee Chief Minister's Urban Development Scheme.
- Once the decision to upgrade or merge areas to a MC is taken, the Gujarat Municipal Finance Board (GMFB) works with the MCs to collect data on income and expenses of last three years, salary expenses, bifurcation of expenses into revenue and grants from GMFB, sanctioned and filled posts to evaluate how the MC can generate revenue, what its expenses are and what staff requirements it would have if it is upgraded.

South Africa

- The Municipal Demarcation Board (MDB) is an independent authority which is responsible for determination of municipal and ward boundaries in accordance with the Municipal Demarcation Act
- Municipal boundary redetermination process is opened after the completion of local government elections and is announced in advance
- The boundary redetermination process comprises eight steps (i) initiation of Boundary Redetermination in terms of Municipal Demarcation Act (MDA) (ii) Publication of the terms of the process (iii) Consideration of views and suggestions from public / stakeholders (iv) Determine boundaries or conduct public meetings / conduct formal investigations / or conduct both (v) consider reports (vi) Decision to redetermine or not re-determine is taken (v) Consider objections (vi) Final decision on redetermination - confirm 'vary' or 'withdraw' and publish decision in provincial gazette as per MDA terms.
- Applications for retermination can be submitted online by the public or any other stakeholder

- The application form captures information such as (i) Motivation for redetermination of boundaries (advantages and disadvantages) (ii) Impact of redetermination (on budgets, the equitable share, grant received from National or Provincial governments, tax base, infrastructure, grading, administration & HR, transfer of assets and liabilities etc.) (iii) Consultations (views of stakeholders consulted) (iv) Demarcation objectives (how will the proposed redetermination improve provision of services to the communities in an equitable and sustainable manner? How will it promote social and economic development? How will it enable integrated development? How will it help in having an inclusive tax-base? etc. (v) Factors taken into account (demographic data - patterns of human settlement, migration and employment, dominating transport movements; spending, commercial and industrial linkages; financial viability and administrative capacities - revenue base, expenditure, liquidity, financial management capacity and audit findings; sharing of administrative and financial resources, effect on traditional rural communities (police, health, education etc.); land use, social, economic and transport planning; coordination with other levels of government; topographical, environmental and physical characteristics etc. (vi) Financial, Human Resource and Infrastructure Capacity - list of functions performed by district municipalities on behalf of affected municipalities, list of functions performed by external service providers etc.
- The MDB periodically carries out capacity assessments of municipal bodies and makes recommendations for improvements in their effective functioning.

The Netherlands:

- Municipalities are encouraged to take initiatives on 'merger' based on felt need; in exceptional cases, decisions are taken at the provincial level (owing to weak financial or administrative municipal capacity). The guiding principle is to assess whether merging will strengthen the administrative capacity and benefit the wider region
- Assessment criteria for mergers: There are five criteria on which the government assesses the merger decision. These are (1) public support, (2) internal coherence (do the towns fit together), (3) administrative capacity, (4) balance in the region and (5) sustainability. On the public support aspect, merger plans are made available to the public for 8 weeks and anyone can submit their views to the municipal authorities. The municipalities also need to announce when the merger plan document would be available for public inspection in the town hall.
- Municipalities can get the financial implications of mergers investigated in advance and any of the affected municipalities can submit a request to carry out the municipal merger impact assessment

4.3.3 Support to MCs in applying to innovative funding windows like TANIL. Templatize application forms, and provide training through examples of model projects

(a) Problem Statement

Given the high pressure on available sources of funding to meet committed expenditure

(salaries, pensions etc.), MCs have a low appetite to invest in innovative projects on both revenue and expenditure sides. Despite dedicated funding channels like TANII being available for this purpose, its uptake is constrained by both lack of awareness among MCs, and the process of evaluating and finalizing applications at Departmental level rather than the LBs directly applying. Upto 2019-20, 320 projects from 30 departments worth Rs. 632. 88 crores were recommended under TANII. In the years 2020-21 and 2019-20, Rs. 60. 58 crores (9 projects) and Rs. 80.04 crores (49 projects) were recommended under TANII, respectively. However, the number of projects under the MAWSD has been low compared to others. As per the list of projects recommended under TANII, only five projects were from MAWSD in 2015-16 and no projects were recommended in the last five years.⁸

(b) Recommendations

Augment the overall pool and create a sub fund under TANII for local bodies to apply. This can also draw from performance grants from the FCs and other sources as well. At least for MCs (given their higher overall capacity), provide for a direct online application process where the MCs apply on a given template incorporating elements such as proposal novelty, replicability, broader relevance of the issue sought to be addressed etc. Provide CMA/ MAWSD access to comment on such applications through a work flow rather than having them as channels for submission of the applications.

In addition to TANII/ GoTN/ GoI programs, there are also several funding platforms available globally which encourage convergence between Governments and Pvt. sector to attempt innovative solutions. For example, M/o HUA launched the Promoting Innovative Smart Solutions under SCM (upto Rs. 3 crores), CITIIS (funding upto Rs. 100 crores), Cycles4Change Challenge (funding upto Rs. 1 crore) under the Smart Cities initiative.⁹ At the international level, some of the funding platforms that MCs can reach out for action research include the Global Grand Challenge of BMGF and Global Innovation Fund (GIF).¹⁰ The above mentioned digital TANII portal can also be a conduit to such resources, redirecting MCs to appropriate platforms for raising resources.

4.3.4 Utilize the proposed unified procurement portal to support MCs on procurement and post award management

(a) Problem Statement

While procurement of large infrastructure projects which are part of schemes are typically supported by PMUs at the State level, the same level of support is not available to MCs towards post award/ procurement management of these projects or towards O&M centric projects. In this context, GoTN has also announced the creation of an e-procurement portal for all Departments - *“E-procurement will be mandatorily adopted across all procuring entities. A separate e-procurement portal will be created for the Government of Tamil Nadu to enhance transparency in Government procurement”*. This could be a suitable platform to support MCs on all procurement (works and services), and on post award management as well.

⁸ For details, please refer to <http://www.spc.tn.gov.in/TANII.html>.

⁹ Details are available at <https://smartnet.niua.org/>

¹⁰ GIF funds development, rigorous testing, and scaling up of new products, services, business processes, or policy reforms that are more cost-effective than current practice and targeted at improving the lives of the world's poorest people.

(b) Recommendation

Onboard MCs to the e-procurement portal with functionalities across procurement planning (evaluation of alternative procurement models and options), procurement, evaluation and selection, contracting and post award management. Incorporate functionalities to assess post award outcomes (quality of works/ services delivered, time overruns, cost overruns etc.) and link this back to future rounds of procurement through analytics. Provide capacity building support to MCs to use this platform, with special emphasis on issues of usability and user interface to maximize participation

4.3.5 *Revision of approval norms for projects in MCs*

(a) Problem Statement

Approval norms for MCs are currently set at INR 1 Crore, with larger projects under the CMA's jurisdiction for approvals. However, the recent projects under Smart City Mission have had higher approval limits (INR 3 Crore), and MCs have demonstrated capacity to absorb such sizes. Additionally, such limits remain fixed over time (till intermittent revisions), while the basis for these limits (project costs) keep expanding over time driven by inflation.

(b) Recommendation

On a trial basis, consider extension of the SCM limits on approvals to all projects of Municipal Corporations. Basis self-reporting by the MCs, evaluate adherence to norms/ controls and decide on regularizing the enhanced limits.

Create an indexing mechanism for approval limits linked to indices of inflation (WPI, services etc.) for works and services contracts. It is to be noted that several contracts led by multilateral agencies already have mechanisms for such price indexation and linked approval authority

4.3.6 *Initiate discussions with PWD and Other Departments having meagre ownership of road and SWM assets for transfer to MCs*

(a) Problem Statement

Due to functional fragmentation, the ownership of assets such as roads (including SWD) rests with multiple departments such as PWD, Highways etc. in the State. Lack of complete ownership results in different service levels and coordination issues during implementation of pan-city projects.

(b) Recommendations

CMA / MAWSD could initiate discussions with other departments that currently hold a small percentage of road and SWD assets in the MCs to understand their intent to transfer it to the MCs. In the event of transfer of roads from other Departments to the MCs, corresponding share of road taxes / O&M funds should also be transferred to the MCs for proper O&M of the assets.

4.3.7 Formulate mechanisms for effective and timely coordination with GOI Ministries, agencies, PSUs related to service delivery, land, RoW and property taxes

(a) Problem Statement

Consultations with MCs indicate that most pan city projects that cover multiple jurisdictions especially those involving central government ministries, departments and PSUs witness significant time delays in completion due to securing permissions / no-objection certificates etc. Existing mechanisms of consultations and communications are not very effective in driving a common understanding of the project requirements and resolution of issues and disputes.

(b) Recommendations

The State Government / MAWSD should formulate mechanisms for effective communication including securing of permissions etc. and speedy resolution of disputes among the concerned agencies at a District level.

Summary of Recommendations

No.	Recommendation Group/ Recommendation	Ownership	Category	Timeframe
4.1	Revenue Enhancement			
4.1.1	Creation of a robust property database with unique property identifiers (UIDs) using the existing GIS maps with timely updates	ULBs with technical support from CMA	Process improvements	Short term
4.1.2	Linking the revenue and town planning data with such a property database to facilitate convergence	CMA should lead this, along with the Revenue Dept.	Process improvements	Medium term
4.1.3	Assess modifications to the property tax assessment process/ basis along the following lines - Revision of property tax rates - Including the currently excluded properties such as private educational institutions, charity-run buildings - Revision of the valuation method from the ARV method to the unit area based one as suggested by the fifth SFC report in 2016 and the World Bank report - Structure incentives (e.g., discounts and rebates on payment of timely property tax) and penalties (e.g., levy of interest on arrears) on delinquency - Conduct studies to assess the effect of tax rates on compliance and collections to inform future tax revisions	Property Tax Board	Process improvements/ Policies	Medium term
4.1.4	Commission studies / pilots related to property tax assessments, collection platforms, IEC and improve capacity of municipal corporations on the following: - Incorporate user friendly improvements on the collection platforms such as accepting multiple payment models at PoS, automatic	CMA to lead this, in partnership with select MCs	Resources and guidelines	Short - Mid term

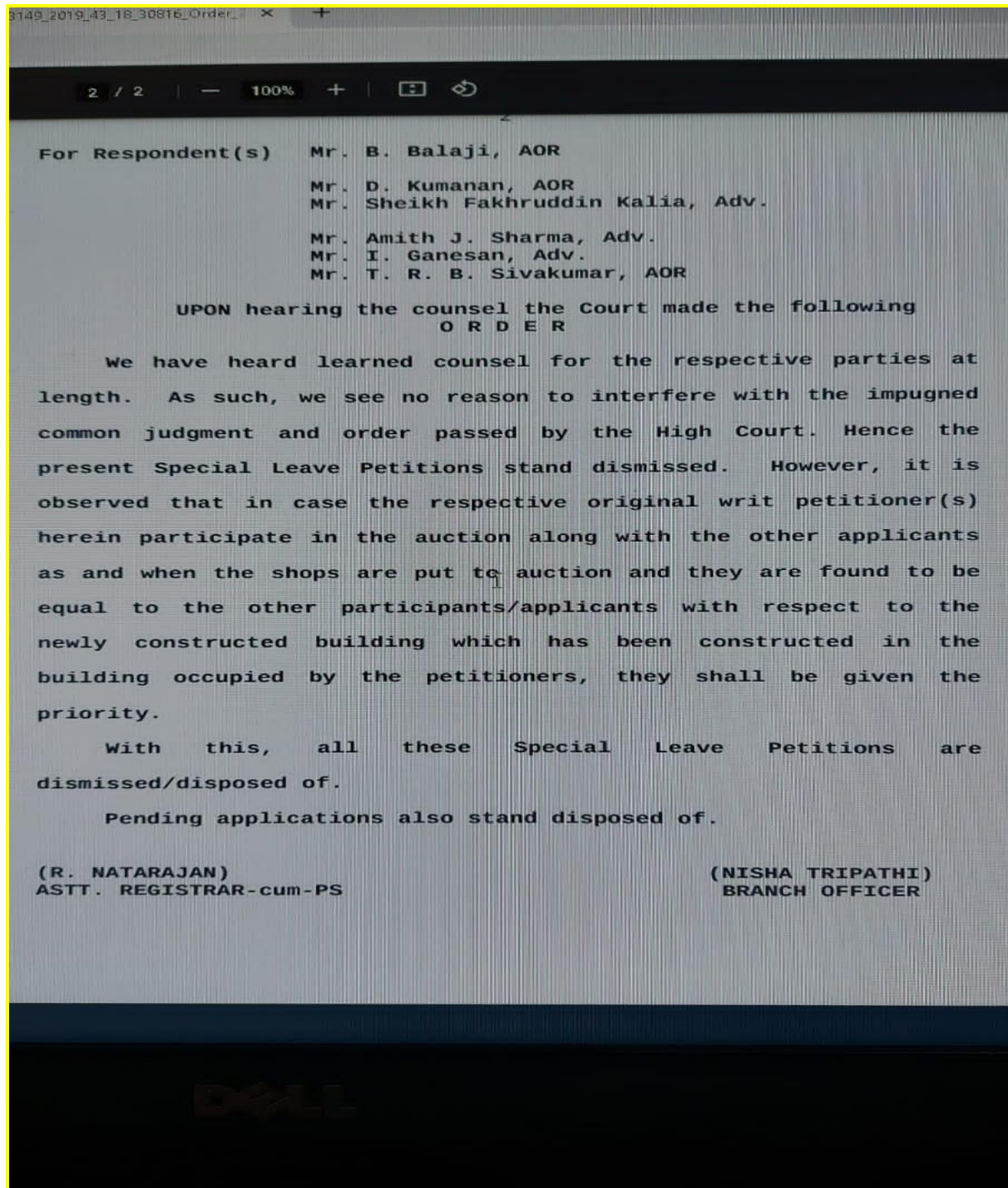
	scheduling, location tagging etc. - Conducting mass assessments using artificial neural networks (ANN) based dynamic modelling of the real estate market - Micro experiments can be administered in select MCs to test the efficacy of performance pay on tax collection - both for existing staff and for third parties (commission basis) - Create templates for MCs to calculate cost to serve (capital and O&M) for tariff justifications. Develop and maintain a State level portal with cost to serve and tariff benchmarks of MCs and parastatal agencies using data from past projects - Platforms for IEC reach to citizens across taxes			
4.1.4	Assess devolution of property tax related powers to MCs - to decide on the tax rates and the incentive structure for enforcement agents and the taxpayers.	State Government	Policy	Mid term
4.1.6	State level cell to support MCs in mapping properties, suggesting monetization options, reviewing contracts and support on auction processes.	CMA in partnership with ULBs	Process improvements	Short term
4.1.7	Conduct an annual exercise of reclassification of property tax zones to ensure that the latest infrastructure access is reflected in the classification (interim measure)	MCs	Process improvements	Short term
4.2	HR and Capacity Building			
4.2.1	The CMA should undertake a cadre benchmarking exercise to ensure availability of municipal capacity especially for merging MCs. Among other things, these should cover: - Sufficiency of HR across levels and functions in view of consolidated availability and service delivery needs	CMA, along with TNIUS	Schemes/ Guidelines	Mid term

	- Identification of training needs and capacity building pipeline - Resourcing and approvals for bridging quantity and quality gaps - Norms for integration of cadre across added areas with specification of timelines for the integration process			
4.2.2	The CMA should evaluate developing processes for enabling mobility for personnel across Municipal Corporations, along with a transparent rule based system for movement, in consideration of factors such as need, performance, skills etc.	MAWSD and Human Resources Management Department	Policy/ Legislation	Mid-long term
4.2.3	Formulate a state-wide Capacity Building and Training Policy and a Capacity Building and Training Programme (CBTP) with appropriate funding provisions (details in annexure)	TNIUS and CMA	Policy	Mid term
4.2.4	Develop and administer role based “training needs assessments.” Leverage ICT for “refresher trainings” and to track the effect of training on perceived capability and performance	TNIUS and CMA	Process improvements	Short term
4.2.5	Provide Technical Assistance to MCs on Infrastructure Planning and Alternative Project Implementation Models - Working with existing consultants appointed by MCs/ CMA etc., create a repository of templates/ tools and resources to support MCs on infrastructure project planning and assessment of alternative implementation models (E.g. public sector comparator assessments) for both capital and O&M projects - Provide analytical support to MCs to help them forecast their committed liabilities over time, and in comparison with expected revenues for better longer term planning - Create guidelines to help Department and MCs assess the most suitable methods of recruitment specific to role characteristics (sample template in annexure)	CMA, in partnership with consultants already appointed by various agencies	Resources and guidelines	Short term

4.3	Service Delivery and Other Areas			
4.3.1	Develop guidelines for measuring service delivery through a combination of access (e.g., infrastructure) and user feedback related elements, and use this as a basis for coming up with service improvement plans and resources for newly added areas.	CMA	Process/ Guidelines	Short term
4.3.2	Create rule based processes to guide addition of new areas into MCs	CMA	Process/ Guidelines	Short term
4.3.3	Support to MCs in applying to innovative funding windows like TANIL. Templatize application forms, and provide training through examples of model projects	CMA	Process/ guidelines	Short term
4.3.4	Utilize the proposed unified procurement portal to support MCs on procurement and post award management	Finance Department, MAWSD/ CMA	Process	Mid term
4.3.5	Revision of approval norms for projects in MCs	CMA, Finance Department	Policy/ Legislation	Mid term
4.3.5	Initiate discussions with PWD and Other Departments having meagre ownership of road and SWM assets for transfer to MCs	MAWSD / CMA	Process / Guidelines	Mid term
4.3.6	Formulate mechanisms for effective and timely coordination with GOI Ministries, agencies, PSUs related to service delivery, land, RoW and property taxes	State Government / MAWS	Process / Guidelines	Mid term

5. Annexures

5.1 Copy of Supreme Court Judgement on Thanjavur Municipal Corporation related to setting rates of municipal properties



STUDY ON TRACKING PROPERTY TAX POTENTIAL IN URBAN LOCAL BODIES OF TAMIL NADU WITH SPECIAL FOCUS ON TOWN PANCHAYATS

**FINAL REPORT SUBMITTED TO SIXTH STATE FINANCE
COMMISSION, TAMIL NADU**

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K.R.Shanmugam

S.Gangadharan

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Chapter 1

INTRODUCTION

1.1 Introduction

The Indian Constitution considered that “Local Bodies” are the Third Tier of governance and they work under the purview of the State Governments/UTs and operate within the laws framed by the State/UT Governments. Nevertheless, the Constitution made separate/specific provisions to ensure that these bodies access adequate resources to provide local public goods and services at acceptable standards in their respective jurisdictions across the States.

The 73rd Amendment of The Constitution Act, 1992 and the 74th Amendment of the Constitution Act, 1992, (came into effect in June 1993), brought important improvements to local governance in the country for rural and urban communities, focusing not only on the provision of local public goods and services, but also on the development and social justice.

The Constitution has entrusted both the Central and State Finance Commissions with the task of ensuring adequate overall resources to the local bodies. These may be provisioned through (a) assigned resources, and tax and non-tax resources to the local bodies under the relevant State legislation, (b) sharing of State resources by way of sharing State tax revenues and grants, and (c) grants from the Central Government as per the recommendations of the Central Finance Commission.

Article 243G of the Constitution states that the Legislature of a State may, by law, endow the Panchayats with such powers and authority as may be necessary to enable them to function as institutions of self-government and such law may contain provisions for the devolution of powers and responsibilities upon Panchayats at the appropriate level, with respect to the following specified conditions:

- The preparation of plans for economic development and social justice; and
 - The implementation of schemes for economic development and social justice as may be entrusted to them including those in relation to the matters listed in the Eleventh Schedule.
- Article 243H of the Constitution states that the legislature of a State may, by law:
- Authorise a Panchayat to levy, collect and appropriate such taxes, duties, tolls and fees in accordance with such procedure and subject to such limits;

- Assign to a Panchayat such taxes, duties, tolls and fees levied and collected by the State Government for such purposes and subject to such conditions and limits;
- Provide for making such grants-in-aid to the Panchayats from the Consolidated Fund of the State; and
- Provide for Constitution of such Funds for crediting all moneys received, respectively, by or on behalf of the Panchayats and also for the withdrawal of such moneys.

As per Article 243Q, every State should constitute three types of municipalities in urban areas, that is, urban local bodies (ULBs) as under:

- Nagar Panchayat: A Nagar Panchayat (or ‘Town Panchayat’) is constituted for an area in transition from a rural to urban;
- Municipal Council (Nagar Palika Parishad): A Municipal Council is constituted for a smaller urban area; and
- Municipal Corporation (Nagar Nigam): A Municipal Corporation is constituted for a larger urban area.

Articles 243W and 243X of the Constitution describe the powers, authority and responsibilities of Municipalities along with their taxation powers. These are similar to articles 243G and 243H for rural local bodies. Specifically, the Constitution suggests that the State Governments should assign to Municipal Governments, a set of 18 legitimate municipal functions such as urban planning including town planning, regulations of land use and construction of buildings, roads and bridges, provision of water, sanitation, and solid waste management, public health, slum up-gradation and urban poverty alleviation. The 12th Schedule lists these functions (Isher et al., 2019)

While the Constitutional Amendments envisage local bodies to be the institutions of self-government, in reality, the situation is somewhat different. Many States have not devolved functions, funds and functionaries to local bodies. Even where the functions are notionally transferred to local bodies, the staff remains accountable to State Governments, thereby adversely impacting the efficacy of carrying out the functions. Local governments have struggled to generate revenue on their own, and often rely on higher levels of Government for resources, acting as agents for the implementation of projects of higher-level Governments.

The main reason for this situation is that while the 74th Amendment defined various expenditure assignments to Municipal Governments, there was no comparable

recommendation by it on the finances of these Governments. Article 243X entrusts to the concerned State Government to assign revenues from specific taxes to urban local Governments. Article 243Y leaves to State Finance Commission the tasks of reviewing and recommending devolution of tax revenues and grants-in-aid to urban Governments. However, the actual effective devolution has been very limited.

Further, the Municipal finances would have been affected due to the implementation of the Goods and Services Tax (GST) in 2017. The Centre and States Governments agreed to levy a dual GST on a common base by subsuming most of the consumption taxes levied earlier by the Centre, States and Local Governments. The GST has subsumed local taxes such as octroi, entry tax, and advertisement tax. As a result, no State Government has been able to assign such taxes to their urban local Governments.

Another important issue is that while property tax is an important urban local tax in India, the productivity and performance of property taxes in India as a source of revenues have been poor and the ULBs have not optimally utilized these taxes as the main instrument of financing municipal services (Mathur et al., 2009). As the property tax enters as Entry 49 in the State List of Seventh Schedule of the Constitution, the responsibility of designing the property tax system in India rests with the State Governments. The State Governments lay down in the statutes governing the Constitution and functioning of Municipal Governments, the tax bases for property tax procedures for valuation, exemption, and rebate policies, rate structures and measures for dealing with delays, tax evasion and the like. The autonomy of Municipal Governments in formulating property tax policy or designing the system is severely restricted.

Further, it is projected that India will be about 38 percent urbanized by 2025. This would give more pressure on municipal services and urban infrastructure. Tamil Nadu is the most urbanized State in the country, with 48.45 per cent of its population living in urban areas in 2011. The Office of Census, Government of India in its recent report, “Population projections 2011-36, Census of India, 2019”, has estimated that Tamil Nadu’s urban population could be 4 crore or 53 percent of total population in 2019 and would increase to 4.7 crore or 60 percent of total population by 2036. In Tamil Nadu, there are currently 15 municipal corporations (MCs), 121 municipalities (MPs) and 528 town panchayats (TPs). It will be a real challenge for these ULBs to serve this much vast population at a satisfactory level. Specifically, they need more resources. Evidences indicate that the property tax has the

potential to improve the Municipal finances. Therefore, tracking property tax potential in ULBs is essential to make them self-Government.

1.2 Track Record of the Tamil Nadu State Finance Commission

Tamil Nadu is one of the States in the country that constituted Six State Finance Commissions (SFCs) so far as required. The track record of the five SFCs briefly is given below:

First State Finance Commission

The 1st SFC divided the whole devolution from the State Government into two pools viz., pool A and pool B. The first one comprised taxes such as surcharge on stamp duty, local cess and local cess surcharge and entertainment tax which belonged to local bodies but are collected by the State Government and to be shared with the local bodies. The second one consisted of the rest of State's own tax revenue, to be distributed to local bodies in increasing proportion growing from 8 percent to 12 percent over the five years (1997-98 to 2001-02).

The SFC recommended a ratio of 60:40 distributions between PRIs and ULBs. For horizontal distribution, the commission considered criteria such as total population, SC & ST population, financial viability, per capita house tax collection, core civic services, infrastructure maintenance deficiency, per capita receipts under own resources and existing per capita expenses on core services.

It also recommended for the introduction of equalization and incentive funds, property tax reforms with quinquennial revision, fixing of water supply norms, creation of a capital fund by allocating 10-15 percent from the revenue of ULBs, and switching over from house tax to property tax in Town Panchayats and 90 percent of the total realization of revenue from Entertainment Tax to be given to the concerned Local Bodies. The Government of Tamil Nadu accepted 115 of the 413 recommendations made by the First SFC.

Second State Finance Commission

The Second SFC recommended the increase in the percentage of devolution per annum from 8 percent to 10 percent (during 2002-03 to 2006-07). It recommended an increased share of 42 percent for ULBs. and 58 percent share for PRIs. For Horizontal distribution, it retained both the population parameters and per capita own income, but introduced five new parameters, viz., area, population of agricultural labourers, asset maintenance resource gap, inverse of per capita land revenue, and salary and pension

expenses. It also recommended re-classification of Local Bodies based on 1991 census, incentivization of taxation efforts, equalization funds onwards self-financing projects on sewerage, drainage and over bridges, strengthening of Gram Sabhas, debt relief package to ULBs and a time frame for audit and placement of Local Body accounts before the Legislative Assembly. The Commission recommended that 10 percent of the SFC devolution may be used for capital works in Municipalities and Corporations, 15 percent by Town Panchayats and 20 percent by Village Panchayats. The Government of Tamil Nadu accepted 283 of the 386 recommendations of Second SFC.

Third State Finance Commission

The Third SFC also recommended a 10 percent share of tax revenue for the entire award period (2007-08 to 2011-12). It retained Pool A and Pool B and introduced a new Pool C. This was to facilitate specific purpose grants for local bodies with 0.5 – 1.0 percent of States Own Tax Revenue share. It retained 42 percent share for urban bodies. For horizontal distribution, the Commission retained total population, SC/ST population and area as criteria and added two new parameters viz., women population and debt burden of local bodies. It recommended the horizontal sharing among the PRIs as: 8 percent for District Panchayats, 32 percent for Panchayat Unions and 60 percent for Village Panchayats. For ULBs, it recommended the sharing as: 30 percent for Municipal Corporations, 41 percent for Municipalities and 29 percent for Town Panchayats. It also recommended incentivization of Solid Waste Management activities, tax mapping by GIS, incentivization for debt repayment as per schedule and re-classification of Local Bodies on revenue basis. The State Government accepted 91 of the 308 recommendations of Third SFC.

Fourth State Finance Commission

The Fourth SFC again recommended a uniform 10 percent share of State's own tax revenues for devolution (2012-13 to 2016-17). It recommended 44 percent share to urban bodies. For horizontal distribution, the Commission retained the same criteria as used in Third SFC, except the women population. Among other major recommendations, it earmarked a special grant of Rs.200 crore for Local Bodies out of the devolution for Solid Waste Management activities, continuation of the Infrastructure Gap Filling Fund and the Operations and Maintenance Fund with some increase and incentives for best practices. The State Government accepted 112 of the 130 recommendations made by the Fourth SFC.

Fifth State Finance Commission

The Fifth SFC retained 10 percent of the net State's Own Tax Revenue (SOTR) for devolution and 44 percent share to urban bodies (2017-18 to 2021-22). It recommended that the State should share 10 percent of GST compensation, if it receives from the Centre. It also recommended bifurcation of large panchayats based on the population, ceiling on Profession Tax, quinquennial revision of House Tax, revision of fees, computerization of the Property Tax, reiteration of unit measurement, introduction of GPS, GIS techniques for tax assessment, and identifying, renovating and renting out the vacant/unused land. It recommended that the Central Government buildings should be liable for property tax. It recommended that the horizontal distribution of the SFC devolution to Rural Local Bodies might be done on the basis of 2011 census population (60 percent), area (15 percent), scheduled caste/tribe population (15 percent), per capita consumption expenditure, distance (10 percent) and to urban local bodies, on the basis of 2011 census population (65 percent), area (15 percent), per capita consumption expenditure, distance (10 percent), proportion of slum population (10 percent). It totally made 125 new recommendations.

1.3 Sixth State Finance Commission

Recently, the Tamil Nadu Government has constituted the Sixth State Finance Commission to mediate on the issues concerning resource transfer to the rural and urban local bodies of Tamil Nadu. Its recommendations will cover the period from 2022-23 to 2026-27. This period further coincides with the Fifteenth (Central) Finance Commission (applicable only up to 2025-26). The need for better services at the local level, particularly in urban and rural areas, is a larger context in which the Sixth SFC might discourse on the issue. In this context, the views of the 15th Central Finance Commission and the approach and methodology they had adopted, and assumptions used by the Fifth SFC, the Memorandum submitted by the Tamil Nadu Government to the Fifteenth Finance Commission along with the projections, the projections currently being made by the Tamil Nadu Government under its Fiscal Responsibility and Budget Management Act (FRBMA) are useful reference point.

As regards the recommendations of the SFCs are concerned, the State Government has accepted most of the recommendations, especially those relating to devolution of resources to local bodies. There has been a gradual increase in per capita devolution since the recommendations of the first SFC. The per capita devolution increased by more than 3.72 times (in real terms) from Rs. 136.76 in 1997-98 to Rs. 508.99 in 2020-21.

1.4 Significance of Property Tax of Town Panchayats

Tamil Nadu was the first State to introduce the town panchayat as an intermediate step between rural villages and ULBs. Till 1981, the Town Panchayats were under the administrative control of Directorate of Rural Development. In 1981, the Government constituted a separate Directorate for the Town Panchayats. However, the administrative control of the Directorate of Town Panchayats continued with the Rural Development Department. Due to the 73rd and the 74th Amendments to the Constitution of India, all the Town Panchayats were reconstituted under the Tamil Nadu District Municipalities Act, 1920 and the administrative control of the Directorate of Town Panchayats was brought under the Municipal Administration and Water Supply Department.

The property tax is the major own tax revenue source for Town Panchayats (TPs) in Tamil Nadu. The total property tax revenues of all 528 TPs amounted to Rs. 126.46 crore in 2015-16 and increased to Rs. 223.45 crore in 2018-19. But in the next two years, they declined to Rs. 186.90 crore and Rs. 183.16 crore due to the impact of covid-19 pandemic. The property tax share in total own tax revenues is around 40 percent. As indicated above, the property tax system of TPs also suffer from various issues: many properties are exempted from property tax; TPs do not have any direct power of taxation and they do not have the power to fix the tax rate; the property tax rate revision has not taken place in the last 13 years; property records are not maintained properly; and the collection efficiency is low.

Given these issues, obviously the performance and productivity of property taxes of TPs are poor. They have huge untapped potentials which need to be estimated and essential reforms to be done based on the findings.

Against these backgrounds, the Sixth State Finance Commission entrusted this “Study on Tracking Property Tax Potential in Urban Local Bodies of Tamil Nadu with Special Focus on Town Panchayats” to Madras School of Economics (MSE) with the following terms of reference.

1.5 Terms of Reference of the Study

(i) to track the property tax rate and different valuation methods with time series data and to examine the trends of property tax demand and revenue collection in all Town Panchayats

from the year 2015-16 up to 31.03.2020 and projection for the award period (2022-23 to 2026-27) of the Sixth State Finance commission;

(ii) to estimate the gap and trace TPs wise efficiency of property tax collection and tax base;

(iii) to suggest ways to tap untapped property tax potential of TPs in Tamil Nadu taking into recommendation of Fifteenth Central Finance Commission including the use of Land Based Instruments;

(iv) to recommend policy suggestions and to give a complete solution and operating plan for all TPs to increase property tax potential;

(v) to arrive at projection of property tax for the award period on the basis of existing norms and projection for award period with normative suggestion for Tapping Tax Potential;

(vi) to ensure that the findings should have direct bearing on the ToR of the Commission with special features on TPs;

(vii) to examine the trends in urbanization and to identify fastest growing urban centres in Tamil Nadu with special focus on TPs;

(viii) to examine key driving forces of urbanization in Tamil Nadu and the problems faced by Faster Growing Urban Centers (FGUC);

(ix) to examine the income and expenditure pattern of TPs in relation to urbanization process and with focus on FGUC;

(x) to analyze the patterns of financial devolution across ULBs and its impact on urban development with special focus on TPs;

(xi) to study any other issues referred by the Commission during the study; and

(xii) Based on the detailed questionnaire obtained from TPs, credibility of the raw data furnished for the study may be verified or with available secondary source or sample field study if necessary. A complete data analysis, evaluation, and observation on issues of study given with reference to SFC data shall also reported to the commission.

1.6 Objectives of the Study

Based on the above ToR and the data file given by Sixth Finance Commission covering details on all individual town panchayat's population, area, income and expenditure, tax revenues, components of property tax revenues, tax rate, demand and collection details, exempted properties etc during 2015-16 to 2020-21, and other secondary data available in public domain and past reports of SFCs and CFCs, this study specifically reviews and analyze the following:

- (i) the overall trends in income, expenditures and fiscal balances of TPs in Tamil Nadu during 2015-16 to 2020-21 ;
- (ii) the trends in the level and components of property tax revenues of TPs in Tamil Nadu during 2015-16 to 2020-21;
- (iii) the trends in the demand and collection of property revenues of TPs in Tamil Nadu during 2015-16 to 2020-21;
- (iv) the reasons for low property tax revenues of TPs in Tamil Nadu;
- (v) the different valuation methods of property tax of TPs;
- (vi) the untapped property tax potentials of TPs in Tamil Nadu based on rate revision, improved collection efficiency, taxing exempted properties, etc
- (vii) the property tax potentials of TPs using the frontier approach and identify TPs with low efficiency in raising property tax revenues;
- (viii) the trends in population growth of TPs in Tamil Nadu;
- (ix) the trends in the pattern of financial devolution to TPs; and
- (x) the recommendations of Central Finance Commission including the Land Based Instruments.

In making the above analysis, this study provides the projection of population, property tax revenues etc till 2026-27 and provides suggestions for improving the property tax revenues of TPs in Tamil Nadu.

1.7 Chapter Plan

The rest of this study proceeds as follows:

- Chapter 2 provides a brief note on economy and Government Finances of Tamil Nadu
- Chapter 3 explains the status of local bodies in Tamil Nadu

- Chapter 4 discusses the financial status of Town Panchayats in Tamil Nadu
- Chapter 5 reviews the performance of property tax of Town Panchayats
- Chapter 6 highlights the details on untapped property tax potential
- Chapter 7 provides the estimates of untapped property tax potentials of Town Panchayats
- Chapter 8 analyzes the Union Finance Commission's suggestions including land based instruments to augment property tax revenues, and
- Chapter 9 provides summary of findings and policy suggestions of the study

Chapter 2

AN OVERVIEW ON TAMIL NADU ECONOMY AND STATE GOVERNMENT FINANCES

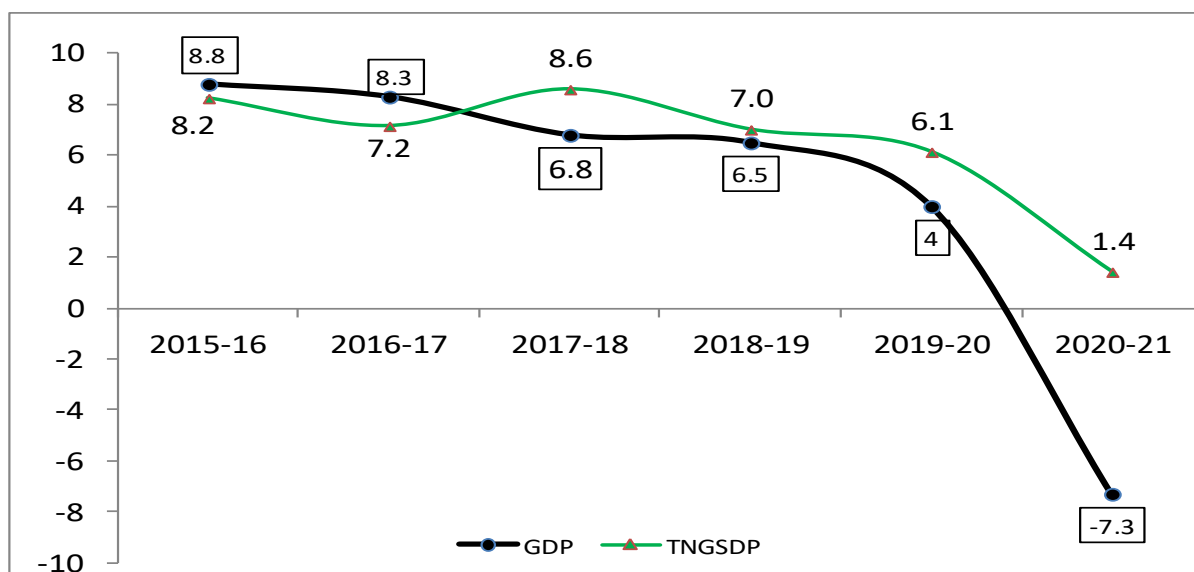
2.1 Introduction

Tamil Nadu, with 6 percent of the total and 10.6 percent of the urban population of the country, is economically and socially more progressive State in the country. It is the second largest economy in India, next only to Maharashtra. Its GSDP share in India's GDP was 9.7 percent (in 2019-20). Tamil Nadu (TN) is one of the highly industrialized States, contributing 10.9 percent of industry GDP of the country. TN ranks first in credit-deposit ratio and number of factories. TN has also done well in terms of many social development indicators. It ranks first in urbanization, second in low IMR, and low birth rate; third in literacy and female literacy and fourth in life expectancy. This Chapter assesses the growth performance of Tamil Nadu and the sectoral growth and compares the performance of Tamil Nadu economy with that of other major Indian States. It also provides an overview on State Government Finances of Tamil Nadu.

2.2 Growth of Tamil Nadu Economy

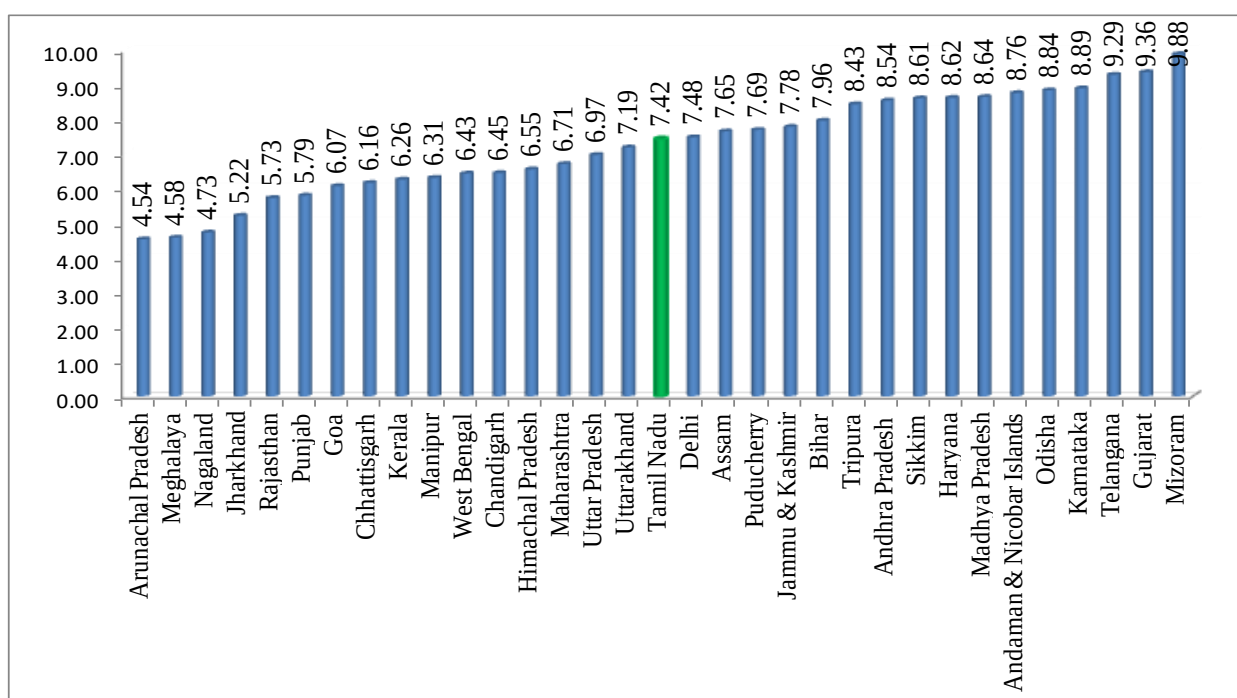
Tamil Nadu has maintained a strong growth performance after reforms in 1991. During 2005-06 to 2019-20, Tamil Nadu's medium term (i.e., 15 years' average real) growth of 8.7 percent was higher than the all India average growth of 7.4 percent (not shown). During 2015-16 to 2020-21, Tamil Nadu's (6-year) average real growth (2011-12 base) declined to 6.42 percent as against all India growth of 4.52 percent. (Figure 2.1). Excluding the last year 2020-21 which was the pandemic affected year, the average GSDP growth of Tamil Nadu was 7.42 percent as against all India GDP growth of 6.88 percent. However, in the last five years, Tamil Nadu's average growth declined to 6.06 percent as against all India growth of 3.66 percent.

Figure 2.1: Economic Growth: Tamil Nadu and India (percent)



An inter-State comparison reveals that Tamil Nadu ranked 17th among States and Union territories (UTs.) in (5 years) average growth during 2015-16 to 2019-20 (Figure 2.2). Mizoram had the highest growth of 9.88 percent followed by Gujarat (9.36 percent) and Telangana (9.29 percent). However, Tamil Nadu (7.42 percent) ranked 11th among the major Indian States.

