



Fiscal Transfers and Socio-economic Development in Mara Autonomous District Council, Mizoram

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Abstract

Mara Autonomous District Council (MADC) is one of the three autonomous district councils constituted under the provisions of Sixth Schedule to the Constitution of India. Though vested with legislative, executive and judicial powers to administer themselves according to their own traditions and customs, the ADC's efficient functioning in providing public goods have been undermined by limited own revenue bases, obliging them to depend heavily on state grants which are far from adequate to create rapid socio-economic development in the regional economy of MADC. This study assessed various components fiscal transfers to the district council and their impacts on socio-economic development of the district. It also examines various sources of revenue receipts, as well as trend and pattern of public expenditure. The study concluded that inadequate fiscal flows have been responsible for poor development outcomes in the district council.

Keywords: *Autonomous District Councils, Fiscal Transfers, Sixth Schedule, District Council Funds.*

Introduction

Intergovernmental fiscal transfers play a crucial role in promoting social and economic development in an underdeveloped country like India. Fiscal transfers in India take place from central to the state government and from state to sub-state units like urban and rural local government. In the context of Mizoram, fiscal transfers are given to the Autonomous District Councils (ADCs), Aizawl Municipal Corporation (AMC) and Village Councils (VCs). Grants-in aid from the State government constitute the most important sources of revenue of the Autonomous District Councils. Central Finance Commission grants, or grants from the Central agencies, if any, are directly transferred to the ADCs as per terms and conditions laid down by the specific institution to supplement the resources of the State Government. Fiscal transfers mainly consist of grants-in-aid for salary, non-salary grants and capital assets grants. Under Article 275 of the Constitution, the Governor has the

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power to sanction grants-in-aid to the autonomous District Councils for running the administration as well as for development activities within the territorial Jurisdictions of the District Councils.

Intergovernmental transfers or grants can be broadly classified into two categories: general-purpose (unconditional) and specific-purpose (conditional or earmarked) transfers. General-purpose transfers are provided as general budget support, with no strings attached. Specific-purpose, or conditional, transfers are intended to provide incentives for governments to undertake specific programs or activities. These grants may be regular or mandatory in nature or discretionary or ad hoc (Shah, 2006, Musgrave & Musgrave 2013). Fiscal transfers serve three main purposes. First, they address the vertical imbalance (fiscal gap) between the central government and sub-national governments. Second, they address the horizontal imbalances between sub-national governments. Third, they ensure national uniformity in the provision of public services to citizens across the country and incentivize good performance in service delivery by the sub-national governments (RBI, 2007; Bessho, 2017).

Sub-national governments perform better in providing public goods and services according to the needs of local communities. Oates (1993) observed that the provision of local outputs that are differentiated according to local tastes and circumstances results in higher levels of societal welfare than centrally determined and more uniform levels of outputs across all jurisdictions. Promoting education, social safety net, infrastructural development and preventing environmental degradation are important functions of government (Stiglitz, 2005). With decentralization of power, function and finances, local government could provide various services that optimize local development and welfare.

This paper made an attempt to analyse the flow fiscal transfers to Mara Autonomous District Council (MADC) and the level of social and economic development in the district. The paper is divided as follows. The first section deals with introduction with a brief highlight of theoretical background of the study. The next section gives a broad overview of socio-economic development in the autonomous district region. The third section examines the fiscal profile of the district council and the fourth section concludes the study.

Socio-economic Development in MADC

Mara Autonomous District Council, constituted on 29 April 1972 under the Sixth Schedule to the Constitution of India, is one of the three Autonomous District Councils in Mizoram. Other districts are Lai Autonomous District Council (LADC) and Chakma Autonomous District Council (CADC). Autonomous District Councils (ADCs) are unique constitutional bodies. They have extensive legislative, judicial, executive and financial powers. These bodies 'have less power than the states but more than local governments' and 'represented the incorporation of the predominantly tribal population as communities into the Indian states' (Stuligross, 1999).

