

**FINANCES AND PERFORMANCE OF AUTONOMOUS DISTRICT
COUNCILS IN MIZORAM:
A CASE STUDY OF MARA AUTONOMOUS DISTRICT COUNCIL**

**(A DISSERTATION SUBMITTED FOR THE AWARD OF THE DEGREE
OF MASTER OF PHILOSOPHY IN ECONOMICS)**

By

L. PEACE HRATHAO

TO

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&
INFORMATION SCIENCES
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FINDINGS, SUGGESTION
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**DEPARTMENT OF ECONOMICS
MIZORAM UNIVERSITY**

**Dr. Lalrinthanga
Associate Professor,
MZU, Tanhril, Aizawl**

Ph. 08731916129

CERTIFICATE

This is to certify that the thesis entitled **“Finances and Performance of Autonomous District Councils in Mizoram: A Case Study of Mara Autonomous District Council”** by Shri. L. Peace Hrathao has been written under my guidance. This dissertation is the result of his investigation into the subject and was never submitted to any other University for any research degree.

(Dr. LALRINTHANGA)

II

DECLARATION

MIZORAM UNIVERISTY

2015

I, L. Peace Hrathao, do hereby declare that the subject matter of this thesis is the record of work done by me, that the contents of this thesis did not form the base of the award of any previous degree to me or to do the best of my knowledge to anybody else, and that the dissertation has not been submitted by me for any research degree in any other University/ Institute.

This is being submitted to the Mizoram University for the degree of Master of Philosophy in Economics.

(L. PEACE HRATHAO)

(PROF.VANLALCHHAWNA)

(DR.LALRITHANGA)

Supervisor

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(L. PEACE HRATHAO)

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Abbreviations

ACs = Autonomous Councils

ADCs = Autonomous District Councils

AIR = All India Radio

ASMF = Assistance to small and marginal farmers

BADP = Border Area Development Programme

BRGF = Backward Region Grant Fund

BRTF = Border Roads Task Force

BTC = Bodoland Territorial Council

CADC = Chakma Autonomous District Council

CAG = Comptroller Auditor General

CAGR = Compound Annual Growth Rate

CEM = Chief Executive Officer

CPF = Contributory Pension Fund

CS = Chief Secretary

CSO = Central Statistical office

CSS = Centrally Sponsored Scheme

DCRG = Death-Cum-Retirement Gratuity

EPF = Employees Provident Fund

GHAC = Garo Hills District Autonomous Council

GIA = Grant-in-Aid

GOI = Government of India

GOM = Government of Mizoram

GPF =General Pension Fund

GST = Goods and Service Tax/Goods and service Act

HRD = Human Resource Development

ICDS = Integrated Child Development Services

IMF = International Monetary Fund

IMR = Infant Mortality Rate

IRDP = Integrated Rural Development Programme

JHAC = Jaintia Hills District Autonomous Council

JNNURM = Jawaharlal Nehru National Urban renewable Mission

JRY = Jowahar Rojgar Yojana

KAAC = Karbi Anglog Autonomous District Council

KHAC = Khasi Hills District Autonomous Council

LADC = Lai Autonomous District Council

LDC = Less Developed Countries

MADC = Mara Autonomous District Council

MDC = Member of District Council

MTFP = Medium Term Fiscal Plan

NCHAC = North Cachar Hills Autonomous District Council

NE = Northeast

NREP = National Rural Employment Programme

NLCPR = Non Lapsable Central Pool of Resources

NRDWP = National Rural Drinking Water Programme

NSSO = National Sample Survey Organisation

OECD = Organisation for economic co-operation and development

PFM = Public Financial Management

PRI = Panchayati Raj Institution

PWD = Public Work Department

RLEGP = Rural Landless Employment Guarantee Programme

RKVY= Rashtriya Krishi Vikas Yojana

SCA =Special central assistance

SPA = Special Plan Assistance

SPSS = Statistical Package for Social Sciences

TTADC = Tripura Tribal Areas District Autonomous Council

ULB = Urban Local Body

UN = United Nation

UNDP = United Union Development Programme

UT = Union Territory

VAT = Value Added Tax

1.1 INTRODUCTION

Managing the fiscal policy is one of the important responsibilities of any Government – Central, State or Local. Devolution of Powers and sources of finance, clarity in assignments of functions and sources of finance also plays an important role in the accountability for social, economic and political participation of the society. The pattern of economic activities in a particular area is largely determined by the nature of resources available therein and their economic viability. This resource and activity linkages lead to variations in economic structures over the geographical space. The Sixth Scheduled of the Indian Constitution lay down the formations of Autonomous Regional or District Council to be autonomous institutions considering the protection of minority tribes. This paper stresses the finances and performance of Autonomous District Councils (ADCs) in Mizoram with special references to Mara Autonomous District Council.

The Sixth Schedule of the constitution was prepared having the aims and objectives of decentralising the power and function of the government to lower level to have greater accountability in the social and economic development of the hilly peoples or backward tribes. It also aims at the protection of the tribal cultural heritage and more participative role in the developmental activities in the society (Hansaria, B.L., 1993)¹. ADCs in

¹ Hansaria, B.L., 1993, 'The Sixth Schedule to the Constitution of India - A study' *First edition*, Ashok Publishing House, Guwahati.p.9

Mizoram also fall under the provision of paragraph 20 of the Sixth Schedule read with Articles 244(2) and 275(1) of the Constitution.

1.2 SOCIO-ECONOMIC PROFILE OF MADC

Economic development is a multi-dimensional phenomena; some of the major dimension includes: the level of education, level of health, degree of modernisation, status of women, level of nutrition, quality of housing, distribution of goods and services and access to communication. Economic development differs from economic growth; economic development is a public policy which endeavors economic and social well being of the people, whereas economic growth is a phenomena of markets and rise in productivity. Amartya Sen states that, ‘economic growth is one aspect of the process of economic development.’² Since Autonomous councils were form considering their historical background as an ethnic group, it is good to trace their socio-economic profiles from back dated to have a clearer understanding of the people (Maras). The stage in socio-economic development of the Maras can be broadly divided into three stages as below.

1.2.1 Before Annexation of the British

The Maras lived as an independent country having village Chiefs who was accountable for either developmental or non-developmental activities within their respective villages. The economic development of the Maras was

² Sen, A. (1983)., ‘Development: Which Way Now?’ *Economic Journal*, Vol. 93 Issue- 372. p. 745

enhanced along with their neighbouring tribes till the advent of the British. They are hard working people and barely had a leisure hour during day time. According to the words of N. E Perry, “The Maras (Lakhers) cannot be said to suffer from overwork, his day is always full, and he has no opportunity of experiencing the boredom of having nothing to do.”³ Though working so hard there was no formal trade between various villages and also with their neighbouring tribes. The main occupation of the Maras (Lakhers) was agriculture; both men and women are engaged in cultivating different kinds of crops, following one of the oldest methods of cultivation; Jhuming was the only technique of cultivation known to them. But, the cultivating season was split into well defined parts, the main crop grown was Rice and apart from rice, maize, millet, Cotton etc was also grown as supplementary crops. The country, though high, is fertile, and though the neighbouring Chins live on maize and millet, the Lakhers’ staple food was rice.

They weave clothes out of cotton that had been produced by them and were independent for their livelihood needs. The dressed were more advance or better compared to their neighbouring tribes. But Trading outside the territorial or region wasn’t much practice since barriers to trade such as barter system of exchange, hindrance in communication, transportation and also their production was low due to lack of advance technology to have mass production.

³ Perry, N.E. (1932), ‘The Lakhers’ *Firma KLM Pvt. Ltd. on behalf of Tribal Institute Aizawl, Mizoram. P -73*

For many years the Maras (Lakher) had been thorn in the side of the authorities in Chittagong and Arakan, and were regarded as a powerful warlike nation. In 1847 - 1854 Lakher raids on the Chittagong Hill tracts had been a constant occurrence, the Chittagong Hill tracts Superintendent of Police reported that 19 (nineteenth) raids had been recorded⁴.

Since raiding was their nature, housing system known as Hut (Thatch House built of Bamboos) was adapted, so that even if by chance their occurred raids in their own village they will not experience heavy losses on investment on houses.

Though, unlike other neighbouring hill tribes who often shifted from one place to another frequently, the Maras' villagers were more stable. Even in time when the land cultivated was far from the village, they preferred to build a temporary hut where cultivation or farming was done and back to the village after cultivating season ends. Although they were warlike tribe, the Maras were not aggressive in occupying the land of the people they raid; moreover if not by mistake the Maras had a custom of not killing the chief of the raided village. The prime motive for war among the Maras, as among more civilised nations, was gain. But, it was not a question of annexing territory, but of obtaining booty in the form of guns, metal, gongs or any other portable article which could be found, and making off with it as fast as possible. Slaves too were saleable commodities, so captives were highly valued, and all the women and boys who were caught were carried off as slaves. (Perry N.E, 1932)

⁴ Ibid. P- 5

1.2.2 During the British Ruled

It was only since 1924, that the Maraland or Lakherland (Land occupied by the Maras) had been under British Ruled. The British were very much frustrated with the habit or custom of the tribe raiding other villages. So, as soon as the British administered the area, they prohibited the custom of raiding. In the words of Tevo (Taiveu) the village chief of Zyhno (Savang), it was only after the land was under the control of the British that they can sleep at night without sentries and without fear of raid, that they can travel wherever they like without difficulties or hindrances and fear of an ambush and that they can have beer-parties without posting sentries and without the fear at the back of minds that they may be raided and cut up while intoxicated. Therefore the British ruled removed the fear, implanted a sense of security and enable the people to make most of their simple pleasure. At the same time, the wealth of the Chiefs was decreased by abolishing slavery.

People increased their jhuming areas and producing heavier crop of rice. Noticeable sequel of the advent of British rule was that, they knew the practicality or used of money and its value, the eagerness with which the people from villages were seen; villagers were selling surplus rice to the Tipa (Tuipang) guard in exchange of money. One of the imperfections to their welfare or economic development was a slow growth rate of population, only

0.9% growth rate in two decades. The number of Maras (Lakhers) was 3683⁵ in 1931 in accordance to Assam Province (Present area covered by MADC) Census of British ruled India 1931 as against 3647 in 1911. The total population, aggregation under Assam Province and Burma's government was about 10,000.⁶

Isolation from their neighbouring tribes was removed and with the advent of the British the Maras were more connected to the rest of the world. With the influence of missionaries and Lushais (Mizo), a change in their culture was also seen; People leaving their traditional dresses and start wearing western clothes. Noticeably, housing system using tin roof known as 'Assam type' was also introduced by the British. Again it was the work of the Missionary that the Maras have their own writings replicating the roman's scripts.