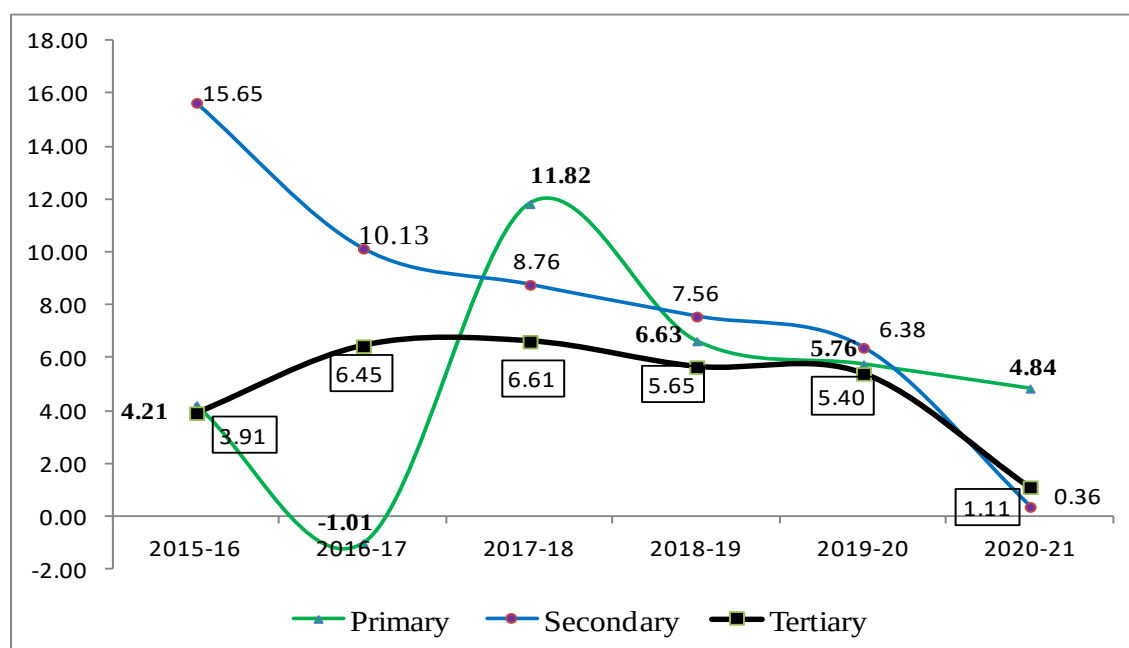
Figure 2.2: 5-years Average GSDP (real) Growth (2015-16 to 2019-20) in Percent



2.3 Sectoral Growth

Tamil Nadu's sectoral growth pattern shown in Figure 2.3 reveals that during 2015-16 to 2020-21, secondary sector (comprising manufacturing, electricity, gas, and water supply and construction) in 2011-12 prices grew at 8.15 percent, primary sector (comprising agriculture, forestry and fishing and mining and quarrying) grew at 5.38 percent and tertiary sector grew only at 4.85 percent.

Figure 2.3: Sectoral Growth in Tamil Nadu



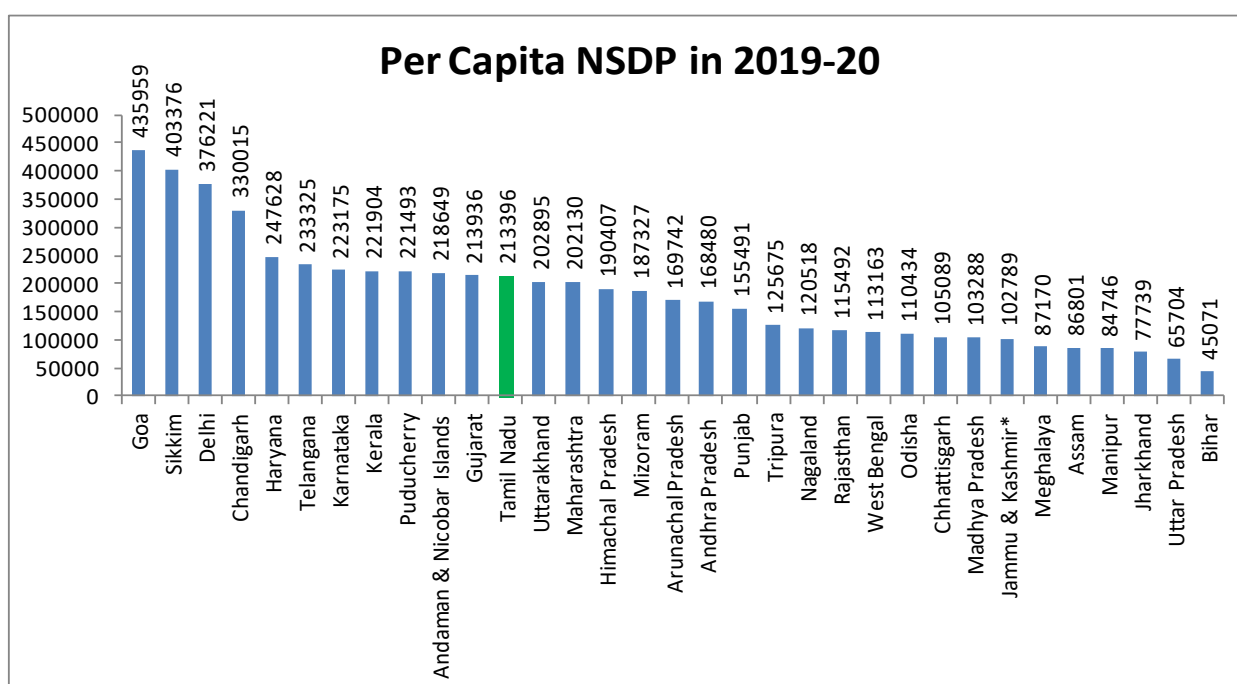
Further, the growth pattern of primary sector is more volatile than that of secondary and services. The main reason is that agriculture production depends heavily on monsoon, which frequently fails in the State. This high volatile growth of agriculture indicates that the risk-adjusted return from this sector is low which makes it difficult to attract private investments. Further the share of agriculture sector has been continuously declining and currently its share is less than 10 percent. Growth of this sector is vital for food security in the State. As per 2011 Census, 42 percent of the workers are still in agriculture (as cultivators and agriculture labours). While Tamil Nadu has larger number of MSMEs, its industry growth pattern is also volatile. Slowdown in the performance of industry and services in recent years is the major concern that invites urgent attention of policy makers.

2.4 Trends in Other Economic Parameters

Per Capita Income

Among major Indian States, Tamil Nadu ranked 6th in per capita (NSDP) income (current prices) in 2019-20 (Figure 2.4). Its per capita income was Rs. 2.13 lakh in 2019-20. Haryana ranked first with Rs. 2.48 lakh followed by Telangana (Rs.2.33 lakh), and Karnataka (Rs. 2.23 lakh).

Figure 2.4: Per Capita NSDP for Indian States and India (2019-20) at Current Prices

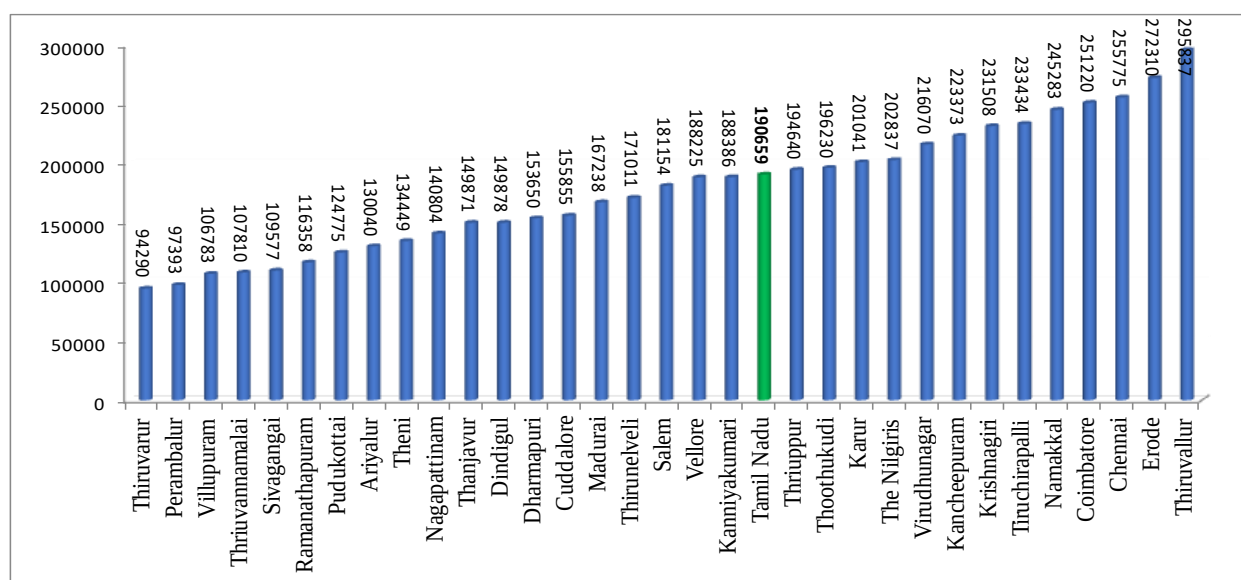


District Wise Per Capita Income

Tamil Nadu has 32 districts in 2017-18 (currently it has 37 districts). There exists wide per capita income (Per Capita Gross District Domestic Product) inequality among the districts. Thiruvallur and Erode ranked first and second in per capita income with Rs. 2.96 lakh and Rs. 2.72 lakh respectively in 2017-18 (latest year for which district income data available). Thiruvallur was the poorest district with per capita income of Rs. 94,290, followed by Perambalur (Rs. 97,393), and Villupuram (Rs. 1,06,783) districts. Thus, per capita income of Thiruvallur was 3.14 times the per capita income of Thiruvallur. Further, in 19 districts (out of 32), the per capita income was below the per capita income of the State (Figure 2.5). It appears that the poorest districts: Ariyalur, Perambalur and Thiruvallur are adjacent to the richer district Thiruchirappalli and the other poorest districts Thiruvannamalai and

Villupuram are adjacent to the two richer districts (Thiruvallur and Kancheepuram). However, it seems that prosperity did not spread to the neighboring poorer districts from richer districts. In general, coastal districts and districts with high share of agriculture are basically the poorest districts.

Figure 2.5: District Wise Per Capita Income in 2017-18 at Current Prices



Nominal GSDP Growth

Table 2.1 provides the nominal GSDP growth in Tamil Nadu since 2015-16. It is observed that the last 5-year average growth was 10.12 percent.

Table 2.1: Nominal GSDP Growth in Tamil Nadu

Year	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	5-Year Avg.
GSDP Nominal	9.68	10.72	12.47	11.27	10.25	5.87	10.12

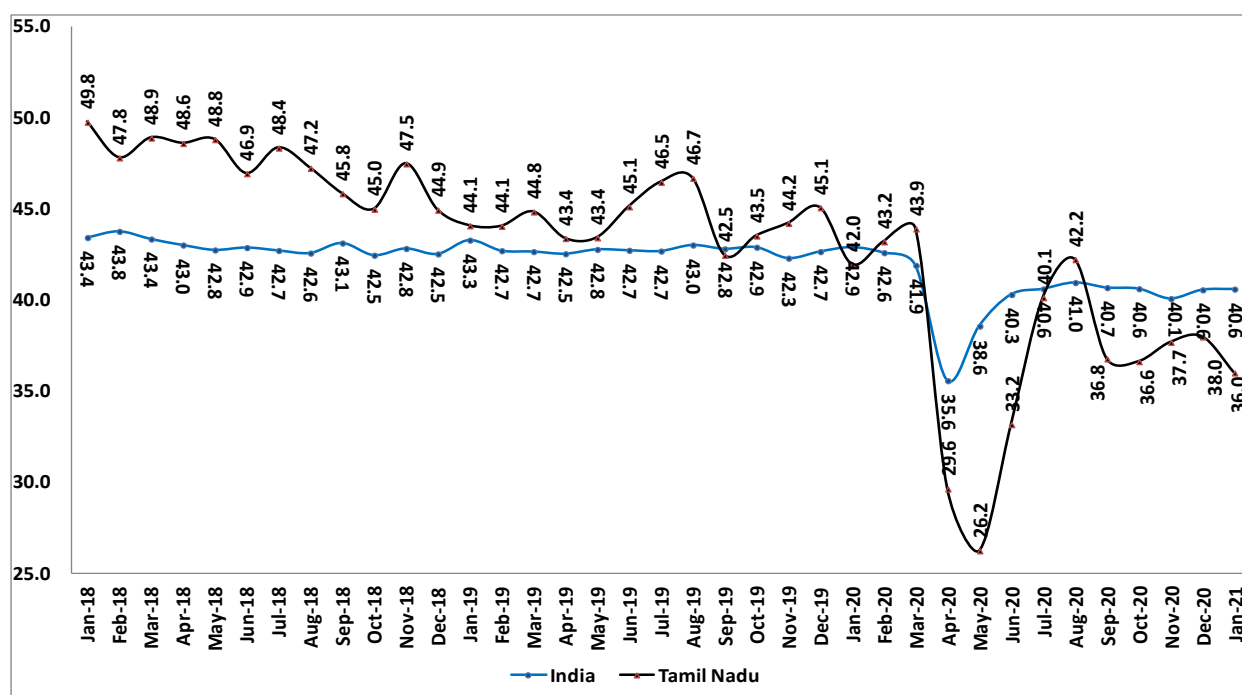
Employment

The CMIE monthly data series shows that the labour participation rate in Tamil Nadu was 61.13 percent in September 2016 as against all India rate of 47.94 percent (not shown). After that it steadily declined and reached 49.8 percent in January 2018 and further to 44.1 percent in January 2019 (Figure 2.6). The long term decline in labour participation rate could be attributed to general economic shocks such as demonetization and introduction of GST, on the one hand and a combination of industry specific issues

such as changing tastes, tightening regulatory environment and growing international competition, on the other.

It is observed that the lockdown due to Covid-19 affected the labour participation rate severely in Tamil Nadu. It declined from 43.9 percent in March 2020 to 29.6 percent in April and further to 26.2 percent in May 2020. After that it recovered and increased to 42.2 percent in August 2020. Then it started declining and reached 36 percent in January 2021. Although the all India rate has been lower than the Tamil Nadu rate till March 2020, it has been higher than the Tamil Nadu rate after that except for the month of August 2021. It seems that all India rate has quickly recovered and then steadily moving as compared to Tamil Nadu rate which fluctuates highly.

Figure 2.6: Labour Participation Rate in Tamil Nadu and India

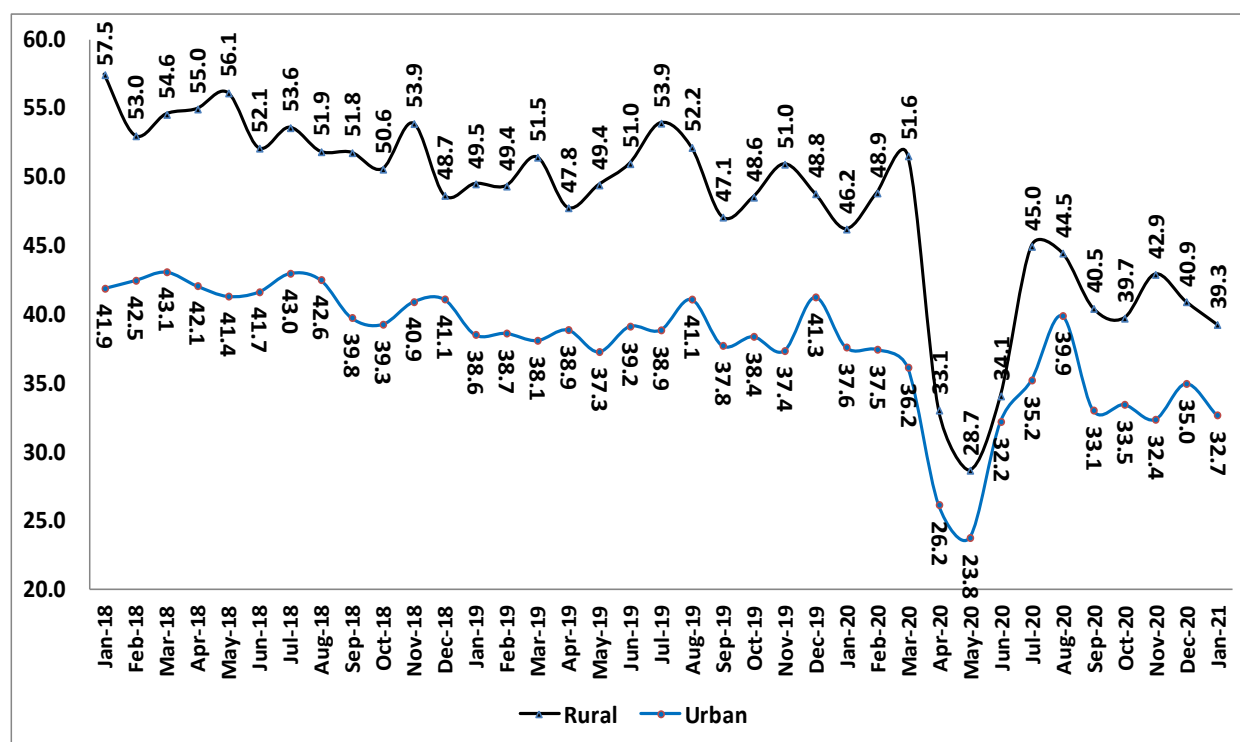


Source: CMIE

The labour participation rates in both urban and rural Tamil Nadu have been declining since January 2018 (Figure 2.7). The rural participation rate is always higher than urban rate. After March 2020, the pandemic affected both severely. The rural rate declined from 51.6 percent in March 2020 to 33.1 percent in April 2020 and further to 28.7 percent in May 2020. The urban rate declined from 36.2 percent in March 2020 to 26.2 percent in April 2020 and to 23.8 percent in May 2020. After that both started increasing. The rural rate was 45 percent in July 2020 and then it started declining and reached 39.3 percent in January 2021. The urban

rate was 39.9 percent in August 2020 and then it started declining and reached 32.7 percent in January 2021.

Figure 2.7: Labour Participation Rate in Rural and Urban Tamil Nadu

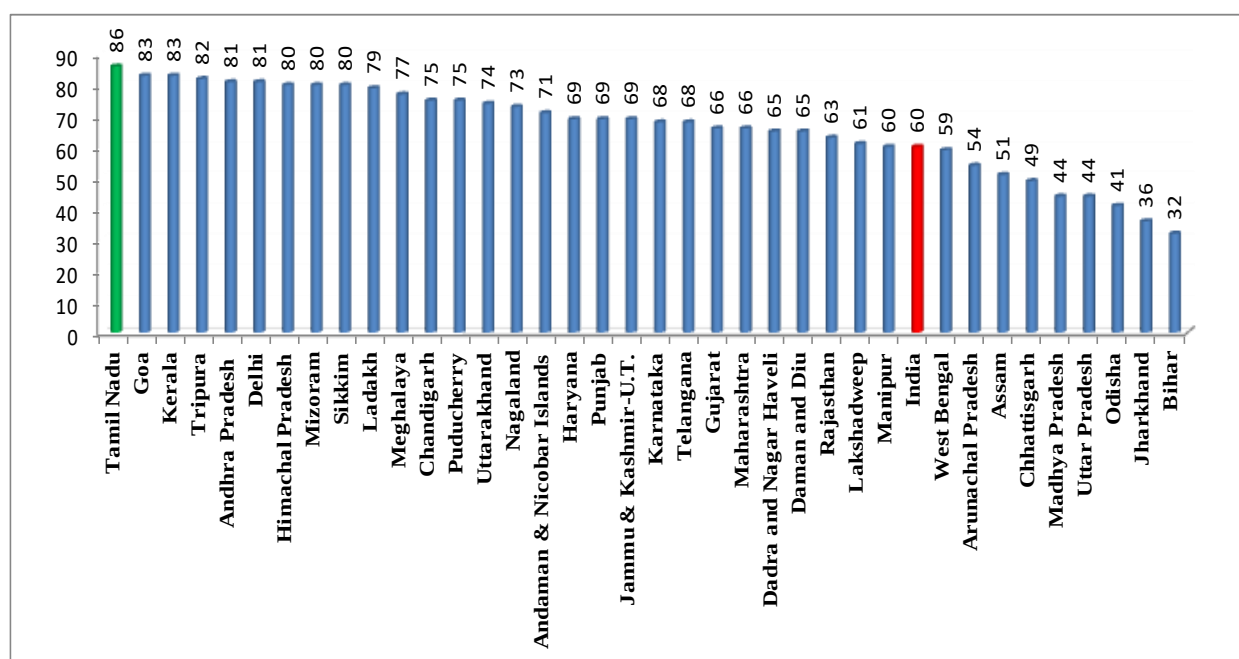


Source: CMIE

(v) Poverty Reduction:

Since 1994, Tamil Nadu witnessed a steady decline in poverty. Tamil Nadu's commendable progress in poverty reduction in the recent years is evident by the poverty scorecard in the SDG (Sustainable Development Goal) Index 2020-21 released by the NITI Aayog. The index aimed at measuring performance vis-à-vis the United Nations' mandated SDGs. The latest edition shows that India's overall score of 60 (out of 100) in this respect was, in fact, higher than 50 in the last year. However, Tamil Nadu, with a score of 86, topped the States in India (Figure 2.8). Rapid economic growth over the past several decades played a major role in the State's poverty reduction.

Figure 2.8: Poverty Scorecard in the SDG Index



Source: SDG India Index & Dashboard 2020-21, NITI Aayog.

2.5 Review of State Government Finances

Tamil Nadu has traditionally been a financially well-administered State. It enacted the Fiscal Responsibility and Budget Management Act (FRBMA) in 2003 and brought its revenue account to show surplus in 2005-06. This trend more or less continued till 2013-14. From that year onwards, the State showed revenue deficit every year. From Table 2.2, it is observed that in 2015-16, the revenue deficit of the State was Rs. 11,985 crore (i.e., 1.02 percent of GSDP) and it increased to Rs. 35,909 crore in 2019-20 (2 percent of GSDP). Due to the fiscal shock of COVID-19, it increased to Rs. 65,994 crore (3.47 percent of GSDP) in 2020-21. The fiscal deficit relative to GSDP was kept below 3 percent norm till 2018-19, except in 2016-17 due to some adjustment made in connection with the power sector. This means that the borrowed amount was fully used for meeting capital expenditure. The capital expenditure in that year was 3.59 percent of GSDP. But the fiscal deficit GSDP ratio increased to 3.35 percent in 2019-20 and further to 5.09 percent in 2020-21. The outstanding liabilities (stock of public debt) relative GSDP was 16.92 percent in 2011-12 (not shown). Then, it started increasing and was slated to be 22.12 percent in 2019-20. This is still an acceptable level and well below the norms prescribed by the Thirteen Finance Commission and Fourteenth Finance Commission as well as the State's FRBM Act, 2003.

Table 2.2: Tamil Nadu State Finances: Selected Fiscal Aggregates

Fiscal Indicators	2015-16	2016-17	2017- 18	2018- 19	2019-20	2020-21 (RE)
Rs. Crore						
Own Tax Revenues	80476	85941	93737	105534	107462	109969
Own Non Tax Revenues	8918	9914	10764	14200	12888	12683
State's Own Revenue	89394	95855	104501	119734	120350	122652
Total Central Transfers	39614	44376	41779	54007	54175	58048
Share in Central Taxes	20354	24538	27100	30639	26392	23039
Grants	19260	19838	14679	23368	27783	35009
Total Revenue Receipts	129008	140231	146280	173741	174526	180701
Total Revenue Expenditure	140993	153195	167874	197201	210435	246695
Capital Expenditure of which	21326	46756	26,720	30,676	29654	43868
Capital Outlay	18995	20709	20203	24311	25632	37734
Loans & Advances (Gross)	2,331	26047	6,517	6,365	4,022	6,134
Recoveries of Loans & Advances	684	3548	8472	6913	5384	5364
Revenue Deficit	11985	12964	21594	23459	35909	65994
Fiscal Deficit	32,628	56,171	39,840	44,426	60,179	96,890
Outstanding liabilities	235259	271364	311882	355845	397496	485503
GSDP at Current Prices	1176500	1302639	1465051	1630208	1797229	1902689
As Percent of GSDP						
Own Tax Revenues	6.84	6.60	6.40	6.47	5.98	5.78
Own Non Tax Revenues	0.76	0.76	0.73	0.87	0.72	0.67
State's Own Revenue	7.60	7.36	7.13	7.34	6.70	6.45
Total Central Transfers	3.37	3.41	2.85	3.31	3.01	3.05
Share in Central Taxes	1.73	1.88	1.85	1.88	1.47	1.21
Grants	1.64	1.52	1.00	1.43	1.55	1.84
Total Revenue Receipts	10.97	10.77	9.98	10.66	9.71	9.50
Total Revenue Expenditure	11.98	11.76	11.46	12.10	11.71	12.97
Capital Expenditure of which	1.81	3.59	1.82	1.88	1.65	2.31
Capital Outlay	1.61	1.59	1.38	1.49	1.43	1.98
Loans & Advances (Gross)	0.20	2.00	0.44	0.39	0.22	0.32
Recoveries of Loans & Advances	0.06	0.27	0.58	0.42	0.30	0.28
Revenue Deficit	1.02	1.00	1.47	1.44	2.00	3.47
Fiscal Deficit	2.77	4.31	2.72	2.73	3.35	5.09
Outstanding liabilities	20.00	20.83	21.29	21.83	22.12	25.52
GSDP at Current Prices	100	100	100	100	100	100

Budget expenditure (revenue plus capital expenditure) as a ratio of its GSDP stood around 13.28 percent (in 2017-18)-15.45 percent (in 2016-17) during 2015-16 to 2020-21 (Table 2.2). The revenue expenditure relative to GSDP stood around 11-13 percent. The

revenue receipts on the other hand stood around 9.5-11 percent. Already we have seen that during 2015-16 to 2020-21, the 5-year average annual growth of (nominal) GSDP was 10.12 percent. But the revenue receipts in current prices grew only at about 7.16 percent and the State's own revenue grew only at 6.65 percent. Thus, the own revenue buoyancy was less than 1. The own tax revenue also grew only at 6.52 percent. This is the major concern. Further, the revenue expenditure grew at 11.93 percent which is significantly higher than the growth of revenue receipts.

2.6 Composition of Own Tax Revenue

Among the State taxes, sales tax (predominantly State VAT and recently GST) is by far the most important own tax revenue source. Table 2.3 shows the composition of tax revenue of Tamil Nadu from 2015-16 to 2020-21 (revised estimate).

Table 2.3: Composition of Own Tax Revenue

Taxes	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21RE
Rs. Crore						
Sales Tax+GST	57522	63234	70945	81234	82892	85034
State Excise	5836	6248	5815	6863	7206	7815
Stamps Duties	8721	7237	9195	11066	10856	10781
Motor Vehicle tax	4233	4854	5363	5573	5675	4566
Goods&Pass. Tax	2153	2551	900	3	11	3
Others	2010	1817	1519	795	823	1770
Own Tax Revenue	80476	85941	93737	105534	107462	109969
Annual Growth Percent						
	2016-17	2017-18	2018-19	2019-20	2020-21RE	Avg. Gr.
Sales Tax+GST	9.93	12.19	14.50	2.04	2.58	8.25
State Excise	7.06	-6.93	18.02	5.00	8.45	6.32
Stamps Duties	-17.02	27.06	20.35	-1.90	-0.69	5.56
Motor Vehicle tax	14.67	10.49	3.92	1.83	-19.54	2.27
Goods&Pass. Tax	18.49	-64.72	-99.67	266.67	-72.73	9.61
Others	-9.60	-16.40	-47.66	3.52	115.07	8.98
Own Tax Revenue	6.79	9.07	12.59	1.83	2.33	6.52

During 2015-16 to 2020-21, the major taxes grew at a lower rate than the GSDP growth. This is a major concern as average tax buoyancy of all these taxes is less than one.

2.7 Central Transfers to Tamil Nadu

This section reviews the recommendations of the 15th Finance commission (FC) and its revenue implications for Tamil Nadu. A comparative analysis of the recommended

transfers by the 13th FC, 14th FC and 15th FC is also undertaken. It may be recalled that the first report of the 15th FC (1) was submitted with recommendations for 2020-21 (i.e., FY21) and the 15th FC (2)'s recommendations cover the period from FY22 to FY26. Thus, with these two reports, the recommendations of the 15th FC apply for six year.

Fiscal transfers from the Centre to the States take place through two broad channels namely, sharing of the sharable pool of Central taxes with the States, and Grants. In relative terms, a larger volume of transfers is given through the sharing of Centre's taxes. This volume is determined by the overall share of States in the divisible pool (called vertical devolution). As noted in Table 2.4, the 15th FC has kept the share of the States considered together at 41 percent in the sharable pool of the Central taxes in both their first and the second reports. This percentage share is broadly comparable with the share of 42 percent as recommended by the 14th FC. This is so because the number of States for which the recommendations of the 15th FC apply has been reduced to 28 with the exclusion of Jammu and Kashmir (J&K) from 29 States, which were the total number of States considered by the 14th FC. The difference of 1 percent point is quite close to the share that would have gone to J&K had it continued to be a State. It is notable that there was a sharp jump in the vertical share of the States from 32 percent to 42 percent from 13th FC to 14th FC, mainly because of the abolition of the distinction between plan and non-plan expenditures and growing share of cess and surcharges which are not shared to States.

Table 2.4: States' Share in Central Taxes: Recommended and Effective

Commission	Recommended Share in Divisible pool (%)	Effective Share in Gross Central Taxes (%)	Shortfall in Effective Share Relative to Recommended (% points)	Share of Cesses and Surcharges [#] in Center's Gross Tax Revenues (%)
FC 12	30.5	25.9	-4.6	
FC 13	32.0	27.9	-4.1	9.6
FC 14	42.0	34.9	-7.1	12.8
FC 15 (1)	41.0	28.9	-12.1	23.8
FC 15 (2)	41.0	30.0*	-11.0*	20.5*

Source: Union Budget Documents, Reports of 12th-15th FCs; *pertains to data for one year namely, FY22 (BE); #excludes GST compensation cess.

Since the recommendations of the 14th FC, there has been a noticeable trend on behalf of the Central Government towards reducing the volume of the sharable pool by increasing the ambit of Central cesses and surcharges that are not sharable with the States. This can be seen by examining the share of States in Central gross taxes (often called effective share) as compared to the share of States in the divisible pool (called recommended share). This is

detailed in Table 2.4. Thus, in terms of the effective share, the highest vertical devolution through the sharing of taxes was for the 14th FC period at 34.9 percent. It has now been reduced to 28.9 percent in 15th FC (1) period, quite close to 27.9 percent during the 13th FC period.

In reviewing the *inter se* distribution of the aggregate share of States in Central tax revenues, the approach of FCs has evolved significantly over time. With the 80th Constitutional amendment, the generalized sharing arrangement was brought into place. 10th FC and all subsequent FCs followed this framework of tax sharing. In the devolution formula, FCs have often given considerable weightage to the distance criterion for achieving horizontal equity, i.e., providing higher per capita transfers to lower per capita fiscal capacity States. Other criteria used by recent FCs include population, demographic change, area and forest cover. The 15th FC has re-introduced the tax effort criterion that was dropped by 13th and 14th FCs.

Table 2.5 compares the *inter-se* shares of States in tax devolution over 14th FC, 15th FC (1) and 15th FC (2). With the change in the status of Jammu and Kashmir (J&K), the number of States has now been reduced to 28 from 29 earlier. In this section, for comparability of transfers between FCs, J&K is excluded from the set of States in 14th FC period and re-calculated the inter se share of States in tax devolution.

Comparing the inter-se shares of States between 15th FC (2) and 14th FC, there has been an erosion in the shares of 8 out of 28 States. These States are: Karnataka facing the largest reduction, followed by Kerala, Telangana, Andhra Pradesh, Uttar Pradesh, Assam, Odisha, and Tamil Nadu. All of these States are in the category of medium and large (ML) States. On the other hand, the gaining States include Maharashtra, Rajasthan, Arunachal Pradesh, Gujarat and Bihar. This change in the profile of inter-se shares in the 15th FC (2) period can largely be attributed to the use of 2011 population as compared to 1971 population that was used by 14th FC.

Table 2.5: Commission wise *inter-se* Share of States in Tax Devolution

Sl. No	State	14 FC ^{\$}	15 FC (1)	15 FC (2)	15 FC (2) minus 14 FC	15 FC (2) minus 15 FC(1)
		%	%	%	% points	
1	Andhra Pradesh	4.398	4.111	4.047	-0.351	-0.064
2	Arunachal Pradesh	1.431	1.760	1.757	0.326	-0.003
3	Assam	3.371	3.131	3.128	-0.243	-0.003
4	Bihar	9.787	10.061	10.058	0.271	-0.003
5	Chhattisgarh	3.166	3.418	3.407	0.241	-0.011
6	Goa	0.379	0.386	0.386	0.007	0.000
7	Gujarat	3.172	3.398	3.478	0.306	0.080
8	Haryana	1.091	1.082	1.093	0.002	0.011
9	Himachal Pradesh	0.722	0.799	0.830	0.108	0.031
10	Jharkhand	3.198	3.313	3.307	0.109	-0.006
11	Karnataka	4.822	3.646	3.647	-1.175	0.001
12	Kerala	2.526	1.943	1.925	-0.601	-0.018
13	Madhya Pradesh	7.727	7.886	7.850	0.123	-0.036
14	Maharashtra	5.674	6.135	6.317	0.643	0.182
15	Manipur	0.623	0.718	0.716	0.093	-0.002
16	Meghalaya	0.650	0.765	0.767	0.117	0.002
17	Mizoram	0.464	0.506	0.500	0.036	-0.006
18	Nagaland	0.503	0.573	0.569	0.066	-0.004
19	Odisha	4.744	4.629	4.528	-0.216	-0.101
20	Punjab	1.589	1.788	1.807	0.218	0.019
21	Rajasthan	5.647	5.979	6.026	0.379	0.047
22	Sikkim	0.369	0.388	0.388	0.019	0.000
23	Tamil Nadu	4.104	4.189	4.079	-0.025	-0.110
24	Telangana	2.499	2.133	2.102	-0.397	-0.031
25	Tripura	0.648	0.709	0.708	0.060	-0.001
26	Uttar Pradesh	18.205	17.931	17.939	-0.266	0.008
27	Uttarakhand	1.068	1.104	1.118	0.050	0.014
28	West Bengal	7.423	7.519	7.523	0.100	0.004
	Total	100.000	100.000	100.000	0.000	0.000

Source (Basic data): Reports of 14th FC, 15th FC (1) and 15th FC (2).

^{\$}In the case of 14th FC, we have re-calculated the *inter se* share of States, criteria wise and by applying the weighting structure used by 14th FC, after excluding J&K so that these shares are comparable with that of 15th FC. As per the 14th FC report the share of Tamil Nadu was 4.023 percent, but the comparable share is estimated at 4.104 percent.

Grants to Local Bodies

Both the Central and State FCs have been entrusted with the task of ensuring adequate overall resources for the local bodies which may be provided by (a) assigned resources, tax and non-tax, to the local Governments under the relevant State legislation, (b) sharing of State resources by way of sharing state tax revenues and grants, and (c) grants from the Central Government under the recommendations of the Central FCs. Tenth FC was the first to recommend central grants for local bodies. The subsequent Central FCs have been asked in their ToR to make recommendations on the measures needed to augment the Consolidated

Fund of a State to supplement the resources of the Panchayats and Municipalities in the State on the basis of recommendations made by State FC.

With respect to local body grants, the 15th FC (1) and (2) have made some significant departures as compared to the approach of 14th FC. First, 15th FC has recommended grants for all tiers of local bodies whereas 14th FC had given grants only to gram panchayats leaving district and block level panchayats. Second, 15th FC has recommended grants for fixed scheduled areas as well as cantonment areas. Other innovations that 15th FC has introduced include recommendations relating to tied grants for sanitation and drinking water. Further, in order to emphasis urbanization and related needs for municipal services, 15th FC has recommended earmarked grants for million plus cities in India. Tamil Nadu has many cities.

Different FCs have been allocating progressively increasing volume of grants earmarked for the local bodies. The 15th FC has recommended Rs. 4,27,911 crore for duly constituted local bodies for the period 2021-26 (Table 2.6). Local body grants relative to all-State GSDP increased from 0.93 percent in 13th FC to 1.74 percent in 14th FC and remained close to that level in 15th FC (2) period. In deriving these ratios, the mid-year nominal GSDP for each of the Commission-periods are used. For 13th FC, 2012-13 nominal GSDP is used. Similarly, 2017-18 nominal GSDP is used for 14th FC and 15th FC (2)'s projection of nominal GSDP for 2023-24 has been used for this period. The State-wise distribution of local body grants is determined by State wise share in population and area, with 90 percent weight assigned to population and 10 percent to area. As a result, across Commissions, States like Bihar, Jharkhand and Uttar Pradesh have received much higher local body grants. Their local body grants relative to GSDP in 15th FC (2) period range from 3.25 percent to 5.33 percent. Tamil Nadu's local body grants relative to GSDP during 15th FC (2) period stand at 1.03 percent (1.16 percent under 14th FC), broadly similar relative to comparable States such as Karnataka, Kerala and Andhra Pradesh.

Table 2.6: Recommended Local Body Grants Relative to GSDP

States	Rs. Crore			% to GSDP		
	FC 13	FC 14	FC 15	FC 13	FC 14	FC 15 (2)
Andhra Pradesh	7195	12290	18063	0.89%	1.52%	1.35%
Assam	1893	6387	10934	1.21%	2.21%	2.69%
Bihar	5682	23694	35577	2.01%	4.89%	5.33%
Chhattisgarh	2267	6832	10368	1.28%	2.40%	2.44%
Gujarat	3758	15042	22163	0.52%	1.14%	1.25%
Haryana	1521	5963	9066	0.44%	0.95%	0.83%
Jharkhand	2240	7961	12322	1.28%	2.88%	3.28%
Karnataka	6497	15146	21877	0.93%	1.12%	1.04%
Kerala	2676	7682	12554	0.65%	1.10%	1.02%
Madhya Pradesh	5834	18733	28367	1.53%	2.57%	2.67%
Maharashtra	8744	27449	41391	0.60%	1.14%	1.25%
Orissa	3271	10623	15752	1.25%	2.43%	2.43%
Punjab	1754	6544	10305	0.59%	1.37%	1.45%
Rajasthan	5164	18147	27172	1.05%	2.17%	2.17%
Tamil Nadu	5456	17010	25526	0.64%	1.16%	1.03%
Telangana	--	8764	13111	--	1.16%	1.02%
Uttar Pradesh	12741	46026	67160	1.55%	3.34%	3.25%
West Bengal	5773	20832	30393	0.98%	2.08%	2.10%
ML	82464	275124	412101	0.92%	1.76%	1.74%
Arunachal Pradesh	306	1064	1618	2.44%	4.83%	4.28%
Goa	172	354	609	0.45%	0.50%	0.53%
Himachal Pradesh	642	2012	3049	0.77%	1.43%	1.27%
Manipur	316	379	1277	2.30%	1.58%	3.22%
Meghalaya	432	32	1385	1.98%	0.10%	3.24%
Mizoram	311	120	713	3.72%	0.62%	2.01%
Nagaland	416	127	1038	2.94%	0.53%	2.35%
Sikkim	187	198	360	1.52%	0.84%	0.79%
Tripura	370	559	1580	1.71%	1.21%	2.16%
Uttarakhand	781	2699	4181	0.59%	1.21%	1.37%
SH	3932	7543	15810	1.10%	1.21%	1.62%
All States	86396	282667	427911	0.93%	1.74%	1.73%

Source (Basic data): Reports of FC 12 to 15, MoSPI.

Note: For deriving grants as proportion of GSDP we have used the mid-year GSDP under respective commission. Therefore, in the case of FC 13, we have used nominal GSDP pertaining to 2012-13, for FC 14 we have used nominal GSDP pertaining to 2017-18 and for FC 15 (2) we have used the nominal GSDP of 2023-24 as projected by the FC 15 (2).

Total Transfers

Table 2.7 shows the changes in State-wise shares in total recommended transfers including tax devolution and grants from 14th FC 14 to 15th FC (2). The number of gaining States is equal to the number of States that have lost. Among the gaining States, maximum increases in shares have accrued to Punjab, Uttarakhand, Maharashtra, Rajasthan and West Bengal. The losing States include Karnataka, Uttar Pradesh, Telangana, Andhra Pradesh and Odisha. Tamil Nadu is also one of the losing States although the magnitude of reduction in its

share in total transfers is modest at (-)0.07 percentage points. This is attributable to a fall of (-)0.025 percent points in tax devolution and a larger fall of (-)0.37 percent points in grants.