Table 1 shows the basic demographic indicators of the district. The total geographical area of the district is 1339 km², and constituted 6.35 per cent of the total area of the state.

With total population of 56574 in 2011, the district has a population density of 40 persons per km². Population density was lower in the district as compared with the State average. The district has 44.38 per cent of urban population while there is only one notified town. The literacy rate was 90.01 per cent, the highest among the three Autonomous District Councils. Gender gap in literacy rate is also very low.

Cultivators constituted 45.77 per cent of its total workers in 2011. Shifting cultivation is the dominant agricultural system. Household industries are negligible. Out of the total workers, household industry workers constituted only 1.61 per cent. Tertiary activities such as administration, banking and financial institutions, trade and other services that constituted 'other workers' became the most important livelihood sectors in the autonomous district. These workers formed 47.70 percent in the district as against 42.63 per cent for the state as a whole.

Table 1: Basic Demographic Indicators of MADC

| SN | Particulars | MADC | Mizoram |
|----|---------------------------------------|-------|---------|
| 1 | Geographical Area (Sq.Km) | 1339 | 21087 |
| 2 | Population (2011) | 56574 | 1097206 |
| 3 | Population density in km ² | 40 | 52.03 |
| 4 | Sex ratio | 979 | 976 |
| 5 | Percentage of urban population | 44.38 | 52.11 |
| 6 | Literacy rate (2011) | 90.01 | 91.33 |
| | Male | 92.64 | 93.35 |
| | Female | 87.34 | 89.27 |
| 7 | Cultivators (2011) | 45.77 | 47.17 |
| 8 | Agriculture Labourer | 4.92 | 8.59 |
| 9 | Household Industries | 1.61 | 1.61 |
| 10 | Other workers | 47.70 | 42.63 |

Sources:

1. *Statistical Handbook Mizoram 2018, Directorate of Economics & Statistics, Mizoram: Aizawl.*
2. *Directorate of Census Operation, Mizoram.*

Wet Rice Cultivation (WRC) statistics, as on 2015-16, revealed that as many as 446 families were engaged with Wet Rice Cultivation (table-2). WRC potential area in the district was 4284 hectares. Presently, 495 hectares have been put in under WRC, indicating that only 11.55 per cent had been utilised. The average agricultural holding size was 0.99 hectares in the district while the average the state as a whole was 1.26 hectares.

Infrastructure development in the district council is much lower than the state level (table -3). For instance, national highway density in the district council was only 0.39 km/km² as against 6.69 km/km² for the State as a whole. Infant mortality rate is also very high in the District as compared with the value for the state. While infant mortality rate in the State was 12.66 deaths per 1000 live births, it was 26.04 deaths per 1000 live births in Mara ADC. The District showed a favourable credit-deposit ratio as compared with the overall

state situation. The ratio was 98.8 per cent in MADC while the ratio for State was 46.26 per cent in 2017-18.

Table 2: Agricultural Situation in MADC

| Items | MADC | Mizoram |
|---|----------|------------|
| Wet Rice Cultivation (WRC) 2015-16 | | |
| No. of families | 446 | 13310 |
| WRC Potential Area (Ha) | 4284 | 59263 |
| Area under WRC (Ha) | 495 | 16,075 |
| Agriculture Census 2015-16 | | |
| No. of holdings | 5016 | 89774 |
| Operated area in hectare | 4971.974 | 112464.714 |
| Average size of holdings in hectare | 0.99 | 1.26 |

Source:

Statistical Handbook Mizoram 2018, Directorate of Economics & Statistics, Government of Mizoram