1.2.3 After India's Independent

Since Independence in 1947, India has made enormous stride towards the progress of the Nation. The concerted and coordinated efforts of the national government through various five year plans, starting from 1951 and special provisions of the constitution like Sixth Schedule for the backward region of the country saved guard and changed the economic scenario of the territory (MADC area) considerably.⁷ Gradually the livelihood and economy of the Maras also grows along with the different plans and policies of the

⁵ Lloyd (1923), 'Census of India 1921 Assam', Part II – N.E.P

⁶ Perry, N.E. (1932), 'The Lakhers' Firma KLM Pvt. Ltd. on behalf of Tribal Institute Aizawl, Mizoram. Pp 6-12

⁷ Das A. (1999), ' Socioeconomic development of India: A regional analysis' Development and Society, Vol 28 Number 2, p- 313-345

central and the State Government as well as the council were been executed to developed the region. The present socio-economic development scenario of the MADC or Saiha District along with the State is as below.

a) Area and Population:

The total area covered by the council is 1399 sq. Km which is 6.64% of the total area of the State. Sex ratio of the district/council area is 979 (females per 1000 males) whereas 976 for the State, but imbalance in the sex ratio still continue i.e. female population is lesser than the male population. The decadal growth rate of population (2001-2011) shows negative growth of -7.34 percent within the district while the State has 23 percent growth. In an overall(Mizoram), urban population is higher than rural population i.e. 52.11 and 47.89 percent respectively whereas it is an inverse in case of Saiha district, rural population is higher than urban population i.e. 55.62 and 43.38 percent respectively. The literacy rate of age group 0-6yrs is 87 percent which is again lower than 89 percent of the State. MADC lies in the southernmost tip of the State, the distance of Aizawl (State capital) and Saiha (Saiha District capital) by road is 328kms which is the farthest district capital from the state capital.⁸

b) Agriculture:

The Statistical handbook of Mizoram stated that in Saiha District 780 WRC farmers is recorded which is 6.33 percent of the total farmers in

⁸ Data interpreted were based on *Statistical handbook of Mizoram, 2014*. P. 1-4

Mizoram. They cultivated 404Ha by seasonal rain, which is 3.36 percent of the total area cultivated in Mizoram. Moreover, an area of 105Ha has been cultivated through Minor irrigation which comprises 4.58 percent of the cultivated area in Mizoram. An area of 336Ha still to be developed for WRC, it comprised of 0.88 percent of the estimated area in within the State.⁹

c) Animal Husbandry & Veterinary (AH&Vety)

The Total livestock and Poultry population within the State as recorded in 2014 (Statistical Handbook of Mizoram) is 1605532 MT out of which only 40MT in Saiha district. There are 40 Veterinary Hospitals & dispensaries within the State whereas only 4 (four) has been allocated in Saiha District.¹⁰

d) Fisheries:

The State produces 5540 numbers of inland fish and 260 numbers of fish seed; 6.46 percent of the inland fish production is within Saiha District and no fish seed is produced. The total distributed fish seed was 325 nos., the district obtain 8 percent of the distributed fish seed. There are 12425 fish ponds within the State, while there are 893 fish ponds within the District which comprises 7.19 percent of the total ponds in the State.¹¹

⁹ Ibid, p. 6-9

¹⁰ Ibid, p. 14-16

¹¹ Ibid, p. 17-18

e) Rural Development

The union government gives priority for rural development to alleviate poverty and improve the standard of living in rural areas. In Continuance, with the assistance of the union government different rural development schemes were implemented within the State. Some of the important activities implemented are as follows:

Under National Rural Livelihood Mission(NRLM) 509 numbers of self help group has already form within the State, but unfortunately the mission has not yet reach Saiha District which is one of the most backward region in the State. Through NREGS schemes 178167 households were provided a wage employment out of which 7.48 percent of the beneficiaries are within the District. And through IAY scheme 97 houses have been constructed which is 3.15 percent of the houses constructed within the State.¹²

f) Minor Irrigation (IM)

Irrigation is one of the most important contents in developing agriculture farm land as it enhances the productivity of the farm. In 2014, 25 projected minor irrigation has been completed which is 5.69 percent of the total project within the State. Out of this 249 farmers have benefited for their farms.¹³

¹² Ibid, p. 29-32

¹³ Ibid, p. 35

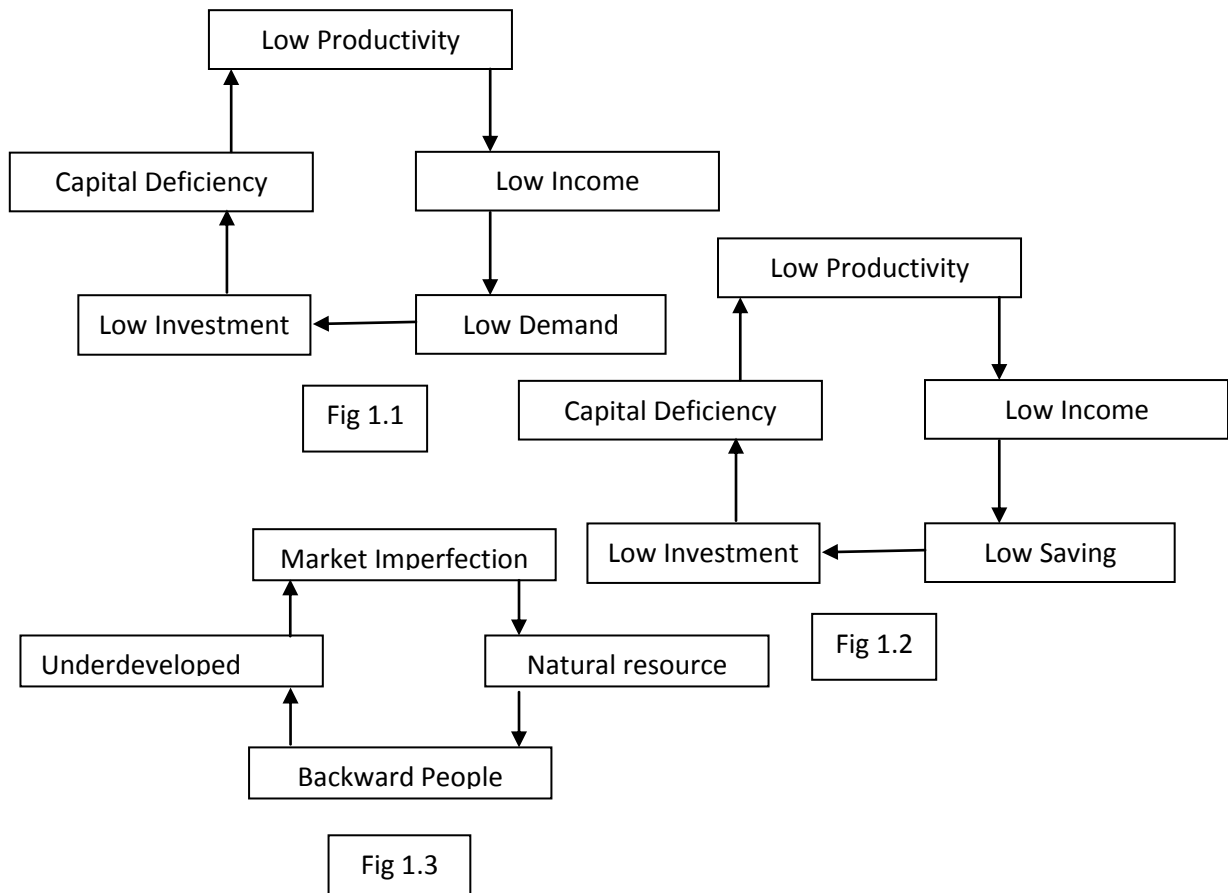
Conclusion:

Though many socio-economic developmental activities had a pace of progress in the council area or Saiha District, noticeable the region still lacks behind in some of the main developmental indicator such population growth, level of education, level of health etc. These are the main development indicators where the region does not even attain the minimum or State's average.

1.3 OBSTACLES TO ECONOMIC DEVELOPMENT

John Maynard Keynes argued that government spending - particularly increases in government spending—boosted growth by injecting purchasing power into the economy. According to Keynes, government could reverse economic downturns by borrowing money from the private sector and then returning the money to the private sector through various spending programs.¹⁴ In case of backward region or Less Developed Countries (LDCs), lack of resources availability (Low revenue income) prevails. In the case of ADCs, Grant-in-aid fund is the main source of income, thus if the GIA fund is low there is a chance that the ADCs falls within the vicious circle of poverty which happens in the LDCs. The figures below show the various vicious circle of poverty cited from the fact in LDCs.

¹⁴ Mitchell, D.J. (2005), 'The impact of Government Spending on Economic Growth' *published by heritage foundation. No. 1831, p- 4*



The basic vicious circle stems from the fact that in LDCs total productivity is low due to deficiency of capital, market imperfections, economic backwardness and underdevelopment. However, the vicious circles operate both on the demand side and the supply side. The demand-side of the vicious circle is that the low level of real income leads to a low level of demand which, in turn, leads to a low rate of investment and hence back to deficiency of capital, low productivity and low income. This is shown in Fig. 1.1. Low productivity is reflected in low real income. The low level of real income means low saving. The low level of saving leads to a low investment and to deficiency of capital. The deficiency of capital, in turn, leads to a low

level of productivity and back to low income. Thus the vicious circle is complete in the supply side. In Fig. 1.2 The low level of real income, reflecting low investment and capital deficiency is a common feature of both the vicious circles. Fig. 1.3 explains the vicious circle enveloped underdeveloped human and natural resources. Development of natural resources is dependent upon the productive capacity of the people in the country. If the people are backward and illiterate, lack in technical skill, knowledge and entrepreneurial activity, the natural resources will tend to remain unutilized, underutilized or even misutilized. On the other hand, people are economically backward in a country due to underdeveloped natural resources. Underdeveloped natural resources are therefore, both a consequence and cause of the backward people.¹⁵

Nurkse explain the idea in these words: “It implies a circular constellation of forces tending to act and react upon one another in such a way as to keep a poor country in a state of poverty. For example, a poor man may not have enough to eat; being underfed, his health may be weak; being physically weak, his working capacity is low, which means that he is poor, which in turn means that he will not have enough to eat; and so on.” As seen in the above figures, the basic Vicious circle stems from the fact that in LDCs Productivity is low due to deficiency of capital, market imperfections, economic backwardness and underdevelopment.¹⁶

¹⁵ Jhingan M.L. (2010), ‘The economics of Development and Planning’ *vrinda pub. (P) Ltd. P. 31-32*

¹⁶ Ibid p. 31

A situation of this sort relating to ADC can be summed up in the trite proposition: “the Council is poor because it is poor”. Likewise, since it is poor the council own income is low therefore if the grant-in-aid of the council is less, the distribution of funds to various sectors will be less; lack of fund will lead to low investment in the sectors; result of low investment is poor performance of the council.