Table 2.7: Share of States in Total Recommended Transfers (Devolution + Grants)

Sl. No	States	14 th FC	15 th FC (1)	15 th FC (2)	15 th FC (2) - 14 th FC
		%	%	%	% points
1	Andhra Pradesh	4.76	4.41	4.45	-0.31
2	Arunachal Pradesh	1.31	1.49	1.52	0.22
3	Assam	3.28	3.60	3.19	-0.10
4	Bihar	9.32	9.11	9.24	-0.09
5	Chhattisgarh	3.01	3.05	3.09	0.08
6	Goa	0.35	0.33	0.33	-0.01
7	Gujarat	3.25	3.38	3.48	0.22
8	Haryana	1.15	1.12	1.15	0.00
9	Himachal Pradesh	1.65	1.84	1.53	-0.12
10	Jharkhand	3.08	3.02	3.06	-0.02
11	Karnataka	4.68	3.54	3.59	-1.09
12	Kerala	2.67	3.31	2.65	-0.02
13	Madhya Pradesh	7.42	7.23	7.30	-0.12
14	Maharashtra	5.86	6.18	6.43	0.57
15	Manipur	0.80	0.89	0.82	0.02
16	Meghalaya	0.62	0.71	0.74	0.11
17	Mizoram	0.70	0.57	0.56	-0.13
18	Nagaland	0.88	0.86	0.92	0.04
19	Odisha	4.56	4.28	4.26	-0.30
20	Punjab	1.61	2.44	2.27	0.66
21	Rajasthan	5.58	5.59	6.01	0.43
22	Sikkim	0.34	0.37	0.36	0.02
23	Tamil Nadu	4.13	4.43	4.06	-0.07
24	Telangana	2.46	2.06	2.06	-0.40
25	Tripura	0.71	0.92	1.02	0.31
26	Uttar Pradesh	17.37	16.31	16.48	-0.88
27	Uttarakhand	1.04	1.56	1.67	0.63
28	West Bengal	7.43	7.39	7.77	0.34
	Total	100.00	100.00	100.00	0.00

2.8 Expenditure Patterns

Table 2.8 shows that during 2015-16 to 2020-21, the share of development services ranged between 55 percent and 60 percent of Tamil Nadu's total revenue expenditures. The proportion of outlay on social services decreased slightly from 38.9 percent to 37.2 percent. It is noted that the grants to local bodies marginally declined from 7.6 percent to 7.4 percent.

Table 2.8: Revenue Expenditures: Development and Non-Development Expenditures

Year	General Services	Grants to LBs	Non-Development	Social Services	Economic Services	Development	Revenue Exp.
Rs.Crore							
201 5-16	45512	10732	56244	54807	29943	84750	140993
201 6-17	51453	12466	63919	55297	33980	89277	153195
2017- 18	60451	11470	71921	59790	36162	95952	167874
2018- 19	72450	14880	87330	70202	39669	109871	197201
2019-20	78137	15688	93825	73999	42610	116609	210435
2020-21 RE	80942	18165	99107	91870	55718	147588	246695
As % of Revenue Expenditures							
2015-16	32.3	7.6	39.9	38.9	21.2	60.1	100
2016-17	33.6	8.1	41.7	36.1	22.2	58.3	100
2017-18	36.0	6.8	42.8	35.6	21.5	57.2	100
2018-19	36.7	7.5	44.3	35.6	20.1	55.7	100
2019-20	37.1	7.5	44.6	35.2	20.2	55.4	100
2020-21 RE	32.8	7.4	40.2	37.2	22.6	59.8	100

Source (Basic Data): State Budget Documents of Tamil Nadu (Various Years)

2.9 Urbanization

Table 2.9 provides the trends in urban population in Tamil Nadu and India from 1971 to 2011. During 1971 to 2011, the urban population in India increased from 10.91 crore to 37.71 crore while the urban population in Tamil Nadu increased from 1.27 crore to 3.49 crore.

Table 2.9: Trends in Urban Population in Tamil Nadu and India

Details	Units	1971	1981	1991	2001	2011
India	Crore	10.91	15.97	21.76	28.61	37.71
	Decadal Growth %		46.38	36.26	31.48	31.81
TN	Crore	1.27	1.60	1.91	2.75	3.49
	Decadal Growth %		25.98	19.38	43.98	26.91
	TN Share %	11.64	10.02	8.78	9.61	9.25

Source: Census of India (various issues).

It is observed that the decadal growth of urban population in Tamil Nadu was 43.98 percent between 1991 and 2001 as against all India decadal growth of 31.48 percent. However, the decadal growth of urban population of Tamil Nadu declined between 2001 and 2011 to 26.91 percent whereas all India growth increased marginally to 31.81 percent.

Figure 2.9 shows the degree of urbanization in Tamil Nadu and all India from 1971. The percentage of urban population in Tamil Nadu was 30.8 percent in 1971 and increased to

48.4 percent in 2011. At the same time, India's urbanization increased from 19.9 percent to 31.1 percent.

Figure 2.9: Trends in the Degree of Urbanization in Tamil Nadu and India

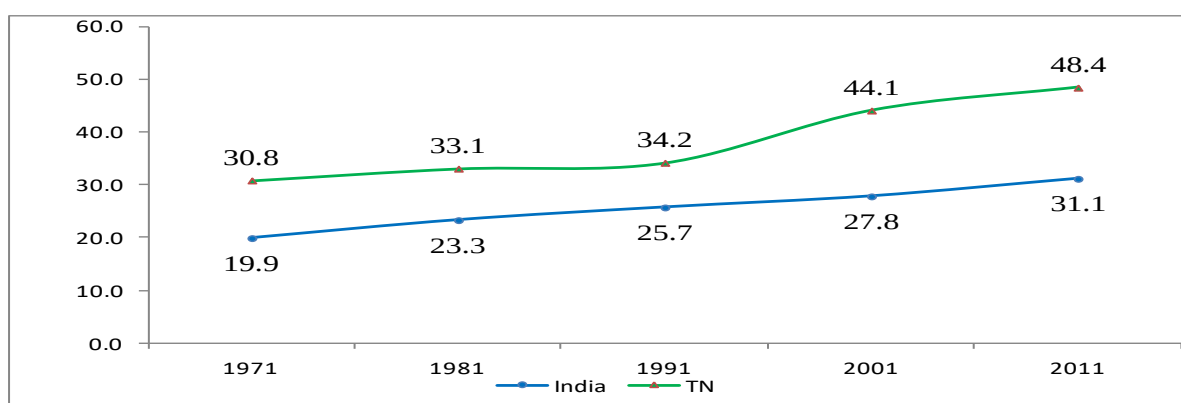
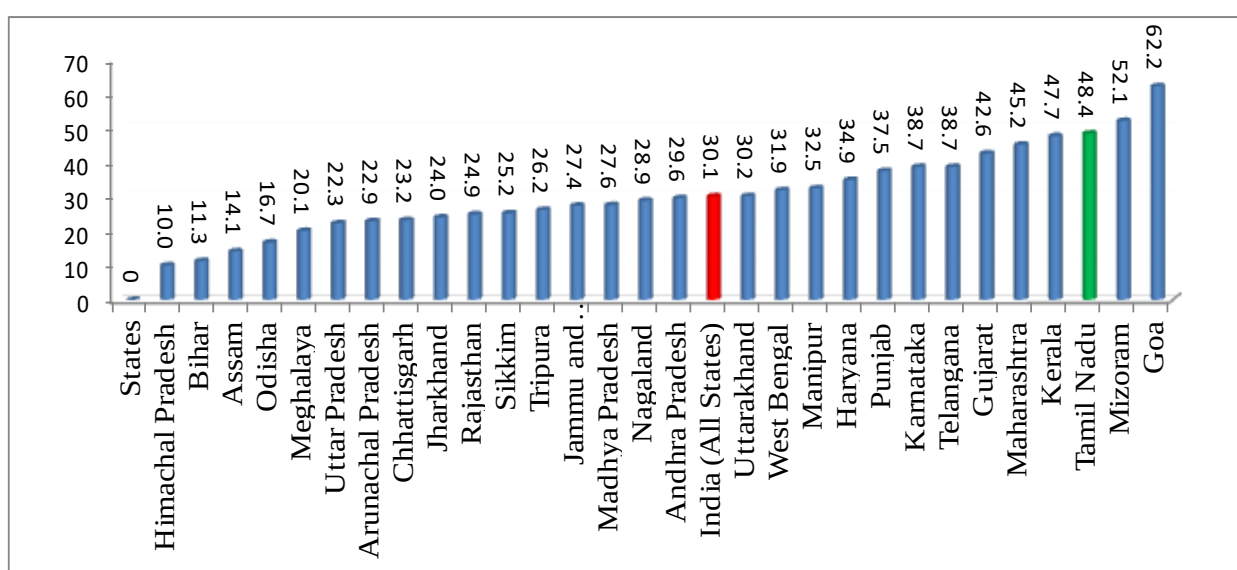


Figure 2.10 highlights that among the major Indian States, Tamil Nadu was the most urbanized State in the country in 2011.

Figure 2.10: State wise Urbanization (percent) in 2011



2.10 Concluding Remarks

This chapter has provided an overview of Tamil Nadu economy and Tamil Nadu State Government finances during 2015-16 to 2020-21. Tamil Nadu's average growth rate (6.42 percent) was higher than all India growth rate (4.52 percent). The COVID-19 pandemic affected its growth in last two years. Its secondary sector grew at 8.15 percent while the primary and tertiary sectors grew at 5.38 percent and 4.85 percent respectively. Slowdown in the growth performances of industry and services in recent years is the major concern. Tamil Nadu ranked 6th in per capita income (Rs. 2.13 lakh) among the major Indian States in 2019-

20. Wide per capita income inequality exists among the districts in Tamil Nadu. The top district Thiruvallur's per capita income of Rs. 2.96 lakh was about 3.14 times higher than the per capita income of the poorest district Thiruvallur of Rs. 94290 in 2017-18.

Tamil Nadu has seen a steady reduction in its poverty. It ranks first in the SDG index-Goal 1 (No poverty) released by the NITI Aayog. Evidences indicate that during January 2016 to March 2020, the labour participation rate in Tamil Nadu has been higher than all India rate. However, its rate has been steadily declining from 61.1 percent in September 2016 to 43.9 percent in March 2020 due to various reasons including the demonetization, introduction of GST, tightening regulatory environment and growing international competition. Tamil Nadu is the most urbanized State in the country (48.4 percent in 2011 as against all India figure of 31.1 percent).

Tamil Nadu has traditionally been a financially well administered State. Its key fiscal parameters-revenue deficit, fiscal deficit and public debt relative to GSDP have been kept as per the norms of FRBM legislation. However, in 2017-18 and 2018-19, its revenue deficit exceeded 1 percent of GSDP. Due to pandemic, the revenue deficit-GSDP ratio increased to 1.94 percent in 2019-20 and further to 3.4 percent in 2020-21RE. This is the concern as part of net borrowed amounts is used for meeting the revenue expenses of the State. Due to pandemic, the fiscal deficit-GSDP ratio also increased to 3.24 percent in 2019-20 and 4.99 percent in 2020-21RE. The outstanding liabilities of the State would be about Rs.485503 crore (25 percent of GSDP) in 2020-21 RE. While this is within the debt path set by the 15th Finance Commission. But it seems to be unsustainable as the New FRBM committee suggested only 20 percent level for Indian States.

Revenue receipts in current prices grew only at about 7.16 percent during 2015-16 to 2020-21. At the same time the revenue expenditure grew at 11.93 percent. State's own tax revenue grew only at 6.52 percent and almost all major taxes also grew at a lower rate than the GSDP growth. Therefore, own tax buoyancy is less than one. This is a major concern. The 15th FC also has reduced the Tamil Nadu's share in Central transfers. During 2015-16 to 2020-21, the proportion of outlay on social services decreased slightly from 38.9 percent to 37.2 percent and the grants to local bodies marginally declined from 7.6 percent to 7.4 percent.

Chapter 3

STATUS OF URBAN LOCAL BODIES IN TAMIL NADU

3.1 Introduction

As per the requirements of 73rd and 74th Constitutional Amendments, the Tamil Nadu State legislature enacted the Tamil Nadu Panchayats Act 1994. Accordingly, a three-tier system of Panchayati Raj Institutions (PRIs) viz., District Panchayats (DPs) at the district level, Panchayat Unions or Block Panchayats (BPs) at the intermediary level and Village Panchayats (VPs) at the village level was established. Currently there are 36 DPs, 388 BPs and 12525 VPs in Tamil Nadu. The State legislature also amended the Tamil Nadu District Municipalities Act, 1920, in order to transfer the powers and responsibilities to Urban Local Bodies (ULBs). Currently, the Municipal Administration and Water Supply Department is administering 15 Corporations, 121 Municipalities and 528 Town Panchayats in the State. Given the fact that Tamil Nadu's urban population could increase from 4 crore or 53 per cent of total population in 2019 to 4.7 crore or 60 per cent of total population by 2036, it will be a real challenge for urban local bodies to serve this vast population at a satisfactory level. This Chapter briefly discusses the overall financial status of ULBs in Tamil Nadu and compares their financial performances with performances of ULBs in other major Indian States based on limited availability of data in public domain.

3.2. Financial Status of PRIs and ULBs in Tamil Nadu

Among the PRIs, the village panchayats alone have the power to levy taxes. The other sources of funds for the village panchayats and block panchayats are non-tax revenues, assigned revenues from the State Government and grants given by the State Government and Central and State Finance Commission grants. The details of receipts and expenditures of the PRIs during 2011-12 to 2016-17 are shown in Table 3.1. Own revenues accounted for about 7-14 percent of total receipts of PRIs during 2011-12 to 2016-17 while grants accounted for 74-83 percent. It is also noted that the total expenditures was only 33 percent of total receipts in 2011-12. But they increased to 73 percent in 2016-17.

Table 3.1: Receipts and Expenditures of PRIs and ULBs in Tamil Nadu

(Rs. Crore)

Receipts and Expenditures of PRIs						
Revenue/Expenditures	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
Own Revenue	528	631	766	422	929	797
Assigned Revenue	564	705	975	866	713	333
Grants	3685	4,484	4,375	4,358	4,758	5,711
Total Revenue	4777	5,820	6,116	5,646	6,400	6,841
Revenue Expenditure	623	1,294	1,025	3,154	1,711	1,941
Capital Expenditure	940	1,308	1,813	2,385	1,985	3,019
Total Expenditure	1563	2602	2838	5539	3696	4960
Total Expenditure as Percent of Revenues	33	45	46	98	58	73
Receipts and Expenditures of ULBs						
Own Revenue	2148	2,467	2,957	2,875	3,364	3,776
Assigned Revenue	780	1,084	1,211	1,047	1,717	1,469
Grants	3220	4,020	4,391	4,073	5,033	5,468
Loans	225	323	903	772	724	1,964
Total Revenue	6373	7,894	9,462	8,767	10,838	12,677
Revenue Expenditure	2559	3,461	4,985	5,331	6,704	6,895
Capital Expenditure	2221	3,117	5,107	4,954	6,750	6,406
Total Expenditure	4780	6578	10092	10285	13454	13301
Total Expenditure as Percent of Revenues	75	83	107	117	124	105

Source: CAG Audit Report (Local Bodies) for Tamil Nadu, various years

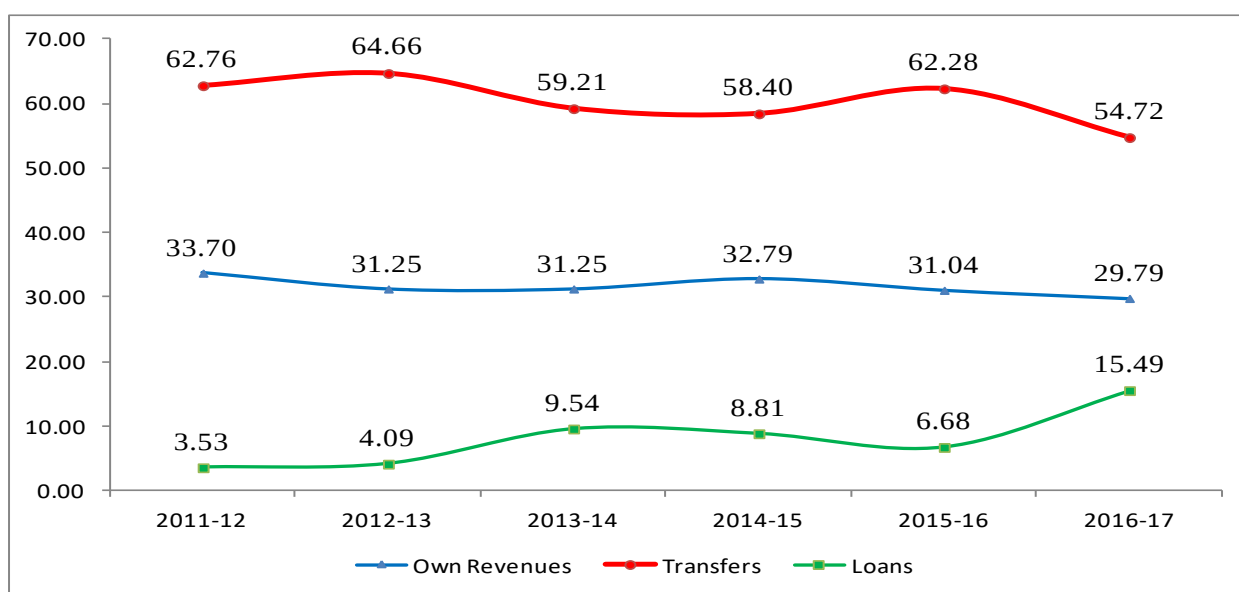
Table 3.1 also provides details of receipts and expenditures of all ULBs during 2011-12 to 2016-17. All ULBs are empowered to levy taxes. They receive revenues from (i) own taxes, (ii) own non taxes, and (iii) transfers from both State Government and Central Government. Own revenues (own tax + own non tax revenues) of all ULBs in Tamil Nadu was Rs. 2148 crore in 2011-12 and it increased to Rs. 3776 crore in 2016-17. During the same period, the transfers (assigned revenues and grants) increased from Rs. 4000 crore to Rs. 6937 crore. Total revenue increased from Rs. 6373 crore to Rs. 12677 crore and the total

expenditure increased from Rs. 4780 crore to Rs. 13301 crore. Thus, the total expenditure as percent of revenues increased from 75 percent in 2011-12 to 105 percent in 2016-17.

3.3. Shares of Own Revenues and Transfers to ULBs in Tamil Nadu

Figure 3.1 shows that the share of transfers in total revenues of all ULBs in Tamil Nadu was 62.76 percent in 2011-12 and it increased to 64.66 percent in 2012-13. After that it started declining to 58.4 per cent in 2014-15 and increased to 62.28 percent in 2015-18, but again declined to 54.72 percent in 2016-17. The share own tax revenues accounted for about 30-34 percent of total receipts during this period. In 2016-17, it declined by 3.81 percentage points from its share in 2011-12. The share of loans was 3.53 percent in 2011-12 and it increased to 15.49 percent in 2016-17. The fall in the share of own tax and the rise in the share of loans are the concerns.

Figure 3.1: Shares of Own Revenues, Transfers and Loans for all ULBs in Tamil Nadu



3.4 Property Tax Structure in Tamil Nadu

Property tax, vacant land tax, profession tax, pilgrim tax, tax on animals, and carriages, tax on agricultural land, tax on carts and advertisement tax are own taxes of urban local bodies in Tamil Nadu. Among them the property tax is the major own tax source. The property taxes can be designated as “Taxes on lands and buildings” (VIIth Schedule of the Constitution). It represents an ideal tax base for local bodies as it is not mobile and can be objectively verified and subjected to tax in a fair and equitable manner. It is the major source of fund to the municipal finance in the State. Similar to other tax impositions, 3 stages are

attendant on the imposition of property tax. They are (i) levy or declaration of liability (ii) assessment and (iii) Collection. The first one is a legislative function, the second one is quasi-judicial and the last one an executive function. The State legislature enacted (2013) the Tamil Nadu State Property Tax Board Act, 2013 and accordingly Government of Tamil Nadu framed (October 2014) the Tamil Nadu State Property Tax Board Rules in 2014.

In Tamil Nadu, before 1993, the Property Tax was assessed by the annual rental value method and by the capital value method. However, with effect from 1.10.1998, the Government of Tamil Nadu introduced a common method of calculation for arriving at the property tax in ULBs. While assessing the Property Tax in this method, the following details are taken into account to arrive the basic value of the property.

- Area of the building
- Age of the building
- Type of the building (i.e. RCC Roof, Tiled Roof and Thatched and AC Sheet)
- Usage of the building (i.e. Residential, Commercial and Industrial)
- Zonal value of the concerned ULB.

There are many steps in determining the annual value. The basic value is the rental yield per square feet of residential properties per month which is applicable in all the municipalities and township committees of different zones for taxation of the annual rental value of the buildings and lands. Further in order to determine the basic value, instructions have been given pertaining to the newly constructed residential (Reinforced Cement Concrete-RCC) buildings measuring 1000 square feet to be converted into a rental value per square feet.

Based on the age of buildings, three types of reduction in the annual value is applicable. They are: (i) no depreciation for buildings that are up to 5 years old, (ii) 15 percent depreciation is applicable for buildings that are of 5-15 years old and (iii) 20 percent depreciation is applicable for building that has been existence for more than 20 years. For the taxation purposes, buildings are categorized into (a) thatched roof buildings with a discount of 50 percent (b) tiled and AC/ GA sheet building with a discount of 25 percent and (iii) RCC buildings with no discounts. Also, a discount of 30 percent is accorded to buildings occupied by the owners.

According to Rule 8(1) of Schedule IV of the Tamil Nadu District Municipalities Act 1920, the assessment books shall be updated by the executive authority once in 5 years. This forms the basis for quinquennial tax revisions, which are the backbone of the fiscal health of ULBs. The Government should ensure the periodical revision of property tax which will improve the financial position of the ULBs. The last revision of property tax in most ULBs except Chennai Corporation¹ and the four Municipalities viz., Kallakurichi, Villupuram, Periakulam and Paramakudi was carried out in 2008.²

Depreciation has been allowed for age of the building and discount is allowed for the type of the building. As per established practices and procedures to carryout quinquennial revision of property tax, the ULB authorities have to conduct revision with the assistance of Special Revision Officers who inspect each and every house / building / vacant land in the jurisdiction of the entire town, thereby preventing escaped assessments and under-assessments. The Fifth State Finance Commission has recommended that: (i) an area based assessment of property tax need to be introduced; (ii) the property value needs to be determined based on the guideline value of land, value of building, the built-up area, type and quality of construction, number of floors and its usage; (iii) as the revision of property tax has not done since 2008, it needs to be done immediately; and (iv) the target for property tax collection for ULBs should be fixed to reach 0.60 percent of GSDP by the last year of award period i.e., 2021-22.

Table 3.2 presents the property tax revenues of municipal corporations, municipalities and town panchayats in Tamil Nadu during 2011-12 to 2017-18. The property tax revenues of all municipal corporations increased from Rs. 606.5 crore in 2011-12 to Rs. 1222.2 crore in 2017-18. During the same period, the property tax revenues of municipalities and town panchayats increased from Rs. 261.5 crore and Rs. 103.7 crore to Rs. 444.2 crore and Rs. 161.1 crore respectively. The average rate of annual growth of property tax revenues was 12.51 percent in municipal corporations, 9.36 percent in municipalities and only 7.65 percent in town panchayats.

¹ The last revision of Property Tax in Chennai Corporation took effect from 01.04.1998.

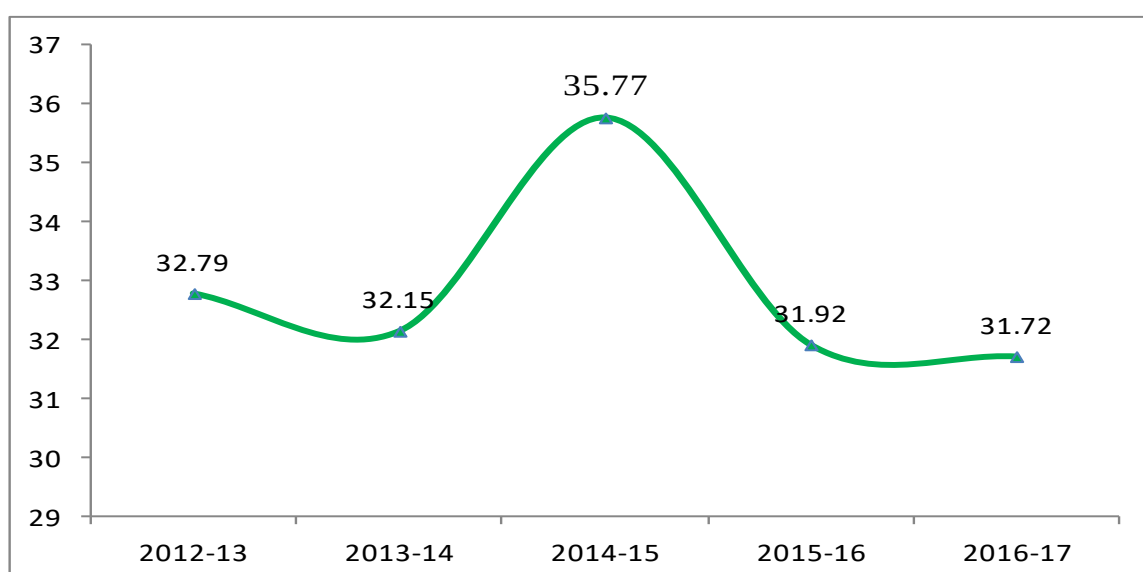
² On the previous occasion that a General Revision of Property Tax was carried out, ceilings were placed on the enhancement of Property Tax as indicated below: For Residential Building (Whether Owner occupied or rented) 25 percent; For Industrial Building 100 percent; and For Commercial Building 150 percent

Table 3.2: Property Tax Revenues for all ULBs in Tamil Nadu (2011-12 to 2017-18)

Year	Property Tax Revenues (PT)				GSDP	PT as % of GSDP
	Municipal Corporations	Municipalities	Town Panchayats	All ULBs		
2011-12	606.5	261.5	103.7	971.7	751486	0.129
2012-13	735.4	287.5	115.9	1138.8	854825	0.133
2013-14	826.4	301.9	125.4	1253.7	968530	0.129
2014-15	938.8	312.8	131	1382.6	1072678	0.129
2015-16	967.3	341.8	141.5	1450.6	1176500	0.123
2016-17	1105	369.1	153.6	1627.7	1302639	0.125
2017-18	1222.2	444.2	161.1	1827.5	1465051	0.125
Avg. Growth	12.51	9.36	7.65	11.16	11.78	

Source: Isher et al., 2019.

As the GSDP (nominal) growth rate was 11.78 percent, property tax (average) buoyancy was 1.06 for municipal corporations, 0.79 for municipalities and only 0.65 for town panchayats. It is observed from Table 3.2 that the property tax revenues of all ULBs in Tamil Nadu relative to its GSDP ranged between 0.123 percent and 0.133 percent. As the target is to reach 0.6 percent in 2021-22, immediate task is to make a complete reform of the property tax structure such that the target is met. Figure 3.2 presents the details of property tax collection efficiency for all ULBs in Tamil Nadu from 2012-13 to 2016-17. The collection seems to be poor, ranged between 31.71 percent to 35.77 percent.

Figure 3.2: Property Tax Collection Efficiency for all ULBs in Tamil Nadu (percent)

Source: CAG Audit Report (Local Bodies) for Tamil Nadu, various years

3.5 Interstate Comparison of Financial Performances of ULBs

This section compares the performance of ULBs in Tamil Nadu with other Indian States using the data given in Isher et al., (2019)' report: "State of Municipal Finances in India: A Study Prepared for the Fifteenth Finance Commission". There are 4259 ULBs in the country (Figure 3.3). Tamil Nadu has the highest number of ULBs (664) in the country followed by Uttar Pradesh (652) and Maharashtra (391).

Figure 3.3: State wise Number of Urban Local Bodies

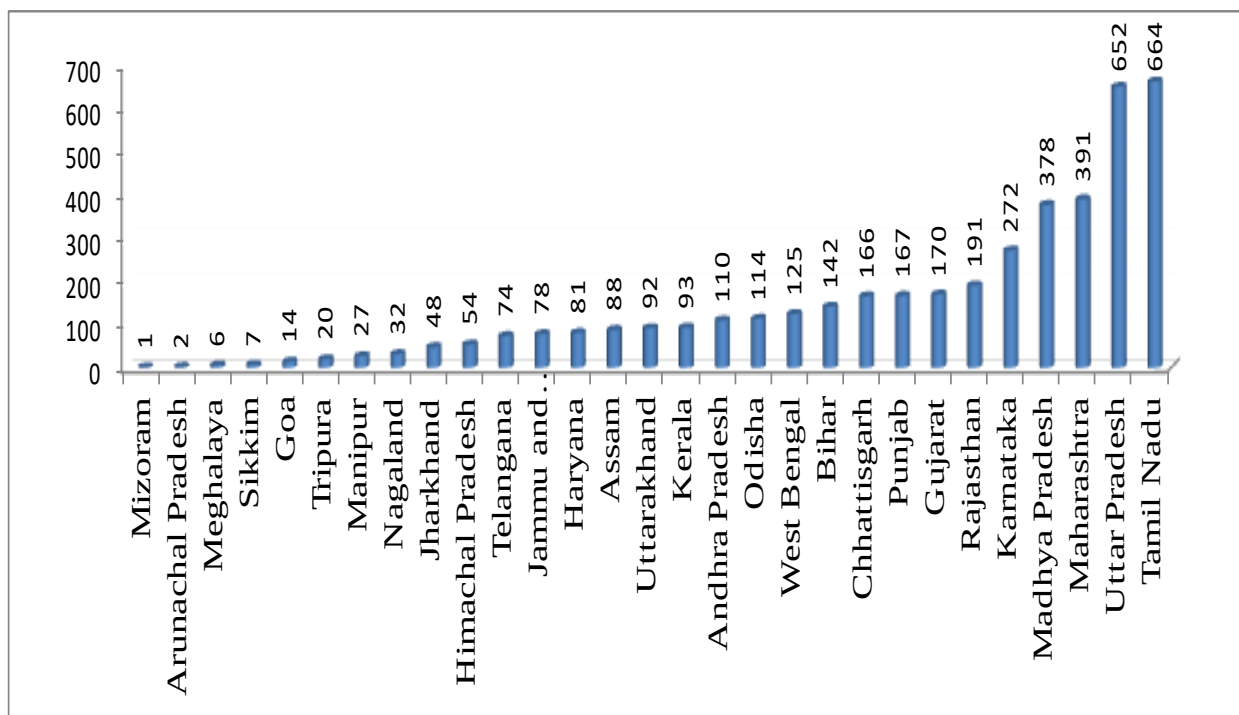


Table 3.3 shows the state wise details of total revenues and expenditures of ULBs in 2017-18. The total revenue for all ULBs in Tamil Nadu was Rs. 14892.7 crore, which was about 1.03 percent of its GSDP. The figure for Maharashtra was Rs. 48484.6 crore (2.06 percent of GSDP), which was the highest among all Indian States. Other than these two states, revenues exceeded 1 percent of GSDP in Gujarat, Madhya Pradesh, Karnataka, and West Bengal. In all other States, it was below 1 percent of GSDP. The ULBs in Maharashtra together spent the highest amount of Rs.43410 crore followed by Gujarat (Rs.13299 crore) and Tamil Nadu (Rs. 12956 crore). All ULBs in the country registered an aggregate surplus of Rs. 39145 crore in 2017-18. The ULBs in Tamil Nadu also showed a surplus of Rs. 1937 crore. The ULBs in only in three States (out of 29)-Assam, Himachal Pradesh and Mizoram showed a deficit

Table 3.3: State-wise Total Revenues and Expenditures for all Urban Local Bodies in 2017-18

States	Total Revenue		Expenditures		Balance	
	Rs. Crore	as % of GSDP	Rs.Crore	as % of GSDP	Rs.Crore	as % of GSDP
Andhra Pradesh	3886.7	0.49	3884.7	0.49	2.0	0.00
Arunachal Pradesh	25.2	0.11	1.3	0.01	23.9	0.11
Assam	222.8	0.08	349.4	0.12	-126.6	-0.04
Bihar	2149.8	0.46	1076.2	0.23	1073.6	0.23
Chhattisgarh	2330.5	0.83	1855.3	0.66	475.2	0.17
Goa	174	0.25	157.7	0.23	16.3	0.02
Gujarat	20818.1	1.57	13299	1.00	7519.1	0.57
Haryana	3883.8	0.60	Na	Na	Na	na
Himachal Pradesh	361.6	0.26	432.5	0.31	-70.9	-0.05
Jammu and Kashmir	716	0.51	591.5	0.42	124.5	0.09
Jharkhand	1679.1	0.62	468.3	0.17	1210.8	0.45
Karnataka	14855.1	1.11	9115.8	0.68	5739.3	0.43
Kerala	3625.2	0.52	2450.8	0.35	1174.4	0.17
Madhya Pradesh	12324.5	1.70	8933.1	1.23	3391.4	0.47
Maharashtra	48484.6	2.06	43410	1.85	5074.6	0.22
Manipur	83.7	0.32	58.9	0.23	24.8	0.10
Meghalaya	20.2	0.07	20.6	0.07	-0.4	0.00
Mizoram	40	0.21	62	0.32	-22.0	-0.11
Nagaland	19.1	0.08	15.4	0.06	3.7	0.02
Odisha	1759.1	0.40	1391.8	0.32	367.3	0.08
Punjab	3394.6	0.72	3222.1	0.68	172.5	0.04
Rajasthan	5397.2	0.65	4289	0.52	1108.2	0.13
Sikkim	20.6	0.08	16.5	0.06	4.1	0.02
Tamil Nadu	14892.7	1.02	12955.8	0.88	1936.9	0.13
Telangana	4502.1	0.60	4465.3	0.60	36.8	0.00
Tripura	355.9	0.81	168.9	0.39	187.0	0.43
Uttar Pradesh	12238.2	0.86	10699.5	0.76	1538.7	0.11
Uttarakhand	1021.9	0.46	718.2	0.33	303.7	0.14
West Bengal	12415	1.27	8442.9	0.87	3972.1	0.41
India (All States)	171697.3	1.05	132552.5	0.81	39144.8	0.24

Source: Isher et al., (2019).

The total own revenue of all ULBs in Tamil Nadu was Rs. 4441.1 crore in 2017-18 (Table 3.4). It as percent of total revenue was 29.8 percent. Nagaland had the highest own revenue relative to total revenue of 91.62 percent, followed by Punjab (82.02 percent) and Maharashtra (65.32 percent). The total Transfers to all ULBs in Tamil Nadu amounted to Rs. 6002.2 crore, accounting for 40.3 percent of total revenues of all ULBs in the State.

Arunachal Pradesh had the highest transfer-revenue ratio of 94.44 percent followed by Manipur (94.03 percent) and Bihar (93.76 percent).

Table 3.4: State wise Own Revenues and Transfers for all Urban Local Bodies in 2017-18

States	Own Revenue			Central and State Transfers		
	Rs. Crore	as % of Total Revenue	as % of GSDP	Rs.Crore	as % of Total Revenue	as % of GSDP
Andhra Pradesh	2439.5	62.77	0.31	1221.8	31.44	0.16
Arunachal Pradesh	1.4	5.56	0.01	23.8	94.44	0.11
Assam	138.2	62.03	0.05	84.6	37.97	0.03
Bihar	134.3	6.25	0.03	2015.6	93.76	0.43
Chhattisgarh	1223.1	52.48	0.43	684.6	29.38	0.24
Goa	81.7	46.95	0.12	67.4	38.74	0.10
Gujarat	9819	47.17	0.74	8997.1	43.22	0.68
Haryana	976.4	25.14	0.15	2907.3	74.86	Na
Himachal Pradesh	111.7	30.89	0.08	249.9	69.11	0.18
Jammu and Kashmir	64.1	8.95	0.05	628.1	87.72	0.45
Jharkhand	146.2	8.71	0.05	1524.6	90.80	0.57
Karnataka	3971.5	26.73	0.30	10612.8	71.44	0.79
Kerala	840.1	23.17	0.12	2785.1	76.83	0.40
Madhya Pradesh	5265.8	42.73	0.72	6053.2	49.12	0.83
Maharashtra	31671.5	65.32	1.35	5541.3	11.43	0.24
Manipur	3.7	4.42	0.01	78.7	94.03	0.31
Meghalaya	12.1	59.90	0.04	4.5	22.28	0.02
Mizoram	4.3	10.75	0.02	35.7	89.25	0.18
Nagaland	17.5	91.62	0.07	1.6	8.38	0.01
Odisha	179.6	10.21	0.04	1486.4	84.50	0.34
Punjab	2784.1	82.02	0.59	514.1	15.14	0.11
Rajasthan	1754.9	32.52	0.21	3362.1	62.29	0.41
Sikkim	8.6	41.75	0.03	12	58.25	0.05
Tamil Nadu	4441.1	29.82	0.30	6006.2	40.33	0.41
Telangana	2963.4	65.82	0.40	1538.7	34.18	0.21
Tripura	19.2	5.39	0.04	201.9	56.73	0.46
Uttar Pradesh	1672.5	13.67	0.12	9152.8	74.79	0.65
Uttarakhand	113.5	11.11	0.05	908.5	88.90	0.41
West Bengal	2472.4	19.91	0.25	9443.1	76.06	0.97
India (All States)	73331.4	42.71	0.45	76143.5	44.35	0.47

Table 3.5 shows that the total own tax revenues of all ULBs in Tamil Nadu was Rs. 2448.2 crore and the total own non tax revenues was Rs. 1992.9 crore. As percent of total

revenues, the own tax was 16.44 percent and the non-tax was 13.38 percent. Nagaland had the highest own tax share of 69.11 percent followed by Punjab (66.63 percent) and Meghalaya (50.99 percent). Sikkim had the highest non tax ratio of 36.89 percent followed by Maharashtra (32.17 percent) and Telangana (30.01 percent).

Table 3.5: State wise Own Tax and Non-Tax Revenues for all ULBs in 2017-18

States	Tax Revenue			Non Tax Revenue		
	Rs. Crore	as % of Total Revenue	as % of GSDP	Rs.Crore	as % of Total Revenue	as % of GSDP
Andhra Pradesh	1374.7	35.37	0.17	1064.8	27.40	0.14
Arunachal Pradesh	na	na	Na	Na	Na	Na
Assam	80.7	36.22	0.03	57.5	25.81	0.02
Bihar	108.6	5.05	0.02	25.7	1.20	0.01
Chhattisgarh	792.9	34.02	0.28	430.2	18.46	0.15
Goa	37.3	21.44	0.05	44.4	25.52	0.06
Gujarat	6878.5	33.04	0.52	2940.5	14.12	0.22
Haryana	494.4	12.73	0.08	482	12.41	0.07
Himachal Pradesh	41	11.34	0.03	70.7	19.55	0.05
Jammu and Kashmir	33.1	4.62	0.02	31	4.33	0.02
Jharkhand	81.5	4.85	0.03	64.7	3.85	0.02
Karnataka	2929.6	19.72	0.22	1041.9	7.01	0.08
Kerala	529.3	14.60	0.08	310.8	8.57	0.04
Madhya Pradesh	3981.7	32.31	0.55	1284.1	10.42	0.18
Maharashtra	16073.2	33.15	0.68	15598.3	32.17	0.66
Manipur	1.5	1.79	0.01	2.2	2.63	0.01
Meghalaya	10.3	50.99	0.03	1.8	8.91	0.01
Mizoram	2.5	6.25	0.01	1.8	4.50	0.01
Nagaland	13.2	69.11	0.05	4.3	22.51	0.02
Odisha	82.7	4.70	0.02	96.9	5.51	0.02
Punjab	2261.8	66.63	0.48	522.3	15.39	0.11
Rajasthan	808.6	14.98	0.10	946.3	17.53	0.11
Sikkim	1	4.85	0.00	7.6	36.89	0.03
Tamil Nadu	2448.2	16.44	0.17	1992.9	13.38	0.14
Telangana	1612.2	35.81	0.21	1351.2	30.01	0.18
Tripura	9.4	2.64	0.02	9.8	2.75	0.02
Uttar Pradesh	921.4	7.53	0.07	751.1	6.14	0.05
Uttarakhand	66.1	6.47	0.03	47.4	4.64	0.02
West Bengal	1279.1	10.30	0.13	1193.3	9.61	0.12
India (All States)	42954.5	25.02	0.26	30375.5	17.69	0.19

Table 3.6 shows the State wise details of property tax revenues and other tax revenues for all ULBs in 2017-18. The property tax revenue for all ULBs in Tamil Nadu was Rs. 1827.5 crore, accounting for about 12.3 percent of total revenues. Telangana had the highest

property tax share of 35.63 percent, followed by Assam (31.78 percent), Meghalaya (25.74 percent) and Gujarat (25.52 percent). In fact, the property tax revenue of ULBs in Maharashtra was Rs. 8358 crore and that in Gujarat was Rs. 5312 crore.

