

FINANCE COMMISSIONS CONCLAVE - DEVOLUTION TO DEVELOPMENT



State of Uttar Pradesh

14 November, 2024

STATE FINANCE COMMISSION IN UTTAR PRADESH

- So far, Uttar Pradesh has had five SFCs.
- The 6th SFC has been constituted in the State wide Notification in July, 2024.

Terms of Reference for the 6th SFC

The SFC will review the economic condition of ULBs and PRIs and submit its recommendations to the Governor in respect of -

a) the principles governing-

- the distribution of the net proceeds from various taxes, duties, tolls and fees levied by the State Government among the State, the ULBs and PRIs and allocation thereof among the different tiers of the local bodies;
- the determination of the taxes, duties, tolls and fees which may be assigned to, or appropriated by, the local level governments;
- Any other grant to ULBs and PRIs from the State CF

b) the measures needed to improve the financial position of local bodies

c) any other matter referred to the SFC by the Governor to strengthen the finances of ULBs and PRIs

Profile of the PRIs

- Rural population of the State is 15.30 cr as per census 2011.
- Area of the rural sector of the state is approx. 2.22 lac sq km.
- State has 75 Zila Panchayat.
- There are 826 Kshetra Panchayat in the State
- The number of Gram panchayat is 57,961.

Historical Background

	1 st SFC	2 nd SFC	3 rd SFC	4 th SFC	5 th SFC
%ge of net OTR to be devolved	11%	12.5%	12.5%	12.5%	12.5%
O/w					
ULBs	7%	7.5%	7.5%	7.5%	7.5%
Municipal Corporations	3.12%	3.20%	3.0%	3.0%	3.0%
Municipal Boards	3.12%	3.20%	3.0%	3.0%	3.0%
Nagar Panchayat	0.76%	1.10%	1.5%	1.5%	1.5%
PRI share of which	4%	5%	5%	5%	5%
Zila Panchayat	0.8%	1.0%	1.0%	2.0%	0.75%
Kshetra Panchayat	---	0.5%	0.5%	0.5%	0.75%
Gram Panchayat	3.2%	3.5%	3.5%	2.5%	3.5%

Criteria for *inter se* Distribution among PRIs

	Area	Population	SC/ST population	Soci-Eco Backwardness	Tax Efforts
1st SFC					
Zila Panchayat	20%	80%	---	---	---
Kshetra Panchayat	---	---	---	---	---
Gram Panchayat	20%	80%	---	---	---
2nd SFC					
Zila Panchayat	15%	50%	10%	15%	10%
Kshetra Panchayat	20%	70%	10%	---	---
Gram Panchayat	20%	70%	10%	---	---

Criteria for *inter se* Distribution among PRIs

	Area	Population	SC/ST population	Tax Efforts	CDI
3rd SFC					
Zila Panchayat	---	50%	10%	10%	30%
Kshetra Panchayat	---	80%	20%	---	---
Gram Panchayat	---	80%	20%	---	---
4thSFC					
Zila Panchayat	---	50%	10%	10%	30%
Kshetra Panchayat	---	80%	20%	---	---
Gram Panchayat	---	80%	20%	---	---

Criteria for *inter se* Distribution among PRIs

	Area	Population	SC/ST population	Tax Efforts	CDI
5th SFC					
Zila Panchayat	10%	90%	---	---	---
Kshetra Panchayat	---	90%	10%	---	---
Gram Panchayat	---	90%	10%	---	---

Sources of Revenue of PRIs

- **Central Finance Commission Grants**
- **SFC devolution**
- **Own revenue receipts-**
 - **Zila Panchayats** can impose tax as mentioned in Section-119 of ZP Act, 1961. Circumstances & Property (CP) tax is the main tax levied by Zila Panchayats (ZPs). All funds received are kept in Zila Nidhi as per Section-99 of UP AP & ZP Act, 1961.
 - **Kshetra Panchayats** have been empowered to impose tax in Chapter-8 of UP AP & ZP Act, 1961. However usually they do not impose and realise tax, fees and charges. As per provision-99, all funds received are kept in Kshetra Nidhi as section-99 of the said act.