Table 3: Indicators of Infrastructure Development in MADC

| SN | Indicator | MADC | Mizoram |
|----|------------------------------------|-------|---------|
| 1 | National Highway (2016-17) | | |
| | Total Length in Kms | 82.38 | 1414.32 |
| | Road density | 0.39 | 6.69 |
| 2 | Villages electrified (March 2018) | | |
| | No. of Villages electrified | 51 | 699 |
| | Percentage of villages electrified | 100 | 100 |
| 3 | Medical Institutions (2016-17) | | |
| | Hospital (Government + Private) | 2 | 32 |
| | Community Health Centre (CHC) | | 12 |
| | Primary Health Centre (PHC) | 4 | 57 |
| | Sub-Health Centres | 25 | 372 |
| 4 | Birth Rate 2016 | 22.09 | 20.05 |
| | Death Rate | 3.46 | 5.85 |
| | Infant Mortality Rate | 26.04 | 12.66 |
| 5 | Educational Institutions 2016-17 | | |
| | Primary Schools | 32 | 1968 |
| | Middle Schools | 90 | 1542 |
| | High Schools | 38 | 640 |
| | Higher Secondary Schools | 9 | 163 |
| 6 | Credit-Deposit Ratio 2017-18 | 98.8 | 46.26 |

Sources:

1. Statistical Abstract of Mizoram 2017, Directorate of Economics & Statistics, Government of Mizoram.

2. Statistical Handbook Mizoram 2018, Directorate of Economics & Statistics, Government of Mizoram.

Fiscal Profile of Mara Autonomous District Council

District Funds-Broad Features

The District fund comprises of all receipt realised by the District Council. These include grants-in aid received from the Government and taxes levied or other revenues or receipts realised under the laws, rules or regulation framed by the District Councils. The Mizoram Autonomous District Council Fund Rules, 1996 (revised in 2018) provided rules and guidelines for the management of the district fund and for the procedure to be followed in respect of money receipts and its custody, as well as any other matter connected with or ancillary to these matters.

The accounts of the council have two parts-District Fund and Deposit fund. District fund consists of revenue account and capital account. Revenue account has been kept under two heads-revenue receipts and revenue expenditure. Revenue account includes all proceeds of taxation and other receipts categorised as revenue receipts and expenditure met from these receipts.

Revenue receipts of the district councils could further be divided into districts' own revenue receipts and revenue transfers. Own revenue receipts of the Councils are profession taxes, land revenue, taxes on vehicles etc while non-tax revenue include user charges, fees and penalty from administrative, economic and social services rendered by the district councils. Revenue transfers broadly consist of grants received from the State Government. Revenue expenditure indicates salary, wages and other maintenance expenditure which are recurring in nature.

The capital accounts represent public debt, loans and advances. Capital expenditure related to expenditure met from borrowed funds with the object of increasing assets or reducing recurring liabilities. The transactions under deposit fund include Contributory Provident Fund and other Deposits and Advances. The transactions under these accounts involved the Council's liability to repay the moneys received or to recover the amount paid, together with repayment of the deposits and the recoveries of the advances.

Revenue Receipts: Pattern and Trend

The pattern of revenue receipts indicated a high proportion of grants-in-aid from the State and a marginal contribution from internal revenue receipts. Table 4 shows that revenue transfers or grants-in-aid constituted approximately 99 per cent of the revenue receipts of MADC. The district's own tax revenue receipts came from profession tax, land revenue, entry tax on vehicle, trade license fees, stamp and registration. Own revenue receipts have shown an improvement over the years. They have increased by 1.51 times from Rs 77.18 lakh in 2011-12 to Rs 116.85 lakh in 2014-15. Professional tax and forest revenue are the two important sources of own revenue receipts of the district council.