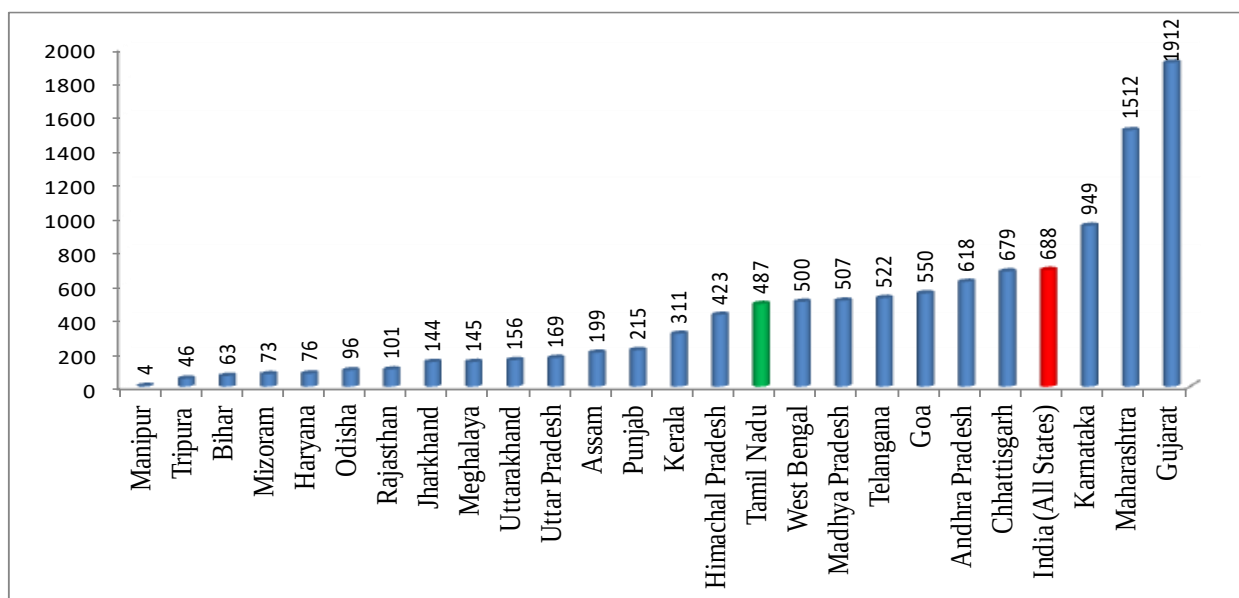
Table 3.6: State wise Property Tax and Other Tax Revenues for all ULBs in 2017-18

States	Property Tax Revenue			Other Tax Revenue		
	Rs. Crore	as % of Total Revenue	as % of GSDP	Rs.Crore	as % of Total Revenue	as % of GSDP
Andhra Pradesh	945.1	24.32	0.12	429.6	11.05	0.05
Arunachal Pradesh	na	na	Na	Na	Na	na
Assam	70.8	31.78	0.03	9.9	4.44	0.00
Bihar	60.7	2.82	0.01	47.9	2.23	0.01
Chhattisgarh	471.4	20.23	0.17	321.5	13.80	0.11
Goa	26.7	15.34	0.04	10.6	6.09	0.02
Gujarat	5312.2	25.52	0.40	1566.3	7.52	0.12
Haryana	89.6	2.31	0.01	404.8	10.42	0.06
Himachal Pradesh	34.3	9.49	0.02	6.7	1.85	0.00
Jammu and Kashmir	na	na	na	Na	Na	na
Jharkhand	80	4.76	0.03	1.5	0.09	0.00
Karnataka	2705	18.21	0.20	224.6	1.51	0.02
Kerala	294.9	8.13	0.04	234.4	6.47	0.03
Madhya Pradesh	1079.9	8.76	0.15	2901.8	23.54	0.40
Maharashtra	8357.7	17.24	0.36	7715.5	15.91	0.33
Manipur	0.3	0.36	0.00	1.2	1.43	0.00
Meghalaya	5.2	25.74	0.02	5.1	25.25	0.02
Mizoram	2.5	6.25	0.01	0	0.00	0.00
Nagaland	na	na	na	Na	Na	na
Odisha	67.2	3.82	0.02	15.5	0.88	0.00
Punjab	251.8	7.42	0.05	2010	59.21	0.43
Rajasthan	187.8	3.48	0.02	620.8	11.50	0.07
Sikkim	na	na	na	Na	Na	na
Tamil Nadu	1827.5	12.27	0.12	620.7	4.17	0.04
Telangana	1604.1	35.63	0.21	8.1	0.18	0.00
Tripura	4.6	1.29	0.01	4.8	1.35	0.01
Uttar Pradesh	810.8	6.63	0.06	110.6	0.90	0.01
Uttarakhand	55.1	5.39	0.03	11	1.08	0.01
West Bengal	1206.8	9.72	0.12	72.3	0.58	0.01
India (All States)	25552	14.88	0.16	17355.2	10.11	0.11

Figure 3.4 also highlights that the per capita property tax revenue for all ULBs in Tamil Nadu was Rs. 487 as against the Gujarat figure of Rs. 1942 and Maharashtra's figure of Rs. 1512. It is also observed that Tamil Nadu figure was lower than all India average

figure of Rs. 688. It seems that Property tax has the potential to bring more revenues to ULBs in Tamil Nadu.

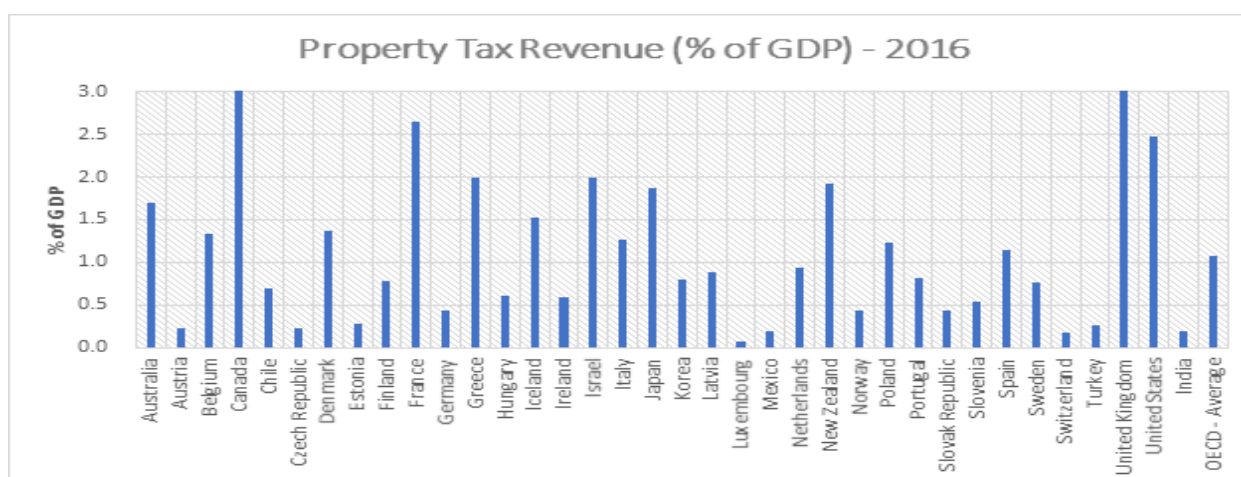
Figure 3.4: State wise Per Capita Property Tax Revenue in Rs. for all ULBs in 2017-18



3.6 Inter Country Comparison of Property Tax Revenues

Figure 3.5 shows the details of property tax revenue relative to GDP of India and other OECD countries in 2016. India performs poorly in term of generating revenues of urban property tax. Its property tax-GDP was only 0.2 percent as against OECD group's average of 1.1 percent. That is, India's is just one-sixth of OECD. For some OECD countries like Canada, U.K. and USA, the property tax collections (of about 3 percent) form the bedrock of local government revenues.

Figure 3.5: Property Tax Revenues Relative to GDP in India and OECD Countries in 2016



3.7 Assessment Process of Property Tax in Select States in India

Using available details in the public domain, we have found that:

- ULBs in Indian States follow either value-based assessment or area-based assessment. Area-based system is based on covered area of building, and unit area value or tax for the category in which the property is located. The value based system uses rental or capital value approaches. The rental approach assesses the property based on rental value or net rent while the capital value approach assesses based on the market value of property;
- States like Himachal Pradesh, Jammu & Kashmir, Delhi, Odisha use area based approach while Karnataka (except for Bengaluru), Maharashtra etc use the capital value method. Cities like Bangalore, Chennai, Hyderabad, Indore, Kolkata, Patna, and Pune have introduced Self-Assessment System (SAS) in which the rental value is determined based on owners' information;
- Regarding the rate of property tax, most ULBs use a progressive rate structure, except some cities like Bangalore and Ludhiana using a flat tax rate;
- Except for a few States like Kerala and Maharashtra, the final authority on enumeration and assessment of properties lies with the State Government or with the committees/boards appointed by the State Government;
- The State legislation assigns the tax rate limit for most States. In West Bengal, for example, a fixed tax rate formula has been prescribed by the State legislation. The power to increase tax rates also resides with the State Government in most states. Maharashtra is the only exception where tax rates are prescribed by the municipal corporations;
- All States except Jharkhand, Karnataka, and Kerala do not have a provision in their municipal acts for regular revision of property tax rates;
- Exemptions are a common feature of the property tax system, resulting in revenue loss. In India, under Article 285, properties of the Central Government are exempted from all taxes imposed by either a State or any authority within a State. The Thirteenth Finance Commission had urged that the Central Government and the State Governments issue executive instructions that all their respective departments pay appropriate service charges to the local bodies.

Delhi

- The unit-based system was implemented from April 2004 and continues to date. The unit area value is fixed for eight categories of zones (A to H) of the city per square metre covered space for calculation of property tax.
- The tax is calculated based on the annual value of the property by multiplying the unit area value assigned to the particular colony or locality in which the property is located by the covered area and some multiplicative factors for occupancy, age, structure, and use.

Maharashtra

- Town and Country Planning Department conducts property valuation based on a quasi-hedonic model approach. Valuers apparently use information on sales, future developments, infrastructure quality and local amenities/dis-amenuities to estimate the market values for various zones in the city.

Meghalaya

- As per the new rule which was implemented in 2004, the unit area method and new assessment methods are used. The parameters considered for arriving at the ARV on location are usage, type of construction of the building within the holding
- Tax is presently levied only in Shillong and Tura Municipality. The rate on tax levied in Shillong varies from 6 percent to 10 percent for all private holdings and 40 percent of capital cost for State Government holdings;
- The Tura tax is also levied at the rate of 2 percent to 2.5 percent of the annual value for private buildings and for Government buildings the rate is 40 percent.

Andhra Pradesh

- An Ordinance was promulgated in 2020 to change from the rental value system to the capital value system with effect from April 2021;
- Capital value of lands and buildings fixed by the Stamps and Registration Department for the purpose of Registration will be the guideline value for fixation of property tax for which, zones and localities together with their boundaries, type, age, plinth area of the building are considered in determining the capital value.
- The property tax is fixed as a percentages of the capital value of lands or buildings, or both, but it should not be less than 0.10 percent and not more than 0.50 percent of the

capital value for residential buildings and not be less than 0.20 percent and not more than 2 percent of the capital value for non-residential buildings;

- Vacant Land Tax is levied at 0.20 percent of the guideline value of the lands in municipalities and 0.50 percent in municipal corporations

Gujarat

- Since 2014-15, the following property tax formula has been used: Property tax= $R \times M \times A$ where, R-annual rate; M-product of various sub factors, i.e., M=location x construction duration x type of property x usage; and A – carpet area of property with factor values 1.6, 1.3, 1.1 and 0.9 respectively.

Rajasthan

- Annual letting value has been defined under clause (1) of section 3 of the Act as annual rent of Building or Land;
- In case of Cinema/Theatre Buildings, Restaurants, Hotels, Mills, Factories etc, documents such as rent deed and receipts for rent paid, are used as annual rent;
- For others, the cost of the building may be assessed, and the annual rent is calculated as:
(i) Towns (with population below 50,000): 2 ½ percent of assessed value; (ii) Towns (with population between 50,000 and one lakh): 3 ½ percent of assessed value and (iii) Towns (with population above one lakh): 5 percent of assessed value.

West Bengal

- On December 15, 2016, the Kolkata Municipal Corporation (Amendment) Bill 2016 was passed, to simplify the assessment and collection of property tax and make the entire process more transparent;
- Under the Unit Area Assessment scheme, the city has been divided into 293 blocks and seven categories based on market value of the properties, facilities and infrastructure;
- Each category has been assigned an annual value per sq ft, also known as the Base Unit Area Value (BUAV); The BUAV per square feet for these seven categories are fixed at Rs. 74, Rs. 56, Rs. 42, Rs. 32, Rs. 24, Rs. 18 and Rs. 13 respectively;
- In slum areas, tax liability is low for economically weaker classes;
- The property tax calculation also utilizes the concept of multiplicative factors (MFs), to account for the many critical differences in houses (location, type and age of property, and nature of occupancy) within the same block.

Kerala

- In 1980s, the rental value approach was introduced. In 2011 a new method was introduced to calculate the property tax based on plinth area. But many local bodies in the State are yet to fully shift to the system.
- Now Urban Affairs Department has fixed the basic tax rates for different categories of buildings including residential, commercial, educational, industrial, hospitals, amusement, mobile towers, and theatres.
- The rate of property tax is based on fair value for each category of building in accordance with the use of buildings. The annual upward revision in the rate of tax is 5 percent or hike in Consumer Index Price, whichever is lower, from the second year onwards.

3.8 Concluding Remarks

This Chapter has reviewed the overall financial performance of ULBs in Tamil Nadu and compared with performances of ULBs in other major Indian States. Results indicate that:

(i) Own revenues of all ULBs in Tamil Nadu increased from Rs. 2148 crore in 2011-12 to Rs. 3776 crore in 2016-17 and transfers from Rs.4000 crore to Rs. 6937 crore. The share of transfers in total revenues declined from 62.76 percent in 2011-12 to 54.72 percent in 2016-17. Total expenditures increased from Rs. 4780 crore against total income of Rs. 6373 crore to Rs. 13301 crore as against the total income of Rs. 12677 crore

(ii) During 2011-12 to 2017-18, the property tax revenues increased from Rs. 606.5 crore in all municipal corporations, from Rs. 261.5 crore to Rs. 444.2 crore in municipalities and from Rs. 103.7 crore to Rs. 161.1 crore in town panchayats. The average rate of annual growth of property tax revenues was 12.51 percent in municipal corporations, 9.36 percent in municipalities and only 7.65 percent in town panchayats.

(iii) Average property tax buoyancy during 2011-12 to 2017-18 was 1.06 for municipal corporations, 0.79 for municipalities and only 0.65 for town panchayats.

(iv) Property tax revenues relative to GSDP of all ULBs in Tamil Nadu ranged between 0.123 and 0.133 as against the target of 0.6 percent in 2021-22. Further property tax collection efficiency of all ULBs in Tami Nadu ranged between 31.7 percent to 35.7 percent. Therefore, a complete reform of the property tax structure is needed to achieve the target.

(v) Tamil Nadu has the highest number of ULBs (664) in the country followed by Uttar Pradesh (652) and Maharashtra (391).

(vi) All ULBs in the country registered an aggregate surplus of Rs. 39145 crore in 2017-18. The ULBs in Tamil Nadu also showed a surplus of Rs. 1937 crore.

(vii) The share of own tax revenues in total revenues of all ULBS in Tamil Nadu was 16.44 percent in 2017-18 while it was 66.6 percent in Punjab. The share of non-tax was 13.38 percent in Tamil Nadu while it was 32.17 percent in Maharashtra.

(viii) Per capita property tax revenue for all ULBs in Tamil Nadu was only Rs. 487 and it was Rs. 1942 in Gujarat and Rs. 1512 in Maharashtra. It seems that Property tax has the potential to bring more revenues to ULBs in Tamil Nadu.

Chapter 4

FINANCIAL STATUS OF TOWN PANCHAYATS IN TAMIL NADU

4.1 Introduction

Tamil Nadu was the first State to introduce the town panchayat as an intermediate step between rural villages and Urban Local Bodies (ULB). Till 1981, the Town Panchayats were under the administrative control of Directorate of Rural Development. In 1981, the Government constituted a separate Directorate for the Town Panchayats (G.O. Ms. 828, dated 7.5.1981) with the nomenclature of 'Directorate of Town Panchayats'. However, the administrative control of the Directorate of Town Panchayats continued to be with the Rural Development Department as they were governed under the Tamil Nadu Panchayats Act 1958. Due to the 73rd and the 74th Amendments to the Constitution of India, all the Town Panchayats were reconstituted under the Tamil Nadu District Municipalities Act, 1920 and treated as transitional areas from rural areas to urban areas. Consequently, the administrative control of the Directorate of Town Panchayats was brought under the Municipal Administration and Water Supply Department. This Chapter discusses about the financial status of Town Panchayats in Tamil Nadu based on the data provided by the Sixth State Finance Commission during 2015-16 to 2020-21.

4.2 Classification of Town Panchayats in Tamil Nadu

Table 4.1 shows the classification of 528 town panchayats (TPs) into 4 grades based on income and population of the town panchayats. These 528 TPs comprise of 8,288 wards.

Table 4.1: Grade wise Number of Town Panchayats in Tamil Nadu

Grades	Average Annual Income	Minimum Population	No. of Town Panchayats
Special Grade	Exceeding Rs.200 lakh	5000 to 30000	65
Selection Grade	Exceeding Rs.100 lakhs but not exceeding Rs.200 lakh		201
Grade 1	Exceeding Rs.50 lakhs but not exceeding Rs.100 lakh		200
Grade 2	Not exceeding Rs.50 lakh.		62
Total			528

Table 4.2 (and Map 4.1) shows the details of number of TPs in various districts of Tamil Nadu. Kanniyakumari (55) has the largest number of TPs, followed by Erode (42) and Coimbatore (37). Ariyalar has only 2 TPs and Chennai has no town panchayat.

Table 4.2: District Wise Distribution of Town Panchayats in Tamil Nadu

District	Selection	Special	Grade 1	Grade 2	Total	District	Selection	Special	Grade 1	Grade 2	Total
Ariyalur			1	1	2	Ranipet	1	4	4		9
Chengalpet	8	1	2	1	12	Salem	5	11	13	4	33
Coimbatore	12	11	12	2	37	Sivaganga		5	6	1	12
Cuddalore	1	10	4	1	16	Tenkasi	2	4	9	3	18
Dharmapuri		8	2		10	Thanjavur		11	7	4	22
Dindigul	2	12	8	1	23	The Nilgiris	1	8	2		11
Erode	1	14	19	8	42	Theni		12	7	3	22
Kallakurichi	2	4	1		7	Thiruvavur		4	3		7
Kancheepuram	4	1			5	Thoothukkudi	2	10	4	3	19
Kanniyakumari	1	10	31	13	55	Tiruchirappalli	1	7	8		16
Karur	2	3	4	2	11	Tirunelveli	9	6	3		18
Krishnagiri		5		1	6	Tirupathur	1	1	1		3
Madurai		4	5		9	Tiruppur	2	6	5	3	16
Mayiladuthurai		2	2		4	Tiruvallur	1	6	3		10
Nagapattinam	1		3		4	Tiruvannamalai	2	2	3	3	10
Namakkal	1	9	8	1	19	Vellore		1	3		4
Perambalur			1	3	4	Viluppuram	2	2	3	1	8
Pudukkottai		5	3		8	Virudhunagar		2	5	2	9
Ramanathapuram	1		5	1	7	Grand Total	65	201	200	62	528

The followings are listed in the Government circular as the main functions of town panchayats in Tamil Nadu:

(i) Providing Basic Amenities	(ii) Levying Taxes and Non-Tax
Roads	Property Tax
Street Lights	Vacant Land Tax
Water Supply	Profession Tax
Public Health	Water Charges
Drainage	Non-taxes
Granting of Building Licenses	
(iii) Issuing Birth and Death Certificates	(iv) Issuing Dangerous & Offensive Trade Licenses
(v) Implementation of State/Central Schemes	

Map 4.1: District Wise Distribution of Town Panchayats in Tamil Nadu

Tamil Nadu

Districtwise Number of Town Panchayats



4.3 Geographical Area and Population

The 528 TPs spread over about 7125 Sq. km area in 2020-21 (Table 4.3) and the area of TPs is expected to increase to 7616 sq. km in 2026-26.

Table 4.3: Grade Wise Total Areas of Town Panchayats in Tamil Nadu

Grades	No. of TPs	2010-11	2015-16	2020-21*	2026-27*	AGR
Special Grade	65	918.24	947.67	993.46	1082.98	0.01
Selection Grade	201	2650.4	2655.83	2709.37	2844.53	0.001
Grade 1	200	2421.2	2454.83	2527.17	2683.01	0.01
Grade 2	62	795.67	835.88	895.12	1005.9	0.01
Total	528	6785.51	6894.22	7125.12	7616.41	0.01

*-projected based on past trend

Table 4.4 shows the grade wise total population and average population per TP of town panchayat since 2000-01 based on population data for 528 TPs compiled from District Census Handbooks for 2001 and 2011 and the average annual (compound) growth rate for each TP during this period. The total urban population in all TPs grew at 1.2 percent per annum and the aggregate population in Selection grade TPs grew at 2.2 percent. The total population of all TPs is expected to reach about 104.68 lakhs in 2026-27. The average population per TP in special grade category was 31353 in 2020-21. That is, the population limit of many TPs exceeded the maximum limit of 30000, Further, this average figure is expected to reach 37605 in 2026-27.

Table 4.4: Grade Wise Population and Projected Population of Town Panchayats

Grade	2000-01	2010-11	Annual Growth*	2020-21	2026-27
Special Grade	1230641	1554683	0.022	2037930	2444338
Selection Grade	3020601	3408041	0.011	3907504	4282298
Grade 1	2246333	2508630	0.011	2828006	3053945
Grade 2	567284	606275	0.006	654019	687131
Total	7064859	8077629	0.012	9427459	10467711
Grade wise Average Population per TP					
Special Grade	18933	23918	-	31353	37605
Selection Grade	15028	16955	-	19440	21305
Grade 1	11232	12543	-	14140	15270
Grade 2	9150	9779	-	10549	11083
Total	13380	15299	-	17855	19825

* Average growth of all TPs in the grade type.

In 2000-01 itself, in one TP (in the Grade 1 category, the population exceeded the 30000 mark (Table 4.5). In 2020-21, in 60 TPs, the population exceeded the 30,000 mark and in 2026-27, it is expected that in 79 TPs, the population will exceed the limit of 30,000. This is the concern. These TPs need to be either upgraded as Municipalities based on population norms or population norm need to be modified.

Table 4.5: Number of TPs with More than 30,000 Populations

Grade	2000-01	2010-11	2015-16	2020-21	2026-27
Special	0	15	25	29	37
Selection	0	10	15	26	35
Grade 1	1	2	2	4	6
Grade 2	0	0	0	1	1
Total	1	27	42	60	79

4.4 Overall Financial Status of Town Panchayats in Tamil Nadu

The total income of town panchayat consists of revenue income, capital income, deposits and loans. Aggregate income of all 528 TPs in Tamil Nadu increased from Rs. 2886 crore in 2015-16 to Rs. 4278 crore in 2018-19 (Table 4.6). It declined to Rs. 3927 crore in 2019-20 and further to Rs. 3865 crore due to the impact of COVID-19 pandemic. It is noted that own tax revenues, own non tax revenues and transfers (grants plus assigned revenues) also declined in the last two years due to the same reason. At the same time, the total expenditures continuously increased from Rs. 3033 crore in 2015-16 to Rs. 3920 crore in 2020-21. As a result, although there was an aggregate surplus of Rs. 567 crore in 2018-19, there was an aggregate deficit of Rs. 54 crore in 2020-21.

Table 4.6: Income and Expenditures of all Town Panchayats in Tamil Nadu*

(Rs. Crore)

Fiscal Indicators	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
Tax Revenue	208	224	230	326	290	295
Non-Tax Revenue	478	597	559	870	834	876
Own Revenue	686	821	789	1197	1125	1171
Transfers	878	911	1160	1135	920	859
Total Revenue	1565	1732	1949	2332	2045	2030
Capital Income	1093	1215	1174	1678	1584	1516
Total Income	2886	3159	3364	4278	3927	3865
Salary	349	362	394	468	496	494
Operation & Maintenance	1278	1291	1348	1614	1671	1724
Revenue Expenditures	1627	1653	1741	2082	2167	2218
Capital Expenditures	1208	1197	1068	1343	1433	1472
Total Expenditures	3033	3064	3043	3711	3844	3920
Overall Surplus/Deficit	-147	95	321	567	83	-54

*(based on data shared by Sixth State Finance Commission).

The aggregate income of 65 special grade TPs increased from Rs. 579.78 crore in 2015-15 to Rs. 883.03 crore and declined to Rs. 884.45 crore in 2020-21 (Table 4.7). The total income of selection grade TPs also increased from Rs. 1238.4 crore in 2015-16 to Rs. 1823.21 crore in 2018-19 and then it declined to Rs. 1571.43 crore. The same trend also happened in other grade TPs. During 2015-26 to 2020-21, the 5 year average growth rate of income was about 9.95 percent in special grade TPs and 5.65 percent in selection grade TPs, 6.18 percent in grade 1 TPs and 6.79 percent in grade 2 TPs in Tamil Nadu. Since the

total income of all TPs grew at only 6.67 percent against the GSDP (nominal) growth of 10.12 percent, the income buoyancy was only 0.659. This is the major concern.

Table 4.7: Grade-wise Total Income of TPs (Rs. Crore)

Grade	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
Special	579.78	624.13	671.36	883.03	746.95	884.45
Selection	1238.40	1331.52	1419.08	1823.21	1688.38	1571.43
Grade 1	851.81	963.59	997.59	1249.69	1182.47	1115.70
Grade 2	215.82	239.56	276.06	322.12	309.66	293.86
All	2885.80	3158.80	3364.09	4278.05	3927.47	3865.43

The total revenues, which comprises own revenues and transfers, of all 528 TPs in Tamil Nadu increased from Rs. 1564 crore in 2015-16 to Rs. 2332.35 crore in 2018-19 and then it declined to Rs. 2030.31 crore in 2020-21 (Table 4.8). The revenues of selection grade, grade 1 and grade 2 TPs followed the same trend. But the total revenues of special grade TPs increased from Rs. 342.67 crore in 2015-16 to Rs. 526.85 crore in 2018-19. Then it declined to Rs. 471.52 crore in 2019-20. But in 2020-21 it increased to Rs. 530.48 crore. During 2015-16 to 2020-21, the revenue buoyancy for all TPs was 0.59. It was 0.97 for special grade TPs, 0.51 for selection grade TPs, 0.44 for grade 1 TPs and 0.38 for grade 2 TPs.

Table 4.8: Grade-wise Total Revenue of TPs (Rs. Crore)

Grade	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
Special	342.67	398.73	420.54	526.85	471.52	530.48
Selection	670.37	724.86	825.75	981.55	865.79	836.87
Grade 1	444.16	487.12	559.68	662.49	567.87	538.36
Grade 2	107.64	120.91	143.32	161.46	139.52	124.60
All	1564.85	1731.62	1949.28	2332.35	2044.71	2030.31

During 2015-16 to 2020-21, the total expenditure of all TPs grew at 5.57 percent per annum as against income growth of 6.67 percent (Table 4.9). The total expenditures grew at 6.19 percent in selection grade TPs grew (as against its income growth of 9.94 percent), at 4.82 percent in selection grade TPs (as against its income growth of 5.65 percent), at 5.79 percent in grade 1 TPs (as against its income growth of 6.17 percent) and at 8.27 percent in grade 1 TPs (as against its income growth of 6.67 percent).

Table 4.9: Grade-wise Total Expenditures of TPs (Rs. Crore)

Grade	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
Special	633.19	641.22	619.76	759.55	729.42	834.60
Selection	1310.04	1277.18	1305.50	1568.42	1666.18	1633.41
Grade 1	877.63	904.56	879.15	1091.36	1133.51	1141.61
Grade 2	212.04	240.97	238.43	291.99	315.25	310.01
All	3032.89	3063.92	3042.84	3711.32	3844.37	3919.62

The revenue expenditure of all TPs in Tamil Nadu increased from Rs. 1627.11 crore in 2015-16 to Rs. 2271.88 crore in 2020-21, registering about 6.6 percent annual growth rate (Table 4.10). During the same period, the average growth of revenue expenditure was 9.4 percent in special grade TPs, 6 percent in selection grade TPs, 5.8 percent in grade 1 TPs and 5.9 percent in grade 2 TPs.

Table 4.10: Grade-wise Revenue Expenditures of TPs (Rs. Crore)

Grade	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
Special	321.24	323.78	340.67	431.40	445.61	494.01
Selection	690.78	688.36	737.59	869.34	918.32	913.40
Grade 1	497.01	520.44	532.85	628.24	642.17	654.48
Grade 2	118.08	120.27	130.34	152.88	160.76	155.99
All	1627.11	1652.84	1741.46	2081.86	2166.85	2217.88

It is a well-known fact that if income exceeds total expenditures, the town panchayat gets surplus income and if expenditures exceed income, it gets deficit. Table 4.11 shows that in 2015-16, the aggregate deficit of all TPs in Tamil Nadu was -Rs. 147.09 crore. But in the next 4 years, the overall budget of TPs showed surplus. In 2020-21 again it showed deficit of -Rs. 54.19 crore. It is observed that in 2015-16, aggregate budget of all grade type TPs showed deficit while the grade 2 TPs showed surplus. In 2016-17, the aggregate budget of special grade and grade 2 TPs showed deficit while budgets of other TPs showed surplus. In 2017-18 and 2018-19, aggregate budget of all 4 grade type TPs showed surplus. In 2019-20, only grade 2 TPs showed deficit while in 2020-21, only special grade TPs showed surplus.

Table 4.11: Grade Wise Surplus/Deficit of TPs in Tamil Nadu (Rs.Crore)

Grade	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
Special	-53.41	-17.09	51.60	123.48	17.53	49.85
Selection	-71.64	54.34	113.58	254.79	22.20	-61.98
Grade 1	-25.82	59.03	118.45	158.33	48.96	-25.91
Grade 2	3.78	-1.41	37.63	30.13	-5.59	-16.15
All	-147.09	94.88	321.25	566.73	83.10	-54.19

Table 4.12 shows the details of number of TPs showing surplus and deficit during 2015-16 to 2020-21. In 2015-16, 290 TPs recorded deficit while 238 showed surplus. In 2016-17, 349 TPs registered surplus account while 179 registered deficit account. In 2017-18, 374 TPs had surplus and only 142 had deficit. In 2019-20, 241 TPs had deficit and 287 had surplus. But in 2020-21, 302 had deficit and only 226 TPs had surplus.

Table 4.12: Number of Town Panchayats Showing Surplus/Deficit in Tamil Nadu

Grades	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
Deficit						
Special	45	24	22	14	25	27
Selection	106	66	54	48	83	120
Grade 1	111	66	61	62	101	117
Grade 2	28	23	17	18	32	38
Total	290	179	154	142	241	302
Surplus						
Special	20	41	43	51	40	38
Selection	95	135	147	153	118	81
Grade 1	89	134	139	138	99	83
Grade 2	34	39	45	44	30	24
Total	238	349	374	386	287	226
Overall Total	528	528	528	528	528	528

4.5 Own Revenue and Transfers of TPs in Tamil Nadu

The own revenue of TPs comprises own tax and own non tax revenues. The total own revenue of all 528 TPs was Rs. 686 crore in 2015-16, constituting 43.83 percent of total revenues (Table 4.13). It increased to Rs. 1171.30 crore in 2020-21, accounting for 57.68 percent of the total revenues. During 2015-16 to 2020-21, it grew at an annual rate of 13.1 percent as against the GSDP growth of 10.12 percent. Thus, the own revenue buoyancy of TPs was 1.3. Grade wise average growth rates indicate that the own revenue buoyancy was

1.52 in special grade TPs, 1.2 in selection grade TPs, 1.24 in grade 1 TPs and 1.34 in grade 2 TPs.

Table 4.13: Grade wise Own Revenues of Town Panchayats in Tamil Nadu (Rs Crore)

Grade	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
Special	179.67	212.35	206.48	323.15	300.90	336.11
Selection	306.59	362.71	336.21	517.87	497.23	495.08
Grade 1	165.17	200.38	204.88	292.25	269.74	281.26
Grade 2	34.88	45.51	41.42	63.64	56.88	58.85
All	686.31	820.95	788.99	1196.91	1124.75	1171.30

The total transfers to TPs were Rs.878.47 crore in 2015-16, accounting for 56.1 percent of total revenues of TPs (Table 4.14). They increased to Rs. 1160.05 crore in 2017-18, accounting for 59.5 percent of total revenues of TPs. After that year, they continuously declined to Rs. 859.50 crore. Its share in total revenues significantly declined to 42.3 percent. A similar trend is observed for selection grade TPs, grade 1 TPs and grade 2 TPs. In the case of special grade TPs, the transfers increased from Rs. 162.94 crore in 2015-16 and increased to Rs. 213.42 crore in 2017-18. Then it declined to 203.42 crore in 2018-19 and further to 170.74 crore in 2019-20. But in 2020-21, it increased to Rs. 194.82 crore.

Table 4.14: Grade wise Transfers to Town Panchayats in Tamil Nadu (Rs Crore)

Grade	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
Special	162.94	186.34	213.93	203.42	170.74	194.82
Selection	363.79	362.12	489.46	463.64	368.56	341.83
Grade 1	278.99	286.74	354.77	370.24	298.13	257.11
Grade 2	72.76	75.40	101.89	97.82	82.64	65.74
All	878.47	910.61	1160.05	1135.12	920.08	859.50

As the share of own revenue in the total revenue varies in individual town panchayat, Table 4.15 shows the distribution of TPs based on own revenue as percentage of total revenues during 2015-16 to 2020-21. It is interesting to note that the number of TPs with more than 50 percent of own revenue increased from 119 in 2015-16 to 313 in 2020-21. That is, in 22.5 percent of TPs the share of own revenue exceeded 50 percent in 2015-16 and in 59.3 percent of TPs in 2020-21, it exceeded 50 percent.

Table 4.15: Distribution of TPs based on Own Revenue as Percentage of Total Revenues

Range %	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
0-20	26	18	46	10	6	4
20-30	93	85	133	50	41	22
30-40	151	107	157	103	89	63
40-50	139	158	106	148	125	126
50-60	82	113	51	116	134	137
60-70	25	29	26	72	86	106
70-80	11	15	4	25	36	47
Above 80	1	3	5	4	11	23

4.6 Impact of Transfers on Revenues and Expenditures of TPs in Tamil Nadu

Public economics literature argues that as regional (such as local body) Governments may differ in their fiscal capacity or ability to raise revenues, the rich jurisdictions are usually better able to finance public service provision than the poorer ones. On the expenditure side, the jurisdictions may also differ in their spending needs. Even ULBs, with same fiscal capacity, may differ in the cost of providing a standard bundle of public services due to differences in needs arising due to various factors like demographic profiles, geographical and climatic conditions, etc. Under such circumstances, the expenditure needs differ across ULBs. This situation may prevent them to provide a comparable minimum standard of public services across the State. In such case, transfers are important policy instruments to address such issues. Further it is argued that most local Governments will distribute the transfers as lower taxes and low fees, and this will crowd out local spending. This is popularly known as “Disincentive Effect”. Therefore, the question is whether the existing transfers system has Incentive or Disincentive effect on town Panchayat’ s expenditures and own revenues in Tamil Nadu?

To answer the above question, Table 4.16 reports the simple correlation coefficients between transfers and revenues and expenditures during 2015-16 to 2020-21. These coefficients were computed using the data for all 528 TPs on transfers, own revenue, total revenue, revenue expenditure and total expenditure. In all six years, the transfers to TPs are positively correlated to own revenue, total revenue, revenue expenditure and total

expenditure. The positive correlation of transfers with income and expenditures indicate that higher the transfers, higher is the income (and revenues) and (total and revenue) expenditures. These results highlight that there is an incentive effect of transfers on expenditures and there is a crowding-in effect of transfers on revenues of TPs in Tamil Nadu.

Table 4.16: Correlation of Transfers with Other Fiscal Indicators

Variables	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
Own Revenue	0.615	0.544	0.344	0.531	0.517	0.350
Total Revenue	0.860	0.807	0.807	0.790	0.748	0.663
Revenue Expenditure	0.648	0.622	0.430	0.575	0.574	0.504
Total Expenditure	0.628	0.563	0.406	0.522	0.462	0.408

4.7 Projections of Income and Expenditures of TPs in Tamil Nadu

In this section, we present the grade wise projected income, expenditure, etc of TPs using average growth of respective fiscal variable during 2015-16 to 2020-21. The implicit assumption is that the fiscal variables in each TP will grow during 2021-22 to 2026-27 at the same average rate recorded in the past years from 2015-16 to 2020-21. Table 4.17 shows the grade wise projected own revenues of TPs. The own revenues of all TPs is expected to be Rs. 2274.45 crore in 2021-22 and will increase continuously to Rs. 3289.33 crore in 2026-27. During 2021-22 to 2026-27, the projected own revenues would increase from Rs. 554.20 crore to Rs. 962.74 crore in special grade TPs; from Rs. 957.02 crore to Rs. 1353.13 crore in selection grade TPs; from Rs. 615.37 crore to Rs. 789.95 crore in grade 1 TPs; and from Rs.147.86 crore to Rs. 183.51 crore in grade 2 TPs.

Table 4.17: Grade wise Projected Own Revenues from 2021-22 to 2026-27 (Rs. Crore)

Grade	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27
Special	554.20	607.52	671.56	749.20	844.44	962.74
Selection	957.02	1013.93	1080.05	1157.07	1247.18	1353.13
Grade 1	615.37	643.31	674.40	708.95	747.33	789.95
Grade 2	147.86	153.20	159.36	166.42	174.44	183.51
All	2274.45	2417.96	2585.37	2781.65	3013.38	3289.33

Table 4.18 shows the grade wise projected total revenues of TPs during 2021-22 to 2026-27. It is projected that the total revenues of all TPs would increase to Rs. 5960.79 crore in 2026-27. In the case of special grade TPs, they would increase to Rs. 2600.93 crore, while

in the case of selection grade they would reach Rs. 2111.05 crore. The total revenues would increase to Rs.1040.94 crore in grade 1 TPs and Rs. 207.94 crore in grade 2 TPs.

Table 4.18: Grade wise Projected Total Revenues from 2021-22 to 2026-27 (Rs. Crore)

Grade	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27
Special	627.52	762.38	959.40	1263.20	1757.34	2600.93
Selection	925.66	1037.31	1182.74	1381.17	1667.98	2111.05
Grade 1	586.07	642.82	711.45	796.07	902.80	1040.87
Grade 2	134.35	145.44	158.08	172.51	189.01	207.94
All	2273.60	2587.94	3011.66	3612.94	4517.14	5960.79

Table 4.19 highlights that the total revenue expenditures all TPs in Tamil Nadu would increase to Rs. 5668.69 crore in 2026-27. For special grade TPs, selection grade TPs, grade 1 TPs and grade 2 TPs, the revenue expenditures are projected to reach Rs. 1772.88 crore, Rs. 1873.89 crore, 1495.35 crore and Rs. 526.57 crore in 2026-27 respectively.

Table 4.19: Grade wise Projected Revenue Expenditures from 2021-22 to 2026-27 (Rs. Crore)

Grade	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27
Special	582.37	698.01	852.31	1062.55	1355.44	1772.88
Selection	1014.66	1133.25	1272.97	1438.61	1636.30	1873.89
Grade 1	734.54	830.94	948.09	1091.95	1270.63	1495.35
Grade 2	176.52	203.56	241.12	296.48	383.16	526.57
All	2508.08	2865.77	3314.50	3889.59	4645.52	5668.69

The projected figures in Tables 4.20 indicate that: (i) the total income of all TPs will increase to Rs. 11279.94 crore and total expenditures will reach Rs. 15542 crore in 2026-27 and the overall budget for TPs will show a deficit of Rs. 4262.45 crore. (ii) As aggregate income would exceed aggregate expenditures of special grade TPs in 2026-27, the overall account would show surplus (Rs. 361.31 crore) for them in that year. (iii) But in other grade categories, the overall account would show deficit as their aggregate income would fall short of their respective aggregate expenditures. (iv). In 2026-27, the overall deficit for grade 1 TPs would be -Rs. 1363.32 crore and for grade 2 TPs would be -Rs. 2876.54 crore.

Table 4.20: Grade wise Projected Income and Expenditures from 2021-22 to 2026-27

Grade	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27
Total Income (Rs. Crore)						
Special	1041.21	1241.79	1501.64	1842.65	2296.17	2907.58
Selection	1782.27	2047.92	2387.19	2827.36	3408.56	4190.76
Grade 1	1272.71	1474.42	1739.27	2095.84	2589.51	3293.96
Grade 2	338.85	396.54	471.70	571.22	705.04	887.64
All	4435.04	5160.67	6099.81	7337.08	8999.28	11279.9
Total Expenditures (Rs.Crore)						
Special	962.84	1127.11	1341.12	1625.37	2011.04	2546.27
Selection	1866.85	2162.78	2542.91	3038.32	3693.83	4574.65
Grade 1	1330.02	1577.97	1918.35	2416.88	3217.40	4657.28
Grade 2	380.60	496.31	704.58	1110.74	1951.65	3764.18
All	4540.32	5364.16	6506.95	8191.31	10873.92	15542.39
Overall Deficit (Rs.Crore)						
Special	78.37	114.68	160.52	217.28	285.13	361.31
Selection	-84.58	-114.86	-155.72	-210.96	-285.27	-383.89
Grade 1	-57.31	-103.55	-179.08	-321.04	-627.89	-1363.32
Grade 2	-41.75	-99.77	-232.88	-539.52	-1246.61	-2876.54
All	-105.28	-203.49	-407.14	-854.23	-1874.64	-4262.45

Finally, Table 4.21 shows that average income of 523 TPs during 2015-16 to 2020-21 exceeded Rs. 200 lakh criteria. Even if we consider average revenue, in 444 TPs, it exceeded Rs. 200 lakh limit. If we consider average own revenue, in 158 TPs, it exceeded Rs. 200 lakh limit and in 202 TPs, it reached Rs. 100-200 lakh category, in 140 TPs it reached Rs. 50-100 lakh range. The results indicate that these TPs need to be upgraded or Government needs to alter their income criteria.

Table 4.21: Number of TPs based on their Average Income during 2015-16 to 2020-21

Grade	Average Annual Income	No, of TPs	No. of TPs based on Average		
			Income	Revenues	Own Revenues
Special	> Rs. 200 lakh	65	523	444	158
Selection	Rs. 100 lakh to Rs. 200 lakh	201	5	80	202
Grade 1	Rs. 50 lakh to Rs. 100 lakh	200	0	4	140
Grade 2	< Rs. 50 lakh	62	0	0	28
Total		528	528	528	528

4.8 Concluding Remarks

This Chapter has analyzed the financial status of town panchayats in Tamil Nadu and their projected income and expenditures. The results indicate that:

(i) There are 528 TPs in Tamil Nadu which spread over about 7125 sq. km area. The total population of all TPs was 94.27 lakhs in 2020-21 and it is expected to increase to 1.05 crore in 2025-26.

(ii) Since the average population per TP in special grade category was 31353 in 2020-21 and in 60 TPs the population already exceeded 30,000. It is essential to either up-grade them based on population norms or revise the population norm. Income of many TPs already increased and so these TPs need to be upgraded or income norm need to be revised.

(iii) While aggregate income of all TPs increased from Rs. 2886 crore in 2015-16 to Rs. 4278 in 2018-19 and then it declined to Rs. 3865 crore in 2020-21 (due to pandemic effect), the total expenditures continuously increased from Rs. 3033 crore to Rs. 3920 crore

(iv) The overall budget of TPs showed a surplus of Rs. 567 crore in 2018-19, it showed a deficit of Rs. 54 crore in 2020-21. In 2020-21, only the overall account for special grade TPs showed surplus while others showed deficit. As per the individual account, 302 TPs incurred deficit in 2020-21 and 226 showed surplus. Thus, in about 57 percent of TPs in Tamil Nadu, there is a mismatch between growing expenditures and deteriorating finances.

v) Since the total income of all TPs grew at only 6.67 percent against the GSDP (nominal) growth of 10.12 percent, the income buoyancy was only 0.659. This is the major concern.