1.4 NEEDS OF DECENTRALISATION

There has been a world-wide trend towards decentralisation in recent years. Many countries have experienced devolution of administrative, political and fiscal responsibilities to lower levels of government. Dissatisfaction with the prevailing centralized system of service delivery, transition from centralised planning to market economy, deepening democratic principles and increasing need to recognise social, economic and political diversities in different regions within the countries are some of the important reasons cited for this phenomenon. This trend towards decentralisation is seen in countries with federal as well as unitary systems; it has spanned across developing as well as developed countries. The trend was also seen in transitional countries and even military dictatorships as in democratic countries. The combination of institutional decentralisation and procedural integration has been an essential part of modern governance. Governance is simply the way we rule ourselves and thus it operates at every level that is from the micro household level to the

macro society and national level. In the light of this, decentralisation is the assignment of fiscal, political, and administrative responsibilities to lower levels of government (Litvack et al., 1998).¹⁷

The above socio-economic background clearly highlights the needs and social rights for the Maras (Saiha District or MADC) to be decentralized or have a separate autonomy. The Indian Constitution under its federal character has provided ample provisions for sharing the powers between Centre and States as well as Local Governing Institutions. Sen, A. (1983)¹⁸ highlighted that decentralisation is advanced on political as well as economic grounds. The political reasoning for decentralisation is that it takes the governments closer to the people and makes them participated in decision making. It is argued that participatory governance empowers people to participate productively in the market and ensures inclusive development and therefore, it is an end in itself. Thus, inclusive governance contributes to inclusive development and decentralisation is a necessary pre-requisite for inclusive governance. Decentralisation enables the people, particularly the vulnerable sections to increase their capabilities, participate productively in the market and earn their freedoms.

¹⁷ Litvack, et al., (1998), 'Rethinking Decentralization in Developing countries', *Washington D.C, World Bank*, p- 4

¹⁸ Sen, A (1983), 'Development: Which way now?', *The Economic Journal*, Vol. 93, No. 372, pp. 745-762

Bardhan and Mookherjee (2007)¹⁹ also argued that effectiveness of decentralisation as a developmental catalyst is context and design specific. The context of decentralisation depended on factors such as the nature of devolution, extent of people's participation in decision making, educational, social and economic status of people within the local government and the nature and extent of information dissemination including the existence of active media. It also determined the powers and capacity of the local officials to undertake their assigned responsibilities, the degree of transparency, the mechanism and extent of information dissemination and oversight and checks and balances to enforce the above. Rao, M.G. et al. (2011)²⁰ also stated that, the efficacy of a decentralised system in improving governance, achieving empowerment, enhancing efficiency in service delivery and impacting on growth and poverty depends on the nature of the institutions and more particularly the power structure in local areas.

Political economy factors have impacted on the size and distribution of the inter-governmental transfers. Failure to address the issue of equalisation in public services across the states in a systematic manner has led to growing regional disparities. The problem has been compounded by the disequalising

¹⁹ Bardhan, P and Mukherjee, D. (2007), 'Decentralisation and Local Governance in Developing Countries: A Comparative Perspective' *New Delhi: Oxford University Press*.

²⁰ Rao, M.G. et al. (2011), 'Fiscal Decentralisation to Rural Local Government in India: Selected issues and Reforms option' *National Institution of Public Finance and Policy, New Delhi*

regional policies (including central subsidies and tax expenditures) and various types of invisible transfers. (Rao and Mandal, 2008)²¹

1.5 IMPORTANCE OF PUBLIC FINANCE

Finance is one of the key in developing a region, state or country. The general development of any region is much dependent upon Public Finances. The following points highlight the importance of public finance.²²

1) Provision of public goods: -For providing public goods like roads, military services and street lights etc. Public finance is needed. Business firms will have no incentive to produce such goods, as they get no payment from private individuals.

2) Public finance enables governments to tackle or offset undesirable side effects of a market economy. The side effects are called spill over or externalities. For example, pollution. The governments can introduce recycling programmes to lessen pollution or they can make laws to restrict pollution or impose pollution charges or taxes on activities that bring about pollution.

3) Public finance helps governments to redistribute income. To reduce the inequality in the economy, the governments can impose taxes on the richer people and provide goods and services for the needy ones.

²¹ Rao, M.G. and Mandal, S. (2008), 'Resource Endowment, Fiscal flows and Regional equity in Indian Federalism' in (eds) M. Govinda Rao and Anwar Shah, *Fiscal Management Challenges of Indian States and Regional Equity in India*, New Delhi: Oxford press.

²² Kareem, A. (2011), 'Public Finance', *School of distance education, Calicut university, P.O Malappuram Kerala, India 673 635. P. 6-7*

4) Public finance provides many a programme for moderating the incomes of the rich and the poor. Such programmes include social security, welfare and other social programmes.

5) The acceptance of the principle of welfare state, the role of public finance has been increasing. Modern governments are no more police states as the classical economists viewed.

6) As the scope of state participation in the economic activity is widening, the scope of public finance has also been increasing. Generation of employment opportunities, control of economic fluctuations like boom and depression, maintaining economic stability etc. are some of the thrust areas of the governments through fiscal operations.

1.6 FISCAL RESPONSIBILITIES AND PRACTICES IN AUTONOMOUS DISTRICT COUNCILS

During the last few years, countless studies have look at decentralisation trends worldwide and practical implementation of fiscal federalism. Numerous studies have analysed the impact of fiscal and the size of the Government (Feld, L.P., et al., 2003). The fiscal system of a country is determined by the prevailing political system. In India, federal form of government is followed and hence federal finance. The essence of federal of government is that the Central and State Government should be independent of each other in their respective, constitutionally demarcated sphere of action. The Constitution

empowers distinct and separate the functions to perform by respective Governments. Once the functions of the Government have been neatly spelled out, it becomes equally important that each of the Governments should be provided with competent sources of raising adequate revenue to discharge the functions entrusted to it. In case of the backward region special provision has been set up for States as well as Autonomous District Council for minority tribes within their respective States with limited autonomy or powers and functions. ADCs in Mizoram fall under the special provision known as Sixth Schedule of the Constitution. ADCs form as a semi-government within the State having legislative, executive and financial powers; a separate administration and department runs parallel with the State Government in their own region.

1.6.1 Distribution of Financial Powers

Subsequent to the above general provisional functions and financial powers, under the Article 244 and 275, read with the Sixth Scheduled of the Constitution, empowered Autonomous District Councils with certain functions and financial powers as highlighted below:

- a) *Revenue collection:* District council is empowered to assess and collect land revenue and impose taxes within their jurisdictions such as on lands and buildings, on profession, trades, callings and employments, animals, vehicles and boat and entry of goods into to market, tolls on passengers and goods carried in ferries and for the maintenance of schools and dispensaries or

Roads. District Council are also entitled to receive a share of royalties accruing each year from licenses or lease for the purpose of prospecting for, or the extraction of minerals granted by the State Government in respect of any area within an autonomous district as agreed upon with the Government. Dispute in this regards are to be referred to the Governor for settlement. MADC own revenue collection contribution to the total revenue receipts is only 1.24% in 2013-14. The Council mostly rely on the grant-in-aid from the central or State government as it is a semi-government. Consolidated fund granted to the Council from the State Consolidated fund is the principal revenue of the council.

b) *Expenditure:* The councils' source of income comprised of revenue receipt only, similarly the council's total expenditure is equal to the revenue expenditure. ADCs are empowered to administer its own institution and exercise social and economic activities - 30 Subjects of departments with the approval of the governor are assigned to MADC to exercise both developmental and non-developmental activities within their own region (The Mizoram Gazette Vol. XLII, 2013, issue no. 148). Thus, for the assigned activities, the expenditure is being incurred by the ADCs and Controller and Auditor General (CAG) of India audit the accounts of District Council as stated by the Sixth Schedule of the Constitution. For the said, MADC audit is due since 2011. The CAG needs to be more effective toward the power assigned to them considering the development of the backward regions under the Sixth Schedule.

The council hold the allocation of own revenue whereas the consolidated fund and other grants are allocated by the State while transfer of funds to councils or the shares of the councils’.

1.6.2 Mechanism for Resource Transfer

The basic principle of finance is that all the constituent units should have adequate sources of revenue within its own limited autonomy. ADC being backward region consolidated fund is the principal revenue to incur expenditure on the development as well as non-development expenditure of the council. Constitutionally fund has been granted through state consolidated fund which basically derived from the Union Government. The share of consolidated fund by the council varies with regions and types of councils. ADCs in Mizoram received 24 or 25 percent²³ of the state consolidated which was again distributed among the ADCs’ at a proportion of 9:7:5 to Lai Autonomous District Council, Mara Autonomous District Council and Chakma Autonomous District Council respectively. While for autonomous councils in Assam, they received the funds based on population.

1.7 PROBLEMS IN STATE-COUNCILS’ FINANCIAL RELATION

Of all the powers and functions, fiscal related matters are one of the most disputed topics of Autonomous District Councils (ADCs), especially with ADCs in Mizoram. There are strong ethnic feelings, between tribal

²³ The percentage is taken from the statement made by the State Government during the meeting held at Aizawl with the expert committee under the Ministry of Panchayati Raj in 2006

communities and the State, which undermines the spirit of collaboration and cooperation required between different levels of government for effective functioning. The State Assembly has passed resolution for abolition of Councils and on the other hand the councils have been demanding separate UT status and direct funding. The Expert Committee met the Chief Secretary (CS) and officers of Mizoram State at a meeting held at Aizawl on 17th May, 2007. The CS and officers stated that, 18 departments were assigned to the District Councils and though the population of District Councils together totaled about 14 or 15 percent of the State, the allocation of fund to them is about 25 percent respectively. Further the Government stated, the ADCs need to be more accountable²⁴.