Revenue transfers or grants indicated an increase of 1.38 times from Rs 7381.67 lakh in 2011-12 to Rs 10206.64 lakh in 2014-15. Grants-in-aid are given to the Autonomous District Council for specific purpose such as maintenance of primary schools, development of road, water supply, sanitation, forests etc. These were statutory grants given to the council under Article 275 of the Constitution of India. Grants for normal administration include

Salary, TA/DA, Vehicles, Office expenses, and remuneration of village councils, buildings while grants for specific development schemes include rural development, communications, sanitation, water supply, forest, art & culture. Grants-in-aid for normal administration and development have been given by distributing it among the three ADCs on population basis which is subject to revision. Grants are not released all at once but in three instalments (SFC, 2015). Table 5 shows various components of fiscal transfers or grants released to MADC. Salary grants dominated the components of the total transfers while grants for capital assets were less than 10 per cent of revenue transfers.

Table 4: Pattern and Trend of Revenue Receipts (Rs in lakh)-MADC

| Items | 2011-12 | | 2012-13 | | 2013-14 | | 2014-15 | |
|-------------------------------------|---------|-------|---------|-------|---------|-------|----------|-------|
| | Rs | % | Rs | % | Rs | % | Rs | % |
| Own Revenue Receipts | 77.18 | 1.03 | 86.69 | 0.94 | 104.79 | 1.24 | 116.85 | 1.13 |
| Taxes on Income & Expenditure | 35.02 | 0.47 | 53.33 | 0.58 | 78.99 | 0.93 | 78.72 | 0.76 |
| Land Revenue | 2.83 | 0.04 | 6.84 | 0.07 | 3.18 | 0.04 | 7.55 | 0.07 |
| Taxes on Vehicles | 1.09 | 0.01 | 1.19 | 0.01 | 0.00 | 0.00 | 1.24 | 0.01 |
| Public Works | 2.43 | 0.03 | 2.48 | 0.03 | 3.77 | 0.04 | 9.14 | 0.09 |
| Other Administrative Services | 0.04 | 0.00 | 0.03 | 0.00 | 0.15 | 0.00 | 0.20 | 0.00 |
| Other General Economic Services | 0.82 | 0.01 | 1.35 | 0.01 | 2.00 | 0.02 | 3.00 | 0.03 |
| Forest | 34.95 | 0.47 | 21.17 | 0.23 | 16.70 | 0.20 | 17.00 | 0.16 |
| Grants-in-Aid from State Government | 7381.67 | 98.97 | 9106.33 | 99.06 | 8374.56 | 98.76 | 10206.64 | 98.87 |
| Total Revenue Receipts | 7458.85 | 100 | 9193.02 | 100 | 8479.35 | 100 | 10323.49 | 100 |

Source: Reports of the Comptroller and General of India, 2011-12 to 2014-15, Mara Autonomous District Council

Table 5: Components of Grants-in-Aid to Mara ADC

| Items | Rs. Crore | | | | Per cent | | | |
|----------------|-----------|---------|------------|------------|----------|---------|------------|------------|
| | 2016-17 | 2017-18 | 2018-19 RE | 2019-20 BE | 2016-17 | 2017-18 | 2018-19 RE | 2019-20 BE |
| Salary | 109.37 | 109.95 | 136.79 | 135.72 | 90.25 | 84.36 | 88.34 | 93.16 |
| Non-Salary | 8.88 | 15.99 | 9.54 | 9.97 | 7.33 | 12.27 | 6.16 | 6.84 |
| Capital Assets | 2.93 | 4.4 | 8.52 | Nil | 2.42 | 3.38 | 5.50 | 0.00 |
| Grand Total | 121.18 | 130.34 | 154.85 | 145.69 | 100 | 100 | 100 | 100 |

Source: Demand for Grants 2019-20: Demand No 27, District Council and Minority Affairs, Govt. of Mizoram.

Revenue Expenditure: Pattern and Trend

The pattern of revenue expenditure indicated that the share of development expenditure had been declining during 2011-12 to 2014-15 (table-6). Development expenditure accounted for 84.23 per cent in 2011-12 and the share went down to 80.32 per cent in 2014-15. In the meantime, the share of non-development expenditure had risen from 15.77 per cent to 19.68 per cent. The trend clearly indicated that non-development expenditure had been given priority over development expenditure. The pattern had an adverse implication for development of the district council as development expenditure such as education, rural development, agriculture etc., had been relegated to the background to the disadvantages of the people.