(vi) During 2015-16 to 2020-21, the revenue buoyancy for all TPs was 0.59. It was 0.97 for special grade TPs, 0.51 for selection grade TPs, 0.44 for grade 1 TPs and 0.38 for grade 2 TPs. The revenue buoyancy of selection grade, grade 1 and grade 2 TPs should increase.

(vi) The total expenditure of all TPs grew at 5.57 percent during 2015-16 to 2020-21. However, the revenue expenditure grew at 6.6 percent.

(vii) The total own revenues of all TPs was Rs. 1171.3 crore, accounting for 57.68 percent of total revenues. During 2015-16 to 2020-21, it grew at an annual rate of 13.1 percent and the own revenue buoyancy was 1.3. Interestingly, the number of TPs with more than 50 percent of own revenue increased from 119 in 2015-16 to 313 in 2020-21.

(viii) The share of transfers in total revenues was 56.1 percent in 2015-16 and it declined to 42.3 percent.

(ix) As transfers are positively correlated with income and expenditures of TPs, there is an incentive effect of transfers on expenditures and a crowding-in effect on revenues of TPs.

(x) It is projected that own revenues of TPs would reach Rs. 3289.332 crore in 2026-27; the total revenues would increase to Rs. 5960.79 crore; total income would increase to Rs. 11279.9 crore; revenue expenditure would rise to Rs. 5668.69 crore and total expenditure to Rs. 15542.39 crore; and the overall deficit would increase to Rs. 4262.45 crore.

Chapter 5

PERFORMANCE OF PROPERTY TAX OF TOWN PANCHAYATS IN TAMIL NADU

5.1 Introduction

Among the taxes, the property tax is the major own tax source of revenues for urban local bodies including the town panchayats. This Chapter reviews the trend of property tax revenues of TPs in Tamil Nadu during 2015-16 to 2020-21 and various aspects of property tax including tax rate, number of assessments, exempted properties and components of property tax etc.

5.2 Property Tax Rate

During 2016-16 to 2020-21, the property tax rate remained the same in each town panchayat, but vary slightly across them. The average rate was 11.5 percent and minimum and maximum rate ranged between 1 percent and 61 percent (Table 5.1). Grade wise rate analysis indicate that the selection grade TPs had the highest average rate of 12 percent followed by special grade TPs (11.8 percent), grade 1 TPs (11.3 percent) and grade 2 TPs (10.5 percent). Thus, the rate structure of property taxes varied significantly among TPs.

Table 5.1: Grade Wise Property Tax Rate of TPs (Average, Minimum and Maximum)

Grade	Average Rate	Maximum Rate	Minimum Rate
Special Grade	11.8	28	5
Selection Grade	12.0	61	5
Grade 1	11.3	35	1
Grade2	10.5	30	4
All	11.5	61	1

5.3 Property Tax Assessments

There are various types of assessments on which the property tax is levied. They include: (i) residential; (ii) commercial, (iii) industrial, (iv) State Government properties, (v) public sector undertakings, (vi) Central Government properties including railway properties, (vii) charitable and religious institutions, (viii) educational institutions, (ix) monuments of tourist attraction, and (x) others including anganvadi, library, ration shops, etc.

Table 5.2 shows the grade wise total property tax assessments of TPs in Tamil Nadu. The total number of assessments of all TPs was 25.37 lakh in 2015-16 and increased to 28.02

lakh in 2020-21. In 2020-21, the special grade TPs had 20 percent of total assessments, selection grade TPs had 43 percent, grade 1 TPs had 30 percent and grade 2 TPs had only 7 percent. The number of assessments grew at an average rate of 3.1 percent in special grade TPs, 1.9 percent in both selection and grade 1 TPs, and 1.5 percent in grade 2 TPs. The overall growth rate was 2 percent.

Table 5.2: Grade Wise Property Tax Assessments of TPs

Grade	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
Special	499598	514807	531799	547699	657812	567353
Selection	1086105	1109418	1134696	1154026	1170790	1192939
Grade 1	768109	782631	800977	814590	827607	843569
Grade 2	183684	186409	189913	192163	194587	197730
All	2537496	2593265	2657385	2708478	2850796	2801591

5.4 Property Tax Demand and Collection

Another issue relating to property tax is the level of inefficiency that exists in the implementation and enforcement of this tax. Generally, there was a gap between tax demanded and tax collected. In 2015-16 the demand was Rs. 169.93 crore, but the collection was only Rs. 115.78 crore (Table 5.3). This led to the collection efficiency of 74.42 percent, i.e., the collection inefficiency of 25.52 percent. This means that 25.52 percent of demand in that year was either under dispute or not collected properly. This is a major concern. Since the collection rate determines the revenue performance of property tax, TPs should improve their collection efficiency to 100 percent. With 100 percent efficiency, they could have obtained about 25 percent additional revenues. However, it noted that the collection efficiency of all TPs increased to 79.22 percent in 2017-18 and then it declined to 71.98 percent in 2019-20. But in 2020-21 it again increased significantly to 85.19 percent. However, the average efficiency during 2015-16 to 2020-21 was 76.76 percent. TPs may allow the property tax payers to pay the property tax in installments like bi-monthly electricity bill payments. This will reduce the tax burden and improve the collection efficiency of TPs.

Table 5.3: Grade Wise Property Tax Demand and Collection Efficiency

Grade	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
Demand (Rs. Crore)						
Special	53.96	58.75	62.12	82.78	79.43	81.46
Selection	80.60	85.24	90.43	128.09	118.23	109.73
Grade 1	30.00	31.77	33.95	52.98	47.16	45.52
Grade 2	5.36	5.48	5.89	9.09	8.01	7.78
All	169.93	181.24	192.39	272.94	252.82	244.49
Collection (Rs. Crore)						
Special	34.62	38.72	43.54	55.42	49.79	53.87
Selection	50.99	53.83	59.54	82.57	76.15	70.34
Grade 1	25.58	27.28	29.37	43.00	37.96	38.53
Grade 2	4.59	4.70	5.13	7.71	6.62	6.70
All	115.78	124.53	137.57	188.69	170.52	169.44
Average Collection Efficiency (Percentage)*						
Special	76.42	77.11	80.22	74.49	72.63	86.06
Selection	75.57	76.33	79.42	74.07	72.28	85.67
Grade 1	75.43	76.73	79.81	74.15	72.73	86.00
Grade 2	74.76	76.17	79.35	73.55	72.07	85.39
All	74.48	76.46	79.22	73.25	71.98	85.19

*Based on individual TP's collection efficiency

5.5 Property Tax Revenues

Table 5.4 shows the aggregate amounts of property tax revenues of TPs in different grade categories in Tamil Nadu during 2015-16 to 2020-21. The total property tax revenues of all TPs amounted to Rs. 126.46 crore in 2015-16 and increased to Rs. 223.45 crore in 2018-19. But in the next two years they declined to Rs. 186.90 crore and Rs. 178.52 crore respectively. This fall might be due to the impact of covid-19 pandemic. However, it is noted that the property tax revenues registered about 10 per cent annual growth which is closer to the annual GSDP (nominal) growth of 10.12 percent. This means the average tax buoyancy is closer to 1. The tax buoyancy was 1.1 for both special grade and grade 1 TPs. It was 0.9 for selection grade TPs and 1.3 for grade 2 TPs.

Table 5.4: Grade Wise Property Tax Revenues (Rs. Crore)

Grade	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
Special	37.25	41.11	43.25	63.07	53.54	54.15
Selection	57.92	65.39	64.94	102.58	86.55	77.92
Grade 1	26.54	28.19	30.60	48.98	39.62	38.66
Grade 2	4.75	5.08	5.49	8.82	7.20	7.79
All	126.46	139.77	144.28	223.45	186.90	178.52

5.6 Components of Property Tax Revenues

Table 5.5 shows property tax revenue components –general purpose tax, tax on residential units, tax on commercial properties, and industrial units. In the case of all TPs, the general purpose tax accounted for 32.8 percent of total property tax revenues in 2015-16, residential tax accounted for 50.04 percent, commercial components accounted for 11.4 percent and industrial components accounted for 3.95 percent. Their shares remained more or less the same with minor variation in different years. The water supply and drainage tax and education tax accounted a meagre share of the total property tax (not shown).

5.7 Exempted Properties from Property Tax

Exemption from local property tax is a common feature worldwide. Basic reasons for granting exemptions are social justice, high administrative and collection cost particularly from low tax yielding properties, and properties that provide direct or indirect services having characteristics of a merit good or public good. Studies indicate that exempted properties in India accounts for approximately 10 percent of the total urban properties and about 11 percent of assessed properties.

In town panchayats in Tamil Nadu, exempted properties include charitable and religious institutions, educational institutions, and monuments of tourist attractions, ration shops, anganwadis and libraries. As on 31.03.2020, there were 2337 charitable and religious institutions, 1784 educational institutions, 25 monuments of tourist attractions and 3070 other properties that were exempted in all TPs in Tamil Nadu (not shown).

Table 5.5: Components of Property Tax Revenues (Rs. Crore)

	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
Grade	Rs. Crore						As Percentage of Ttoal Property Tax					
General Purpose Tax												
Special	14.72	16.24	17.23	26.65	22.59	22.62	39.51	39.50	39.85	42.26	42.20	38.47
Selection	18.55	20.59	20.93	35.01	29.21	24.24	32.03	31.48	32.22	34.13	33.75	31.11
Grade 1	6.70	7.22	7.75	12.75	10.12	9.74	25.24	25.60	25.34	26.03	25.54	25.19
Grade2	1.18	1.26	1.33	2.20	1.70	1.60	24.91	24.81	24.27	24.91	23.57	20.60
All	41.15	45.30	47.25	76.61	63.63	58.20	32.54	32.41	32.75	34.29	34.04	31.77
Residential												
Special	16.06	16.87	18.26	26.25	22.07	26.66	43.11	41.05	42.22	41.62	41.23	45.34
Selection	29.35	34.46	32.54	50.15	42.27	38.83	50.67	52.69	50.11	48.89	48.84	49.84
Grade 1	15.04	15.87	17.30	27.04	22.12	21.83	56.65	56.31	56.54	55.20	55.84	56.46
Grade2	2.83	3.04	3.27	5.18	4.26	4.94	59.58	59.92	59.60	58.77	59.10	63.43
All	63.28	70.25	71.37	108.62	90.73	92.26	50.04	50.26	49.47	48.61	48.54	50.37
Commercial												
Special	4.81	5.05	5.36	8.21	6.69	6.77	12.92	12.28	12.38	13.02	12.49	11.51
Selection	6.06	6.33	6.99	10.80	9.03	8.48	10.47	9.68	10.77	10.53	10.43	10.88
Grade 1	3.03	3.27	3.50	5.92	4.51	4.34	11.43	11.58	11.44	12.09	11.37	11.23
Grade2	0.56	0.60	0.67	1.08	0.86	0.85	11.74	11.74	12.28	12.21	11.90	10.93
All	14.47	15.24	16.52	26.01	21.08	20.44	11.44	10.90	11.45	11.64	11.28	11.16
Industrial												
Special	1.62	2.89	2.34	1.89	2.10	2.66	4.34	7.04	5.42	2.99	3.91	4.52
Selection	2.07	2.17	2.43	3.84	3.19	2.60	3.57	3.31	3.75	3.74	3.68	3.34
Grade 1	1.24	1.27	1.45	2.34	1.81	1.60	4.68	4.50	4.73	4.78	4.57	4.13
Grade2	0.07	0.07	0.07	0.13	0.12	0.09	1.41	1.34	1.36	1.49	1.66	1.12
All	4.99	6.40	6.30	8.20	7.21	6.94	3.95	4.58	4.36	3.67	3.86	3.79

Table 5.6 shows the details of grade wise exempted properties and their assessments in TPs in Tamil Nadu in 2015 and 2020. In 2019-20, the total number of assessments in TPs of Tamil Nadu was 28.5 lakh. The exempted properties are less in numbers and account for only 0.25 percent of total assessments. However, the revenue loss from exempted properties was estimated at Rs. 4.18 crore. It is observed that in selection grade TPs, higher numbers of properties (4409) were exempted.

Table 5.6: Exempted Properties from Property Tax of TPs and their Demand

Grade	2015	2020	2015	2020
	Exempted Properties		Assessments (Rs. Crore)	
Special	288	291	0.24	0.40
Selection	4194	4409	2.31	3.07
Grade 1	1900	1781	0.49	0.59
Grade 2	725	722	0.09	0.09
All	7120	7216	3.17	4.18

5.8 Projection of Property Tax Revenues and Assessments

Table 5.7 present the grade wise projected property tax revenues of TPs using 5-year average growth of property tax revenue in each TP during 2015-16 to 2020-21. The aggregate property tax revenues of all TPs would increase to Rs. 688 crore in 2026-27. The property tax revenues would increase to Rs. 305.52 crore in selection grade TPs, to 198.09 crore in grade 2 TPs, Rs. 105.69 crore in special grade TPs and Rs. 79 crore in grade 1 TPs in 2026-27.

Table 5.7: Grade wise Projected Property Tax Revenues of TPs (Rs.Crore)

Grade	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27
Special	60.23	67.13	74.96	83.88	94.05	105.69
Selection	88.00	100.94	119.07	147.75	199.67	305.52
Grade 1	43.28	48.56	54.62	61.59	69.65	79.00
Grade 2	9.76	13.52	21.61	40.39	85.85	198.09
All	201.28	230.15	270.26	333.61	449.22	688.30

Since 2019-20 and 2020-21 are pandemic affected years, we also use three years average growth rate (i.e., excluding these two years growth rates) of each TP to project the property tax revenues during 2021-22 to 2026-27. In this alternative scenario, the property tax revenues of all TPs would increase to Rs. 1925.73 crore (Table 5.8).

Table 5.8: Grade wise Projected Property Tax Revenues of TPs Using 3-Year Average Growth Rate (Rs.Crore)

Grade	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27
Special	71.77	87.89	107.95	132.97	164.20	203.26
Selection	97.95	126.94	176.48	284.39	580.79	1522.82
Grade 1	48.62	61.49	78.23	100.19	129.31	168.35
Grade 2	9.76	12.25	15.43	19.48	24.66	31.30
All	228.10	288.57	378.09	537.03	898.95	1925.73

Table 5.9 presents the grade wise projected assessments of property tax using 5 years average growth rate. It is expected that the total number of assessments would increase from 28.02 lakhs in 2020-21 to 77.87 lakhs in 2026-27.

Table 5.9: Grade wise Projected Property Tax Assessments in TPs (Rs.Crore)

Grade	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27
Special	604950	679523	849956	1272937	2367829	5261393
Selection	1217318	1242575	1268780	1296012	1324365	1353946
Grade 1	860425	877825	895794	914362	933558	953415
Grade 2	200888	204148	207516	210996	214594	218318
All	2883582	3004072	3222046	3694307	4840347	7787073

5.9 Concluding Remarks

This chapter has analyzed the performance of property tax of Town Panchayats from 2015-16 to 2020-21. Our analyses indicate that:

- (i) The property tax rate was kept constant in each town panchayat over the years. However, the rate varied significantly from 1 percent to 61 percent with average rate of 11.5 percent.
- (ii) The total number of assessments of property tax increased from 25.37 lakh in 2015-16 to 28.02 lakh in 2020-21. The number of assessments grew at average rate of 3.1 percent in special grade TPs, 1.9 percent in both selection and grade 1 TPs, and 1.5 percent in grade 2 TPs. The overall growth rate was 2 percent.
- (iii) The overall property tax collection efficiency was 74.48 percent in 2015-16 and it increased to 85.19 percent in 2020-21. TPs should aim to achieve 100 percent efficiency.
- (iv) The total property tax revenues of all TPs amounted to Rs. 126.46 crore in 2015-16 and increased to Rs. 223.45 crore in 2018-19 and then declined to Rs. 178.52 crore in 2020-21. However, the property tax revenues registered about 10 percent annual growth and average tax buoyancy was closer to 1. The tax buoyancy was 1.1 for both special grade and grade 1 TPs. It was 0.9 for selection grade TPs and 1.3 for grade 2 TPs.
- (v) The general purpose tax accounted for about 32.8 percent of total property tax revenues, residential tax accounted for 50.04 percent, commercial components accounted for 11.4 percent and industrial components accounted for 3.95 percent.

(vi) As on 31.03.2020, there were 2337 charitable and religious institutions, 1784 educational institutions, 25 monuments of tourist attractions and 3070 other properties that were exempted in all TPs. The revenue loss from these exempted properties was estimated at Rs. 4.18 crore.

(vii) The aggregate property tax revenues of all TPs would increase to Rs. 688 crore in 2026-27 using 5-year average growth rate. Using three-year average rate (excluding growth rates during pandemic years), they would increase to Rs. 1925.73 crore.

(viii) Total number of assessments would increase from 28.02 lakh in 2020-21 to 77.87 lakh in 2026-27.

Chapter 6

UNTAPPED PROPERTY TAX POTENTIALS

6.1 Introduction

Property tax collections form the bedrock of revenues for local bodies. The Urban Local Bodies do not have any direct powers of taxation nor do they have the power to fix the rates of taxes. It is the entry number 49 (Taxes on lands and buildings) in the State List of the Seventh Schedule of the Constitution empowers the legislature of a State to authorize a Urban Local Body to levy, collect and appropriate taxes, duties, tolls and fees in accordance with such procedure and subject to such limits. It is a legislative function that requires a resolution to be passed by the approval council or the authority specifying the rate of tax and the date from which the tax shall be levied through a public a notice declaring its intention

The low property tax collection is a common problem of all States in India including Tamil Nadu. Despite the fact that three decades have passed since formalization of third tier governance (74th Constitutional amendment, 1992), the property tax collection as a percentage of GDP in India is only 0.2 percent. The OECD, BRICS account for 1.1 percent (5 times higher than that for India), and developed countries (Canada, the UK and the US) account for 3.3 percent of their GDP (Bandyopadhyay, 2013).

The Honorable Finance Minister of Tamil Nadu also stressed the low property tax collection in the State in the “White Paper” presented in August 9, 2021. The Fifth State Finance Commission in its report mentioned “consistent improvement” in the collection of the property tax in tandem with the growth rate of the Gross State Domestic Product (GSDP). The Commission had fixed a target of achieving of 0.6 percent of the GSDP as property tax for the year 2021-22. This has now been reduced by the State Government to 0.25 percent.

6.2 Reasons for Low Property Tax Revenues

A large potential of property tax collection is untapped and unrealized due to the following reasons:

No Revision on the Property Tax Rate for a Long Time

The property tax revision has not taken place in the last 13 years. The last revision was done in 2008. Despite the fact that the laws of the Urban local bodies empowering the municipal corporations to fix the rate of taxation with the range of minimum 15.5 percent and maximum of 35.5 percent maximum every five years.

What is the case in Tamil Nadu?

The Government of Tamil Nadu in its GOs (150 & 110) dated 12.11.2007 and 23.06.2008 issued general guidelines to Town Panchayats to carry out general revision of property tax with effect from 01.04.2008 as per the existing statutory provisions in the relevant Urban Local Bodies Act.

Again on 19.07.2018, the GOTN issued orders to revise Property tax with effect from 01.04.2018 and prescribed the following rate of revision:

Sl. No.	Description	Proposed Revision of Property Tax
1	Residential Buildings	Not more than 50 percent
2	Rented Residential Buildings	Not more than 100 percent
3	Non - Residential Buildings	Not more than 100 percent

This was amended on the recommendations of the Commissioner of Municipal Administration and Director of Town Panchayats agreed to tax all Residential Buildings including the rental buildings, providing a revision not more than 50 percent. Orders were also issued for Re-measurement of properties in the year 2017-18 to identify under assessed buildings and buildings with change in usages and revised Property Tax taking into account of the actual measurement of the buildings and period of construction with imposition of penal action and taxes.

Representation received from the Residential Welfare Associations, Traders Association and from the political parties highlighted that Property tax hike has been multi-folded causing severe financial hardships. Many Commercial Associations have also represented to consider the Economic Slowdown and reduce 100 percent tax on Non Residential buildings. The Honorable Minister for Municipal Administration on 08.07.2019 in the floor of the assembly assured that the reduction of property tax will be considered. Accordingly the Commissioner of Municipal Administration, the Commissioner, Greater Chennai Corporation and the Director of Town Panchayat requested the Government to set up a committee to look into all issues relating to the General revision of Property Tax, in all ULBs and requested Government to withhold the General revision till the receipt of the Committee report.

The Government considered the above request and set up a committee with the Principal Secretary to Government, Finance (Expenditure) as Chairman and the Commissioner of Municipal Administration, Director of Town Panchayats and the Commissioner Greater Chennai Corporation as members.

The GOTN, despite the order of the Madras High Court on the general revision of the tax with effect from April 1, 2018, issued a GO (G.O (MS) No.150) on 19.11.2019 to withhold the general revision till the receipt of the report by the committee. As on date, the committee's report is awaited, and the revision has not been given any effect so far. Currently the average rate of property tax of TPs is only 11.5 percent.

Incomplete Registers

The property records at the ULBs and Town panchayats are not maintained properly. The details of many properties are missing in the registers. There is a need for computerized registration of property and to integrate them with the master data in the District/ State Head Quarters. This will avoid tampering of town panchayat records. Research studies have shown that computerized registration systems have reduced transaction costs for owners.

States that have implemented Computerized Registration of Property at the Town Panchayat Level are:

- (i) Karnataka - AASTHI project —a GIS-based property tax information system with unique IDs.
- (ii) Pune Municipal Corporation - capital value-based system where increasing market value of properties was considered for tax assessment
- (iii) Ranchi Nagar Nigam - In 2014, entered into an agreement with a private agency for providing managed services for collection of tax and other property charges within its jurisdiction.

Initiatives like Online helpline, chat, SMS and telephonic services for grievance redressal led to substantial increase in collection of property tax revenues.

Policy Inadequacy and Ineffective Administration

Another big challenge is the lack of accurate property tax rolls in the jurisdiction of urban local bodies (ULBs).

Need to streamline the methodology of property valuation to yield regular and realistic updates of values that are closer to market value. This may help to realize greater revenues from property registrations. There are many ways by which States can cross-check the wedge between market prices of properties and their fair values. One useful source can be the Residex of the National Housing Bank—an urban housing price index computed for housing properties in 50 cities across India that makes use of valuation data collected from primary lending institutions and data collected through market survey for under-construction properties, apart from registration data collected from official agencies.

Another cross-check can be data from private real estate portals present in States with buoyant property transactions. These portals give differentiated price quotations for different kinds of properties at different locations.

GST Implementation

The GST implementation has taken away some tax instruments (entertainment tax, entry tax, stamp duty, royalty on minerals, land revenue and cess on land revenue, etc) traditionally available to local bodies. There is a need to compensate the local bodies for these taxes.

In-efficiency in Implementation and Enforcement

The level of inefficiency that exists in the implementation and enforcement of this tax matters. Generally, there was a gap between tax demanded and tax collected. The collection efficiency of TPs in the case of property tax ranged between 75 percent and 85 percent.

Exempted Properties

Exemption from property tax is another reason for low revenues. There were 2337 charitable and religious institutions, 1784 educational institutions, 25 monuments of tourist attractions and 3070 other properties that were exempted in all TPs in Tamil Nadu in 2020. There was a revenue loss from these properties

6.3 Recommendations of the Union Finance Commissions to Augment the Property Tax in India

(i) The 13th Finance Commission advocated setting up of the “Property Tax Boards” – so far only a few have come up.

(ii) The 14th Finance Commission has underlined that "the potential for collection of property tax has not been fully tapped. The Commission recommended reforms in property tax regime by giving powers to panchayats and municipalities to levy the tax on plinth basis with a provision for periodic revision and minimizing grant of exemptions. The tax levied on annual rental value basis lead to lower buoyancy. The study of 478 municipalities showed that the revenue from property tax has risen from Rs 5,555 crore in 2007-08 to Rs 10,192 crore in 2012-13. The per capita revenue from property tax varied from Rs. 42 to Rs 1,677 across States

(iii) The 15th Finance Commission recommended that the ULBs need to fulfill the following entry-level additional mandatory conditions to be eligible for its grants:

“fixation and operationalisation of minimum floor rate” for property tax in 2021-22 to receive grants from 2022-23; and

“Timely placing” of audited accounts in the public domain.

6.4 Government of India’s Initiative to Tap the Untapped Property Tax

The Ministry of Housing and Urban Affairs is reviewing the municipal legislations of all States and identifying best practices and making a toolkit consisting of such laws, procedures and on-ground activities. At the same time, State Governments need to play an active role to adopt such practices and adapt them suitably to realize this untapped and unrealized revenue source.

6.5 Concluding Remarks

This has identified the untapped property tax potentials of town panchayats. The following are the reasons for low performance of property tax: (i) no revision of property tax rate for many years; (ii) despite Government issued an order on 2018 to revise the property tax up to 50 percent for residential building and up to 100 percent in the case of others, the decision is bending (currently the average rate is 11.5 percent); (iii) details of many properties are recorded properly; (iv) no proper methodology of property ; (v) the GST implementation has taken away some taxes of local bodies; (vi) the collection efficiency is low in the case of property tax; (vii) there are many properties which are exempted from property tax net.

Government of Tamil Nadu should immediately undertake the following steps to tap the large potential of untapped Property Tax: (i) Strictly adhere the Fifteenth Finance

Commission recommendation on releasing the grant only to those TPs that have shown improvement in property tax collection; and (ii) Put pressure on the Property Tax Committee to submit its report and implement all recommendations on property tax revision.

TRACKING UNTAPPED PROPERTY TAX POTENTIALS

7.1 Introduction

In the previous Chapter, we have discussed about untapped property tax potentials of TPs in Tamil Nadu. We have seen various reasons for low property tax revenues of TPs. This Chapter attempts to suggest various ways to tap or tracking the untapped property tax potentials of TPs in Tamil Nadu. Specifically, it attempts to estimate the potential property taxes under alternative scenarios and suggest how to realize that potential. The recommendations and/or policy suggestions provided in this Chapter may be considered as a complete solution and operating plan for all TPs to increase their property tax potentials in Tamil Nadu.

7.2 Normative Approach to Realize the Tax Potentials

The aggregate budget of town panchayats in Tamil Nadu indicates that during 2015-16 to 2020-21, the total expenditure grew at 5.56 percent and revenue expenditure grew at 6.6 percent. At the same period, revenues increased at 6 percent and own revenues at 13 percent and property tax revenues at 10.05 percent. But the real issue is the magnitude of own revenue and property tax revenue. In all the latest 6 years, the own revenue as percentage of revenue expenditure ranged between 42.2 percent to 57.49 percent and the property tax revenue as percentage of revenue expenditure ranged only between 7.77 percent to 10.73 percent. As a result, the town panchayats have no choice but to rely on transfers (assigned revenues and grants) even for meeting the recurring expenditures.

In order to become self-reliant, the own revenues of TPs particularly their property tax revenues should increase. The main objective of this Chapter is to estimate the revenue potential of the property tax of TPs in Tamil Nadu. A restatement of this objective is “what is a reasonable expectation for revenue mobilization from the property tax”. Revenue potential is in fact a relative term, representing a gap between the current level of revenues and the revenues that would be generated under optimal or normative considerations. There are several models for estimating the tax potential. In this study, we consider the following five ways to tap the untapped potentials of property tax of TPs in TN:

- (i) Revenue Mobilization through Rate Revisions
- (ii) Additional Revenues through Improved collection Efficiency
- (iii) Additional Revenues from Exempted Properties

- (iv) Raising Revenues based on Recommendation of Fifth State Finance Commission
- (v) Realizing Full Tax Potentials measured using the Frontier Approach.

7.3 Revenue Mobilization through Rate Revisions

As discussed in Section 6.2, the property tax revision has not taken place in the last 13 years. Although Government G.Os (150 and 110) provided the guidelines that rate should not exceed 50 percent for residential building and should not exceed 100 percent for other buildings and Madras High Court issued order for general revision of property tax, the revision has not yet been done. Currently the average rate of property tax is only 11.5 percent and productivity of property tax is poor. The total property tax revenue from all 528 TPs in Tamil Nadu was only Rs. 178.52 crore in 2020-21 (Table 7.1).

Higher rates would have brought higher yield. In Table 7.1 we have given grade wise projected property tax yields using higher rates in four alternative scenarios during 2015-16 to 2020-21. Since we have data only on town panchayat (TP) wise property tax revenues and property tax rate, we have projected property tax yield in each TP using the following formula:

Projected Property Tax Revenue = Actual Property Tax Revenue x (Proposed Rate/Actual Rate).

That is, the projected property tax revenue for each TP is the revenue yield if the TP uses proposed (higher) rate instead of actual rate. For instance, in Scenario-1, 20 percent rate is proposed instead of given actual rate. If all TPs in Tamil Nadu apply 20 percent rate instead of actual rate, the property tax yield would have been Rs. 343.73 crore in 2020-21 instead of actual yield of Rs. 178.52 crore (Table 7.1). That is, the revenue yield from property tax would have been almost doubled.

If all TPs apply the rate of 30 percent in Scenario-2, 40 percent in Scenario-3 and 50 percent in Scenario-4, the total yield in 2020-21 would have increased to Rs. 515.61 crore, Rs. 687.48 crore and Rs. 892.60 crore respectively.

These are a few indicative Scenarios. One can also work out other Scenarios with some other higher rates. The fact of the matter is that since revision is pending for more than 13 years, the Government needs to consider higher rate revision immediately. The periodic

revision of rate and use of updated market value of property would definitely bring high property tax yield to TPs in Tamil Nadu so that they can be more self-reliant.

Table 7.1: Property Tax Revenue Projection using Higher Tax Rates

Grade	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
With Actual Rate						
Special	37.25	41.11	43.25	63.07	53.54	54.15
Selection	57.92	65.39	64.94	102.58	86.55	77.92
Grade 1	26.54	28.19	30.60	48.98	39.62	38.66
Grade 2	4.75	5.08	5.49	8.82	7.20	7.79
All	126.46	139.77	144.28	223.45	186.90	178.52
Scenario-1: With 20 Percent Instead of Actual Rate						
Special	70.39	77.10	81.73	119.63	101.85	102.49
Selection	103.98	117.69	117.04	185.50	154.52	142.38
Grade 1	56.72	60.33	65.44	104.76	84.74	82.48
Grade 2	10.10	10.80	11.65	18.86	15.25	16.39
All	241.18	265.92	275.86	428.75	356.37	343.74
Scenario-2: With 30 Percent Instead of Actual Rate						
Special	105.58	115.65	122.59	179.45	152.78	153.74
Selection	155.97	176.53	175.56	278.25	231.78	213.57
Grade 1	85.08	90.50	98.16	157.14	127.11	123.72
Grade 2	15.15	16.20	17.48	28.29	22.88	24.58
All	361.77	398.88	413.79	643.13	534.56	515.61
Scenario-3: With 40 Percent Instead of Actual Rate						
Special	140.77	154.20	163.46	239.26	203.71	204.99
Selection	207.96	235.37	234.08	371.00	309.04	284.76
Grade 1	113.44	120.67	130.87	209.52	169.48	164.96
Grade 2	20.20	21.60	23.30	37.72	30.51	32.77
All	482.36	531.85	551.72	857.50	712.74	687.48
Scenario-4: With 50Percent Instead of Actual Rate						
Special	175.96	205.54	216.24	315.36	267.68	270.73
Selection	259.95	326.96	324.72	512.92	432.73	389.58
Grade 1	141.79	140.96	152.98	244.91	198.08	193.31
Grade 2	25.25	25.41	27.43	44.08	36.02	38.97
All	602.95	698.86	721.38	1117.26	934.51	892.60

7.4 Additional Revenues through Improved Collection Efficiency

Property tax yield comprises (i) current tax collection and (ii) arrears. In fact the yield (collection) is always less than the demand raised by the TP in every year. As discussed in Section 5.4 in Chapter 5, the average property collection efficiency of TPs in Tamil Nadu

was 76.76 percent during 2015-16 to 2020-21. If all TPs would have improved their collection efficiency to 100 percent, they would have obtained the total property tax revenue of Rs. 1307.94 crore in six years instead of the actual yield of Rs. 999.38 crore. Please note that this yield is with actual low rate without revision for many years. Suppose that the rate would have been 50 percent as in Table 7.1, with improved collection efficiency, the total yield in 6 years would have been Rs. 6471.27 crore instead of Rs. 4967.56 crore.

7.5 Additional Revenues from Exempted Properties

In Table 5.6 in Chapter 5, we have shown that the total exempted properties increased from 7120 in 2015 to 7216 in 2020. During the same periods, the assessment from these exempted properties increased from Rs.3.17 crore to Rs. 4.18 crore. These are revenue losses to the TPs. This may not be the exhaustive list of exempted properties. There may be many more properties that are not on the tax roll of TPs. Further with revised rates, the yield from them would increase significantly.

7.6 Raising Revenues Based on Recommendations of Fifth State Finance Commission

In order for ULBs to become self reliant, the Fifth State Finance Commission recommended that the property tax yield of ULBs in Tamil Nadu should reach 0.6 percent of GSDP in 2021-22. With current trend, we have projected that the property tax yield of all TPS in Tamil Nadu would increase to Rs. 201.28 crore (in Scenario-1) in 2021-22 (using 5 year average growth rate) and to Rs. 228.10 crore (using year average growth rate) in Scenario-2 in Tables 5.7 and 5.8. The question now is: how much of property tax yield to be raised by TPs to meet the target set by the Fifth State Finance Commission?.

To calculate this amount, we have used the following procedure:

- (i) From the budget Speech of Finance Minister, the implicit amount of GSDP of Tamil Nadu for the year 2021-22 is calculated at Rs. 21.37 lakh crore.
- (ii) 0.6 percent of GSDP amounts to Rs. 12824.41 crore. This should be the property tax revenue to be raised by all ULBs in Tamil Nadu in 2021-22.
- (iii) From Table 3.2, it is observed that in the total property tax revenues of ULBs in Tamil Nadu during 2011-12 to 2017-18, the average share of property tax revenue of TPs was approximately 10 percent. Therefore, all TPS in Tamil Nadu should raise Rs. 1282.44 crore as property tax yield in 2021-22.

To reach this target amount of Rs. 1282.44 crore, our projection amount should increase by 6.37 times in Scenario-1 and 5.62 times in Scenario-2. This could be possible only when increase the tax rate to about 60 percent.

7.7 Realizing Full Property Tax Potentials Measured Using Frontier Approach

The question that often arises is whether there is any scope for an increase in the level of property taxation of town panchayat (TP) for the mobilization of resources to finance a development program or for other purposes. A relevant consideration in answering this question is how the tax effort of a TP compares with that of other TPs in similar circumstances.

Tax effort is measured by relating actual tax collections to some indicator of taxable capacity. Traditionally, total income is considered as a proper indicator of taxable capacity and the tax effort is measured by the ratio of tax revenue to income. However, there is a limitation in this approach. These ratios do not take account of certain economic and non-economic factors which may be especially important in evaluating the tax effort.

Therefore, in addition to the aggregate income, the denominator in the tax ratio, other factors affect the taxable capacity. One of the most important factors is the level of economic development. The economic development is usually accompanied by higher rate of literacy, low percentage of reserved population or poor population, etc. It is noticed that the economic development has many dimensions and cannot be measured precisely either by a single variable or by a simple combination of variables.

There is another point to be noticed. The question of how much revenue a TP could raise is distinctly different from asking how much tax revenue it should raise. The former can be estimated through empirical investigation. The magnitude of the latter is a much deeper question, and the answer to which will depend on a variety of political and technical factors – such as the preferences of the population, the efficiency costs and equity implications of taxation, and the efficiency with which public funds can be spent, that are very difficult to estimate.

The frontier analysis, the empirical approach, is widely used method to measure the tax potential (often it is used interchangeably with the term tax capacity) and tax effort. We define the tax potential as the maximum amount of property tax revenue a town panchayat could reasonably raise at a given point of time, conditional on its prevailing characteristics.

Tax potential is inherently unobservable – but can be estimated empirically. The extent, to which estimation can capture the true underlying determinants, precisely how determinants enter into estimation, and the precise interpretation of the resulting estimates for tax potential, are important issues.

The tax effort is the extent to which the actual tax revenue reaches the estimated capacity, and it is expressed here as a proportion. Such effort reflects a) policy choices and b) inefficiency in policy enforcement. Policy choices are expressed in tax rates and bases, and any exemptions. These policy choices reflect a variety of factors, including public preferences for the size of local government. Inefficiency in enforcement encompasses issues of tax administration, taxpayer compliance, and interactions between the two. As suggested by Alfirman (2003), effort is thus best considered as ‘unused tax potential’, and represents a composite measure of policy and enforcement factors. The advantage of the frontier approach is that it suggests how much property tax revenue is raised with given resources (i.e., without any additional resources) by following best practices employed by similar units in the sample.

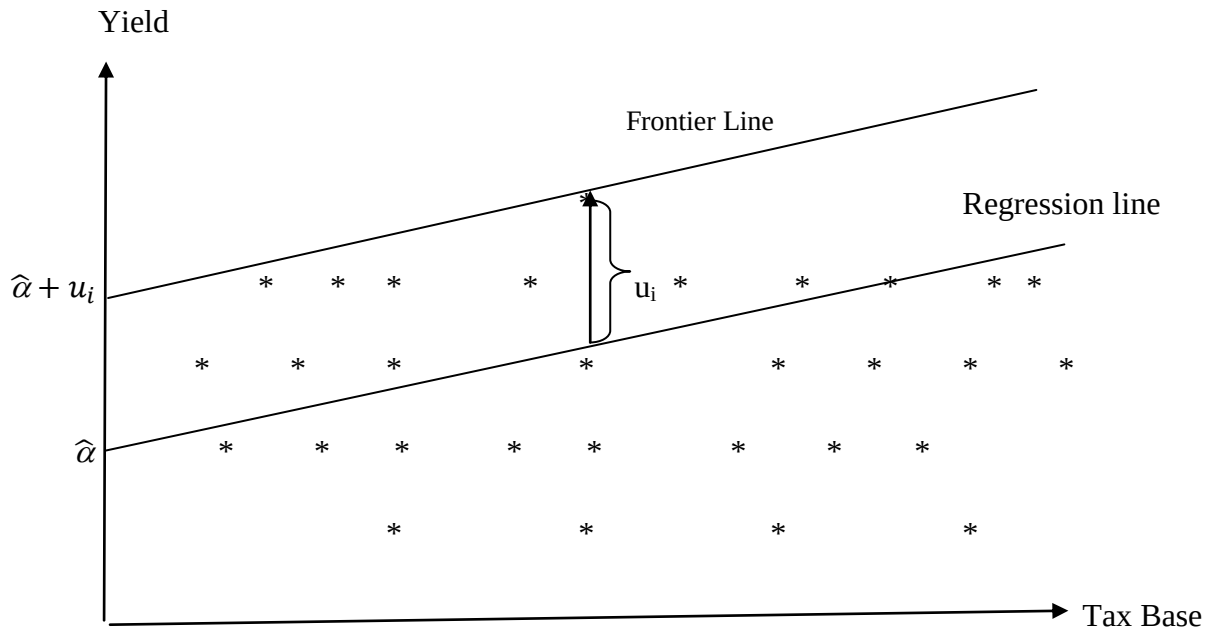
Broadly two frontier approaches are available: the data envelopment approach (DEA) and the stochastic frontier approach (SFA). The DEA method, developed by Farrell (1957) considers that the actual tax revenue (output), R is less than or equal to the potential revenue, $R^*(=f(.))$, i.e, $R \leq R^*$. The revenue gap is: $u=R^*-R$ and is modified due to non-linear relationship as $R= f(.)e^{-u}$. The advantage of this form is that it directly measures the tax effort or efficiency, given by $e^{-u} = R/R^*$ (the ratio between actual and potential revenue). The SFA approach for cross section data considers that the potential output is not deterministic, but stochastic due to random factors which would also affect the yield and so $R = f(.)e^{-u} e^v = f(.)e^\varepsilon$, where v is regular stochastic error term and ε is the composite error term ($=v-u$). Schmidt and Sickles (1984) introduced the penal data version of SFA.

A simpler version of DEA is the Corrected Ordinary Least Square (COLS) method. It is a simple regression model. After estimating the property tax revenue regression equation, the highest (positive) residual can be added with predicted (or estimated) value of property tax variable to get the potential property tax revenue for each sample TP. Then the ratio between actual property tax revenue and potential revenue will provide the estimates of tax efficiency or tax effort.

Following example will illustrate this approach clearly. We assume that the tax yield (Y) depends on only explanatory variable (X), namely the tax base. Suppose that we have data on these variables collected from various TPs in a year and plot them (as scatter points-

*) in a two dimensional graph as shown in Figure 7.1. Let our regression equation is $Y_i = \alpha + \beta X_i + u_i$. Using the Ordinary Least Square Method, the regression is estimated as: $\hat{Y}_i = \hat{\alpha} + \hat{\beta}X$. This estimated regression line is a straight line as shown in Figure 7.1 with its intercept, $\hat{\alpha}$ and slope, $\hat{\beta}$. This is basically an average line, showing the average relationship between tax yield and tax base. Below and above, we can see the actual scatter points. The distance from the scatter point to the average regression line is called the residual (u) or error. It is positive if the scatter lies above the line and negative if it lies below the line. As per this approach, the frontier or potential line is obtained by shifting the regression line parallel to the highest positive error (in Figure, it is u_i).

Figure 7.1: Regression and Frontier Lines



It is observed that because of the shifting the slope is not changing and only the intercept shifts from $\hat{\alpha}$ to $\hat{\alpha} + u_i$. With new intercept, the frontier or bench mark line equation is: $\hat{Y}_i^* = u_i + \hat{\alpha} + \hat{\beta}X_i$. For each TP, the potential or frontier yield is calculated using this equation for its given value of X (=tax base). In this example, only one X variable (tax base) is used. This procedure is used the same way even if we have more than one X variable.