On contrary ADCs' in Mizoram states that, low fiscal devolution or funds given to the council is too less and at the same time dichotomy or contrast toward district development within the district councils still continues though the council has been vested with wide powers - the State government continues to undertake works in respect of the same devolved without consulting the Council. Citing the example of Primary and Middle Schools, which were devolved to Councils in 1976, the State Government rule over by constructed new schools and increasing the numbers of teachers without acknowledging the ADCs. Moreover fund were provided to village councils directly without the consent of the councils though the Village Councils were constituted by the councils (Expert Committee report, 2006)

²⁴ Expert Committee report (2006), 'Planning for the Sixth Schedule Areas' *Ministry of Panchayati Raj, GOI. P.86*

Further, in the present scenario of MADC, fiscal deficit of the council is invisible; the councils borrows fund from the state government as an advance payment of consolidated fund for the subsequent year. Thus the amount of current fiscal deficit is accounted in the consolidated fund of following year. Moreover ADCs in Mizoram the funds were received in three installments from the State Government whereas ACs in Assam transferred of fund by the State government were done in two installments. Moreover in Mizoram though the council estimated the budget, it is the State Government who passes the final bills. Therefore, the power lies with the state government whereas the council or grass root level institution or a semi-government had only a nominal power in estimating or budgeting.

In the view of Kolas (2013)²⁵, ‘What’s up with the territorial council?’ looks at the evolution of territorial councils in North-eastern region. He brings to light the fact that many territorial councils have in fact been formed as a tangible outcome of the decades long peace process, whereby agreements have been drawn with the leaders of various armed outfits. In his statement, Kolas also highlighted the fact that the District Council of Northeast largely remained dependent on the State Government for funds thereby limiting their developmental powers. Jena (2013)²⁶ also stated that, in a large country like India where the fiscal federal nature of the country puts large functional responsibility on sub-national Governments, a coordinated

²⁵ Kolas, A. (2013), ‘What’s up with the territorial Council?’ *Journal of Indian seminar*, November, 2013

²⁶ Jena, P.R. (2013), ‘Improving Public Financial Management in India: Opportunities to Move Forward’ *National Institute of Public Finance and Policy, New Delhi, Working Paper No. 2013-123*.

approach is needed to focusing the ability of the Public Financial Management (PFM) system in delivering quality services at the State level. The capacity and willingness to internalised and changed at State level, and political involvement and willingness to steer the changes were also key to facilitate the reforms.

1.8 LEGAL FISCAL FIATS OF STATE FINANCE COMMISSION ON LOCAL GOVERNMENT

The main thrust to form SFCs in the states was to rationalize the fiscal relations at the sub-national levels and set further norms and practices for periodic fiscal corrections and local governance. However given the fact that a one-to-one correspondence between functional responsibilities and financial resources at various levels of government is a difficult proposition in a federation, the problem gets compounded with the ambiguity of the constitutional provisions which does not clearly lay down the expenditure jurisdiction or a fiscal domain for the PRIs/ULBs. These are left to the state legislatures to enact and formulate according to the suitability of the states. The state legislature is expected, by law to endow the Panchayats and Municipalities, with powers and authority as it may consider necessary to enable them to function as institutions of self government, and such law may contain provisions for the devolution of powers upon Panchayats and Municipalities.

Under the new fiscal devolution system/framework every state government is required to constitute, once in five years, a finance commission and entrust it with the task of reviewing the financial position of local governments and making recommendations. Articles 243I and 243Y define the responsibilities and tasks for the SFCs. These tasks may be chartered as follows:

- a) Review the finances of the local bodies in accordance with the functional responsibilities which include the preparation of plans for economic development and social justice.
- b) Fix the size of the divisible pool taking into account the functional domain of the state, on the one hand, and that of the PRIs and urban local bodies (ULBs) on the other.
- c) Evaluate the vertical gap at various levels taking into account the functional responsibilities on the one hand, and tax assignments on the other.
- d) Suggest measures for improving the financial position of panchayats and ULBs, which include revenue sharing and grants-in-aid.
- e) Design methods for the *inter se* distribution of the share of PRIs and ULBs on an equitable and efficient basis.
- f) Make explicit the principles underlying the measures suggested.

However, a closer interpretation of these articles shows that the SFCs cannot perform their tasks independent of Articles 243G, 243H, 243J, 243ZD and 243ZE that relate to administrative and political decentralization aspects. The Constitution (seventy third and seventy fourth) Amendment Act, 1992

and Article 280 (3) (c) have altered the erstwhile fiscal devolution system and framework between the states and municipalities as also between the centre and the states. The Central Finance Commission is now required to suggest measures to augment the consolidated fund of a state to supplement the resources of the local governments on the basis of the recommendations made by the finance commissions of states.

The First Mizoram Finance Commission was constituted by the Governor of Mizoram on 30th September, 2011 consisting of Shri. Van Hela Pachuau, IAS as its Chairman and Shri. Lalthansanga as Member Secretary. The term of reference of the Commission includes making of recommendations on the principles which should govern the distribution between the state and the Village Councils, Aizawl Municipal Council and the Autonomous District Councils of the net proceeds of the taxes, duties, tolls and fees and the grant-in-aid which may be given to these local bodies from the Consolidated Fund of Mizoram and the measures needed to improve the financial position of these bodies.²⁷

1.9 IMPORTANCE OF FISCAL DEVOLUTION

Often decentralization in India has been criticized on grounds of being only political and not enough in terms of administrative and fiscal devolutions though Economic theory does not automatically generate strong conclusions about the impact of government outlays on economic performance. Indeed,

²⁷ <http://mizofincom.nic.in/> retrieved as on 14th June, 2015

almost every economist would agree that there are circumstances in which lower levels of government spending would enhance economic growth and other circumstances in which higher levels of government spending would be desirable. ²⁸ Devolution, supposed to be the strongest featured form of decentralization results in the transfer of powers, functions and finances to the local government in a way that the local government would be accountable to its voters rather than to the state government. The local or the sub-national units of government are either created or strengthened in terms of political, administrative and fiscal power.

1.10 OBJECTIVES OF THE STUDY

- To examine the pattern of revenue receipt of the council
- To analyse the pattern of expenditure of the council
- To evaluate the social and economic performances of the council.

1.11 HYPOTHESIS

- Lack of fiscal autonomy acts as an impediment to efficient performance of the Council.

²⁸ Mitchell D.J. (2005), '*The impact of Government Spending on Economic Growth*' published by heritage foundation. No. 1831, p - 6

1.12 METHODOLOGY

The purpose of the research is to identify the status of MADC in its finances and performance. The study focuses the patterns of revenue income and outgo as well as its performance in social and economic development. From the data analyzed, the study tries to draw a line on the level of fiscal autonomy and the performance of the council. To evaluate the level of fiscal autonomy, the consolidated fund devolved to the council based on population and ADCs shared proportion as a paradigm is used. Though with the level of fiscal autonomy, an automatic conclusion regarding the performance of the council can be interpreted but to ensure the council's performance available socio-economic status of the district is evaluated. In addition for more reliability in the council's performance evaluated, primary data is collected by means of questionnaire and is evaluated using appropriate statistical tools.

The data required for the study is collected from primary and secondary sources. The data consist mainly of secondary sources collected from Documents, Journals, and Papers and Books published and unpublished by MADC and the State while in addition, primary data is also collected for appraisal of the performance of the council. Populations of 22 officers who are the heads of departments to administer the 30 subjects of departments empowered to the council are selected. The said officers were given general questionnaires regarding the departmental performance of their power and functions respectively. Using the said response to the questionnaire, Fund

sufficiency, equipment adequacy and their efficiency in performing the tasks assigned to the council had been evaluated as they are the people who are accountable for the performances of their own departments or in other word they implemented and are responsible persons for the various tasks assigned to the council.

Statistical Tools

For the convenience of data analysis and evaluation, various statistical tools were used such as average, diagrams, tables, graphs, percentage, Compound annual growth rate (CAGR) etc. Karl Pearson's Correlation is used to test the relationship between fiscal autonomy and performance of the council. And for measuring the level of fiscal autonomy, fund devolution based on population and based on sharing proportion of the funds was used.

1.13 SCOPE OF THE STUDY

No researcher has so far studied and attempted to examine the level of fiscal autonomy and fiscal procedure or pattern of the council, though there were few inquiry commissions that had done the general evaluation of the council considering the empowerment status. This study is the first of its kind. A study in this direction helps to understand the fiscal autonomy of the council and its effect on the performance of the council as well as the social and economic development of the region. The assessment of the patterns of

revenue income and outgo will enables MADC to realize the needs to mobilize their resource to its fullest. Likewise the suggestions of the study would be useful for the council to formulate policies on resource allocation, distribution and stabilization as well as realized the council's fiscal autonomy. Moreover the research will throw lights to the new researchers.

In general, this study will aware the MADC officials as well as the people regarding the impact and magnitude of activities process by the council toward the social and economic development of the region. It will also encourage and motivate the council considering the needs and importance to be more reasonable and accountable toward the economic and social development of the region.

1.14 LIMITATION OF THE STUDY

Since only few inquiries have done considering MADC in particular and the council lacks transparency²⁹ and in some cases accuracy of the data is low. Moreover to access the detailed data of the council, the executive committee has to approved, this proofs that lack of transparency within the council's. Moreover in MADC area or Saiha District, dual or parallel administration co-exists therefore it is difficult to seize social and economic development of the area to MADC. Further, though orally fiscal deficit within the Council exist but the council revenue deficit incurred were acquire through borrowing made as an advance toward consolidated fund from the State. Thus, the deficit

²⁹ The council takes time to give out the data needed for the study, it even needs the executive committee approval to attained the data needed.

amount has been accounted in the subsequent annual budget; therefore hindrance is there in highlighting the fiscal deficit³⁰. Moreover, most of the insight rules and regulations within the council are ordinarily passed by the executive body (Executive Committee) which can be changeable frequently or in other word it is mending for temporary used, therefore applicability is low.

³⁰ The highlighted impediments toward fiscal deficit are taken from the verbal report of Finance & account officer during discussion.

2.1 INTRODUCTION

Literature review is one of the important content of research as it reduces the gap of the research or study. It also throws light and make easier for the researcher as the relevant Literature support the study being portray, focusing the phenomena which deals with the objectives and hypothesis of the research. It also gives a clear cut insight of the subject matter and relevance of the study. Here the review will focus Public Finance and various researches considering the performance of various autonomous councils under the sixth schedule and relevant literature which deals with the importance of fiscal devolution or decentralisation of a government.

2.2 PUBLIC FINANCE: CONCEPTUAL FRAMEWORK

It is one of the important to be acquainted with the different aspect of Public Finance to study the finances of a government – Federal, State or Local. This review of literature will throw lights to the various composition of Public finance.

The classical economist¹ such as Adam Smith and Ricardo also limited the scope of public finance. Being ardent supporters of the philosophy of ‘Laissez faire’, they opposed state intervention in the affairs of the public and proclaimed minimum function of the government limiting it to police, arms and justice. They were of the viewed that if the state raises its expenditure by taxation it would merely a substitution for expenditure by private person.

¹ Smith, A. (1937), ‘*An enquiry in to the Nature and Causes of Wealth of Nations*’, (Edwin Cannan eds.), The Modem Library, New York, 1937, P. 423.