Total revenue expenditure rose from Rs 7560 lakh in 2011-12 to Rs 9806 lakh in 2014-15, showing an increase of 1.30 times over the period. While non-development expenditure showed a 1.62 fold increase from Rs 1193 lakh to Rs 1929 lakh during 2011-12 to 2014-15, development expenditure showed an increase of 1.24 times from Rs 6368 lakh in 2011-12 to Rs 7877 in 2014-15.

Table 6: Trend and Pattern of Revenue Expenditure (Rs. in lakh)

| Items of Expenditure | 2011-12 | | 2012-13 | | 2013-14 | | 2014-15 | |
|-----------------------------|---------|--------|---------|--------|---------|--------|---------|--------|
| | Rs | % | Rs | % | Rs | % | Rs | % |
| Non-Development Expenditure | 1193 | 15.77 | 1450 | 16.68 | 1575 | 17.36 | 1929 | 19.68 |
| Development Expenditure | 6368 | 84.23 | 7243 | 83.32 | 7495 | 82.64 | 7877 | 80.32 |
| Total Expenditure | 7560 | 100.00 | 8692 | 100.00 | 9070 | 100.00 | 9806 | 100.00 |

Source: Reports of the Comptroller and General of India, 2011-12 to 2014-15 (MADC)

Table 7 illustrates the growth trend of various components of non-development expenditure. Non-development expenditure recorded an annual compound growth rate of 16.48 per cent during 2011-12 to 2014-15. Expenditure on District Council Secretariat witnessed the highest compound annual growth rate at 34.40 per cent. The total expenditure under this department was Rs 191.87 lakh in 2011-12, and the amount rose to Rs 477.34 lakh in 2014-15. The expenditure under Secretariat General Services grew at 27.72 per cent annually from Rs 162.19 lakh in 2011-12 to 337.39 lakh in 2014-15. The trend suggests that Secretarial Services have been given priority over administrative departments such as Administration of Justice, Finance and Account departments etc.

Development expenditure consists of social and economic service expenditure. Social service expenditure broadly comprises of expenditure on education and human resources, sports & youth services, Arts and Culture, social welfare, district library, local administration etc. Economic service expenditures are represented by expenditures on road transport, environment & forest, public works, agriculture & horticulture, soil & water conservation, animal husbandry & veterinary, industries, fisheries, public health engineering, sericulture etc.

Table 7: Growth of Non-development Expenditure

| Year/ Items | District Council Secretariat | Administration of Justice | Land & Revenue | Exe. Member | Finance and Accounts | Secretariat General Services | Total |
|-------------|------------------------------|---------------------------|----------------|-------------|----------------------|------------------------------|---------|
| 2011-12 | 191.87 | 66.50 | 205.89 | 54.22 | 511.87 | 162.19 | 1192.54 |
| 2012-13 | 323.54 | 63.67 | 276.20 | 83.64 | 500.11 | 202.75 | 1449.91 |
| 2013-14 | 403.93 | 61.78 | 269.77 | 70.40 | 508.58 | 260.20 | 1574.66 |
| 2014-15 | 477.34 | 81.22 | 338.00 | 79.27 | 616.20 | 337.39 | 1929.42 |
| CAGR (%) | 34.40 | 5.86 | 15.76 | 10.15 | 5.90 | 27.72 | 16.48 |

Source: Reports of the Comptroller and General of India, 2011-12 to 2014-15 (MADC)