In our case, our objective is to measure the potential property tax yield for TPs in Tamil Nadu using the above frontier (corrected OLS) approach. We have data on property tax revenues for 528 TPs in Tamil Nadu during 2015-16 to 2020-21 (6 years). Since these TPs vary by their characteristics income and population etc, we consider 4 types of TPs separately based on their grade categories (special, selection, grade 1 and grade 2) in each year. The

major problem is that we don't have income data for each TP. Therefore we are unable to use Tax-Income ratio as dependable variable. Instead we use log of property tax revenue as the dependent variable.

Based on data availability, we have considered the following explanatory variables:

- (i) Log of Property Tax rate;
- (ii) Log of total Expenditure of TP;
- (iii) Log of number of assessments (which include all types of assessments-residential, commercial, industrial etc)
- (iv) Literacy rate in Per cent
- (v) Percentage of SC/ST population.

Thus, the regression model to be estimated is:

$$\text{Log of Property Tax Revenue} = \beta_0 + \beta_1 \text{ Log of Property Tax Rate} + \beta_2 \text{ Log of Total Expenditure} + \beta_3 \text{ Log of Number of Assessments} + \beta_4 \text{ Literacy Rate} + \beta_5 \text{ Percentage of SC/ST population} + u_i$$

The estimated regression results are shown in Tables 7.2-7.5. It is noted that we have data for 6 years and 4 grade categories, 24 equations are estimated separately. For instance, Table 7.2 shows the results for six years for special grade TPs. Using the results for each year, the potential tax revenue for each special grade TP is calculated and the ratio between actual property tax revenue and potential revenue is called tax efficiency or tax effort.

In Table 7.2, as expected, government expenditure is positively and significantly related to property tax revenues of special grade TPs in Tamil Nadu in all six years. As expected the literacy rate has a positive association with property tax revenue in all years, but is significant only in there years-2017-18, 2018-29 and 2019-20. As expected, the assessment has positive impact and percent of SC/ST population has negative effect, but their coefficients are not significant in all the years. The results also indicate that the property tax revenues increase with increase in total expenditures and increase in literacy. From the results of these regressions, the highest positive residual in each is identified and added with intercept to shift the regression lines to their frontier levels and then the potential yield for each special grade TP and its tax efficiency for six years are calculated and are shown in Appendix 7A.

Table 7.2: Regression Estimation Results of Property Tax Revenue Equations for Special Grade TPs

Variables	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
	Coefficients	Coefficients	Coefficients	Coefficients	Coefficients	Coefficients
Log of Rate of Property Tax	0.1152 (0.490)	0.1373 (0.564)	-0.0005 (-0.002)	0.0291 (0.133)	-0.0525 (-0.208)	0.1152 (0.453)
Log of Assessments	0.1138 (0.723)	0.1086 (0.626)	0.0705 (0.375)	0.2366 (1.299)	0.0481 (0.287)	0.2024 (0.961)
Log of Public Expenditure	0.7134 (3.923)	0.7117 (3.989)	0.8296 (4.846)	0.6736 (4.283)	0.6579 (3.529)	0.5327 (3.067)
% SC/ST Population	-0.0065 (-0.641)	-0.0099 (-0.931)	-0.0095 (-0.929)	-0.0029 (-0.289)	-0.0140 (-1.259)	-0.0093 (-0.825)
% Literacy Rate	0.0164 (1.089)	0.0176 (1.161)	0.0259 (1.896)	0.0251 (1.927)	0.0259 (1.756)	0.0224 (1.540)
Intercept	-0.3243 (-0.098)	-0.2903 (-0.085)	-2.4631 (-0.733)	-0.9526 (-0.294)	1.1509 (0.299)	1.8396 (0.499)
R Squared	0.3473	0.3392	0.4044	0.3777	0.2904	0.2819
F	6.2784	6.0569	8.0108	7.1613	4.8292	4.6331

t- values are in the parentheses.

Results in Table 7.3 for Selection grade TPs show that Property tax rate was positively related to property tax revenues of selection grade TPs in all six equations. But it was significant at 5 percent level in four years except in 2016-17 and 2018-19. In these two years also it was significant at 10 percent level of significance. Both public expenditure and literacy are positively and significantly associated with property tax revenues in all six equations. The assessments have positive impact on property tax yield in all case and statistically significant in all cases except in equation 2. As expected, percentage of SC/ST population is having negative effect on property tax revenues in all cases and significant in all except in fourth equation. These results in general indicate that the property tax revenues of selection grade TPs increase with increase in tax rate, increase in total expenditures, increase in assessments, increase in literacy and decrease in SC/ST population.

Table 7.3: Regression Estimation Results of Property Tax Revenue Equations for Selection Grade TPs

Year	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
Variables	Coefficients	Coefficients	Coefficients	Coefficients	Coefficients	Coefficients
Log of Rate of Property Tax	0.2439 (2.277)	0.2211 (1.820)	0.2254 (2.083)	0.1952 (1.707)	0.2702 (2.257)	0.2949 (2.535)
Log of Assessments	0.2942 (3.638)	0.0966 (1.130)	0.2835 (3.425)	0.1681 (2.181)	0.2502 (2.924)	0.2349 (2.968)
Log of Public Expenditure	0.4805 (6.077)	0.5032 (5.660)	0.4714 (5.874)	0.5067 (6.043)	0.5001 (5.193)	0.4535 (5.060)
% SC/ST Population	-0.0059 (-2.083)	-0.0081 (-2.598)	-0.0061 (-2.249)	-0.0043 (-1.557)	-0.0066 (-2.354)	-0.0066 (-2.528)
% Literacy Rate	0.0189 (3.557)	0.0166 (2.836)	0.0235 (4.549)	0.0255 (4.769)	0.0200 (3.664)	0.0170 (3.259)
Intercept	1.4705 (1.019)	3.1120 (1.941)	1.4580 (0.988)	2.0140 (1.296)	1.4933 (0.865)	2.6362 (1.601)
R Squared	0.3696	0.2746	0.3749	0.3263	0.3268	0.3082
F	22.8668	14.7619	23.3909	18.8919	18.9329	17.3784

t- values are in the parentheses.

Results in Table 7.4 show that public expenditure, assessments and literacy rate are positively and significantly related to property tax yields of Grade 1 TPs in Tamil Nadu. Although tax rate has a positive effect and percent of SC/ST population has a negative effect on property tax yields, these effects are not statistically significant.

Table 7.4: Regression Estimation Results of Property Tax Revenue Equations for Grade 1 TPs

Variables	2015-16 Coefficients	2016-17 Coefficients	2017-18 Coefficients	2018-19 Coefficients	2019-20 Coefficients	2020-21 Coefficients
Log of Rate of Property Tax	0.0847 (1.080)	0.0665 (0.862)	0.0897 (1.148)	0.0702 (0.827)	0.0837 (1.007)	0.0957 (1.186)
Log of Assessments	0.7303 (6.587)	0.6934 (6.275)	0.7473 (6.833)	0.7163 (5.587)	0.7878 (6.332)	0.7498 (6.758)
Log of Public Expenditure	0.1867 (2.078)	0.2540 (2.856)	0.2380 (2.423)	0.2864 (2.621)	0.2722 (2.428)	0.3396 (3.594)
% SC/ST Population	0.0003 (0.106)	-0.0004 (-0.151)	-0.0012 (-0.413)	-0.0014 (-0.419)	-0.0024 (-0.752)	-0.0018 (-0.601)
% Literacy Rate	0.0145 (2.986)	0.0138 (2.938)	0.0156 (3.329)	0.0180 (3.492)	0.0160 (3.191)	0.0106 (2.197)
Intercept	3.2732 (2.504)	2.5371 (1.964)	2.2390 (1.493)	1.8567 (1.150)	1.4227 (0.866)	0.9302 (0.635)
R Squared	0.4180	0.4346	0.4375	0.4177	0.4505	0.4571
F	27.8691	29.8204	30.1723	27.8378	31.8121	32.6650

t- values are in the parentheses.

Table 7.5 shows that the assessments are positively and significantly related to property tax revenues of Grade 2 TPs in all cases. Although the rate has positive impact, it is not significant in all 6 cases. The government expenditure has negative effect in two cases and positive effect in the remaining cases. But these effects are not significant in all cases except in second equation where it is significant at 10 percent level. As expected the literacy is positively related to property tax yields but it is significant only in first three cases. As expected the percent of SC/ST has a negative effect in all cases but it is not significant in all cases.

Table 7.5: Regression Estimation Results of Property Tax Revenue Equations for Grade 2 TPs

Year	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
Variables	Coefficients	Coefficients	Coefficients	Coefficients	Coefficients	Coefficients
Log of Rate of Property Tax	0.1961 (1.160)	0.1938 (1.158)	0.1895 (1.120)	0.1470 (0.814)	0.2458 (1.346)	0.2937 (1.450)
Log of Assessments	0.7467 (3.148)	0.6659 (3.347)	0.6939 (3.288)	0.8701 (3.692)	0.9421 (3.782)	0.7227 (2.691)
Log of Public Expenditure	0.1065 (0.645)	0.2394 (1.903)	0.2457 (1.434)	-0.1158 (-0.634)	-0.1320 (-0.712)	0.1913 (1.048)
% SC/ST Population	-0.0056 (-1.286)	-0.0066 (-1.559)	-0.0063 (-1.476)	-0.0072 (-1.673)	-0.0050 (-1.136)	-0.0050 (-1.079)
% Literacy Rate	0.0136 (1.981)	0.0146 (2.129)	0.0153 (2.184)	0.0115 (1.497)	0.0138 (1.783)	0.0096 (1.134)
Intercept	4.1818 (1.990)	2.4964 (1.266)	2.1668 (0.882)	7.9321 (2.954)	6.9650 (2.679)	3.2916 (1.268)
R Squared	0.4783	0.5072	0.4986	0.4422	0.4584	0.3865
F	10.2669	11.5267	11.1360	8.8797	9.4780	7.0559

t- values are in the parentheses.

¶

Table 7.6 shows the grade wise and year wise average tax effort/efficiency and aggregate potential property tax revenues. The average tax efficiency varied widely across grades and years. For instances, in the case of special grade TPs, the average efficiency ranged between 18.19 percent and 38.88 percent. This means that the special grade TPs on an average realized only 18.19 to 38.88 percent potentials across the six years. That is, 61.12 - 81.81 percent of potentials are not yet realized. For selection grade TPs, the average efficiency ranged between 7.86 percent and 27.79 percent. For grade 1 TPs, it varied from 25.56 percent to 34.3 percent and for grade 2 TPs, the average efficiency varied from 14.69 percent to 21.47 percent across years. These results indicate that huge property tax potentials are not yet realized fully or properly.

Table 7.6: Grade Wise Average Tax Efficiency and Potential Property Tax Revenues from 2015-16 to 2020-21

Grade	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
Average Tax Efficiency (Percent)						
Special	38.88	22.11	18.19	28.68	37.49	24.05
Selection	21.76	7.86	21.79	14.95	13.65	20.83
Grade 1	32.00	32.26	34.30	30.83	27.23	25.56
Grade 2	20.86	21.01	21.47	19.18	17.58	14.69
Potential Property Tax Revenue (Rs.Crore)						
Special	97.51	188.63	244.81	224.11	143.63	229.86
Selection	263.23	834.49	295.67	680.03	622.44	376.60
Grade 1	84.02	88.43	90.12	161.31	147.69	153.18
Grade 2	23.16	24.59	25.92	46.54	41.74	54.51
All	467.91	1136.15	656.53	1112.00	955.49	814.15

Table 7.6 also provides grade wise property tax revenue potentials from 2015-16 to 2020-21. It indicates that if all TPs would have realized their full potentials, the aggregate property tax revenues in six years would have been Rs.5142.235 crore instead of the realized amount of Rs. 999.38 crore. It is noted that the potential amount could have been realized following the best practice of TP in each category in each year with given resources and policy, that is without any additional resource or any policy change. If all TPs would have applied 20 percent rate, the potential revenues could have been doubled. For 30 percent rate, it would have been tripled and for 50% rate, this would have been more than Rs. 25,000 crore. Appendix 7A provides the details of tax effort and potential revenues for all 528 TPs in Tamil Nadu over six years.

7.8 Concluding Remarks

This Chapter has suggested the following five normative ways to tap the untapped revenue potentials of property tax of town panchayats in Tamil Nadu: (i) Revenue mobilization through Rate Revision; (ii) Additional Revenues through improved collection efficiency; (iii) Additional revenues from exempted properties; (iv) Raising revenues based on Recommendation of Fifth State Finance Commission and (v) Realizing full tax potentials measured using the frontier approach. Based on these normative approaches, the following findings are shown as:

(i) If all TPs in Tamil Nadu applied 20 percent rate instead of actual rate, the property tax yield would have been Rs. 343.73 crore in 2020-21 instead of actual yield of Rs. 178.52 crore. Similarly applying 30 percent, 40 percent and 50 percent rate would have increased the yield to Rs. 515.61 crore, Rs. 687.48 crore and Rs. 892.60 crore. Since property tax rate revision is pending for many years and higher rate will bring more revenues, the Government needs to consider higher rate revision. The periodic revision of rate and use of updated market value of property would definitely bring high property tax yield to TPs in Tamil Nadu so that they can be more self-reliant.

(ii) Since the average property collection efficiency of TPs in Tamil Nadu was 76.76 percent during 2015-16 to 2020-21, they need to improve their collection efficiency to 100 percent. If they had 100 percent collection efficiency, their property tax revenues would have been Rs. 1307.94 crore in six years instead of the actual yield of Rs. 999.38 crore. If the rate would have been 50 percent, the total yield in 6 years would have been Rs. 6471.27 crore.

(iii) From 2015-16 to 2020-21, the assessment from the exempted properties increased from Rs.3.17 crore to Rs. 4.18 crore. However, there could be many more properties that are not in tax roll. Further, rate revision will bring more revenues.

(iv) To meet the property tax revenue target of 0.6 percent of GSDP for ULBs in 2021-22 as recommended by the Fifth State Finance commission, the TPs should raise Rs. 1284.44 crore instead of the projected amount of Rs. 201.28 crore with current trend. This could be possible only if 60 percent rate is applied.

(v) The frontier approach shows that for special grade TPs, the average tax efficiency ranged between 18.19 percent and 38.88 percent over six years; for selection grade TPs, it ranged between 7.86 percent and 27.79 percent; for grade 1 TPs, it varied from 25.56 percent to 34.3 percent and for grade 2 TPs, the average efficiency varied from 14.69 percent to 21.47 percent. These results indicate that huge property tax potentials are not yet realized fully.

(vi) If all TPs would have realized their full potentials, the aggregate property tax revenues in six years would have been Rs.5183.75 crore instead of realized amount of Rs. 999.38 crore. If all TPs would have levied 50 percent rate, this would have been more than Rs. 25,000 crore.

Chapter 8

RECOMMENDATIONS OF FINANCE COMMISSION OF INDIA AND LAND BASED INSTRUMENTS TO AUGMENT PROPERTY TAX

8.1 Introduction

In the previous Chapter, we have discussed about the ways to tap the untapped property tax potentials of town panchayats (TPs) in Tamil Nadu. This Chapter discusses on the recommendations of various Finance Commission of India for local bodies to augment their resources, particularly property tax revenues and the use of land based instruments to augment property tax.

8.2 Recommendations of Finance Commission of India

Tenth Finance Commission

Based on the 72nd and 73rd Constitutional amendments, the Tenth Finance Commission recommended measures to augment the consolidated funds of the States for use by local bodies. It pointed out that it could recommend such measures only after ascertaining the need for these funds, and the primary basis for this would have to be the SFCs' reports which were not available at that point of time. Therefore, it recommended ad hoc grants:

- (i) A grant of Rs. 100 per capita for rural population, as per the 1971 Census, to PRIs. This added up to a total of Rs. 4380.93 crore.
- (ii) A grant amounted to Rs. 1000 crore to urban local bodies (ULBs).

Eleventh Finance Commission

- (i) Recommended a grant of Rs. 8000 crore for PRIs and Rs. 2000 crore for ULBs for the five-year period starting 2000-01.
- (ii) States could adopt measures to augment their consolidated funds so as to supplement the resources of the panchayats and municipalities. These measures could include: a) Imposition

of taxes on land/farm income, (b) Surcharge/cess on State taxes, and (c) Levy of professional taxes.

(iii) Suggestion for improvement in efficiency of collection of property/house tax as well as assignment of a suitable tax (with buoyant revenues) in lieu of octroi which was abolished.

(iv) Levy and periodic revision of user charges.

(v) Enactment of legislation to clearly delineate the functions of all three tiers of the PRIs; integration of the district rural development agencies and urban development agencies with the PRIs/ULBs; and a review of the Constitutional provision mandating States having a population of more than 20 lakh to have a three-tier Panchayati Raj system.

Twelfth Finance Commission

(i) Recommended a sum of Rs. 20,000 crore for the PRIs and Rs. 5,000 crore for ULBs for the five-year period starting 2005-06.

(ii) Identified 14 best practices which local bodies could usefully adopt including enhancing taxation powers, levy of user charges, setting up of SFCs in a timely manner, and regular maintenance of accounts and audit.

(iii) High priority to be given to creation of a data base, and the maintenance of accounts using modern technology and management systems.

Thirteenth Finance Commission

(i) State Governments must put in place a system to electronically transfer local body grants provided by the Commission to the respective local bodies within five days of their receipt from the Central Government.

(ii) All local bodies should be fully enabled to levy property tax (including tax for all types of residential and commercial properties) and any hindrances in this regard must be removed. Self-certification by the State Government will demonstrate compliance with this condition.

(iii) State Governments must put in place a State Level Property Tax Board. This will assist all municipalities and municipal corporations in the State to put in place an independent and transparent procedure for assessing property tax. The Board (a) shall enumerate all properties within the jurisdiction of the municipalities and corporations; (b) shall review the present

property tax system and make suggestions for a suitable basis for assessment and valuation of properties; and (c) shall make recommendations on modalities for periodic revisions.

(iv) Lack of resources often results in local bodies diluting the quality of services provided by them. State Governments must gradually put in place standards for delivery of all essential services provided by local bodies. State Governments must notify or order all the municipal corporations and municipalities to notify by the end of a fiscal year (31 March) the service standards for the four service sectors - water supply, sewerage, storm water drainage, and solid waste management - proposed to be achieved by them by the end of the succeeding fiscal year.

Fourteenth Finance Commission

(i) Local bodies should spend the grants only on the basic services as per the functions assigned to them under relevant legislations

(ii) The books of accounts prepared by the local bodies should distinctly capture income on account of own taxes and non-taxes, assigned taxes, devolution and grants from the State, grants from the Finance Commission, and grants for any agency functions assigned by the Union and State Governments.

(iii) Distribution of grants to the States using 2011 population data with a weight of 90 percent and area with a weight of 10 percent. The grant to each State will be divided into two - a grant to duly constituted gram panchayats and a grant to duly constituted municipalities; these will be based on urban and rural population of that State as given by the data in Census 2011.

(iv) Total size of the grant will be Rs. 2,87,436 crore for the period 2015-20, constituting an assistance of Rs. 488 per capita per annum at an aggregate level. Of this, the grant recommended to panchayats is Rs. 2,00,292 crore and that to municipalities is Rs. 87,144 crore.

(v) It recommended grants in two parts - a basic grant and a performance grant for duly constituted gram panchayats and municipalities. In the case of gram panchayats, 90 percent of the grant will be the basic grant and 10 percent will be the performance grant. In the case of municipalities, the division between basic and performance grant will be on an 80:20 basis.

(vi) The grants recommended by FC shall be released in two installments each year - in June and October. This will enable timely flows to local bodies during the year, enabling them to plan and execute better services. It recommended that 50 percent of the basic grant for the year be released to the State as the first installment for the year. The remaining basic grant and the full performance grant for the year may be released as the second installment in the year. The States should release the grants to the gram panchayats and municipalities within fifteen days of it being credited to their account by the Union Government.

(vii) Existing rules be reviewed and amplified to facilitate the levy of property tax, and the granting of exemptions be minimized. The assessment of properties may be done every four or five years, and the urban local bodies should introduce the system of self-assessment. It recommended that action be taken by the States to share information regarding property tax among the municipalities, State and Union Governments.

(viii) Levy of vacant land tax by peri-urban panchayats be considered. In addition, a part of land conversion charges can be shared by State Governments with municipalities and panchayats.

Fifteenth Finance Commission

(i) Total size of the grant to local governments should be Rs. 4,36,361 crore for the period 2021-26. It favoured a fixed amount rather than a proportion of the divisible pool of taxes to ensure greater predictability of the quantum and timing of grants fund flow.

(ii) Of these total grants, Rs. 8,000 crore are performance-based grants for incubation of new cities and Rs. 450 crore is allocated for shared municipal services. A sum of Rs. 2,36,805 crore is earmarked for rural local bodies, Rs. 1,21,055 crore for urban local bodies and Rs. 70,051 crore for health grants through local governments.

(iii) States must constitute SFCs, act upon their recommendations, and lay down the explanatory memorandum to the action taken thereon before the State legislature on or before March 2024. After this date, no grants should be released to a State that has not complied with the Constitutional provisions in respect of the SFC and these conditions.

(iv) Urban local bodies have been categorized into two groups as based on the population, and different norms have been used for flow of grants to each, based on their specific needs and aspirations. For cities with million plus population (Million-Plus cities), 100 percent of

the grants are performance-linked through the Million-Plus Cities Challenge Fund (MCF). Basic grants are proposed only for cities/towns having a population of less than a million. Category I cities (urban agglomerations with a population of more than one million) will be treated as a single unit for monitoring the performance indicators of ambient air quality and service level benchmarks. One-third of the total MCF of each city is earmarked for achieving ambient air quality. The balance two-third of the city-wise MCF is earmarked for achieving service level benchmarks for drinking water (including rainwater harvesting and recycling) and solid waste management. For drinking water (including rainwater harvesting and recycling) and sanitation and solid waste management criteria under service level benchmarks, the Ministry of Housing and Urban Administration (MoHUA) shall act as the nodal ministry for determining the eligible urban local bodies.

(v) State Governments, while deciding the share of basic grant among various urban local bodies in cities other than Million-Plus cities, shall also make allotment of grants (only under basic grants) on a per capita basis for the Cantonment Boards falling within the State.

(vi) A sum of Rs. 8,000 crore is recommended to be given to the States as grants for incubation of new cities and Rs. 450 crore for facilitating shared municipal services.

(vii) Since the ceiling for profession tax has not been revised for the last three decades, it is time that the relevant amendment to the Constitution is carried out on a priority basis.

The 15th Finance Commission has recommended a much lower share of untied local body grants than recommended by the Thirteenth and Fourteenth Finance Commissions. In the case of Tamil Nadu, the share of untied grants was 35.7 per cent of aggregate local body grants meant for Tamil Nadu (excluding those for health). The share of the untied grants would increase to 46.5 per cent. The details of (tied and untied) grants to urban local bodies allocated by the Centre as per the recommendations of Fifteenth Finance Commission are given in Table 8.1.

Table 8.1: Tied and Untied Grants Allotted to ULBs (Rs. Crore)

Year	Tied Grants	Untied Grants
2020-21	269.23	269.24
2021-22	166.09	110.73
2022-23	172.05	114.7
2023-24	181.9	121.27
2024-25	192.69	128.46
2025-26	196.41	130.94
Total	1178.37	875.34

8.3 Land Based Instrument to Augment Untapped Property Tax Potentials

Land, like labour and Capital, is a factor of Production. Economic Theories (Ricardian Theory of Rent, Modern Theory of Rent and the Marginal Productivity Theory of Distribution) have established the fact that land has the potential to augment future revenues.

The use of land as a source of financing urban infrastructure can be a very useful supplementary mechanism. At a time when government budgets are hard pressed and large scale borrowings are hard to come by, land-based financing could be an important option for local infrastructure finance. By leveraging the sensitivity of land values to urban economic growth and the principle that benefits of infrastructure are capitalized into land values, land-based financing instruments have come to play a key role in complementing other sources of capital finance.

The scale of land-based financing is also much larger in magnitude when compared to other sources of urban capital finance. Further, mobilizing finance from land transactions strengthens efficiency of urban land markets and rationalizes the pattern of urban development by sending out price signals to the market.

However, its role as an instrument of capital finance is restricted due to the following reasons:

- (i) It is not a permanent and recurring source of revenue as land sales cannot continue indefinitely. So revenues from land financing should ideally not to be used to finance operating expenses and must be directed only to the capital budget.

(ii) Volatility inherent in land markets could simply reflect an asset bubble and world - wide economic conditions. Thus extrapolating past trends to prepare future investments plans could be risky.

(iii) The magnitude of revenues raised from land financing breeds the risks of favoritism, corruption and abuse of Government power if land-based transactions lack transparency and accountability.

(iv) It has been less frequently employed to finance investments in existing basic infrastructure services such as repair or upgrading water supply, waste – water collection or solid waste removal. The fact that water supply and other basic services agencies do not own excess land that can be sold or developed explains the lack of land-based financing in these areas

8.4 Normative Approach to Realize the Land Tax Potentials

In his book “The Wealth of Nations (1776)”, Adam Smith (father of economics) argued that taxation should follow the four principles of fairness, certainty, convenience and efficiency. The normative approach to realize the tax potentials from land should be focused on the above four principles. Unfortunately, the ownership of land and the development rights caught between two extreme notions on the use of land as an instrument to mobilise resources. The first notion says that “*Individual land owner has no right to land rent and that can be fully taxed for community benefit*” (George, 1879). The second notion implies that “*development rights are owned by the State and can be taxed on allocation of individual land owner*” (Uthwatt Report).

The macroeconomic ethos also seems to commit to the notion of private property in land. Ownership of land and ownership of development rights have not yet been legally dissociated. So it is necessary to borne in mind that the notion of property rights in land (both in legal and economic sense) has to be clearly understood while designing land based fiscal tools.

In the present Indian context, though ownership of property is no longer a fundamental right, evolution of law seems to support that the State can compulsorily acquire land only for clearly defined public purpose and by paying fare and just compensation.

8.5 Land Based Fiscal Tools in India

The most commonly used land based fiscal tools currently in practice in various Indian States are:

- (i) Land Value Increment Tax (LVIT)
- (ii) Development Charge – Area based and Value based
- (iii) Transfer of Development Rights (TDR)
- (iv) Impact fees and Fees for regularization of unauthorized developments

Land Value Increment Tax (LVIT)

It is also known as betterment levy on the increase in the value of the land on account of implementation of improvement scheme or town planning scheme or specific project.

Example – Ponneri, a selection grade town panchayat in Tiruvallur District, located 37 kms from Chennai has the potential to tap additional resources by making use of the Land Based Fiscal tool LVIT. The land value in Ponneri has increased due to the fact that Ponneri is one of 100 TPs selected by the Government of India to upgrade as smart city. Besides this, the outer inner ring road laid by the State Government added further value to the land. Many Japanese Companies preferred to have their factories in Ponneri. The property tax for the year 2017-18 (latest data available in the website) accounted 13 percent (Rs.0.82 crore) of the total revenue (Rs.6.26 crore) of the TP. This was a 3 percent increase over 2016 -17. So Ponneri has the potential to tap additional resources by making use of the Land based instrument of LVIT.

Development Charges (Area and Value based)

They are onetime charges on area of land and /or buildings at the time of granting development permission. A similar onetime charge is collected on the value of the land.

Transfer of Development Rights

It is an indirect fiscal tool as a substitute for monetary compensation in case of acquisition of land for public purpose or as an incentive to achieve planning objectives.

Impact Fees and Fees for Regularization of Unauthorised Development

These fees are evaluated on the basis of the following six basic parameters: (i) Tax base, (ii) Efficiency, (iii) Equity, (iv) Adequacy, (v) Manageability and (vi) Legal Feasibility.

8.6 Land Based Instruments and Improved Collection Efficiency

An important question is that whether the land based fiscal instruments could improve the collection efficiency of the Town Panchayats. Unfortunately, the data about the revenue earned through the land based fiscal instruments are not readily available in the public domain. Moreover to access the fiscal efficacy of these instruments, it is also necessary to understand the proportion of such earnings to total budget size and to the proposed capital expenditure. This cannot be rigorously analyzed for want of systematic data.

However, Reddy (2010) in his study shows that all the ULBs and UDAs (Urban Development Authorities) in Andhra Pradesh and Maharashtra earned substantial revenue through the land based fiscal instruments. In Andhra Pradesh, the revenue earned through Land Based Fiscal Instruments was Rs. 311 crore in 2009-10 and Rs.227 crore in 2010-11 (Table 8.2).

Table 8.2: Revenue Earned from Land Based Fiscal Instruments in Andhra Pradesh (Rs. Crore)

Fiscal Instrument	Revenue Earned in the ULBs & UDAs	
	2009-10	2010-11
Building permit fee	72.42	56.59
Development Charges	79	52.25
Betterment Charges	74.75	55.8
Impact fees	41.08	24.18
Other Tools	43.75	38.18
Total	311	227

Moreover, the Development Charges in the Income of Hyderabad Metropolitan Authority (HMDA) constituted major share of the income ranging from 44 percent to 79 percent of the total income (Table 8.3).

Table 8.3: Development Charges in Hyderabad Metropolitan Authority (Rs. Crore)

Particulars	2006-07	2007-08	2008-09	2009-10
Development Charges	51.48	131.98	273.28	167.4
Other Receipts	64.22	60.33	73.35	91.44
Total Income	115.7	192.31	346.63	258.84
Developt. Charge as a % of Total Income	44%	69%	79%	65%

In Municipal Corporation of Greater Mumbai (MCGM), the total revenue accruing from Land based Fiscal instrument was estimated to be Rs. 2870 crore in 2012-13 (Table 8.4). This included value based development charges, premium for granting 0.33 FSI, premium for 35 percent extra FSI that was earlier treated as free of FSI, and premium for treating areas of staircases, passages as free of FSI.

Table 8.4: Income from Land Based Fiscal Instruments in MCGM (Rs.Crore)

Land Based Fiscal Instrument	2009-10	2010-11	2011-12	2012-13 (RE)	2013 – 14 (BE)
Development Charges	132.78	225.14	306.85	307.63	317.63
Premium for Addl.0.33 FSI	28.14	0.01	229.85	275	325
Compensatory Fungible FSI	-			910	915
Other Premium Charges	646.05			1005.47	1005.47
Miscellaneous Fees, Fines & Charges	320.46			372.33	384.31
Total	1127.43	1424.05	1480.88	2870.43	2947.41

From the above examples, it is clear that the Land Based Fiscal Instruments improves the collection efficiency.

8.7 Land Based Instrument Models Used to Mobilize Additional Resources

There are four generic Land based instrument Models that have been used in India to mobilize additional resources to the ULBs. They are:

Large – Scale Bulk Land Acquisition

Under this model the regulatory authorities acquire large area of land, develop and dispose of land and the gain from the land value accruing to the development authorities.

Example: The Delhi Development Authority (DDA) and the City and Industrial Development Corporation of Maharashtra - in case of Navi Mumbai (CIDCO) used this model. In this model, the land was acquired in 1960s and 1970s (prior to the amendment of Land Acquisition Act in 1984). The land was developed and disposed over a long period of time with entire land value gain accruing to the development authorities.

Sharing of Land

Under this model, the land development authorities acquire land with a clear indication that certain percentage of the land returned to the land owners. The prime plots (Corner plots) are auctioned to get substantial revenues to the development authorities.

Example: Bangalore Development Authority (BDA) used this model and handed over 40 percent of the land to the land owners. Indore Development Authority (IDA) – using the provision of Madhya Pradesh (1973) acquires and dispose of land for raising finances.

Town Planning Scheme

Under this model, assemble land and appropriate 40 to 50 percent of the land for public purposes including up to 15 percent for sale by the development authority that forms substantial revenue to them.

Example: Ahmedabad Urban Development Authority (AUDA) releasing the difficulties of large scale land acquisition adopted this model that emerges as an important source of revenues to them.

Development Scheme

Apart from the development authorities, Housing Boards and Industrial development corporations also use acquisition of land for their development objectives

Example: Tamil Nadu Housing Board (TNHB) in the early 1970s following the World Trade Fair in 1968 in Chennai acquired 5 km² (2 sq ml) area of a suburban village “Naduvakkarai” named it as Anna Nagar. The TNHB developed residential plots, apartments, commercial complexes, wide roads, school zones, bus terminals, and large parks and made substantial revenue.

Difficulties in using the above Models

Acquiring land as an instrument in gaining revenue is increasingly coming under stress and expensive. Moreover, ULBs have very little access in such ways of acquiring and using part of the land for remunerative purpose. So the question is: what is the alternative available to ULBs to use land as an instrument to gain revenue for its development activities?

The answer is: Make use of land assets built over a long period of time in the PPP (Public – Private Partnership) format (Simply conditional leasing of land) to build assets for public purposes and services (Hospitals, Markets, Public Parking).

8.8 Concluding Remarks

This Chapter has reviewed the recommendations of various Finance Commissions of India for local bodies to augment their resources particularly property tax revenues. It also discussed the land base instruments to augment Property tax. Following important points emerged:

- (i) The Eleventh Finance Commission suggested for improvement in the efficiency of collection of property tax/house tax and assignment of suitable tax in lieu of octroi which was abolished. It also suggested for periodic revision of user charges
- (ii) Twelfth Finance Commission suggested enhancing tax powers of local bodies, and levy of user charges
- (iii) Thirteenth Finance Commission recommended that all local bodies should be fully enabled to levy property tax on all types of residential and commercial properties and the establishment of a State Level Property Tax Board which would enumerate all properties within jurisdiction of ULB and make suggestions for suitable basis for assessment and valuation of properties and make recommendations on modalities for periodic revisions.
- (iv) Fourteenth Finance Commission recommended grants in two parts: (a) 90 percent grant will be the basic grant and 10 percent as performance grant for rural bodies and (b) for urban bodies, the division between basic and performance is 80:20 basis. It also recommended that assessment of properties must be done every four or five years and urban bodies should introduce the system of self assessment.
- (v) Fifteenth Finance Commission recommended for fixing the ceiling for profession tax. It suggested for a much lower share of untied local body grants. For Tamil Nadu, the share of

untied grant was 35.7 percent of aggregate local body grant allotted to Tamil Nadu. At the same time, the untied grant was increased to 46.7 percent.

(vi) While the use of land as a source of financing urban infrastructure can be a very useful supplementary mechanism and the scale of land based financing is also much larger in scale, it cannot be a permanent and recurring source of revenue as land sales cannot continue indefinitely. This may breed the risk of favouritism, corruption and abuse of Government power.

(v) Land value increment tax, Development charges (area based and value based). Transfer of development rights and impact fees and fees for regularization of unauthorized development are most commonly used land based fiscal tools in India.

(vi) Studies indicate that all ULBs and UDAs in Andhra Pradesh and Maharashtra earned substantial revenue through the land based fiscal instruments.

(vii) Large scale bulk land acquisition, sharing of land, town planning scheme and development scheme are land based instrument model used by ULBs in India.

Given these, the first step for the ULBs and Town Panchayats is to update their data base on the properties in their location. This has not been done due to non-availability of sufficient manpower to undertake the survey of the properties in their respective areas and due to political interference and the power of the influential people to prevent ULBs and TPs for such a move. Now, the latest technology is available to identify the properties that are not recorded in the Town panchayats records.

Many ULBs do not have accountability of the land they own. Using GIS based technology, every ULBs can undertake a GIS based inventory of lands owned by it. The inventory should cover Tenure (if leased, lease period, covenants, lease rent etc), current use, if built constructed area and consumed FSI, permissible built-up area at permissible FSI, assessed value of land etc. Based on such inventory, vacant lands, plots with obsolete use and plots with underutilized FSI could be identified. This in turn should provide the basis for using ULB lands for generating additional financial resources.

Further the TPs would consider for integrating an element of revenue flows of the Town Panchayats into their infrastructure plans. This will provide cash flows to service the debt/capital also the surpluses any to redeploy. So there is a direct stake for the Town

panchayats successful in income terms rather than capital value terms (that creates bubbles). The TPs should take up an equity stake in commercial developments based on land price at the time of transfer to developers. Downstream sales will thus contribute earnings to the TPs. Finally, the TPs can charge a small fee for the specific area based taxes for newer developments such as Road, water/sewage and electricity footprint etc that will contribute a steady income to the TPs. As a result, all the properties in that area benefits in terms of price rise etc.

Chapter 9

SUMMARY OF FINDINGS AND CONCLUSIONS

9.1 Introduction

Although the 73rd and 74th Amendments of Constitution Act 1992 accorded the statutory status to local bodies in the country, they are not yet the institutions of self reliant. They are unable to generate revenue on their own to meet even their recurring expenditures and rely heavily on higher levels of Government for resources, acting as agents for the implementation of higher level Government projects. Implementation of GST in 2017 affected further the municipal finances as it has subsumed local taxes such as octroi, entry tax, advertisement tax etc. While the property tax is an important urban local tax in the country, the productivity and performance of the property tax is in general very poor due to the fact that the autonomy of urban local Governments in formulating property tax policy, or designing the system is severely restricted. Increased urbanization would also give more pressure on municipal services and urban infrastructure in States like Tamil Nadu which is the most urbanized State in the country. As the property tax has the potential to improve the finances of urban local bodies, this study has attempted to track the untapped property tax potential in urban local bodies in Tamil Nadu with special focus on Town Panchayats. Utilizing the town panchayat wise data on population, area, income and expenditures, property tax revenues, and its components, collection and demand, exempted properties from 2015-16 to 2020-21, provided by the Sixth State Finance Commission and other secondary data available in public domain, this study has analyzed the trends in various fiscal indicators and their growths over the years, concentrating more on demand and collection efficiency of property tax, the trends in property tax assessments and revenue components, exempted properties etc. Based on the analyses, it has identified various untapped property tax potentials of town panchayats in Tamil Nadu, it has projected many parameters including population, revenue components, expenditures etc till 2026-27, and provided policy suggestions to augment property tax revenues.

9.2 Summary of Major Findings and Policy Suggestions

A. State Economy

(1) Tamil Nadu economy grew at an average rate of 6.42 percent from 2015-16 to 2020-21 and the COVID-19 pandemic affected its growth in the last two years.

(2) The secondary sector grew at 8.15 percent while the primary and the tertiary sectors grew at 5.38 percent and 4.85 percent respectively. Slow down in the growth of service sector is the major concern.

(3) Tamil Nadu ranked 6th in per capita income (with Rs. 2.13 lakh) among major Indian States in 2019-20. Wide income inequality exists among districts in the State. The top district Thiruvallur's per capita income of Rs. 2.96 lakh was about 3.14 times higher than the per capita income of poorest district Thiruvallur of Rs. 94290 in 2017-18.

(4) The State compares well with other Indian States in poverty reduction. It ranks first in the SDG index Goal 1 (No poverty) released by NITI Aayog. However, its labor participation rate has been steadily declining from 61.1 percent in September 2016 to 43.9 percent in March 2020.

B. State Government Finances

(5) The key fiscal parameters-revenue deficit, fiscal deficit and public debt relative to GSDP have been kept as per the norms of FRBM legislation for many years. However, in 2017-18 and 2018-19, its revenue deficit exceeded 1 percent of GSDP. Due to pandemic, the revenue deficit-GSDP ratio increased to 1.94 percent in 2019-20 and further to 3.4 percent in 2020-21RE. This is the concern as part of net borrowed amounts is used to meet the revenue expenses.

(6). Due to pandemic, the fiscal deficit-GSDP ratio also increased to 3.24% in 2019-20 and 4.99% in 2020-21RE. The outstanding liabilities of the State would be about Rs.485503 crore (25% of GSDP) in 2020-21 RE. While this is within the debt path set by the 15th Finance Commission, it seems to be unsustainable as the New FRBM committee suggested only 20 percent level for Indian States.

(7) From 2015-16 to 2020-21, the revenue receipts grew only at 7.16 percent whereas the revenue expenditure grew at 11.93 percent. Own tax revenue grew only at 6.52 percent and almost all major taxes also grew at a lower rate than the (nominal) GSDP growth of 10.12 percent. Therefore, own tax buoyancy is less than one. This is a major concern.

(8) The 15th FC also has reduced the Tamil Nadu's share in Central transfers

C. Financial Status of ULBs in Tamil Nadu

(9) Currently there are 15 municipal corporations, 121 municipalities and 528 town Panchayats in Tamil Nadu, i.e. a total of 664 ULBs.

(10) From 2011-12 to 2016-17, the total expenditure of all ULBs increased from Rs. 4780 crore to Rs. 13301 crore while the total income increased from Rs. 6373 crore to Rs. 12677 crore

(11) During 2011-12 to 2016-17, own revenues of ULBs increased from Rs. 2148 crore to Rs. 3776 crore and transfers from Rs. 4000 crore to Rs. 6937 crore. Thus, the share of transfers in total revenues declined from 62.76 percent to 54.72 percent.

(12) From 2011-12 to 2017-18, property tax revenues of ULBs increased from Rs.971.7 crore to Rs. 1827.5 crore. The average growth of property tax revenue was 12.51 percent in municipal corporations, 9.36 percent in municipalities and only 7.65 percent in town panchayats. So its buoyancy was 1.06 for municipal corporations, 0.79 for municipalities and only 0.65 for town panchayats. Low buoyancies in both municipalities and town panchayats are major concern.

(13) Property tax-GSDP ratio of all ULBs ranged between 0.12 and 0.133 as against the target of 0.6 percent in 2021-22, suggested by Fifth State Finance Commission.

(14) Interstate comparison reveals that the share of own revenues in total revenues of all ULBs in Tamil Nadu was 16.4 percent in 2017-18 while it was 66.6 percent in Punjab. Per capita property tax revenue for all ULBs in Tamil Nadu was only Rs. 487 and it was Rs. 1942 in Gujarat and Rs. 1512 in Maharashtra. It seems that this tax has the potential to bring more revenues to ULBs in Tamil Nadu.

D Financial Status of Town Panchayats in Tamil Nadu

(15) There are 528 TPs in Tamil Nadu which spread over about 7125 sq. km area. The total population of all TPs was 94.27 lakhs in 2020-21 and it is expected to increase to 1.05 crore in 2025-26.