They advocated private expenditure to public expenditure and opposed both taxation and public spending. According to them the duty of the state was not to interfere with the market forces but to provide the necessary administrative, defense, judicial and police setup for the free inter play of the market forces which in turn would result in the attainment of market equilibrium, economic stability, growth and of full employment. This means that almost all economic decisions to be guided by the market forces of demand and supply which would act as an 'invisible hand'. Dalton (1967), opposed this narrow concept of the state and its activities. Instead he advanced the alternative preposition called the principle of 'maximum social advantage', a principle underlying the science of Public Finance today. Keynes (1937)² also argued in his epoch-making book, "General Theory of Employment, Interest and money", He openly stressed that through the fiscal activities of the State was only possible to increase employment opportunities and to maintain it at a higher level. Keynes regarded fiscal policy as a balancing factor which would bring about an adjustment between propensity to consume and inducement to invest.

2.2.1 Definition and components of Public Finance

Public authorities have to raise resources for financing its many activities. These activities are not concerned with the satisfaction of individual wants of citizens, but the collective wants of the citizens of the state (Cauvery

² Keynes, J.M. (1936), 'General Theory of Employment, Interest and Money', *Mc-Milan, London, 1936, P. 120*

et al., 1998)³. Dalton (1967)⁴ defined Public Finance as, ‘one of those subjects which lie on the borderline between economics and politics. It is concerned with the income and expenditure of public authorities and with the adjustment of one to another’⁵. Groves also defined Public Finance as, ‘field of enquiry that treats the income and outgo of the Government – federal, state and Local’. Musgrave tripartite classification of Public finance as resources allocation, stabilisation and distribution branches⁶. Allocation branch is to ensure efficiency in resource allocation; Stabilisation is to ensure a stable macro economy for the economic agents to perform and any differences in the capacity entitlements are supposed to deal with by the distribution branch. The operation of the distribution branch is supposed to ensure equal access to service and redistribution is calibrated essentially among different income classes.

Dalton has classified the various components of public finance⁷ as: (a) Public Revenue (b) Public Expenditure (c) Public Debt (d) Financial Administration and (e). Economic Stabilisation

(a) Public Revenue

It concentrates on the study of the methods of raising public revenue, the principles of taxation and its problems. In other words, all kinds of income from taxes and receipts from public deposits are included in public revenue.

³ Cauvery, R. et al. (1998), ‘Public Finance (Fiscal Policy)’. *Second Edition, 1998*

⁴ Dalton, H. (1967), ‘Principles of Public Finance’, *Augustus M. Kelly Publishers, New York, 1967; Public authorities refer to the Government (Central, State or Local)*.

⁵ Ibid

⁶ Cauvery, R. et al. (1998), ‘Public Finance (Fiscal Policy)’. *Second Edition, 1998*

⁷ Dalton, H (1967), ‘Principles of Public Finance’, *Augustus M. Kelly Publishers, New York, 1967.*

(b) Public Expenditure

Public expenditure studies the fundamental principles that governed the flow of government funds into various streams. This is the most important component of public finance as it determines the destiny of a nation, for generally it involves heavy commitment of funds in long term projects; the failure of which may turn out to be disastrous to the nation.

(c) Public Debt

This part of public finance studies the problem of raising loans. It further examined the problem of rising and repayment of loans along with interest. Public debt administration is also important as improper administration of which may land a nation in debt-trap.

(d) Financial Administration

It deals with the problem of organisation and administration of the financial mechanism of the government. The fiscal or financial administration is concerned with the government machinery which is responsible for performing various functions of the state. The budget is the master financial plan of the government. Government budget is the key that monitors the financial administration.

(e) Economic Stabilisation

Economic Stabilisation as well as growth are the two aspects that have gained ground recently in the discussion of public finance. This part describes the various economic policies and other measures of the government to bring about economic stability in the country.

2.2.2 Role of Public Expenditure

The topic of Public expenditure is the integral part of the study of Public Finance. As Hick⁸ observed, ‘since expenditure and not revenue is the governing factor in public finance, it is more logical to start with expenditure side of the account’.

According to H. C. Adams⁹, H.C., ‘Public expenditure has to perform the functions of: (1) Protective functions - Military, Police, Court and Protection against social diseases (2) Commercial functions - Setting of commercial establishments under state control (public sector undertakings) and (3) Development functions - Education, Public Recreation, Maintaining equitable conditions for the execution of public business, Public investigation and Infrastructure development like public works, irrigation, forestry etc. Public expenditure, hence, signifies the expenditure incurred by public authorities i.e. Central Government, State Governments and local body for the satisfaction of collective needs of the citizens or for the promotion of economic and social welfare.

The classical economist¹⁰ such as Adam Smith and Ricardo also limited the scope of public finance. Being ardent supporters of the philosophy of laissez-faire, they opposed state intervention in the affairs of the public and

⁸ Hicks, U.K. (1968), ‘Public Finance’, *James Nisbet & Co. Ltd, Digswell Place, Cambridge at the University press, 1968 (reprint), P. 14*

⁹ Adams, H.C. (1898), ‘Science of Finance: An Investigation of public Expenditure and Public Revenue’, *Henry Holt & Co., New York, 1898.*

¹⁰ Dewett, K. K (1980), ‘Modern Economic Theory’, *Shyam Lal Charitable Trust, S. Chand & Co. Ltd, New Delhi, P. 330*

proclaimed minimum function of the government limiting it to police, arms and justice. According to Sir Henry Parnell (1890)¹¹, 'every particle of expense that is incurred beyond what necessity absolutely requires for the preservation of social order and for protection against foreign attack is a waste and an unjust and oppressive imposition upon the public'. "This barren and negative view of the proper economic activities of the state still finds some support, even if it is seldom expressed in such extreme terms. Taken literally this is a piece of Hegelian nonsense; taken metaphorically, it is a wooly phrase which leads us nowhere"¹². The Marxist model suggests an alternative approach. It advocated a highly progressive income tax, listed in the Communist Manifesto as one of the means to hasten the breakdown of the capitalist system. They have seen the fiscal process of an instrument of class struggle shaped by the diverse interest of capital and labour¹³

Notwithstanding these diverse views, 'it is accepted that it is the business of the state to ensure that every citizen can enjoy primary necessities of life-sufficient and correct food, adequate shelter and wealth and education service commensurate with needs'¹⁴. *The role of public expenditure* is explained herewith special reference to its effect on (a) Developing countries (b) Income distribution (c) Production and employment and (d) Mixed economy

¹¹ Parnell, H. Sir. (1890), 'Pamphlet on Financial Reforms', *Parliamentary Speech*, P. 118.

¹² Dalton, H. (1967), 'Principles of Public Finance', *Augustus. M Kelly Publishers, New York, P-140*

¹³ A Hand book of Marxism, *International Publishers, New York, 1935, P. 46.*

¹⁴ Hicks, U.K (1968), 'Public Finance', James Nisbet and Co. Ltd., Digswell Place, Cambridge at the University Press, 3rd (eds), P. 11

2.2.3 Effects of Public Expenditure in Developing Countries

It is now unanimously agreed that the state plays a positive role in the economic development of a developing country. The problems of developing countries are in such a magnitude, that they cannot be left at the mercy of the old laissez-faire concept. The fiscal policy has to play distinct roles in the process of economic development in case of advanced and underdeveloped countries. Broadly speaking, whereas maintenance of stability will be assigned the first priority in advanced economy like the United States, capital accumulation would have to be assigned first priority in an underdeveloped economy.¹⁵

The development goals that was being sought to be achieved in the underdeveloped countries are higher and better levels of living for the mass of the people and a reasonable degree of social and economic equality. These social and economic objectives can be realised only through the agency of the state¹⁶. It follows that in developing countries the government has the responsibility not only of creating the infrastructure but also seeing that the level and quantity of private investment forthcoming be as high as possible¹⁷.

In developing countries private investment being deficient, the state had to supplement it by a public investment on a large scale. Here the state works as an entrepreneur to promoting economic growth. Public expenditure an

¹⁵ Chellai, R. J (1969), 'Fiscal Policy in Under Developed Countries', *George Allen and Urwin (India) Pvt. Ltd. (2nd Edition)*, P. 20

¹⁶ Mathew, T. (1972), 'Economics of Public Expenditure', *Vora and Co publishers Pvt. Ltd., Bombay*, P. 93

¹⁷ Tanzi, V. (1999), 'Public Finance in Developing Countries', Edward Elgar Publishing Ltd, Gower House, England, P. 13

instrument of promoting economic development has two aspects, quantitative and qualitative. 'In its quantitative aspect, it aims at the growth and expansion of the volume and rate of investment in both public and private sector. In the qualitative front, it has the objective of changing the content, the composition and the flow of investment in such a way that the social essential and productive constituent of aggregate investment becomes increasingly more important and unproductive and non-essential total investment is discouraged¹⁸.

The least controversial field of public expenditure was in improving technical conditions for the establishment of the industry and for raising the productivity of agriculture i.e., the provision for capital hands on reasonable conditions and in the quantities required by firms making a start, the provision of information, suitable sites, legal assistance in the acquisition of land undertaking of technical research into the adoption of machinery, appropriate for local condition of climate and labour skills¹⁹.

Underdeveloped countries are susceptible to certain sources of instability. They experience economic fluctuations due to the result of business cycles originating in the advanced countries. That is why they are called 'exposed economies'. To protect their exposed economies, the under developed countries can adopt an integrated fiscal programme by drawing up budget providing surpluses in the boom and deficits in recession by having its

¹⁸ Dutta, S. (1985), 'Public Expenditure and Economic Development', *Ashish Publishing House, New Delhi, P. 4*

¹⁹ Hicks, U. K. (1969), 'Development Finance, Planning and Control', (*Clarendon Press, OUP*), *Reprint Fletcher & Sons Ltd. Nonvich, Great Britain, 1969*

expenditure increased at a steady rate while revenue rises in booms and declines in recession. Underdeveloped countries are also susceptible to inflationary pressures from within. The pattern of investment also influences inflation. Growth and inflation are interrelated. Development is a destabilising process in many ways and one of the factors whose stability must be disturbed is the price²⁰.

2.2.4 Effects of Public Expenditure on Income Distribution

Public expenditure is a powerful tool in the hands of government to bring about equitable distribution of income and wealth. Planned expenditure policy of the government can bring the desired results. Any state authority tries to achieve this object partly by means of taxation and partly by the way of public expenditure. To quote Prof. Dalton again, "other things being equal, that system of public expenditure is the best, which has the strongest tendency to reduce the inequality of income"²¹. Further more progressive expenditure leads to reduce inequalities.