Table 8 shows the growth trend of social service expenditure in MADC during 2011-12 to 2014-15. Expenditure under social services showed an annual compound growth rate of 6.09 per cent during the period from Rs 4338.87 lakh in 2011-12 to Rs 5363.30 lakh 2014-15. The Education & Human Resources Department, whose expenditure was Rs 3711.69 lakh in 2011-12 increased to Rs 4588.69 lakh in 2014-15, showing an annual compound growth rate of 6.25%. Social Welfare Department expenditure recorded an annual compound growth rate of 10.44%, from Rs 68.09 lakh to Rs 91.89 lakh during 2011-12 to 2014-15. Expenditure under Local Administration Department grew at 9.23% annually during the period under study. The total expenditure under the department was Rs 511.86 lakh in 2011-12, and the amount rose to Rs 636.48 lakh 2014-15. The total expenditure under Art & Culture Department, which amounted to Rs 47.23 lakh in 2011-12 increased to Rs 46.26 lakh in 2014-15, showing an annual compound growth rate of 1.45%.

Table 8: Growth of Social Services Expenditure

| Year | Education & Human Resource | Social welfare | Local Adm | Art & Culture | Total |
|----------|----------------------------|----------------|-----------|---------------|---------|
| 2011-12 | 3711.69 | 68.09 | 511.86 | 47.23 | 4338.87 |
| 2012-13 | 4190.35 | 88.71 | 427.91 | 51.98 | 4758.95 |
| 2013-14 | 4065.66 | 97.43 | 538.32 | 63.91 | 4765.32 |
| 2014-15 | 4588.69 | 91.89 | 636.46 | 46.26 | 5363.3 |
| CAGR (%) | 6.25 | 10.44 | 9.23 | 1.45 | 6.09 |

Source: Reports of the Comptroller and General of India, 2011-12 to 2014-15 (MADC)

The Autonomous District Council provides several economic services to the people through its various departments. The growth trends of expenditure among important economic departments are highlighted in table 9. The total expenditure under economic services, which was Rs 1907.17 lakh in 2011-12 increased to Rs 2447.48 lakh in 2014-15, representing an annual compound growth rate of 8.8%. The expenditure incurred by Environment and Forest Department indicated an annual compound growth rate of 12.36%. The total expenditure of the department which was Rs 331.61 lakh in 2011-12 has grown into Rs 483.46 lakh in 2014-15. The expenditure under Road Transport Department increased

from 98.33 lakh in 2011-12 to 123.86 lakh in 2014-15, showing an annual compound growth rate of 4.62%.

As on 2011-12, Public Works Department recorded an annual expenditure of Rs 657.57 lakh. The total expenditure increased to Rs 796.54 lakh in 2014-15, showing a compound annual growth rate of 6.83%. The department works within their capacity as per power entrusted by the State government; they construct, maintain and extend road and also construct and maintain council's buildings.

The district authority had taken up several steps for the development of agriculture sector to increase production and productivity. As on 2011-12, the total expenditure under the department was Rs 146.29 lakh; the amount increased to Rs 267.54 lakh in 2014-15, recording a compound annual growth rate of 21.12% during the period. The expenditure under Soil and Water Department witnessed an annual compound growth rate of 25.44%, from Rs 61.53 lakh in 2011-12 to Rs 127.22 lakh in 2014-15. During 2011-12 to 2014-15, expenditure under Animal Husbandry Department saw the highest annual growth rate at 36.44%. The expenditure of the department which was only Rs 45.66 lakh in 2011-12 increased to Rs 92.46 lakh in 2014-15.

Table 9: Growth of Economic Services Expenditure

| Year | Environment & Forest | Road Transport | Public Works | Agri & Horti | Soil & Water Conservation | Animal Husbandry | Total |
|----------|----------------------|----------------|--------------|--------------|---------------------------|------------------|---------|
| 2011-12 | 331.61 | 98.33 | 657.57 | 146.29 | 61.53 | 45.66 | 1907.17 |
| 2012-13 | 417.16 | 141.21 | 503.62 | 440.03 | 289.89 | 92.73 | 2411.98 |
| 2013-14 | 431.85 | 110.91 | 550.51 | 488.67 | 316.41 | 159.26 | 2653.81 |
| 2014-15 | 483.46 | 123.86 | 795.54 | 267.54 | 127.22 | 92.46 | 2447.48 |
| CAGR (%) | 12.36 | 4.61 | 6.83 | 21.12 | 25.44 | 36.44 | 8.8 |