(16) In 60 TPs, the population already exceeded 30,000. It is essential to either up-grade them based on population norms or revise the population norm. Income of many TPs also already

increased significantly and so these TPs need to be upgraded or income norm need to be revised.

(17) While aggregate income of all TPs increased from Rs. 2886 crore in 2015-16 to Rs. 4278 in 2018-19 and then it declined to Rs. 3865 crore in 2020-21 (due to pandemic effect), the total expenditures continuously increased from Rs. 3033 crore to Rs. 3920 crore

(18) The overall budget of TPs showed a surplus of Rs. 567 crore in 2018-19, but it showed a deficit of Rs. 54 crore in 2020-21. In 2020-21, only the overall account for special grade TPs showed surplus while others showed deficit. 302 TPs incurred deficit in 2020-21 and 226 showed surplus. Thus, in about 57 percent of TPs in Tamil Nadu, there is a mismatch between growing expenditures and deteriorating finances.

(19) Since the total income of all TPs grew at only 6.67 percent, the income buoyancy was only 0.659. This is the major concern.

(20) During 2015-16 to 2020-21, the revenue buoyancy for all TPs was 0.59. It was 0.97 for special grade TPs, 0.51 for selection grade TPs, 0.44 for grade 1 TPs and 0.38 for grade 2 TPs. The revenue buoyancy of selection grade, grade 1 and grade 2 TPs should increase.

(21) The total expenditure of all TPs grew at 5.57 percent during 2015-16 to 2020-21. However, the revenue expenditure grew at 6.6 percent.

(22) The total own revenues of all TPs was Rs. 1171 crore, accounting for 57.68 percent of total revenues. During 2015-16 to 2020-21, it grew at an annual rate of 13.1 percent and the own revenue buoyancy was 1.3. Interestingly, the number of TPs with more than 50 percent of own revenue increased from 119 in 2015-16 to 313 in 2020-21.

(23) The share of transfers in total revenues was 56.1 percent in 2015-16 and it declined to 42.3 percent in 2020-21.

(24) As transfers are positively correlated with income and expenditures of TPs, there is an incentive effect of transfers on expenditures and a crowding-in effect on revenues of TPs.

(25) It is projected that own revenues of TPs would reach Rs. 3289.33 crore in 2026-27; the total revenues would increase to Rs. 5961 crore; total income would increase to Rs. 11280 crore; revenue expenditure would rise to Rs. 5669 crore and total expenditure to Rs. 15542 crore; and the overall deficit would increase to Rs. 4262 crore.

E. Performance of Property Tax of TPs in Tamil Nadu

(26) The property tax rate was kept constant in each town panchayat over the years. However, the rate varied significantly from 1 percent to 61 percent with average rate of 11.5 percent.

(27) The total number of assessments of property tax increased from 25.37 lakhs in 2015-16 to 28.02 lakhs in 2020-21. The number of assessments grew at average rate of 3.1 percent in special grade TPs, 1.9 percent in both selection and grade 1 TPs, and 1.5 percent in grade 2 TPs. The overall growth rate was only 2 percent.

(28) The overall property tax collection efficiency was 74.48 percent in 2015-16 and it increased to 85.19 percent in 2020-21. The average efficiency was 76.76 percent. TPs should aim to achieve 100 percent efficiency.

(29) The total property tax revenues of all TPs amounted to Rs. 126.46 crore in 2015-16 and increased to Rs. 223.45 crore in 2018-19 and then declined to Rs. 178.52 crore in 2020-21. However, the property tax revenues registered about 10 per cent annual growth and average tax buoyancy was is closer to 1. The tax buoyancy was 1.1 for both special grade and grade 1 TPs. It was 0.9 for selection grade TPs and 1.3 for grade 2 TPs.

(30) The general purpose tax accounted for about 32.8 percent of total property tax revenues, residential tax accounted for 50.04 percent, commercial components accounted for 11.4 percent and industrial components accounted for 3.95 percent.

(31) As on 31.03.2020, there were 2337 charitable and religious institutions, 1784 educational institutions, 25 monuments of tourist attractions and 3070 other properties that were exempted in all TPs. The revenue loss from these exempted properties was estimated at Rs. 4.18 crore. This list may not be exhaustive one.

(32) The aggregate property tax revenues of all TPs would increase to Rs. 688 crore in 2026-27 using 5-year average growth rate. Using three-year average rate (excluding growth rates during pandemic years), they would increase to Rs. 1925.73 crore.

(33) Total number of assessments would increase from 28.02 lakh in 2020-21 to 77.87 lakh in 2026-27.

F. Normative Ways to Tap the Untapped Property Tax Potentials

(34) There are various reasons for low performance of property tax (a) While the State Government issued an order on 19.07.2018 to revise property tax rate with effect from April 1, 2018 (it allows up to 50 percent rate for residential buildings and up to 100 percent for others) the revision is bending as the Government is still waiting for the report from the Property tax committee. Currently the average rate in TPs is 11.5 percent; (b) Property records are not maintained properly; (c) lack of accurate property tax rolls; (d) no proper methodology for evaluating and updating property values that should be closer to market value; (e) there is a wedge between tax demanded and tax collected; (f) loss of revenues due to exempted properties; etc.

(35) **Revenue Mobilization through Rate Revision:** If all TPs in Tamil Nadu had applied 20 percent rate instead of actual rate, the property tax yield would have been doubled to Rs. 343.73 crore in 2020-21 instead of the actual yield of Rs. 178.52 crore. Similarly applying 30 percent, 40 percent and 50 percent rate would have increased the yield to Rs. 515.61 crore, Rs. 687.48 crore and Rs. 892.60 crore. Since property tax rate revision is pending for many years and higher rate will bring more revenues, the Government needs to consider higher rate revision. The periodic revision of rate and use of updated market value of property would definitely bring high property tax yield to TPs in Tamil Nadu so that they can be more self-reliant.

(36) **Additional Revenues through Improved Collection Efficiency:** Since the average property collection efficiency of TPs in Tamil Nadu was 76.76 percent during 2015-16 to 2020-21, they need to improve their collection efficiency to 100 percent. If they had 100 percent collection efficiency, their property tax revenues would have been Rs. 1307.94 crore in six years instead of the actual yield of Rs. 999.38 crore. If the rate would have been 50 percent, the total yield in 6 years would have been Rs. 6471.27 crore.

(37) **Additional Revenues from Exempted Properties:** From 2015-16 to 2020-21, the assessment from the exempted properties increased from Rs.3.17 crore to Rs. 4.18 crore. However, there could be many more properties that are not in tax roll. Further, rate revision and updating property valuation will bring more revenues.

(38) **Raising Revenues based on Recommendation of Fifth State Finance Commission:** To meet the property tax revenue target of 0.6 percent of GSDP for ULBs in 2021-22 as

recommended by the Fifth State Finance Commission, the TPs should raise Rs. 1284.44 crore instead of the projected amount of Rs. 201.28 crore with current trend. This could be possible only if all TPs levy 60 percent rate.

(39) Realizing Full Tax Potentials Measured Using the Frontier Approach: The frontier approach shows that for special grade TPs, the average tax efficiency ranged between 18.19 percent and 38.88 percent over six years; for selection grade TPs, it ranged between 7.86 percent and 27.79 percent; for grade 1 TPs, it varied from 25.56 percent to 34.3 percent and for grade 2 TPs, the average efficiency varied from 14.69 percent to 21.47 percent. These results indicate that huge property tax potentials are not yet realized fully. If all TPs would have realized their full potentials, the aggregate property tax revenues in six years would have been Rs.5184 crore instead of realized amount of Rs. 999 crore. If all TPs would have levied 50 percent rate, this would have been more than Rs. 25,000 crore.

G. Use of Land Based Instruments to Augment Property Tax Revenues

(40) While the use of land as a source of financing urban infrastructure can be a very useful supplementary mechanism and the scale of land based financing is also much larger in scale, it cannot be a permanent and recurring source of revenue as land sales cannot continue indefinitely. This may breed the risk of favouritism, corruption and abuse of Government power.

(41) Land value increment tax, Development charges (area based and value based), Transfer of development rights and impact fees and fees for regularization of unauthorized development are most commonly used land based fiscal tools in India.

(42) Studies indicate that all ULBs and UDAs in Andhra Pradesh and Maharashtra earned substantial revenue through the land based fiscal instruments.

(43) Large scale bulk land acquisition, sharing of land, town planning scheme and development scheme are land based instrument model used by ULBs in India.

(44) There is a need to update the data base on the properties in their location using the latest technology available to identify the properties that are not recorded in their records.

(45) Many local bodies do not have accountability of the land they own. Using GIS based technology, they can undertake a GIS based inventory of lands owned by it. The inventory should cover Tenure (if leased, lease period, covenants, lease rent etc), current use, if built

constructed area and consumed FSI, permissible built-up area at permissible FSI, assessed value of land etc. Based on such inventory, vacant lands, plots with obsolete use and plots with underutilized FSI could be identified. This in turn should provide the basis for using their lands for generating additional financial resources.

(46) Further there is a need to integrate an element of revenue flows of the Town Panchayats into their infrastructure plans. This will provide cash flows to service the debt/capital also the surpluses any to redeploy. So there is a direct stake for the Town panchayats successful in income terms rather than capital value terms (that creates bubbles). The TPs should take up an equity stake in commercial developments based on land price at the time of transfer to developers. Downstream sales will thus contribute earnings to the TPs. Finally, the TPs can charge a small fee for the specific area based taxes for newer developments such as Road, water/sewage and electricity footprint etc that will contribute a steady income to the TPs. As a result, all the properties in that area benefits in terms of price rise etc.

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Appendix 7A: Tax Efficiency and Potential Property Tax Revenues for all TPs from 2015-16 to 2020-21

(in Rs. Lakhs)		2015-16		2016-17		2017-18		2018-19		2019-20		2020-21	
District / TPs	Grade	Potential Property Tax	Tax Efficiency (%)	Potential Property Tax	Tax Efficiency (%)	Potential Property Tax	Tax Efficiency (%)	Potential Property Tax	Tax Efficiency (%)	Potential Property Tax	Tax Efficiency (%)	Potential Property Tax	Tax Efficiency (%)
Ariyalur													
Udayarpalayam	3	39.97	23.50	45.27	21.80	44.90	22.89	78.46	17.17	73.20	18.04	83.22	16.33
Varadarajanpettai	4	33.30	16.91	34.25	17.73	38.73	17.02	63.60	16.14	55.07	14.94	76.28	11.14
Chengalpet													
Acharapakkam	3	34.74	24.19	40.48	20.52	32.15	32.15	55.22	28.04	48.40	28.07	49.10	26.26
Chitlapakkam	1	245.91	92.75	441.76	54.31	657.30	37.63	561.02	58.20	305.05	95.55	410.23	70.05
Edakalinadu	4	75.94	13.65	87.32	11.97	101.34	11.35	118.08	9.13	116.46	14.20	196.96	8.82
Karunguzhi	3	35.87	52.28	44.32	43.98	42.57	55.81	68.00	45.83	56.59	47.52	58.96	41.90
Madambakkam	1	251.12	30.79	540.29	16.31	378.38	25.98	394.91	31.84	279.44	45.97	528.12	25.54
Mamallapuram	1	106.84	98.90	179.85	52.44	310.99	36.53	193.64	57.44	189.91	47.67	288.54	38.35
Nandivaram-Guduvanch	1	237.37	48.07	400.37	30.98	569.92	26.14	583.30	32.73	232.07	75.25	350.55	42.51
Peerankaranai	2	305.99	17.60	770.55	9.46	281.60	25.53	544.68	13.20	598.97	15.22	335.33	24.68
Perungalathur	1	313.99	40.10	685.21	27.43	855.18	23.44	628.00	45.52	436.12	62.55	737.13	32.83
Thiruneermalai	1	209.65	27.12	258.83	22.92	340.67	18.08	345.24	24.76	173.62	48.93	283.39	27.93
Thiruporur	1	104.02	77.18	241.26	36.01	253.67	36.64	367.87	38.54	229.28	58.23	246.59	43.13
Tirukalukundram	1	107.38	41.80	209.65	22.21	248.90	18.99	295.01	20.00	232.15	26.68	341.32	16.01
Coimbatore													
Alanthurai	4	23.00	100.00	27.16	100.00	27.11	100.00	44.29	100.00	39.00	100.00	56.12	76.39
Anaimalai	2	40.84	79.45	297.84	100.00	56.47	68.65	137.34	44.58	84.68	57.81	57.18	77.59
Annur	1	143.48	45.48	237.12	29.13	364.62	21.54	282.37	46.34	192.10	50.11	332.29	31.98
Chettipalayam	3	38.05	51.24	42.73	56.29	44.76	61.70	81.75	50.57	72.24	54.71	83.70	49.30
Dhaliyur	1	123.25	29.54	196.32	20.49	297.91	15.70	251.73	25.25	136.26	43.44	208.87	26.33
Ettimadai	3	29.96	83.79	33.50	91.92	33.56	100.00	62.47	94.65	50.75	100.00	50.75	100.00
Gudalur	1	195.28	52.34	490.19	22.49	425.52	27.64	360.08	50.78	395.83	34.91	559.45	24.25
Idikarai	3	42.24	63.44	48.47	64.22	56.18	84.32	101.07	64.42	94.18	72.05	119.93	60.98
Irugur	1	147.53	65.25	346.01	29.89	476.97	22.27	401.32	43.72	218.49	66.17	523.65	37.24
Kannampalayam	2	205.76	56.79	573.58	22.09	192.96	74.31	575.63	42.42	369.55	46.25	239.23	70.72

Karamadai	2	320.89	27.98	863.91	11.40	329.90	30.83	748.08	25.81	737.89	27.21	431.80	32.98
Karumathampatti	1	266.84	26.15	624.93	12.41	459.24	17.75	365.10	32.71	260.38	45.27	529.72	22.34
Kinathukadavu	2	104.48	38.98	321.11	13.37	89.68	51.56	249.22	34.09	218.30	26.03	142.26	70.29
Kottur	1	150.72	44.92	190.20	38.10	284.54	27.03	188.75	62.09	131.67	67.91	264.72	32.00
Madukkarai	1	139.39	63.25	321.78	31.78	444.98	25.41	547.09	31.70	266.14	54.39	450.81	31.42
Mopperipalayam	3	42.47	92.50	52.22	80.59	45.51	99.22	87.20	91.68	72.42	92.88	106.52	53.01
Narasimhanaickenpala	1	127.30	53.65	284.50	25.92	396.75	20.68	299.10	44.55	240.95	45.60	366.46	25.65
Odaiyakulam	3	35.05	29.84	36.80	30.59	37.68	32.13	66.29	27.06	60.73	23.34	61.95	22.97
Othakalmandapam	2	106.70	36.45	373.40	11.04	124.83	52.85	309.25	38.57	287.05	33.40	189.77	47.77
Pallapalayam	2	123.89	88.88	325.34	35.45	159.57	75.09	286.23	65.64	211.77	69.79	133.66	100.00
Periya Negamam	3	31.81	32.15	30.67	37.18	29.65	83.47	47.90	87.96	51.01	56.52	50.41	57.92
Periyanaickenpalayam	1	175.14	44.91	375.39	22.33	532.21	16.01	389.99	37.01	259.75	43.90	409.88	25.34
Perur	3	28.99	57.93	29.47	59.28	28.13	64.34	61.41	47.33	49.85	61.01	72.97	29.82
Pooluvapatti	2	100.10	13.60	299.92	35.33	94.37	15.88	223.94	10.85	190.56	11.16	96.37	21.16
Samathur	3	17.43	62.29	20.48	58.73	19.49	62.50	41.04	52.50	30.70	44.80	26.60	50.98
Sarcarsamakulam	2	153.41	39.93	495.72	14.72	258.96	31.90	564.76	21.50	444.37	26.04	280.26	44.24
Sirumugai	2	144.97	34.23	342.76	15.00	112.25	47.22	218.63	19.43	245.15	14.35	142.96	27.07
Suleeswaranpatti	3	54.38	45.73	51.35	53.94	58.12	52.40	96.28	49.54	102.15	38.33	75.21	54.60
Sulur	1	146.98	56.47	281.19	30.86	596.95	15.19	356.60	41.86	229.97	55.69	383.06	29.88
Thenkarai	4	24.05	19.44	25.40	19.40	29.44	18.40	45.82	16.85	38.15	15.61	67.02	11.80
Thirumalayampalayam	3	37.36	48.31	41.38	45.45	40.71	49.45	66.98	47.12	56.85	44.10	72.26	48.44
Thondamuthur	3	47.31	46.20	54.57	43.22	69.44	35.09	93.09	43.37	85.53	38.33	87.40	36.30
Vedapatti	3	44.70	60.38	50.12	72.84	47.00	84.47	98.84	57.29	69.79	67.99	81.28	57.02
Veerapandi	2	172.06	24.60	573.35	8.25	210.57	24.64	510.36	15.32	455.51	15.03	300.84	23.15
Vellalur	1	190.50	46.62	361.09	25.38	557.27	19.08	583.39	25.38	221.96	75.00	475.62	34.33
Vettaikaranpudur	2	82.98	22.09	331.15	5.75	93.57	22.06	204.66	14.69	177.77	13.04	163.13	13.65
Zamin Uthukuli	1	89.24	43.41	185.05	22.48	412.40	10.59	325.78	19.08	138.17	37.57	218.18	24.26
Cuddalore													
Annamalai Nagar	1	124.62	19.74	147.52	16.76	236.31	10.46	236.82	19.96	148.06	23.98	356.42	9.46
Bhuvanagiri	2	127.69	15.98	399.85	5.30	149.06	14.92	251.55	14.07	350.97	7.11	153.45	15.97
Gangaikondan	2	74.39	20.11	280.70	5.45	88.95	17.99	215.68	11.54	181.15	9.96	109.65	15.51
Kattumannarkoil	2	174.34	15.67	529.45	5.34	186.41	15.76	411.04	11.52	310.97	10.94	217.53	15.67

Killai	4	40.24	12.38	43.63	12.57	47.01	11.82	65.64	12.64	59.39	10.88	96.77	6.76
Kurinjipadi	2	173.47	18.26	513.55	6.35	181.72	18.99	339.24	17.51	363.90	10.97	237.29	16.64
Lalpet	3	40.44	80.35	39.58	85.59	39.48	88.11	78.34	71.04	64.61	65.07	72.73	45.21
Mangalampet	3	36.66	40.32	40.64	37.58	39.93	39.32	67.45	41.47	64.51	29.96	62.12	31.20
Melpattampakkam	3	22.26	20.71	21.86	22.85	21.50	25.53	42.57	21.97	38.80	17.37	38.91	17.96
Parangipettai	2	230.45	11.97	728.09	4.08	280.80	12.52	426.53	11.28	530.26	6.57	278.38	12.64
Pennadam	2	165.37	12.26	672.09	2.39	220.81	7.88	478.87	5.40	434.50	6.99	235.82	11.20
Sethiathoppu	2	73.97	31.13	236.34	9.75	69.97	33.75	190.07	22.19	166.59	16.07	111.91	23.02
Srimushnam	2	104.17	11.15	391.82	3.19	122.10	10.94	265.70	7.90	311.71	4.94	174.34	8.82
Thittakudi	2	226.85	25.00	873.00	4.43	299.32	14.07	629.95	8.48	655.61	8.46	244.25	23.28
Thorapadi	3	20.55	35.69	22.03	34.53	22.54	36.14	40.84	31.95	36.64	32.73	32.91	29.56
Vadalur	2	118.09	38.47	323.10	14.88	98.70	51.08	200.90	41.49	241.96	25.60	148.18	40.15
Dharmapuri													
B.Mallapuram	3	26.50	50.23	25.87	53.44	24.60	56.81	59.29	66.10	55.31	47.96	57.64	43.54
Harur	2	203.70	20.88	441.41	13.30	203.27	33.39	410.92	12.20	433.91	14.31	362.08	18.84
Kadathur	2	96.84	13.02	470.75	2.80	142.17	9.67	295.98	7.41	265.88	6.03	166.10	9.61
Kambainallur	3	34.23	28.82	35.74	29.23	36.32	29.67	63.58	25.23	58.29	19.37	62.40	19.67
Kariamangalam	2	108.77	20.00	311.27	7.59	118.99	21.96	322.72	12.62	288.55	10.60	163.42	19.21
Marandahalli	2	108.54	13.85	390.97	3.93	132.45	11.82	266.14	9.65	252.04	7.21	167.09	10.55
Palakkodu	2	207.70	12.44	799.59	3.35	283.68	9.89	589.04	7.71	574.56	5.53	276.64	11.59
Papparapatti	2	105.16	10.42	320.74	3.68	130.29	9.25	223.34	4.88	240.98	11.53	153.77	10.41
Pappireddipatti	2	65.44	21.03	198.66	7.31	71.67	21.58	133.43	18.73	116.48	16.01	121.12	15.07
Pennagaram	2	91.84	18.85	278.82	4.51	96.90	15.70	210.69	7.58	195.75	17.41	215.91	19.89
Dindigul													
Agaram	3	42.87	100.00	51.10	84.63	60.04	77.81	99.44	81.79	84.59	79.34	89.71	53.76
Ammainaickanur	2	109.27	19.33	476.62	4.66	151.26	15.25	383.71	10.12	320.14	9.37	170.35	16.11
Ayakudi	2	121.19	9.02	363.86	3.09	161.24	8.13	416.96	4.88	351.74	4.51	196.23	8.54
Ayyalur	3	34.94	18.38	37.20	22.21	38.93	23.82	90.96	16.20	69.78	17.81	64.09	20.51
Ayyampalayam	2	84.93	10.31	248.38	3.68	96.33	10.05	202.93	7.76	180.14	7.13	133.35	9.07
Balasamudram	2	129.86	4.22	379.13	1.54	109.58	5.75	329.36	3.37	243.84	3.46	180.35	4.12
Batlagundu	1	118.85	38.34	233.47	20.36	356.68	14.44	322.15	28.64	210.55	32.06	347.04	18.60
Chinnalapatti	1	167.58	38.28	387.85	17.54	415.02	17.13	403.63	27.13	239.90	36.62	442.13	21.85

Eriodu	4	35.80	19.03	34.32	20.96	40.56	19.56	70.86	12.12	61.63	15.05	79.96	11.83
Kannivadi	3	32.00	18.85	30.84	20.62	36.28	19.62	61.44	17.85	53.50	15.72	61.16	12.88
Keeranur	3	22.33	20.05	23.08	22.00	22.74	24.01	42.22	20.12	30.85	23.15	44.16	15.43
Natham	2	168.91	17.58	590.15	5.37	238.37	15.67	436.78	13.67	358.79	12.35	192.97	22.86
Neikkarapatti	2	79.09	19.31	285.74	4.71	96.07	14.81	220.35	8.64	182.98	8.57	120.88	13.65
Nilakkottai	2	167.46	29.59	464.18	11.15	236.08	22.68	501.68	18.71	451.66	17.26	295.43	26.49
Palayam	2	87.33	31.82	258.30	10.98	106.32	27.86	242.08	20.81	190.51	19.23	140.94	25.28
Pannaikadu	2	87.82	10.49	260.42	3.71	91.47	11.33	263.62	4.06	187.34	5.94	114.37	10.39
Pattiveeranpatti	2	91.73	18.14	330.67	5.37	97.33	19.04	199.45	14.81	202.13	12.76	157.53	15.04
Sevugampatti	3	47.15	38.55	44.39	46.68	49.60	46.34	78.97	48.14	83.78	38.79	83.52	37.05
Sithayankottai	2	92.12	15.03	339.07	4.28	121.40	12.63	270.51	9.84	248.55	7.79	152.95	12.41
Sriramapuram	3	27.98	20.25	26.64	22.14	26.48	23.84	47.69	22.12	42.92	20.76	40.65	20.31
Thadikombu	3	41.86	31.66	47.23	30.23	53.86	29.89	93.76	27.97	89.53	26.44	90.26	23.39
Vadamadurai	3	61.10	49.49	74.10	42.24	74.15	44.59	144.12	39.38	133.02	28.38	112.31	33.57
Vedasandur	2	137.21	21.24	455.25	6.50	150.05	20.91	430.63	11.81	344.98	10.57	183.14	19.65
Erode													
Ammappettai	4	28.87	23.71	27.82	26.08	31.88	24.20	64.86	21.26	54.07	19.14	74.78	14.08
Anthiyur	2	153.24	28.17	419.68	10.94	167.33	28.68	429.37	18.75	411.09	14.13	249.75	23.23
Appakudal	2	68.75	27.90	240.82	8.10	88.87	22.32	172.78	21.70	172.29	12.23	129.86	16.50
Arachalur	3	34.28	20.52	36.87	19.52	42.87	18.00	66.89	18.31	61.55	16.30	65.25	14.70
Ariyappampalayam	3	41.26	56.28	41.39	60.24	42.47	59.20	76.22	56.40	70.89	35.97	86.34	29.38
Athani	3	23.25	29.45	25.67	28.25	23.17	33.19	43.22	26.97	40.27	21.76	44.64	20.74
Avalpoondurai	3	37.14	37.96	41.34	35.79	42.37	36.24	74.56	33.42	66.13	27.32	73.03	24.10
Bhavanisagar	2	83.60	33.29	301.61	10.04	115.76	27.59	260.30	21.76	253.66	18.24	165.77	26.03
Chennasamudram	3	25.81	23.23	28.21	22.97	24.24	28.23	44.78	24.83	43.83	21.95	45.18	21.12
Chennimalai	2	132.07	23.79	428.70	7.95	158.44	22.43	291.34	19.20	311.93	14.39	149.39	28.09
Chithode	2	73.04	16.12	287.64	4.29	82.14	15.58	166.65	12.52	162.43	10.49	110.34	16.86
Elathur	4	26.81	15.54	28.77	14.93	28.69	15.69	55.12	12.22	47.77	10.55	74.82	6.90
Jambai	3	34.74	20.79	38.12	20.21	41.31	20.21	71.13	17.77	68.89	17.33	77.25	17.48
Kanjikoil	3	34.39	31.85	40.29	27.77	38.12	30.41	63.76	29.19	63.47	21.53	58.90	22.46
Karumandi Chellipala	2	191.35	31.52	641.06	10.12	201.21	33.35	463.46	22.00	472.57	16.68	294.67	27.08
Kasipalayam(G)	3	25.45	38.75	27.74	36.51	24.78	41.44	43.56	23.84	41.20	27.63	44.61	26.08

Kembainaickenpalayam	4	28.75	14.95	25.36	17.33	30.45	14.94	59.57	11.93	50.10	9.32	71.18	7.75
Kilampadi	4	21.88	29.63	20.35	33.69	23.18	31.78	46.63	28.35	37.11	22.52	49.64	17.06
Kodumudi	2	122.20	21.37	456.22	6.11	153.80	19.43	284.57	16.69	284.01	12.43	157.58	22.32
Kolappalur	3	31.45	87.79	28.10	100.00	32.25	87.54	51.01	100.00	51.22	62.45	51.51	63.04
Kollankoil	3	25.93	15.59	27.02	16.05	25.18	17.98	39.85	18.89	38.19	12.40	35.99	18.09
Kuhalur	2	51.54	18.86	180.38	5.55	74.46	14.45	220.99	8.32	169.85	7.86	97.95	13.61
Lakkampatti	2	91.12	20.66	242.60	8.01	101.63	20.87	363.16	9.30	263.79	10.51	170.52	16.39
Modakurichi	3	28.99	36.13	28.42	39.67	32.10	37.07	54.63	40.38	46.60	36.30	60.18	28.28
Nallampatti	3	12.64	20.28	12.72	20.86	12.32	22.38	21.47	20.13	16.31	20.61	20.80	18.46
Nambiyur	2	108.71	33.76	337.50	11.50	123.20	32.88	350.07	19.47	301.63	17.09	250.57	19.42
Nasiyanur	3	31.70	48.07	32.67	49.90	30.47	66.14	80.29	71.00	74.76	44.54	70.69	50.39
Nerunjipettai	3	16.10	45.29	17.14	43.70	18.74	41.41	33.11	37.57	27.81	30.75	28.16	30.96
Olagadam	4	30.08	15.78	31.13	17.46	33.18	20.18	66.36	16.20	57.57	15.87	77.74	10.77
P.Mettupalayam	3	27.03	18.02	27.78	18.27	27.72	18.81	51.88	14.93	45.22	12.34	40.95	13.59
Pallapalayam	3	18.21	49.53	18.61	51.06	19.75	49.67	32.78	52.82	30.81	42.00	27.76	38.54
Pasur	3	11.88	14.43	12.39	15.36	11.47	16.99	18.90	14.52	17.13	12.86	17.64	13.34
Periyakodiveri	2	67.95	17.39	258.13	4.81	71.95	19.53	150.45	14.88	187.14	8.82	103.33	16.01
Perundurai	1	237.77	42.15	426.33	24.88	534.54	20.89	700.45	25.45	341.43	46.04	679.39	21.65
Pethampalayam	4	21.85	21.75	23.85	20.51	24.40	21.03	46.70	17.82	40.62	15.93	56.39	11.00
Salangapalayam	3	37.06	39.80	39.08	39.23	43.21	36.58	70.24	34.21	66.27	25.77	87.56	20.17
Sivagiri	2	111.47	12.78	397.82	7.37	131.67	12.39	291.18	6.29	271.09	7.50	173.09	14.11
Unjalur	4	13.67	14.31	14.98	13.61	14.64	14.88	33.26	10.67	27.17	8.35	30.76	8.40
Vadugapatti	4	26.77	16.82	27.39	17.15	28.30	17.46	53.72	13.81	45.71	12.17	57.60	9.97
Vaniputhur	2	75.16	18.16	301.81	4.86	82.67	18.50	186.61	12.96	175.40	11.32	110.89	18.44
Vellottamparappu	3	26.14	15.50	27.43	15.30	28.64	15.35	41.96	15.72	38.95	12.14	45.58	10.33
Vengampudur	2	56.64	8.40	187.97	2.61	60.34	8.45	157.52	5.03	147.83	3.81	96.13	5.89
Kallakkurichi													
Chinnasalem	1	117.46	32.16	198.92	19.17	238.55	16.45	234.30	28.07	143.54	33.36	242.08	22.75
Manalurpettai	3	27.70	33.19	28.21	34.94	28.94	37.37	54.94	32.38	48.82	26.97	48.82	26.46
Sangarapuram	2	109.98	15.33	370.24	4.93	102.76	18.77	300.11	4.60	266.98	10.95	168.10	14.22
Thirukoilur	2	189.05	29.05	626.85	9.32	308.37	20.12	440.85	21.33	399.34	16.61	295.05	21.07
Thiyadurugam	2	109.24	17.01	337.11	5.91	108.30	19.57	285.02	10.95	242.56	9.51	172.38	17.36

Ulundurpet	1	121.77	32.05	205.27	19.46	506.85	8.08	389.44	17.19	336.45	12.85	399.82	10.49
Vadakkanandal	2	142.71	22.76	353.53	9.26	112.92	29.12	288.86	20.75	237.95	14.15	164.83	20.47
Kancheepuram													
Kundrathur	1	263.67	17.74	435.97	12.31	427.91	13.56	489.55	15.87	298.46	27.35	607.55	14.11
Mangadu	1	233.38	29.17	289.06	27.28	472.68	18.28	539.57	20.82	264.67	40.00	373.71	29.74
Sriperumbudur	1	147.34	99.53	417.64	37.94	857.76	19.47	454.96	50.83	301.62	65.95	329.70	56.91
Uthiramerur	1	122.84	18.94	192.92	12.48	408.12	6.10	299.97	11.43	189.05	14.80	298.59	9.84
Walajabad	2	95.37	16.03	352.96	4.41	126.63	13.10	273.59	6.07	222.71	10.37	135.87	15.53
Kanniyakumari													
Agastheeswaram	3	41.61	18.51	46.66	18.34	43.74	22.56	81.34	22.93	69.45	22.10	69.52	24.36
Alur	3	68.20	32.60	75.14	32.03	71.47	37.35	124.37	38.22	122.75	31.18	128.96	24.28
Anjugramam	3	57.00	37.58	51.77	44.05	47.48	57.29	100.66	44.44	81.64	47.45	93.77	41.70
Aralvaimozhi	2	163.58	17.44	453.99	6.55	183.46	16.92	394.08	12.07	342.16	17.59	214.09	18.24
Arumanai	3	59.84	18.60	58.38	21.56	61.64	22.44	101.48	23.93	94.75	22.46	118.21	19.15
Athur	4	70.74	12.61	78.61	12.37	79.53	13.38	136.00	12.38	138.65	9.77	180.35	7.35
Azhagappapuram	3	44.35	30.02	50.18	28.37	47.10	32.75	83.65	29.23	69.21	32.50	79.51	29.18
Azhagiapandiapuram	4	58.59	16.83	62.07	17.38	62.69	18.33	116.81	19.97	102.12	15.01	116.33	13.09
Bhoothapandi	3	69.78	19.72	66.35	21.81	74.07	20.67	133.72	15.69	108.35	19.68	106.89	16.34
Edaikodu	3	86.48	24.63	96.01	23.15	93.38	25.04	165.47	21.85	147.74	19.53	156.05	17.51
Eraniel	4	63.12	21.76	64.10	23.32	73.65	21.71	129.12	19.96	123.38	17.56	140.28	13.95
Ezhudesam	3	88.81	28.30	91.49	29.59	83.15	35.21	155.30	29.20	146.60	26.06	172.27	20.71
Ganapathipuram	3	52.81	15.84	60.72	15.17	59.31	20.10	112.66	15.53	99.05	14.81	104.08	13.56
Kadayal	3	74.20	21.07	83.33	21.18	69.40	27.62	120.61	23.55	116.06	19.63	117.13	18.16
Kaliyakkavilai	2	78.47	26.95	301.46	7.48	83.51	29.04	148.29	26.49	126.08	25.62	89.93	37.98
Kallukuttam	3	61.59	36.57	60.96	40.50	78.18	34.32	144.89	28.22	144.31	22.87	160.33	20.88
Kanniyakumari	1	260.07	26.18	532.48	12.51	546.26	12.75	500.78	14.19	525.07	12.19	560.00	14.73
Kappiyarai	4	76.85	16.75	82.06	16.90	80.91	18.24	158.02	13.12	134.09	14.71	165.79	10.49
Karungal	2	157.79	15.00	445.41	6.22	150.53	24.82	519.62	9.68	408.98	8.97	353.55	11.42
Kilkulam	4	74.67	15.92	79.60	16.38	86.11	16.62	159.95	13.18	142.03	13.07	165.75	10.49
Killiyur	3	76.13	25.91	92.22	22.97	73.71	30.89	129.40	27.67	133.51	24.10	128.28	24.91
Kollankodu	3	99.03	36.43	116.65	24.50	112.82	24.69	192.39	18.83	213.99	20.13	205.33	18.44
Kothainallur	3	65.43	18.94	57.06	23.27	60.51	23.01	109.21	19.48	89.02	17.70	103.87	17.89

Kottaram	3	47.73	25.45	55.60	22.77	47.38	28.27	79.51	28.76	69.78	28.28	72.46	23.27
Kulasekarapuram	2	174.25	26.26	657.96	7.14	177.40	30.22	413.16	21.23	418.54	13.40	271.49	20.87
Kumarapuram	3	56.05	23.00	56.93	25.07	55.08	27.96	91.69	25.93	89.32	23.25	82.06	23.26
Manavalakurichi	2	139.93	13.83	438.26	4.57	136.99	15.50	317.48	12.09	289.98	11.87	186.84	13.15
Mandaikadu	4	68.41	24.46	79.88	22.35	75.49	26.11	142.02	23.65	139.60	21.53	172.40	18.58
Marungur	4	55.27	16.37	59.00	16.80	59.83	23.35	114.05	18.77	95.21	16.03	115.76	13.34
Mayiladi	3	44.53	19.71	45.30	20.66	46.29	21.19	83.19	19.62	76.47	19.48	70.47	18.54
Mulagumudu	3	79.04	27.30	75.38	30.65	67.27	38.22	128.01	40.39	120.48	38.42	126.91	30.09
Nallur	3	65.62	57.43	73.60	53.54	68.44	61.64	124.14	50.32	126.68	45.83	124.40	60.89
Neiyyur	4	63.74	27.45	67.39	27.42	67.34	29.02	126.03	25.44	117.91	18.86	138.56	17.95
Pacode	3	94.80	10.67	78.57	14.00	89.20	14.45	146.18	13.88	154.58	12.26	169.67	10.10
Palapallam	3	66.59	21.51	72.54	21.76	73.89	22.91	125.08	22.48	112.30	20.94	118.11	17.46
Pazhugal	3	60.22	59.07	67.71	55.44	67.81	64.56	132.08	56.50	119.01	64.15	110.49	52.84
Ponmani	2	182.86	6.41	875.73	1.42	231.04	5.73	496.22	4.12	352.21	4.90	231.60	7.06
Pudukadai	2	109.12	14.83	369.53	4.55	112.07	17.19	295.91	10.16	227.02	9.08	113.93	21.19
Puthalam	4	60.62	22.99	62.03	24.09	68.31	22.77	119.88	27.08	111.20	19.35	130.99	14.05
Reethapuram	3	75.03	25.21	74.30	27.88	84.61	27.92	148.28	24.52	128.06	26.64	124.85	23.17
Suchindram	2	147.00	14.34	488.10	4.59	131.35	18.05	359.43	10.43	363.62	8.04	209.79	14.90
Thalakudi	4	41.85	15.76	40.15	17.78	44.64	16.95	86.03	14.00	73.93	13.40	80.84	11.38
Thengampudur	3	52.56	16.81	57.08	16.17	60.94	15.98	96.07	15.76	83.21	18.30	128.18	12.22
Thenthamaraikulam	4	59.64	27.49	62.84	27.62	63.19	28.93	116.03	26.98	106.31	27.05	113.59	21.69
Therur	4	38.13	18.91	39.71	19.70	44.48	19.16	72.07	18.89	67.82	15.33	86.27	12.86
Thingalnagar	2	206.40	9.07	677.50	3.18	238.69	9.59	539.95	6.68	527.55	6.11	254.50	11.01
Thiruparappu	2	170.25	13.52	578.61	4.34	170.09	15.47	379.69	10.53	345.60	9.66	241.21	13.08
Thiruvattaru	3	59.13	24.55	65.26	22.96	66.40	24.50	119.68	19.11	101.43	18.29	103.12	20.13
Thiruvithankodu	3	69.73	37.41	70.87	39.48	70.94	41.41	139.59	32.06	139.18	23.41	141.27	26.54
Unnamalaikadai	3	88.77	39.24	98.38	38.75	80.09	50.80	136.15	47.51	140.83	38.75	137.95	34.90
Valvaithankoshtam	3	72.29	24.74	74.50	25.73	74.11	28.37	131.14	27.10	120.20	24.44	128.53	20.05
Vellimalai	4	60.77	25.19	68.34	25.00	67.64	27.29	117.10	25.34	112.06	23.90	147.46	18.12
Verkilambi	3	65.40	34.81	68.35	35.97	68.91	41.88	135.46	31.56	140.15	28.97	117.18	28.80
Vilavur	3	57.61	23.55	58.20	25.40	61.99	25.69	117.00	20.23	94.93	20.45	98.52	21.28
Villukuri	3	69.84	19.61	67.17	21.56	71.24	21.37	130.03	19.14	122.18	16.82	105.54	17.81

Karur													
Aravakurichi	1	87.67	22.51	145.24	14.02	235.18	9.82	232.29	17.00	144.26	29.85	259.99	18.72
Krishnarayapuram	4	38.22	18.96	39.58	19.95	43.36	21.35	83.98	16.60	74.92	14.80	95.33	11.59
Marudur	3	35.25	9.66	30.99	11.18	30.55	13.32	51.57	12.41	44.23	14.68	40.42	12.85
Nangavaram	3	46.83	23.44	50.15	22.97	45.85	26.78	84.19	22.13	77.01	24.60	86.21	22.37
P.J.Cholapuram	4	21.49	12.34	25.61	10.95	26.86	11.90	42.73	11.50	34.52	12.14	50.39	9.56
Pallapatti	2	349.96	14.34	1076.72	4.99	399.89	14.52	888.24	5.65	871.88	10.96	441.14	16.65
Puliyur	2	87.86	23.21	234.40	10.82	91.65	28.34	247.66	21.11	198.18	19.10	132.84	24.04
Punjai Thottakurichi	3	31.11	15.98	28.07	18.43	32.54	17.81	59.95	15.83	54.41	13.01	46.77	15.88
Punjaipugalur	2	289.73	100.00	781.35	48.34	284.00	100.00	512.53	100.00	546.34	100.00	315.67	44.73
TNPL Pugalur	1	124.12	85.95	232.79	100.00	174.04	100.00	133.88	73.68	138.56	100.00	191.83	100.0
Uppidamangalam	3	38.46	31.24	41.72	30.13	38.89	38.43	68.57	35.54	69.26	28.73	70.13	28.70
Krishnagiri													
Bargur	2	148.03	24.30	564.54	6.71	204.73	19.33	441.30	14.91	417.06	11.85	205.36	25.32
Denkanikottai	2	200.79	8.97	696.16	2.87	228.92	8.40	515.87	4.68	462.87	6.76	272.75	8.93
Kaveripattinam	2	170.68	15.28	442.61	5.89	171.92	15.97	346.14	10.40	316.45	10.62	123.24	3.95
Kelamangalam	2	78.98	14.64	266.96	4.59	76.69	16.97	191.84	12.65	162.89	10.52	105.32	16.80
Nagojanahalli	4	30.21	14.14	33.97	13.34	31.53	15.70	62.27	12.23	54.14	10.16	72.68	7.57
Uthangarai	2	157.20	54.37	429.72	20.87	272.13	34.98	355.36	36.11	457.21	22.89	261.54	41.18
Madurai													
A.Vellalapatti	3	23.97	12.69	25.29	12.43	25.93	12.46	40.50	12.26	41.09	8.47	36.71	10.67
Alanganallur	2	94.11	12.77	308.88	4.14	125.52	11.26	286.65	7.64	308.54	6.18	169.73	11.37
Elumalai	3	43.33	35.68	49.65	33.68	47.03	37.59	90.59	32.49	85.76	26.35	98.15	23.27
Palamedu	3	40.45	17.79	37.01	20.32	40.41	19.67	80.09	15.97	78.44	13.57	74.43	14.44
Paravai	2	179.58	21.18	528.82	7.74	217.88	20.69	600.30	13.25	453.45	15.18	282.86	21.24
Peraiyur	3	43.69	44.39	46.04	44.06	50.75	41.38	102.34	33.49	97.03	26.39	74.78	32.29
Sholavandan	2	144.64	22.64	454.90	7.50	161.25	21.83	367.81	14.99	324.93	12.37	189.69	21.64
T.Kallupatti	3	44.76	44.81	51.27	42.08	54.10	41.98	98.73	34.22	96.96	28.52	101.77	28.69
Vadipatti	2	173.30	24.34	427.61	10.19	201.54	23.63	490.39	14.28	484.16	11.02	251.35	21.33
Mayiladuthurai													
Kuthalam	2	137.49	31.67	490.16	9.43	164.48	29.16	442.42	17.78	372.53	14.69	240.77	23.09
Manalmedu	3	33.49	23.24	34.36	23.14	30.87	27.21	67.46	26.16	57.92	21.48	58.39	20.83