One of the goals of public expenditure for a long time has been the minimisation of inequalities in the distribution of income and wealth resulting from uncontrolled working of the market system. 'Public consumption expenditures on education services are to modify considerably the income distribution. Because earning power is directly related to education and the value of human capital from education is to a large percentage of reproducible wealth. Primary education though available to all, acts in a progressive

²⁰ Mathew, T. (1972), 'Economics of Public Expenditure', *Vora & Co. Publishers P. Ltd, Bombay, P. 72*

²¹ Dalton, H. (1967), 'Principles of Public Finance', *Augustus M. Kelly Publishers, New York, P. 167.*

manner since lower income groups have large families. In this case, a long run distribution also seems apparent²².

Another way to approach the problem of incidence of government budget on different income groups was to explore the spatial distribution of public consumption expenditure and taxes between richer and poorer regions and to measure the extent of any net redistribution. If the ratio of public expenditure rises, then no apparent spatial distribution occurs. If the ratio falls as per capita expenditure rises, an apparent spatial programme of redistribution through government budgets has taken place²³. According to A.C. Pigou²⁴, 'the optimal inter sectoral allocation is in realised when the marginal unit of any sort of expenditure would yield equal marginal utility if used either in the public sector or in the private sector. At this point the total utility of the community will be maximised'.

2.2.5 Effects of Public Expenditure on Production and Employment

The effect of public expenditure on production and employment was better given by Prof. Dalton. He conveyed where as taxation, taken alone, may check production, public expenditure taken alone should almost certainly increase it. Expenditure on Police and armed forces, if not overdone and on the other apparatus of order and security, treats the conditions under which alone organised production can take place at all²⁵.

²² Pryor, F. L. (1968), 'Public Expenditure in Communist and Capitalist Nations', *George Allen & Urwin Ltd, London, P. 305*.

²³ Ibid, P.307.

²⁴ Pigou, A. C.(1962), 'A Study in Public Finance', *Macmillan, London, 3rd edition, 1962, P. 30-34*.

²⁵ Dalton, H. (1967), 'Principles of Public Finance', *Augustus M. Kelly Publishers, New York, P. 167*

According to J. M. Keynes the problem of over production and mass unemployment could only be solved through the intervention of the government and through the doses of public expenditure even financed by printing more currency notes. To quote his own words "I conceive therefore, that somewhat comprehensive socialisation will prove only the means of securing an approximation to full employment".²⁶

Since unemployment was the main characteristic of economic disorder, Keynes implies full employment as a state of things in which the number of persons actually employed is equal to the number of would be employed minus fractional employment.²⁷ Keynes "General Theory of Employment, Interest and Money" asserts the positive role of public expenditure in measuring the volume of employment and achieving full employment in a short span of time. During depression, following Keynes, pump priming and compensatory spending are the two forms of public spending, used in offsetting the crisis.

2.3 A REVIEW ON NORTHEAST INDIA AND AUTONOMOUS DISTRICT COUNCILS UNDER THE SIXTH SCHEDULE

Expert Committee report (2006) had an inquiry on the performance of Autonomous Councils in Northeast India considering the strengthening of Panchayati Raj. After visiting various autonomous councils and meeting with

²⁶ Keynes, J. M (1973), 'General Theory of Employment Interest and Money', *MacMillan, St. Martin's Press, London, Vol. 11 (reprint), P. 378*

²⁷ *Ibid*

the State Governments, the team had variety of suggestions and recommendation for upgradation the various Autonomous Councils. The various suggestions and recommendations can be sum up into general conclusion that, empowerment under the Sixth Schedule is just for name sake, therefore the autonomous councils needs to have more autonomy within their respective regions and a reasonable empowerment along with the autonomy in different aspect is needed to have a stronger or better decentralised Government. Following the expert committee report The Second Administrative reforms (2009) in their 15th report gave importance to the autonomous councils under the Sixth Schedule; their inquiry draws line in an approached to enlarge the empowerment of Autonomous councils by amending the Sixth Schedule. To re-assure the needs of the councils and more specified to the goals, the Union Ministry of Home Affairs requested the State government of Mizoram to set up an inquiry commission to understand and verify the status of the ADCs in Mizoram. For the said, the Standing Inquiry Commission (2012) after a detailed study, suggested that the ADCs in Mizoram also should attain the empowerment of power and functions similar to the empowerment entrusted to Bodoland Territorial Council (BTC), an the Autonomous Councils in Assam. Highlighting the facts that, ACs in Assam attained their present status (territorial council) because of insurgency while ADCs in Mizoram were left astray with their political aspiration since such insurgency does not prevails. Therefore, it is their constitutional rights for the ADCs in Mizoram to attained the empowerment which other ACs attained.

Rangamannar (2002)²⁸ stated, Assam along with other north-eastern states shares the problems of remoteness, and hilly terrain with associated high transportation costs. Assam's finances were vulnerable to the interplay between inherent weaknesses in the economy and critical exogenously driven fiscal shocks. The study suggested reform packaged covering areas ranging from taxation, improving recoveries in non-tax revenue, salary and pension reform, reforms in subsidy with better targeting, reforming planning strategy, debt management and control, augmentation of capital expenditure. The Indian Union has not completely devolved its powers to the full extent, with the result that the Central Government still exercises great power and was in fact the main decision making body in the Indian polity. In a diverse country such as India, there were numerous ethnic groups. Whenever, integration has failed or has not been very successful, the Indian nation state has adopted the Accomodationist approach to appeased to the sentiments and 'manage' ethnicity(Manor, 1996)²⁹.

Barpujari (1998)³⁰ studies, 'Northeast India: Problems, Policy and Prospect' highlighted that, In July 1992, the Council was given greater autonomy; but soon it had to be Superseded on charges of gross financial

²⁸ Rangamannar, S. (2002), 'Assam: Study of State Finances' National Institute of Public Finance and Policy, New Delhi

²⁹ Manor, J. (1996), ' Ethnicity and politics in India' *International Affairs* 72. Pp. 459-475

³⁰ Barpujari, H.K. (1998), 'North-East India: Problems, Policies and Prospects' *Spectrum Publications, Guwahati, p.102*

irregularities. The Comptroller and Auditor General's (CAG) Report (1985-1990) strengthens the belief that most of these demands for autonomy or separate states were meant not so much for decentralization of powers as to the distribution of Central funds amongst leaders who spearheaded these movements.

2.4 A REVIEW ON FISCAL DEVOLUTION AND DECENTRALISATION

The 14th Finance Commission headed by Prof. Y V Reddy submitted the recommendation on 15th December, 2014. The major recommendation was that, the share of states in the net proceeds of the shareable Central taxes should be 42%. This is 10% higher than the recommendation of 13th Finance Commission at the same time Revenue deficit to be progressively reduced and eliminated - Fiscal deficit to be reduced to 3% of the GDP by 2017–18 and target of 62% of GDP for the combined debt of centre and states. The Medium Term Fiscal Plan (MTFP) should be reformed and made the statement of commitment rather than a statement of intent. FRBM Act need to be amended to mention the nature of shocks which shall require targets relaxation. Both centre and states should conclude 'Grand Bargain' to implement the model Goods and Services Act (GST). Initiatives to reduce the number of Central Sponsored Schemes (CSS) and to restore the predominance of formula based

plan grants and States need to address the problem of losses in the power sector in time bound manner.³¹

The studied conducted for the Planning Commission covering the period 1991-2003, analysed the problems and reformed issued in State finances. The study provided an analysis of States' revenue expenditure on public goods, merit goods, non-merit goods and non-goods highlighting changed taking place. The analysis brings out fluctuating nature of the tax revenues and declined in the contribution from non-tax revenues. The analysis concluded that states' fiscal balance deteriorated sharply from mid-nineties which led to States' aggregated debt ballooning to constitute over 300 % of its total revenues. (Garg S.C, 2008)³²

Srivastava, (2005)³³ studied of State finances of the reorganised Uttar Pradesh while drawing appropriated comparisons with the undivided State. Except for the mid-nineties there was deterioration in the fiscal imbalanced indicators which led to a high and unsustainable debt for the State. In 2002-03 the debt-GDP ratio was as high as 50 percent of GSDP. The raised in debt resulted from a high level of fiscal deficit, which had reached a peak of 6.3 percent of GSDP in 1999-00. Although in subsequent years there was some improvement, this study suggests a fifteen-fold reform strategy relating to four

³¹ http://en.wikipedia.org/wiki/Finance_Commission_of_India/ Dt. 2014-07-10

³² Garg, S.C. (2008), 'A Study of State Finances in India' *Report submitted to the Planning Commission, National Institute of Public Finance and Policy, New Delhi*

³³ Srivastava, D. K, at al. (2005), 'Uttar Pradesh : Study of State Finances' *Report submitted to the Planning Commission, National Institute of Public Finance and Policy, New Delhi*

broad areas of fiscal management covering revenue augmentation, expenditure reforms, fiscal discipline and budget management, and public sector reforms

George (1990)³⁴ studies Kerala's fiscal crisis and its economic crisis and found out that, due to paucity of funds, there has been deceleration in the state's plan expenditure in recent years. This along with others exogenous factor have contributes to a slow expansion of the state's resource base. As a result, the own resources of the state are inadequate, despite larger resource mobilisation efforts, to meet even its current non-plan commitments. The absence of any surplus on non-plan account has led to the reduction in size of the state's plans, given the present formula for determining state's plan outlays. A major policy change is suggested for to get Kerala, as well as other backward states, out of this vicious circle of small volume of resources, small plan outlays and small resource base.

Rao, M.G. (1992)³⁵ made an attempted to study and to identify the determinant of tax revenue and non-plan revenue expenditure of the States towards making their medium term projections. The researcher has chosen the States of Karnataka, Kerela, Orissa and West-Bengal for the purpose in studying the time series determinant. In this study, both the political and

³⁴ George, K.K. (1990), 'Kerala's Fiscal Crisis: A Diagnosis' *Economic and Political Weekly* September 15, 1990

³⁵ Rao, M.G. (1992), 'Proposals for state-level budgetary reforms' *Economic and Political Weekly*. Feb1, 1992

economic determinants have been considered. The effects of various economic and political factors on the fiscal decisions of the four States are also quantified. The results of the study confirm 'Down's Hypothesis' that fiscal decisions are essentially guided by the desire to maximize the length of their tenure by the parties in power and are not influenced by their ideological doctrines.

Nath and Purohit (1993)³⁶ estimated the indices of expenditure reassignment of Local Shares in the total State -Local expenditure of 10 (ten) Indian States. The evidence from expenditure effort reassignment, fiscal decentralisation is to be treated as highly suggestive and the approached adopted would demonstrated the need for further investigation in the light of additional information on State and local government fiscal experiences. However these results bear significant implication with respected to State-local fiscal decision making as there is no conclusive evidence to show that reassignment has invariably any dampening impact on local expenditures. Given the equity considerations, the result has a bearing on any policy which aims at expenditure reassignment.