Source: Reports of the Comptroller and General of India, 2011-12 to 2014-15 (MADC)

Expenditure under Annual Plan

As given in table 10, the total amount allocated in the Annual Plan of the District Council was Rs 2576.56 lakh in 2016-17. Economic services accounted for as high as 67.37% while social services accounted for 32.63%. Sectoral allocation showed that 28.94 per cent of the total plan was devoted to Education & Human Resource Development, followed by Agriculture & Allied activities which accounted for 23.63%.

Fiscal Transfers under State and Central Schemes

New Economic Development Policy (NEDP): This is the State's flagship programme initiated by the State Government to address the development gap left in the aftermath of the dismantling of Planning Commission in 2014. Specifically, rural housing scheme had been given priority under the programme in the ADCs. Under Chief Minister Rural Housing Scheme, MADC provided Rs 50000/- each to 500 families those who could not construct residential houses i.e., BPL families (Economic Survey 2017-18).

Rashtriya Krishi Vikas Yojana (RKVY): This is National Agriculture Development Programme. It sought to achieve 4% annual growth in agriculture through development of Agriculture and its allied sectors. The Department of Agriculture & Horticulture worked out several components for increase in agriculture productivity. The district proposed to attain self-sufficiency in rice, fruits and vegetables and achieved sustainable rural livelihood by accelerating agricultural growth through diversified farming. Under the scheme, reclamation of acidic soil with slaked lime, expansion of rice cultivation under WRC, distribution of Polythene Pipe (HDPE) for carrying water from source to field were undertaken.

NITI Aayog: One time Special Assistance was granted for Sixth Schedule areas in the North East during 2015-16 for creation of capital assets. Out of Rs 1000 crore allocated for the entire region, Rs 16.86 crore was allocated for the three ADCs in Mizoram. The share of each ADC was as follows- Lai ADC Rs 4.64 crore, Mara ADC Rs 7.64 crore and Chakma ADC Rs 4.58. The District Council Level Committee, headed by the Chief Executive Member was responsible for planning and implementation of projects.

Table 10: Actual Expenditure for Annual Plan 2016-17 (Rs in Lakh)

| Sector | 2016-17 | |
|---------------------------------|----------------|--------------|
| | Rs in lakh | % |
| Economic Services | 1735.76 | 67.37 |
| Agriculture & Allied Activities | 523.71 | 23.63 |
| Rural Development | 248.94 | 11.23 |
| Industries & Minerals | 66.39 | 3.00 |
| Communications | 296.29 | 13.37 |
| General Economic Services | 240.43 | 10.85 |
| Social Services | 840.8 | 32.63 |
| Education | 641.46 | 28.94 |
| Others | 173.86 | 7.84 |
| General Services | 25.48 | 1.15 |
| Grand Total | 2576.56 | 100 |

Source: Compiled from Statistical Abstract of Mizoram 2017, Directorate of Economic & Statistics, Government of Mizoram

Revenue Transfers under State Finance Commission Award (2015-2020)

The First State Finance Commission (SFC) recommended devolution of share taxes (own state's taxes) and deficit grants-in-aid for the autonomous district councils. SFC recommended 15 per cent share in own tax revenue of the State. It also suggested a 5 per cent share in state excise duty. The inter se share among the autonomous district councils, Village Councils and Aizawl Municipal Corporation (AMC) are worked out at 58.33, 24.17 and 17.50 percent respectively. For devolving the aggregate share of ADCs among the three district councils, the Commission adopted the following criteria and weight - population 2011(40%), area (30%), distance (10%), literacy (10%), and village electrification (10%).The share of LADC in the aggregate share came to 41.97 per cent, followed by MADC at 34.07

per cent and 23.96 per cent by CADC. Based on the estimates own tax revenue of the State, the total projected share of the MADC has been given in the figure 1.