- **Gram Panchyats** are empowered to impose and realize taxes, fees and charges under Section-37 of the UP PR Act, 1947. However, at present the only mandatory tax is the tax levied at the rate of 25 paise to 50 paise per rupee of the land revenue payable by a person holding the land. All funds received are kept in Gram Nidhi as per section-32 of the said act.

Admissible Activities for Utilization of Funds under the Award of 5th SFC

Panchayati Raj Deptt of GoUP issued a GO mentioning the activities on which money devolved as per 5th SFC award can be used, such as :-

1. Maintenance of Govt Buildings
2. Street Light
3. Work related to ODF
4. Payment of electricity bills of Govt Buildings and public places
5. Construction and maintenance of Roads of Panchayats
6. Construction and maintenance of drinking water schemes.
7. Solid & liquid waste management
8. Community toilets/Public utilities
9. Boundary walls of graveyards/crematoria.

Transfer of funds to PRIs as per award by SFC

SFC	Year	PRIs			
		Zila Panchayat	Kshetra Panchayat	Gram panchayat	Total
1	2	3	4	5	6
1st SFC	1997-98	44	–	175	219
	1998-99	51	–	203	254
	1999-00	54	–	217	271
	2000-01	62	–	257	319
2nd SFC	2001-02	64	–	284	348
	2002-03	67	–	316	382
	2003-04	110	55	385	550
	2004-05	143	111	525	779
	2005-06	186	82	601	869
3rd SFC	2006-07	231	129	827	1188
	2007-08	287	168	987	1441
	2008-09	256	142	883	1282
	2009-10	252	140	870	1262
	2010-11	341	182	1264	1788

Transfer of funds to PRIs as per award by SFC

	Year	PRIs			
		Zila Panchayat	Kshetra Panchayar	Gram panchayat	Total
1	2	3	4	5	6
4 th SFC	2011-12	372	186	1302	1860
	2012-13	446	223	1562	2232
	2013-14	650	325	2275	3250
	2014-15	770	385	2695	3850
	2015-16	1628	407	2035	4071
5 th SFC	2016-17	1710	418	2108	4236
	2017-18	1853	459	2304	4615
	2018-19	1950	472	2366	4788
	2019-20	2320	580	2900	5800
	2020-21	853	853	3978	5683
	2021-22	990	990	4620	6600
	2022-23	1080	1080	5040	7200
	2023-24 (RE)	1421	1421	6632	9474
	2024-25 (BE)	1440	1440	6720	9600

Sources of Revenue of PRIs (2023-24)

Rs. In Crore

		Own Revenue Receipts	Grants-in-Aid of Central Finance Commission	Devolution by State Finance Commission	Total Receipts	Revenue Expenditure	Capital Expenditure	Total Expenditure
1	Zila Panchayat	295	1132	1352	2779	2233	-	2233
2	Kshetra Panchayat	-	1132	1352	2484	2484	-	2484
3	Gram Panchayat		5282	6138	11421	11421		11421

Points for consideration

- ✓ The Census 2011 population data may not accurately represent the demographic profile of PRIs
- ✓ New and emerging challenges include climate change, recurrent disasters, and disability, among others.
- ✓ With enhanced economic progress, there is a pressing need to provide additional impetus to improve indicators related to poverty, health, nutrition, and education.
- ✓ There is a need to invest more on children and adolescents- future proofing for sustaining the growth.
- ✓ Localization of SDGs, especially at Gram Panchayat level , and through Panchayat Development Index (PDI) has significant potential.
- ✓ PDI, it is understood, considers a number of factors , such as, infrastructure, health, education, economic indicators, social indicators, governance, service delivery, environmental sustainability
- ✓ Capacity building programs to understand and construct PDI may be conducted

THANK YOU