³⁶ Nath, S. and Purohit, B.C. (1993), 'Local Fiscal response to expenditure reassignment and Fiscal Decentralisation in India' *Working Paper No. 1993-1, National Institute of Public Finance and Policy, New Delhi*

McCracken, C. (2006)³⁷, Studied whether the state fiscal policy affects state economic growth and examines the effect of fiscal policy on growth rates first graphically, and then through two models, one of which disaggregates fiscal policy variables and found an evidence that increased size of government was negatively correlated with growth and that transfer payments and income taxes were especially harmful, while public capital expenditure can substantially increase growth.

Alshahrani, S.A. and Alsadiq, A.J. (2014)³⁸ studied Economic Growth and Government Spending in Saudi Arabia. They empirically examined the effects of different types of expenditure on economic growth of Saudi Arabia using different econometric techniques to estimate the short-run and long-run effects of these expenditures on growth and employ annual data over the period of 1969 – 2010. And found out that, private domestic and public investment as well as healthcare expenditure stimulates growth in the long-run production and suggested the Saudi policymakers on maximizing the return of government spending on economic growth.

Robalino, Picazo, and Voetberg (2001)³⁹ tried to test the impact of fiscal decentralisation on the outcome variables such as IMR using a panel of low

³⁷ McCracken C. (2006), 'Whether the State Fiscal Policy Affect State Economic Growth' *Economics Department, Stanford University*

³⁸ Alshahrani, S.A and Alsadiq, A.J. (2014) 'Economic Growth and Government Spending in Saudi Arabia: an Empirical Investigation' *IMF Working Paper, authorized for distribution by Victoria Perry.*

³⁹ Robalino, Picazo, and Voetberg (2001), 'Does Fiscal decentralisation improve health outcome? Evidence from crosscountry analysis' *World bank, Washington DC, working paper no. 2565*

and high income countries and found out that, higher fiscal decentralisation is associated with lower mortality rates. There was a positive effect of fiscal decentralisation on infant mortality rates in institutional environments that promote political rights. The results suggested that benefits of fiscal decentralisation are particularly important for poor countries and also fiscal decentralisation appears as a mechanism to improved health outcomes in environments with high levels of corruption. Schwartz, Guilkey and Racelis (2002)⁴⁰ in an interesting comparative study of pre and post devolution expenditure patterns in the Philippines obtain that the percent of revenue allocated to health by both city/municipalities and provinces increased following devolution.

Sen T.K., et al. (2007)⁴¹, Studied financing of Human development in Madhya Pradesh a programme on behalf of the Planning Commission which was sponsored by UNDP for strengthening the State Plans for Human Development. The Study reiterated that the state has achieved much in recent years, but the momentum needs to be maintained in the coming years for the vicious circle of poverty and low human development to be broken. Financing necessary interventions may be a problem, particularly in the initial years, but sustained high level of tax performance on the part of the state, buoyant

⁴⁰ Schwartz, J.Guilkey, D and Racelis, R. (2002), 'Decentralization, Allocative Efficiency and Health Service Outcomes in the Philippines. MEASURE Evaluation.' *Chapel Hill, NC: Carolina Population Center, University of North Carolina at Chapel Hill*

⁴¹ Sen T.K., et al. (2007), 'Tackling Poverty Constraint on Human Development: Financing Strategies in Madhya Pradesh', *National Institute of Public Finance and Policy, New Delhi*

central transfers both general-purpose and specific-purpose, and some buy-in of the private sector can help to mitigate it. The strategy of decentralisation needs to be persisted with, ensuring adequate finances for them, to improve service delivery, and to tailor such services to local needs.

Dash, B.B and Raja, A. V. (2012)⁴², studied Political Determinants of the Allocation of Public Expenditures of the Indian States by examining whether the allocation of public expenditures of the Indian states were significantly influenced by government specific political characteristics. Three types of government specific characteristics were considered: forms of Governments, ideology of the government, and the electoral cycle. A number of hypotheses were designed to link these characteristics with expenditure allocation. The hypotheses were tested using a panel dataset of 14 Indian states spread over 27 fiscal years, from 1980-81 to 2006-07. The overall findings of the study suggested that the relationship between expenditure allocation and political determinants across the Indian states validate the proposed hypotheses even after controlling for the traditional and other unobservable determinants. These findings were robust to various forms of sensitivity analyses.

Bhattacharya, R. And Patnaik, I. (2013), studied Credit constraints, productivity shocks and consumption volatility in emerging economies. From

⁴² Dash, B.B and Raja, A. V. (2012), 'Political Determinants of the Allocation of Public Expenditures: A Study of the Indian States', *National Institute of Public Finance and Policy New Delhi, Working Paper No. 2012-101*

the evidence found out that, emerging markets, where consumption is usually more volatile than income, indicates that financial reform further increases the volatility of consumption relative to output. We address this puzzle in the framework of an emerging economy model in which households face shocks to trend growth rate, and a fraction of them are credit constrained. Unconstrained households can respond to shocks to trend growth by raising current consumption more than rise in current income. Financial reform increases the share of such households, leading to greater relative consumption volatility. Calibration of the model for pre and post financial reform in India provides support for the model's key predictions.

Rao, M.G, Nath, H.K.A and Vani, B.P. (2003)⁴³, studied Rural Fiscal Decentralisation in Karnataka State, stating that, A major shortcoming in Indian fiscal literature is the lack of attention to the fiscal issues at local levels, particularly in rural areas. Much of the literature on fiscal decentralisation focussed on fiscal arrangements between the centre and the states and very little was known about public finances of Panchayat Raj institutions and fiscal relationship between state and local governments. The few studies that look at these issues were descriptive and impressionistic and were not based on reliable data. Thus, our understanding on the sub-state rural fiscal decentralisation is based on prescriptive and impressionistic literature. Therefore, the study was an attempt to undertake a comprehensive analysis of

⁴³ Rao, M.G, Nath, H.K.A and Vani, B.P. (2003), 'Rural Fiscal Decentralisation in Karnataka State' *National Institute of Public Finance and Policy New Delhi*

sub-state rural fiscal decentralisation and Panchayat finances in Karnataka. The analytic of the study is the principles or normative implementation rules of fiscal decentralisation expounded in the literature. It does not take fiscal decentralisation as good or bad *a priori*, but explores ways and means to enhance its efficacy by identifying policies and institutions and implementation mechanisms. It bases the analysis on the data and information specifically collected by us from 636 Gram Panchayats in four districts. It brought out the important shortcomings in fiscal decentralization in Karnataka and had highlighted the areas of reform to strengthen the fiscal decentralization process in the State not only to improve efficiency and accountability in service delivery but also to empower them as institutions of rural self-government. Any improvement in the decentralization will only be marginal and it is over time that the gradual changes will have to add upto create greater functional decentralization.

Afonso, A. and Jalles, J. T. (2011)⁴⁴ construct a growth model with an explicit government role, where more government resources reduced the optimal level of private consumption and of output per worker. In the empirical analysis, for a panel of 108 countries from 1970-2008, they used different proxies for government size and institutional quality. The results, consistent with the presented growth model, show a negative effect of the size of government on growth. Similarly, institutional quality had a positive impact

⁴⁴ Afonso, A. and Jalles, J. T. (2011), 'Economic Performance and Government size', *Working Paper, European Central Bank*.

on real growth, and government consumption was consistently detrimental to growth. Moreover, the negative effect of government size on growth was stronger the lower institutional quality, and the positive effect of institutional quality on growth increases with smaller governments. The negative effect on growth of the government size variables was more mitigated for Scandinavian legal origins, and stronger at lower levels of civil liberties and political rights. Finally, for the EU, better overall fiscal and expenditure rules improve growth.

Renyaan, J.P.A., Ubud, S, Idrus M.S. and Djumahir (2012)⁴⁵ studied, ‘Effect of Fiscal Autonomy and Economic Growth on Local Financial Performance (A Study on Local Government of Papua Province)’. The purpose of the study was to investigate effects of fiscal autonomy and economic growth on local financial performance in Papua Province. Data collection was done using the data subject and the documentary data. This study uses descriptive analysis to determine descriptive characteristics for each indicator variable of fiscal autonomy, economic growth and local financial performance. Meanwhile, to test the relationship hypotheses among the variable, this study uses analysis tools with Partial Least Square (PLS) method. Results from this study indicate that when managed fiscal autonomy and economic growth were able to improve regional financing performance by

⁴⁵ Renyaan, J.P.A., Ubud, S, Idrus M.S. and Djumahir (2012), ‘Effect of Fiscal Autonomy and Economic Growth on Local Financial Performance (A Study on Local Government of Papua Province)’, *International Journal of Business and Management Invention*, Vol. 1, Issue no. 1, PP.16-21

considering such factors as financial efficiency and regional financing effectiveness. While, if economic growth was not managed properly can reduce the area of financial performance by considering the factors of efficiency and effectiveness of local finance.

Blochliker, H. (2005)⁴⁶ studied Fiscal Autonomy of Sub-Central Governments and revealed that, the State and Local Governments in OECD countries had access to a variety of fiscal resources. Discretion over these resources varies considerably, and so does sub-central governments' power to shape public service delivery. The design of fiscal autonomy affects sub-central government's behaviour and determines outcomes like public sector efficiency, equity in access to public services or the long term fiscal stance. This paper provides data and interpretation on the fiscal resources of sub-central government in OECD countries. It presents a set of fiscal autonomy indicators such as revenue and expenditure decentralisation, tax autonomy, intergovernmental grants and the stringency of fiscal rules. In sum, the statistics show that taxes were still the most significant revenue source for sub-central governments but that only a part was under their effective control. Fiscal autonomy was further reduced by a high percentage of earmarked grants. The design of fiscal federalism varies considerably across countries, and factor analysis reveals almost no correlation between different fiscal

⁴⁶ Hansjörg Blöchliger (2005), 'Fiscal Autonomy of Sub-Central Governments' *Economics Department and Center for Tax Policy and Administration, O.E.C.D. David King, Stirling University, United Kingdom, Working Paper No. 2.*

autonomy indicators. Indeed, “fiscal autonomy” appears to have had several dimensions.