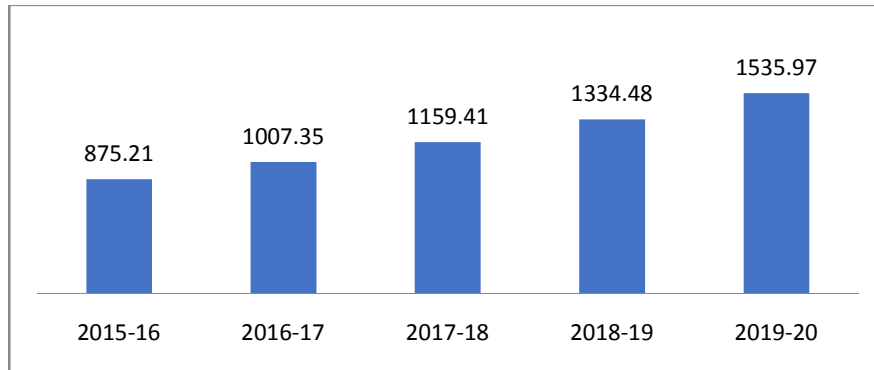


Figure 1: Projected Tax Devolution to Mara Autonomous District Council (Rs in Lakh)
 Source: Report of the First State Finance Commission Mizoram (2015-20)

The total projected non-plan deficits of ADCs are also worked out by the SFC by calculating out the absolute amount of deficit financing involved in the three autonomous councils. The total amount worked out on annual basis is highlighted in the figure 2.

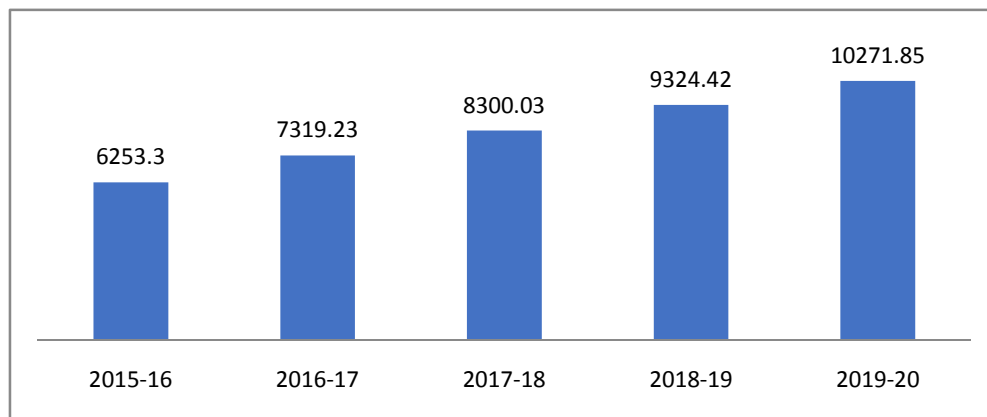


Figure 2: Projected Non-plan deficits grants to Autonomous District Councils (Rs in Lakh)
 Source: Report of the First State Finance Commission Mizoram (2015-20)

Conclusion

The analysis revealed several weaknesses and challenges in respect of the fiscal management of the district councils. Salaries and office expenditure consumed almost all the total fund available for running the district council. Development expenditure such as education, health, social welfare etc, remained highly inadequate; capital outlays on asset creation are limited. These issues need to be addressed in order to ensure fiscal sustainability of the autonomous district council and to undertake more development works. The Councils' own revenue receipts from tax and non-tax revenue were negligible. Efforts need to be build up to improve own revenue collection to the maximum possible. Capacity building for local government to function as institution of local governance is another crucial issues. The authority of the district council should make an effort to empower themselves financially and

functionally and minimize their dependence on state government; and ensure people's participation in the development process of the district council.

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