Tharangambadi	2	150.68	20.87	509.34	6.43	172.99	19.73	375.73	14.31	428.00	8.83	270.51	13.85
Vaitheeswarankoil	3	31.69	50.95	32.73	55.83	34.30	57.42	66.88	49.33	58.76	38.84	51.64	42.68
Nagapattinam													
Kilvelur	3	34.57	53.47	34.90	56.16	41.49	49.96	70.21	50.96	63.37	40.63	62.15	39.36
Thalainayar	3	48.28	19.17	57.87	17.08	53.22	19.98	112.16	16.37	107.78	12.97	94.21	13.64
Thittacheri	3	28.19	38.40	27.92	42.15	30.94	40.09	62.73	29.72	46.09	29.54	56.02	26.05
Velankanni	1	129.75	48.97	305.28	22.06	592.22	11.87	548.89	22.70	269.39	29.41	289.76	26.92
Namakkal													
Alampalayam	2	123.98	28.39	398.37	8.84	134.22	26.78	414.33	15.03	329.21	14.58	217.82	18.46
Athanur	3	23.09	74.42	27.96	66.30	26.40	71.78	49.00	71.62	42.11	54.09	40.24	68.34
Erumaipatti	3	40.53	22.86	46.72	22.26	42.72	25.21	82.84	13.67	80.07	18.14	84.31	19.61
Kalappanaickenpatti	3	36.01	18.47	38.96	18.18	37.41	19.85	68.13	17.57	60.08	15.66	68.75	13.87
Mallasamudram	1	80.00	10.82	165.76	7.67	179.07	8.46	187.08	10.82	130.68	8.79	203.38	8.84
Mohanur	2	99.94	17.91	466.72	4.02	107.80	18.51	308.94	6.54	253.47	9.85	146.22	17.22
Namagiripettai	2	108.06	14.53	258.42	6.36	127.18	13.47	308.90	9.42	249.02	8.88	165.49	11.29
Padaiveedu	2	79.52	32.40	240.61	11.38	85.93	32.26	212.42	25.10	177.62	18.04	125.37	30.47
Pandamangalam	2	69.42	6.88	260.04	1.98	68.82	7.83	178.47	5.23	142.42	4.69	104.44	6.33
Paramathi	2	99.86	12.17	376.28	3.19	107.43	12.30	258.82	7.78	198.53	32.25	152.06	10.62
Pattinam	3	26.82	13.37	27.15	14.16	28.71	14.31	46.36	9.25	37.82	12.01	50.48	9.81
Pillanallur	3	37.93	32.81	38.69	34.53	39.30	35.67	68.92	24.22	65.32	26.48	78.87	22.07
Pothanur	2	129.98	13.45	582.04	3.18	122.89	16.17	272.35	12.04	438.70	5.76	212.37	12.45
R.Pudupatti	4	24.38	19.18	22.49	21.53	23.90	21.12	40.93	18.26	38.60	13.61	51.41	10.53
Seerapalli	3	44.41	22.23	46.95	21.82	46.31	22.79	81.57	18.69	64.46	21.93	68.66	17.68
Senthamangalam	2	113.89	13.16	374.54	4.31	142.41	11.50	285.26	9.11	275.31	4.29	192.87	10.04
Velur	2	170.98	20.47	611.02	5.87	181.09	20.07	363.52	10.86	379.94	9.28	265.34	20.07
Venkarai	3	28.18	19.65	32.62	17.86	32.23	18.68	51.58	12.48	45.72	14.32	44.83	15.04
Vennanthur	3	41.52	35.79	49.98	30.38	51.18	30.14	84.30	27.79	81.90	20.64	94.35	18.71
Perambalur													
Arumbavur	4	40.44	17.58	44.32	17.43	47.47	17.19	77.85	16.76	74.79	12.39	105.34	12.48
Kurumbalur	4	44.15	20.68	48.25	20.32	40.85	25.38	77.45	19.15	73.20	16.06	96.85	12.66
Labbaikudikadu	3	41.81	29.35	45.44	28.27	47.51	28.07	84.00	23.85	75.27	19.34	68.53	20.63
Poolambadi	4	33.15	16.60	36.53	16.51	34.29	19.37	61.86	15.83	57.25	16.06	73.10	100.00

Pudukkottai													
Alangudi	2	195.22	35.77	574.43	12.38	231.79	33.49	597.07	17.11	502.31	24.75	175.29	67.66
Annavasal	3	39.13	26.97	39.93	28.31	41.56	28.71	75.30	25.16	74.90	18.83	48.21	29.13
Arimalam	3	33.06	37.21	34.77	35.66	37.80	33.28	65.95	33.91	69.54	24.75	56.93	27.27
Iluppur	2	93.07	18.76	287.35	6.26	96.58	20.60	222.15	10.87	204.26	13.08	132.85	17.86
Karambakkudi	2	120.43	19.86	384.12	5.72	130.31	30.99	339.45	11.87	280.12	17.01	121.84	39.81
Keeramangalam	3	42.23	22.33	44.04	22.74	42.42	27.64	86.28	18.91	67.63	20.24	65.46	22.48
Keeranur	2	87.08	39.70	322.19	12.50	109.79	39.55	260.97	25.08	238.51	22.28	147.06	36.86
Ponnamaravathi	2	159.85	20.92	403.66	8.44	171.21	21.22	372.07	17.34	368.23	12.13	241.12	16.98
Ramanathapuram													
Abiramam	3	34.45	28.45	35.98	28.62	35.59	31.02	61.01	27.26	55.12	20.53	53.96	20.68
Kamuthi	1	90.53	25.02	156.48	15.62	165.46	16.36	178.88	27.03	122.66	26.97	160.77	20.24
Mandapam	3	57.04	28.50	56.91	30.66	60.37	32.17	110.68	25.58	96.61	24.81	95.67	24.41
Mudukulathur	3	57.19	42.90	63.60	41.69	64.25	45.28	118.73	43.80	113.53	32.90	116.62	36.87
RS Mangalam	3	58.50	35.54	64.02	34.04	65.19	36.88	119.89	34.99	108.92	26.60	102.39	26.65
Sayalgudi	4	55.97	40.11	60.28	39.99	61.18	44.32	126.86	37.19	111.84	30.30	129.16	25.78
Thondi	3	62.44	36.53	69.74	32.43	73.10	35.14	142.49	33.80	133.18	27.70	117.76	29.99
Ranipet													
Ammoor	3	34.73	42.51	33.66	45.36	37.95	41.04	62.49	43.07	61.62	25.95	60.09	27.32
Kalavai	2	87.74	15.05	227.94	5.91	79.00	17.48	200.16	11.59	216.43	7.84	103.30	14.69
Kaveripakkam	2	105.36	17.36	395.09	4.80	130.37	15.06	307.04	10.17	322.22	6.29	194.87	10.58
Nemili	2	96.49	10.02	308.19	3.28	142.10	7.93	334.33	5.52	241.36	7.03	195.07	9.12
Panapakkam	3	44.67	33.66	47.54	31.98	51.61	30.47	94.22	27.29	78.91	24.46	84.09	23.37
Sholingur	2	278.90	17.88	797.71	6.41	294.19	18.17	628.36	13.53	635.42	10.29	379.28	15.99
Thakkolam	3	35.05	31.22	36.34	31.72	35.44	33.79	61.51	30.90	56.69	26.48	66.56	20.05
Timiri	1	95.50	15.45	165.99	9.28	172.38	9.37	194.44	14.68	130.82	18.05	203.79	10.33
Vilapakkam	3	25.14	33.00	24.47	35.58	22.26	39.48	38.33	52.26	31.56	62.30	36.00	57.23
Salem													
Arasiramani	4	48.95	8.72	47.88	9.20	55.85	8.12	101.90	8.50	91.61	6.29	117.08	4.47
Attayampatti	2	81.55	11.75	288.23	3.39	90.66	11.10	229.07	6.76	221.51	4.91	133.49	9.08
Ayothiapattinam	2	83.25	16.18	318.21	4.41	99.27	15.34	261.85	6.28	216.56	11.60	152.15	15.63
Belur	3	28.77	19.04	29.00	20.17	28.78	20.71	50.11	19.97	38.73	20.28	53.69	14.52

Edaganasalai	3	97.04	23.07	103.79	22.60	121.02	20.58	212.48	13.37	196.26	17.99	188.97	16.47
Elampillai	3	45.47	36.13	41.60	41.53	48.89	36.92	87.18	23.56	78.79	36.85	67.27	39.07
Ethapur	3	32.92	18.84	33.08	19.49	36.29	18.11	64.73	16.39	57.56	15.94	64.96	12.08
Gangavalli	3	35.45	29.37	38.88	29.52	40.25	29.56	78.23	24.00	71.23	23.02	77.27	22.17
Jalakandapuram	2	120.15	22.36	351.91	8.12	147.73	19.98	273.66	17.47	312.93	11.18	173.62	19.44
Kadayampatti	3	27.64	20.75	24.89	22.99	30.58	20.18	43.76	20.99	43.56	13.95	45.37	17.27
Kannankurichi	2	119.25	22.75	317.65	9.30	129.98	26.06	330.68	13.84	330.56	7.36	171.66	29.85
Karuppur	3	34.70	34.59	33.77	29.92	36.30	31.16	62.98	15.99	52.75	38.67	62.46	34.28
Keeripatti	3	24.57	13.14	26.03	12.63	28.45	12.75	50.79	13.56	44.75	13.72	56.03	10.05
Kolathur	1	65.17	29.45	125.86	16.57	168.39	12.95	124.91	28.30	83.64	32.46	151.64	17.28
Konganapuram	2	82.47	12.42	211.84	5.03	76.81	15.49	188.60	10.93	190.99	8.30	103.40	12.69
Mallur	3	32.60	30.16	35.17	29.02	36.64	28.70	53.00	14.70	49.60	38.75	52.42	22.72
Mecheri	1	102.23	27.26	190.02	15.42	375.35	8.18	240.04	12.85	195.84	30.86	334.59	14.28
Nangavalli	4	41.49	22.09	43.10	22.54	51.58	20.91	86.76	16.02	77.33	19.02	109.34	12.67
Omalur	2	117.38	29.72	437.69	7.92	153.31	23.33	356.13	17.20	348.47	10.98	195.19	19.99
P.N.Patti	2	154.61	49.00	517.64	13.54	164.62	43.83	402.69	26.06	403.84	95.58	237.24	44.55
Panaimarathupatti	3	34.50	17.66	30.20	21.14	34.54	18.32	61.34	14.43	57.62	13.59	56.38	19.19
Pethanaickenpalayam	2	112.72	10.88	320.51	3.99	107.39	13.19	243.56	8.79	234.22	6.46	140.08	11.50
Poolampatti	4	35.64	12.69	34.77	13.12	39.48	11.92	69.73	10.97	62.85	7.32	93.37	5.88
Sankari	1	129.83	36.77	204.72	19.78	288.89	17.72	319.78	16.22	173.38	37.37	399.61	23.87
Sentharapatti	1	48.99	13.49	137.30	5.07	109.96	6.49	156.67	7.63	80.59	11.39	107.68	8.26
Thammampatti	1	167.12	12.77	275.69	8.03	201.17	11.18	283.28	14.27	160.30	17.34	265.42	8.98
Tharamangalam	2	122.81	15.10	382.52	5.04	128.12	16.51	256.14	8.03	276.05	9.85	180.46	15.83
Thedavur	3	22.54	18.91	28.78	15.93	26.48	18.91	49.51	16.07	50.18	12.64	47.15	13.65
Thevur	3	23.39	17.78	24.29	21.67	24.23	22.72	41.98	20.64	39.63	16.14	42.45	17.47
Vanavasi	4	30.74	19.44	30.12	20.94	36.43	19.18	64.90	13.68	54.64	22.22	82.46	13.01
Vazhapadi	2	136.22	20.26	338.66	8.40	148.38	19.75	342.23	11.80	284.41	10.04	207.07	15.68
Veeraganur	3	34.43	30.82	36.39	31.60	35.33	33.94	69.52	26.89	60.93	16.46	62.03	25.68
Veerakkalpudur	2	149.35	41.17	409.53	15.71	154.04	41.31	371.21	30.88	350.29	19.20	221.20	30.26
Sivaganga													
Ilayangudi	2	191.13	15.92	495.14	6.55	200.90	19.26	371.85	15.55	426.62	10.43	301.15	8.60
Kanadukathan	3	26.50	44.44	26.97	47.02	29.44	45.74	47.40	48.75	45.79	36.20	60.02	25.59

Kandanur	3	30.25	16.67	33.90	15.79	30.79	18.45	51.69	17.80	42.88	16.76	56.49	11.82
Kottaiyur	3	90.27	27.32	86.49	31.26	78.07	37.89	193.20	25.26	202.47	20.14	201.37	18.33
Manamadurai	2	200.38	21.98	472.48	9.77	221.34	22.07	421.49	19.65	372.15	15.83	236.23	24.17
Nattarasankottai	3	24.42	21.42	27.61	20.45	26.27	24.12	49.16	20.98	36.12	22.49	39.71	19.34
Nerkuppai	4	26.47	19.42	25.37	21.18	27.49	20.63	55.30	16.06	48.33	14.01	65.76	9.88
Pallathur	3	40.76	30.50	42.71	31.60	40.98	35.20	92.37	25.98	76.65	25.57	81.75	21.79
Puduvayal	3	47.32	26.88	52.19	26.31	52.37	27.97	95.93	27.56	81.13	17.25	96.20	17.40
Singampuneri	2	180.54	17.28	476.67	6.91	157.75	22.33	504.71	11.88	382.95	11.62	232.81	17.65
Thirupuvanam	2	108.01	19.26	357.19	6.55	173.76	14.09	336.46	12.30	313.41	9.53	252.32	12.03
Tirupathur	2	201.40	21.13	561.79	8.19	200.08	25.03	520.77	15.91	536.34	11.81	334.00	17.12
Tenkasi													
Achampudur	3	39.31	13.22	47.69	12.08	49.77	16.27	98.34	12.54	85.92	11.91	95.77	11.85
Alangulam	1	115.72	32.07	225.86	17.89	280.57	15.74	365.73	19.27	189.83	29.17	372.60	14.72
Alwarkurichi	3	48.04	14.72	50.00	15.04	50.34	15.75	94.25	13.34	95.23	8.78	75.36	12.65
Aygudi	2	93.77	8.74	336.59	2.54	110.52	8.37	207.79	7.01	268.38	3.95	156.27	6.86
Courtalam	1	68.92	100.00	130.49	55.16	178.69	42.14	131.25	100.00	98.43	91.08	151.20	68.34
Ilanji	3	36.89	35.76	42.45	35.31	42.32	38.63	90.18	27.82	74.84	25.32	78.17	25.40
Keezhapavur	2	133.50	8.89	391.45	3.27	200.05	6.65	483.13	5.18	377.19	4.76	212.92	7.95
Melagaram	3	63.98	39.57	66.20	40.19	66.05	42.68	117.76	35.80	105.20	30.81	91.61	34.56
Panboli	4	33.94	12.55	34.74	13.03	37.14	13.24	71.10	12.15	59.11	11.84	75.18	9.30
Pudur(S)	3	41.76	13.52	50.42	12.10	46.37	15.05	98.41	10.57	81.10	10.67	90.67	9.46
Rayagiri	3	41.71	12.52	43.64	13.77	50.97	13.53	87.43	12.03	74.14	9.84	73.45	4.97
Sambavar Vadagarai	3	65.11	16.74	61.47	18.62	67.26	17.85	123.49	16.01	123.58	11.87	121.75	12.07
Sivagiri	2	125.01	11.32	313.02	4.83	114.46	14.02	361.31	6.39	300.22	6.06	223.18	8.31
Sundarapandiapuram	4	32.07	11.47	31.86	12.31	35.94	11.30	67.60	10.76	57.27	8.00	78.74	8.52
Surandai	2	218.65	18.50	443.44	9.75	225.07	20.26	428.27	17.95	530.29	10.51	251.76	21.98
Thiruvenkatam	4	39.29	25.29	58.87	17.73	60.51	18.38	78.89	24.05	60.98	21.91	122.60	11.41
Vadakarai Keezhpudug	3	55.70	17.08	62.56	16.40	62.85	17.86	130.87	12.72	120.11	10.68	111.83	12.36
Vasudevanallur	3	59.30	20.04	64.30	19.30	64.11	20.43	113.00	17.57	127.28	12.95	112.73	14.90
Thanjavur													
Adiramapattinam	2	176.10	22.38	552.43	7.56	218.29	19.72	509.23	12.61	484.44	9.71	234.02	20.41
Aduthurai	2	111.85	14.00	392.74	4.21	112.78	15.10	315.59	8.68	233.75	8.20	172.38	10.97

Ammappettai	2	107.68	16.89	393.44	4.85	108.55	17.95	361.25	7.38	313.34	7.38	199.68	11.05
Ayyampettai	2	131.93	21.99	391.88	7.88	156.12	20.62	414.49	12.18	457.58	8.43	254.34	15.43
Cholapuram	4	30.75	33.09	35.98	30.33	37.95	29.76	65.10	26.32	60.08	20.45	68.81	17.76
Dharasuram	3	46.19	39.71	45.70	41.65	49.74	38.37	84.00	35.54	70.92	27.94	78.54	24.87
Madukkur	2	130.72	23.45	431.02	7.65	153.88	21.82	353.01	15.29	382.93	9.23	192.43	21.11
Melathiruppanthuruth	4	30.30	17.84	30.88	18.26	32.09	18.32	60.50	15.51	55.42	12.56	71.52	9.59
Melattur	3	23.99	13.38	27.54	12.18	24.90	18.60	46.62	13.26	35.34	15.22	40.36	15.11
Orathanadu	2	270.69	7.90	638.86	4.50	162.46	19.56	317.91	15.36	252.19	16.13	143.43	29.71
Papanasam	2	112.58	32.96	508.26	7.67	166.36	24.64	328.02	19.77	312.13	15.42	205.03	23.01
Peravurani	2	231.54	17.51	653.41	6.46	205.53	21.55	519.77	14.47	442.30	12.28	224.52	24.03
Perumagalur	4	23.52	8.36	27.56	7.36	24.22	8.98	43.61	11.29	37.08	13.38	53.87	9.39
Swamimalai	3	29.98	59.79	32.94	56.80	33.69	60.17	65.52	49.50	66.13	37.41	63.15	39.23
Thirukkattupalli	2	101.70	18.81	339.32	6.09	111.04	19.57	233.32	14.35	210.26	11.47	145.62	16.57
Thirunageswaram	3	49.21	45.22	45.40	51.52	53.42	48.14	99.26	40.29	95.42	32.24	107.09	28.45
Thiruppanandal	3	31.72	41.64	34.52	40.79	37.88	38.74	62.63	38.50	51.69	30.00	64.35	24.27
Thirupuvanam	3	36.69	46.95	34.07	51.38	38.37	46.53	65.57	44.37	56.54	32.97	72.69	25.77
Thiruvaiyaru	2	124.28	21.25	386.04	7.18	143.73	20.44	367.52	13.47	352.24	10.44	325.39	11.37
Thiruvidaimarudur	3	45.65	53.11	50.40	50.78	45.89	59.80	84.44	47.73	79.21	46.12	82.43	44.99
Vallam	2	171.85	13.74	645.56	3.99	179.25	15.14	732.77	6.09	458.47	6.55	197.85	15.41
Veppathur	4	25.81	19.84	32.30	16.22	28.90	18.72	52.78	17.13	55.06	21.42	72.94	13.64
The Nilgiris													
Adikaratti	2	80.29	15.94	312.37	4.39	93.87	15.41	218.85	14.31	220.80	8.08	125.13	15.15
Bikketti	2	67.94	18.68	208.20	6.14	72.90	17.73	205.53	13.20	199.85	7.11	124.83	12.20
Devarshola	2	222.29	19.15	581.60	7.51	213.08	22.98	527.89	15.06	526.56	10.57	227.43	24.99
Huligal	2	56.81	18.75	162.26	6.74	51.76	21.87	156.96	14.79	100.28	17.46	62.18	28.89
Jagathala	2	60.31	59.67	204.38	19.28	68.12	60.00	176.77	41.12	192.98	31.52	128.99	49.92
Kethi	2	116.52	36.11	565.48	7.80	229.37	20.28	602.02	15.28	373.72	15.03	280.25	22.30
Kilkunda	2	81.68	20.50	326.44	5.54	97.51	20.14	257.55	15.14	189.16	13.13	115.28	19.17
Kotagiri	1	327.11	17.56	571.89	10.53	880.86	7.29	753.54	14.00	432.65	23.28	524.13	13.88
Naduvattam	2	64.31	17.22	128.29	8.80	44.08	25.77	163.35	9.72	115.57	8.32	52.77	18.71
OValley	3	92.55	13.00	82.76	14.53	92.73	14.15	153.91	14.45	142.88	8.89	124.02	10.45
Sholur	3	31.57	63.74	34.06	59.30	30.82	65.90	53.26	57.99	45.62	37.95	55.90	32.52

Theni													
Andipatti	2	196.12	28.17	837.10	6.87	260.67	23.41	760.78	13.24	514.05	14.57	276.59	25.84
B.Meenakshipuram	4	17.30	12.30	18.75	12.38	17.24	16.73	32.20	14.04	30.95	13.88	41.02	9.21
Boothipuram	4	37.08	20.55	41.88	19.95	36.35	24.25	71.27	19.01	60.76	19.03	59.28	19.50
Devadanapatti	3	42.56	19.66	41.10	20.80	53.32	16.45	69.06	19.37	65.09	15.41	84.73	11.18
Ganguvarpatti	3	31.08	20.27	31.90	20.91	30.25	23.23	49.42	21.88	45.94	17.64	53.54	15.74
Hanumanthampatti	3	27.76	25.28	35.56	19.48	37.94	19.35	60.08	20.24	48.52	17.66	51.96	15.71
Highways	2	30.30	37.85	122.36	9.37	36.78	31.18	78.92	27.05	63.59	18.03	37.54	30.54
Kamayagoundanpatti	2	90.36	11.00	334.77	3.12	100.21	11.14	273.65	6.05	281.03	5.06	136.58	9.98
Kombai	2	74.56	86.75	263.01	22.63	105.87	63.65	256.87	30.81	237.28	32.30	129.13	58.98
Kuchanur	3	22.24	17.58	24.48	16.66	23.44	19.65	37.42	21.41	43.69	12.69	35.30	15.81
Markayankottai	4	17.77	19.50	16.85	21.74	20.90	21.57	29.90	21.60	29.41	17.87	40.49	11.75
Melachokkanathapuram	3	48.24	39.52	54.86	38.31	51.92	45.37	88.41	41.25	84.77	40.42	107.67	36.87
Odaipatti	3	49.16	20.51	50.91	20.71	46.18	23.61	94.20	17.44	72.80	18.17	72.61	19.14
Palani Chettipatti	2	118.07	32.74	414.97	9.94	158.68	27.95	341.40	21.04	356.60	16.43	153.64	88.67
Pannaipuram	3	25.43	24.37	23.91	27.13	22.59	31.87	41.32	28.25	38.95	24.79	40.62	24.08
Pudupatti	2	72.44	11.97	322.33	2.80	109.59	8.84	245.67	5.88	226.91	5.35	160.22	7.27
Thamaraikulam	2	73.09	9.44	326.46	2.15	92.01	7.92	206.63	6.96	200.88	5.76	140.98	8.05
Thenkarai	2	97.53	14.65	275.83	5.43	94.17	16.63	237.53	11.39	221.22	8.57	133.47	18.15
Thevaram	2	91.25	14.10	320.65	4.22	106.68	13.41	231.92	9.69	205.26	8.47	131.58	12.01
Uthamapalayam	2	170.93	18.77	481.13	7.02	198.73	18.17	359.51	15.08	477.24	9.33	251.98	16.89
Vadugapatti	2	69.06	16.45	320.75	3.57	91.08	13.21	233.04	8.14	201.85	7.12	106.58	12.43
Veerapandi	2	113.84	29.18	343.18	10.22	121.30	30.59	268.48	24.78	234.44	25.11	175.73	24.82
Thiruvavur													
Koradacheri	3	30.96	20.53	31.65	22.05	30.70	24.25	49.35	24.35	46.28	18.75	45.82	18.94
Kudavasal	2	111.94	28.00	413.92	8.52	118.09	32.01	310.64	16.26	273.32	15.44	132.15	31.76
Muthupet	2	74.00	42.81	286.41	11.53	69.97	53.21	201.51	27.24	157.26	27.05	81.65	49.97
Nannilam	2	128.59	16.25	384.13	5.63	147.10	15.37	406.84	9.11	332.58	8.04	142.08	19.60
Needamangalam	3	37.64	38.50	42.95	35.24	45.67	34.93	82.61	31.00	74.99	23.62	71.33	24.34
Peralam	3	26.22	33.91	32.23	28.90	28.62	34.68	43.81	35.57	43.04	24.48	40.57	26.04
Valangaiman	2	99.06	17.09	372.33	4.80	105.93	17.69	253.35	11.31	216.52	9.69	140.66	17.77
Thoothukkudi													

Alwarthirunagiri	3	40.02	13.90	34.40	16.82	45.59	13.29	74.78	13.75	65.67	10.28	57.09	10.56
Arumuganeri	1	159.96	12.92	275.38	7.85	317.03	7.17	290.06	12.66	171.66	15.32	265.48	9.88
Athur	2	107.11	9.33	289.28	3.65	93.14	12.01	191.14	9.00	223.21	5.71	124.67	10.75
Eral	2	102.77	13.05	293.57	4.72	126.29	11.50	293.67	8.35	243.76	6.61	136.68	11.98
Ettayapuram	2	102.39	12.93	362.42	4.00	140.46	11.96	302.72	9.18	238.80	7.95	183.36	11.12
Kadambur	3	18.56	26.73	17.57	29.55	17.10	31.59	30.35	29.11	27.54	23.26	29.70	20.11
Kalugumalai	2	114.85	14.27	258.62	6.55	120.68	14.87	257.96	11.77	193.28	10.51	161.63	13.39
Kanam	4	22.51	10.48	21.25	11.90	26.02	10.66	55.50	8.26	49.32	9.79	49.84	10.47
Kayatharu	3	45.30	24.56	53.40	21.83	59.00	20.80	104.48	19.50	87.57	15.30	104.92	13.64
Nazerath	2	149.47	13.04	449.79	4.52	141.61	14.92	313.53	10.47	285.24	8.85	195.77	12.51
Perungulam	4	38.31	10.99	35.18	12.90	41.31	12.12	82.76	10.46	75.68	9.74	95.48	9.15
Sathankulam	2	134.31	14.22	478.76	4.19	170.44	12.29	360.89	9.60	327.92	7.53	189.41	12.71
Sayapuram	2	118.92	7.31	364.62	2.48	129.89	7.15	242.96	5.80	253.82	4.04	132.61	7.71
Srivaikuntam	2	138.01	7.37	318.62	3.32	152.11	7.15	276.53	7.08	255.62	5.50	196.53	13.03
Thenthiruperai	4	30.27	9.45	25.48	11.53	31.13	9.82	61.55	7.66	56.48	6.06	59.50	5.88
Tiruchendur	1	234.19	20.62	347.04	14.72	431.65	12.27	341.40	25.98	258.79	23.39	365.47	17.85
Udangudi	2	187.81	14.65	538.85	5.70	149.27	21.54	310.86	15.69	332.80	10.08	213.91	15.67
V.Pudur	3	37.01	19.65	37.26	20.43	41.75	19.97	67.82	20.10	62.16	16.03	61.41	16.46
Vilathikulam	2	148.57	16.95	386.92	6.92	162.44	17.44	373.12	11.94	270.68	11.73	242.12	13.85
Tiruchirappalli													
Balakrishnampatti	3	25.94	37.30	25.90	37.96	27.82	37.24	44.75	36.15	44.37	26.00	50.71	23.40
Kallakudi	2	111.92	39.93	394.76	11.66	132.82	39.95	321.44	30.57	242.83	37.56	147.71	44.82
Kattuputhur	2	60.61	15.79	215.27	4.85	80.97	15.23	163.63	12.48	207.60	9.66	112.32	13.44
Koothappar	3	40.42	21.78	50.38	20.05	49.87	22.53	77.39	19.54	61.83	32.19	60.58	28.16
Lalgudi	2	200.64	20.53	433.10	10.13	210.26	21.93	463.48	17.16	490.71	12.55	229.95	26.30
Manachanallur	2	178.74	48.44	444.75	20.56	197.09	48.46	430.82	34.78	364.81	29.95	194.04	55.24
Mettupalayam	3	36.36	20.53	39.87	19.22	40.35	19.90	37.09	34.63	63.08	16.14	52.84	19.22
Musiri	2	290.99	18.24	633.56	8.80	363.25	16.60	464.51	20.58	560.11	13.28	290.56	23.54
Ponnampatti	3	38.45	36.59	40.59	37.62	45.43	35.44	77.42	32.62	57.47	38.12	62.94	29.16
Poovalur	3	31.28	36.27	33.76	35.66	34.13	37.63	58.69	37.96	49.91	34.70	57.02	27.79
Pullampadi	3	38.43	27.15	44.58	24.66	47.46	37.72	74.29	25.82	66.20	23.70	61.49	32.89
S. Kannanur	1	94.23	30.38	163.28	18.80	229.13	14.18	288.32	21.25	274.31	18.77	360.20	13.25

Sirugamani	2	110.20	15.03	277.96	6.06	89.43	19.45	275.08	11.36	194.29	13.82	126.09	15.77
Thathaiyangarpet	3	47.80	27.23	52.55	25.35	50.33	27.68	85.16	26.08	86.90	20.05	99.17	15.71
Thottiyam	2	86.11	16.03	279.71	5.24	135.45	12.36	268.79	9.73	194.57	10.35	143.24	13.63
Uppiliapuram	3	28.18	38.25	26.99	41.89	27.80	42.59	43.21	43.45	42.64	32.93	49.18	28.20
Tirunelveli													
Cheranmadevi	2	118.32	9.19	319.98	3.60	136.40	8.93	364.92	5.34	273.70	5.32	191.96	7.33
Eruvadi	1	164.49	8.20	384.65	3.73	347.52	4.68	203.51	11.82	255.06	7.51	343.42	5.52
Gopalasamudram	3	42.91	13.57	50.57	11.95	42.82	16.26	77.15	13.41	72.49	10.70	58.98	13.00
Kalakkad	1	126.67	19.59	268.69	9.62	255.22	10.52	287.47	15.43	214.36	13.84	492.98	6.41
Kalladaikurichi	1	122.72	16.18	237.11	8.81	338.51	6.68	293.51	12.42	197.79	12.36	371.59	6.80
Manimutharu	1	98.26	29.53	260.94	11.15	264.59	11.15	219.82	24.46	129.80	23.02	260.73	14.58
Melaseval	3	37.02	12.23	34.31	13.85	37.87	13.37	74.17	9.82	66.38	8.85	57.06	10.55
Moolakaraipatti	2	95.93	8.02	354.77	2.26	113.84	7.37	206.60	6.77	267.46	3.38	142.81	6.54
Mukkudal	2	149.26	7.29	397.44	2.88	154.37	7.80	357.72	5.98	308.57	4.77	216.35	6.73
Nanguneri	3	24.63	20.56	23.40	23.23	25.46	24.47	38.67	26.88	41.01	18.99	52.97	14.54
Naranammalpuram	2	104.83	10.23	296.29	3.78	126.90	8.92	243.35	10.02	243.65	6.08	150.08	8.09
Panagudi	1	159.94	19.09	246.15	13.16	351.41	9.89	333.49	16.12	206.04	20.41	329.14	12.95
Pathamadai	1	69.79	10.91	220.38	3.55	202.55	4.01	206.02	6.64	174.88	5.66	293.33	3.20
Sankarnagar	1	120.52	41.75	525.08	9.79	538.39	9.78	515.12	14.97	266.07	26.15	515.67	11.35
Thirukarungudi	2	115.82	4.26	373.81	1.45	97.38	5.91	222.39	3.71	216.84	3.09	113.62	6.07
Thisayanvilai	1	147.83	17.61	191.60	14.23	285.71	9.57	313.57	13.79	230.63	14.44	339.27	9.97
Vadakkuvalliyur	1	109.03	53.67	208.33	29.66	259.19	24.98	330.07	33.00	128.59	63.11	248.43	33.01
Veeravanallur	2	114.82	9.35	336.03	3.34	153.85	7.64	261.08	7.66	291.72	4.71	156.77	8.49
Tirupathur													
Alangayam	1	31.30	65.03	76.57	27.00	71.92	30.29	89.10	34.50	54.90	47.72	104.11	22.20
Natrampalli	2	80.61	21.03	277.63	6.76	87.68	22.62	184.13	16.68	143.55	16.78	93.22	29.36
Uthayendram	3	35.34	26.50	32.02	30.31	37.36	26.95	64.88	25.39	56.48	21.94	67.93	15.29
Tiruppur													
Avanashi	1	194.47	59.32	515.16	22.96	502.83	24.30	469.46	44.23	284.32	50.38	394.66	48.40
Chinnakkampalayam	4	25.35	19.50	34.39	14.67	30.42	17.76	54.91	13.93	45.87	18.52	71.24	11.63
Dhali	4	27.12	21.96	30.63	19.64	27.49	22.56	52.52	18.47	47.09	17.64	62.94	13.25
Kaniyur	3	20.31	18.88	20.32	20.68	21.60	20.45	33.56	6.66	28.88	7.16	31.74	6.70

Kannivadi	2	42.86	25.97	197.73	5.70	50.12	23.23	125.59	16.87	109.26	11.27	76.03	15.55
Kolathupalayam	2	91.18	27.87	316.71	8.20	114.15	23.72	246.62	18.12	183.12	18.57	166.60	19.69
Komaralingam	3	39.72	25.49	41.62	25.37	35.64	30.48	71.64	22.80	54.11	22.33	61.28	20.02
Kunnathur	2	109.75	18.36	403.31	5.40	99.48	23.36	294.43	12.68	246.25	11.24	160.94	17.27
Madathukulam	2	107.66	40.06	362.99	12.12	111.78	40.06	327.47	23.85	223.40	25.01	151.33	32.83
Mulanur	2	96.72	17.88	372.60	5.07	144.73	13.71	259.15	12.56	247.55	9.32	129.62	16.71
Muthur	3	41.35	44.11	44.98	43.70	50.46	41.32	83.70	41.33	69.04	34.73	84.92	28.42
Rudravathi	3	26.21	24.78	30.20	22.65	27.03	26.68	41.18	29.11	40.20	24.35	39.70	25.11
Samalapuram	3	55.26	53.79	59.58	53.42	63.48	53.09	108.57	55.53	113.57	43.36	130.13	32.57
Sankaramanallur	4	31.12	55.62	35.34	49.72	37.99	46.99	60.94	53.06	56.84	43.07	87.21	21.05
Thirumuruganpoondi	1	142.65	68.02	277.40	38.01	292.60	38.43	334.46	49.64	256.43	50.50	384.51	36.56
Uthukuli	2	97.91	28.72	348.84	8.71	113.35	29.14	279.05	19.71	288.20	15.65	173.66	26.63
Tiruvallur													
Arani	3	37.02	32.16	37.30	31.78	36.60	34.62	73.88	27.17	59.21	24.52	56.05	29.95
Gummidipoondi	2	183.53	33.04	562.02	11.54	191.30	35.88	452.13	25.94	430.82	23.24	323.69	33.98
Minjur	2	269.52	17.18	700.60	6.93	239.74	20.71	508.27	15.27	624.57	13.09	296.82	19.10
Naravarikuppam	2	142.77	41.99	467.20	12.75	190.51	34.66	435.71	27.27	329.98	24.58	203.82	36.08
Pallipattu	3	40.68	27.68	42.29	28.44	41.91	29.35	81.08	26.11	64.38	24.18	59.61	26.45
Ponneri	2	187.88	40.32	518.44	15.08	172.62	47.49	824.68	16.21	400.49	24.17	255.97	39.62
Pothatturpettai	3	64.27	13.83	63.52	14.86	74.71	13.11	127.77	11.84	112.13	12.75	113.77	13.11
Thirumazhisai	2	202.12	28.64	625.62	10.27	150.23	49.14	425.17	31.65	395.28	24.53	215.85	41.52
Thirunindravur	1	180.59	38.00	287.69	24.91	563.20	13.20	488.37	24.96	228.63	41.42	502.08	18.68
Uthukkottai	2	104.12	25.67	425.86	6.48	149.26	18.84	369.53	14.28	290.26	15.20	186.78	19.95
Tiruvannamalai													
Chengam	2	157.44	22.30	703.05	5.10	213.07	17.09	423.64	14.14	505.98	8.71	201.52	21.87
Chetpet	1	142.24	18.79	242.21	11.53	429.61	7.54	345.33	15.32	260.02	15.12	380.07	13.57
Desur	4	26.01	34.28	27.49	37.10	31.36	38.55	52.64	33.70	49.22	33.93	67.23	24.31
Kalambur	2	128.36	14.31	390.32	4.91	139.47	14.70	232.48	14.66	278.22	8.44	174.94	12.84
Kannamangalam	3	28.69	44.06	25.76	50.77	30.85	44.31	47.52	53.52	42.39	43.03	41.20	39.50
Kilpennathur	3	40.00	36.89	40.82	36.88	42.17	44.98	73.56	38.38	67.16	28.80	69.50	29.22
Peranamallur	4	20.81	26.97	23.03	25.17	24.77	24.79	46.44	21.23	39.41	18.85	51.24	13.67
Polur	1	128.28	42.91	327.01	17.07	278.82	19.38	250.02	36.60	197.00	30.35	354.28	16.43

Pudupalayam	4	29.35	33.28	26.08	38.28	30.49	33.45	58.81	30.90	51.95	24.17	69.43	16.92
Vettavalam	3	39.70	32.40	40.76	29.19	45.20	26.70	69.96	35.15	72.11	22.58	60.63	26.02
Vellore													
Odugathur	3	31.36	20.99	31.32	21.60	35.20	19.79	61.40	18.35	55.83	14.30	58.05	9.53
Pallikonda	2	212.13	14.24	828.04	3.73	266.00	11.73	477.93	11.23	432.92	9.10	258.95	16.74
Pennathur	3	30.29	40.55	27.48	46.52	27.54	48.08	59.65	34.62	43.98	38.19	58.28	29.17
Thiruvalam	3	26.10	78.30	27.20	75.93	30.63	68.77	49.17	68.49	46.81	72.28	46.10	68.48
Viluppuram													
Ananthapuram	4	22.48	19.97	22.96	20.69	23.98	21.19	44.03	22.34	36.39	19.82	53.98	13.18
Aragandanallur	3	18.95	25.67	19.78	27.76	19.72	30.07	37.61	23.49	28.37	23.91	27.43	36.16
Gingee	1	153.18	35.80	207.15	27.46	359.27	16.44	338.35	28.76	224.22	28.71	246.55	25.56
Kottakuppam	1	150.35	17.77	249.37	11.35	295.04	10.35	331.36	14.05	229.99	16.72	329.56	11.24
Marakkanam	3	47.83	45.54	52.07	47.51	50.80	53.40	92.46	50.02	78.89	43.78	105.12	30.77
Thiruvennai Nallur	3	28.98	23.21	26.91	25.80	29.53	24.45	54.64	20.05	46.62	17.44	54.70	14.76
Valavanur	2	176.47	5.48	439.67	2.25	156.86	6.46	441.36	3.60	368.86	2.86	218.09	4.86
Vikkiravandi	2	94.12	12.33	213.13	5.62	79.69	14.96	266.11	7.51	198.95	6.88	184.41	7.09
Virudhunagar													
Chettiarpatti	3	57.42	51.13	57.63	52.60	58.05	54.26	109.73	48.96	106.29	34.92	126.03	29.93
Kariapatti	3	74.89	28.65	74.72	30.47	82.40	30.08	147.98	25.76	141.52	21.96	143.25	22.68
Mallankinaru	3	45.01	25.37	43.44	26.97	45.38	26.89	85.42	24.56	72.18	18.83	76.10	17.92
Mamsapuram	3	59.41	29.63	68.58	26.77	68.60	28.15	119.82	25.59	115.21	18.74	112.52	18.83
S.Kodikulam	4	33.59	12.59	32.87	13.25	36.53	12.32	74.71	9.40	64.97	7.78	78.79	6.39
Seithur	2	113.03	18.94	344.47	6.64	138.26	18.02	359.38	10.96	310.91	8.84	199.44	13.99
Sundarapandiam	3	26.08	23.16	26.78	23.29	27.14	23.82	51.06	21.77	43.16	17.90	39.71	17.68
V.Pudupatti	4	26.09	19.26	25.17	20.90	26.69	22.20	56.46	17.53	46.99	15.53	57.16	12.42
Vathirairuppu	2	96.54	16.86	398.24	4.16	108.87	15.74	282.77	9.51	243.27	7.94	151.20	12.65