Rao, M.G., Chakraborty, L.S., and Bagchi, A. (2008)⁴⁷, studied Fiscal Decentralisation and Gender Budgeting in Mexico, Morocco, Philippines, South Africa and India were the chosen countries for field study. The data was gathered through desk work and field visits to the selected countries and by conducting interviews with the key informants of local level gender responsive budgeting in research institutions, Ministry of Finance, Statistical Office, Department of Local Governments (interior), sectoral departments at the national and sub-national level, civil society, local councillors and Parliamentarians and UN agencies. The methodology adopted for the study was both quantitative and qualitative. In India, fiscal decentralisation and local level gender sensitive budgeting across three states in India, where decentralisation process had been relatively effective compared to other states. The design for specifically targeted programmes for women in local budgets or gender component in fiscal transfers had been considered to be the second best principle of gender budgeting. The first best was to integrate gender concerns in the overall budgetary process at the local level and ensuring the transparency and accountability, through better governance with effective participation of women in local bodies. Kerala had shown a good example in integrating both the elements. Integrating gender needs in the process of decentralised planning, after identifying the gender needs through

⁴⁷ Rao, M.G., Chakraborty, L.S., and Bagchi, A. (2008), ‘Fiscal Decentralisation and Gender Budgeting’ *National Institute of Public Finance and Policy*, 2008

participatory process, through *grama sabhas* as well as translating it into women component plan in fiscal transfers. In Karnataka, the process of decentralisation had created immense scope for incorporating gender needs at local level, though remained substantially unexplored. However, in West Bengal, the women in governance at third tier could change the types of public expenditure at local level, more corresponding to the revealed preferences ('voice') by women. However, that could have little influence on gender needs as most of the expenditure even at the local level was in the nature of committed non-developmental expenditure.

Torgler, B. And Werner, J. (2005)⁴⁸ studied Fiscal Autonomy and the paper analyses fiscal autonomy in Germany. First, it provides an overview of fiscal autonomy. What was novel in the paper compared to previous studies was the development of a fiscal autonomy coefficient for the states, based on communal data. The basic intention in the empirical parts to analyse how fiscal autonomy affects tax morale, defined as the intrinsic motivation to pay taxes, in Germany. Strong evidence had been found that a higher tax morale, controlling in a multivariate analysis for additional factors. Thus, this paper fills a gap in the tax compliance literature, which has rarely analysed the impact of fiscal autonomy on compliance.

⁴⁸ Torgler, B. And Werner, J. (2005), 'Fiscal Autonomy and Tax Morale: Evidence From Germany' *Center for Research in Economics, Management and the Arts (CREMA). Basel, Germany, Working Paper No. 2005-07*

Schneider, A. (2003)⁴⁹ studied, ‘Decentralization: Conceptualization and Measurement’, the key research questions in the study of decentralization come into view. What causes countries to decentralize, and what causes them to decentralize along one dimension and not another? Further, what impact does decentralization have on important social outcomes such as participation, accountability, and redistribution? What were the impacts of different kinds of decentralization on these outcomes? This article proposed a measurement model of decentralization based on three dimensions of decentralization. It tested and confirmed the model using data on six indicators collected from sixty-eight countries. The end result of this exercise was an improved measurement of decentralization that allows questions to be asked in a more rigorous analytic fashion. The article invites researchers to use the factor score dataset to test their own hypotheses about decentralization. The article reminds us that systematic measurement of complex concepts requires great care. Increasingly, statistical indicators had become available, but conceptual confusion clouds our understanding of how to use them. As a result, a multitude of hypotheses can emerge, and a multitude of definitions can be applied. To give order to our concepts, this article advances an explicitly empirical approach that uses conceptual categories to meaningfully organize observations. An empirical approach may not work for all concepts, especially those that defy neat categories and measurable indicators. In addition, techniques that depend on measuring variations, such as factor analysis, will

⁴⁹ Schneider, A. (2003), ‘Decentralization: Conceptualization and Measurement’, *studies in Comparative International Development*, Fall 2003, Vol. 38, No. 3, pp. 32-56

work imperfectly if the real-world distribution of cases does not reflect the full range of a given concept. Still, where possible, empirical verification of social-science categories was extremely important. A mutually understood set of concepts can allow researchers to either agree or disagree in a productive fashion, and provide more consistent advice to policymakers.

Rajaraman, I and Vasishtha, G. (2000)⁵⁰ studied the impact of state-local grants on tax effort of rural local governments (panchayats) for Kerala state. The results from data for 1993-94 show, after controlling for tax capacity, a greater and more uniform negative impact on own tax revenue of lump sum "untied" grants that are predictable and unvarying than in the case of a more widely defined grants total including components with year-to-year variability. An increase in the untied grant to panchayats by one rupee reduces own tax revenue in twelve out of fourteen districts by more than one rupee, and in eight of these by more than two rupees. The reduction in own tax revenue has to have been the result of a selective slackening of tax effort since refunds of panchayat-level taxes in proportion to incidence are ruled out. The post-grant pattern of incidence will therefore be less transparent than the nominal pattern, less preserving of voter preferences, and possibly driven by corruption towards greater regressively. Given also the balanced budget constraint on panchayats, there is a corollary contradiction of the flypaper effect found in other contexts. The two districts for which the general result

⁵⁰ Rajaraman, I and Vasishtha, G. (2000), 'Impact of grants on tax effort of local government', *National Institute of Public Finance and Policy, New Delhi*.

does not hold are also the most ethnically fragmented. This result has implications dissimilar to those in the received literature on the fiscal effects of ethnic fragmentation.

Chakraborty, P et. al. (2011)⁵¹ studied Decentralisation in education and health service delivery: Evidence from India. The data was gathered through secondary sources, particularly the budget documents, Finance Accounts, documents from Ministry of HRD and Health and CSO and various NSSO rounds. Especially in the context of health service provisioning, the study had extensively used the NSSO health survey 2004 to examine the access, utilization and spread of health services in different states. The cross country data on public finance at centre, state and local levels in a limited way have been organized from IMF Government Finance Statistics to analyse the fiscal decentralization across countries and also the assignment of revenue and expenditure. Rondinelli's three-stage definition of decentralization was used in the Report as the pivot of discussions and debates, whereby it was defined as the transfer of authority, responsibility, and resources—through deconcentration, delegation, or devolution—from the center to lower levels of administration. The analysis of public finance at the third tier or local level had revealed that there are states (like West Bengal) with long history of decentralisation which do not have enough buoyant revenue handles and still depend on transfers.

⁵¹ Chakraborty, P. et al. (2011), 'Decentralisation in education and health service delivery: Evidence from India' *National Institute of Public Finance and Policy, New Delhi*

Pandey, R Purnamita Dasgupta, P. (2013)⁵² studied developmental disability index for hill states in India and found that, all states in India have state-specific requirements to meet their developmental aspirations and targets of which poverty alleviation and the creation of infrastructure command high priority. Chronic poverty is often associated with being located in remote rural areas, such as hills and forested areas, which may not even be adequately reflected in state averages as in the case of Chamba in H.P. or the hilly regions in Assam. There are in place mechanisms to address these specific needs such as through the tax devolution formulae used by the Finance Commissions, grants made by the Planning Commission and so on. Specific requirements for incentivizing forest conservation and to compensate states for economic disadvantages arising from the maintenance of forest cover have also been addressed by the Thirteenth Finance Commission. The present study seeks to address another dimension – that of specific disadvantages arising from increased costs arising from a combination of bio-physical features such as terrain and increased transaction costs due to legal and public good aspects of maintaining forest ecosystems. This differs from the earlier forest disability index of the Planning Commission (2004) which computed the replacement value of forests in terms of (agricultural) farming. It may be noted that if a complete valuation of ecosystem services applying state-of-the art techniques to sufficiently disaggregated and reliable data is possible, then that would

⁵² Pandey, R Purnamita Dasgupta, P. (2013), ‘Study on developmental disability index for hill states in India’ *National Institute of Public Finance and Policy, New Delhi*

constitute the most comprehensive valuation replacing all these sub components of values.

Rao, M.G et al. (2011)⁵³ studied fiscal decentralization to rural local governments in India: selected issues and reform options and found out that, Most of the states said to had assigned a majority of the important subjects to the Panchayats through the State Conformity Act but in most cases they had failed to add to the existing functional domain of local government due to the fact that devolution of functions was done without unbundling each function into activities and sub-activities. In addition, total functional devolution was done vaguely without having any role clarity. There had been hardly any rational thinking as to which of the disaggregated activities based on the considerations like economies of scale, externality, equity, heterogeneity of demand and accountability along with other important aspects like efficiency, capacity, enforceability and proximity ought to be devolved to which level of government. This lack of clarity in functional allocation coupled with absence of disaggregation into detailed activities had led to considerable overlapping and duality of control in most cases. This situation seriously undermines accountability. Moreover, in several states many functions that has already been statutorily devolved to the PRIs was still being planned and implemented by the line departments of the respective state governments. What is worse was the fact that follow-up action in terms of appropriate administrative

⁵³ Rao, M.G et al. (2011), 'Fiscal Decentralization To Rural Local Governments In India: Selected Issues And Reform Options' *National Institute of Public Finance and Policy, New Delhi*

measures and formulating relevant rules or guidelines to operationalise the intent legislature pertaining to devolution of disaggregated activities to the appropriate level of government was very tardy.

Gupta, M. et al. (2011)⁵⁴ studied improving Effectiveness and Utilisation of Funds for selected schemes through suitable changes in timing and pattern of releases by the centre. Reviewing different schemes under the Central government and out of the 15 schemes reviewed, utilisation would be a real concern only in the cases of NRDWP, BRGF, ICDS, JNNURM and NLCPR. There are isolated cases of poor utilisation in one or two states in the case of some other schemes also, but one can argue that those could be ascribed to state-specific factors. However, that is not to say that there is no scope for improvement. The following discussion is undertaken in that spirit. To structure the discussion, two main aspects of the schemes are covered: design of the scheme including administrative features, and flow of funds. Nevertheless, it has to be borne in mind that these aspects are not mutually exclusive.

Smith, H. J. M (2012)⁵⁵ examined local governments' efforts to promote economic development in Latin America. The research uses a mixed method

⁵⁴ Gupta, M. et al. (2011), 'Improving Effectiveness And Utilisation Of Funds For Selected Schemes Through Suitable Changes In Timing And Pattern Of Releases By The Centre' *National Institute of Public Finance and Policy, New Delhi*

⁵⁵ Smith, H. J. M (2012), 'Fiscal decentralization and development: An analysis of city governments in Argentina and Mexico, 1980-2010' *ProQuest, UMI Dissertations Publishing 2012, United States*

to explore how cities make decisions to innovate, develop, and finance economic development programs. First, this study provides a comparative analysis of decentralization policies in Argentina and Mexico as a means to gain a better understanding of the degree of autonomy exercised by local governments. Then, it analyzes three local governments each within the province of Santa Fe, Argentina and the State of Guanajuato, Mexico. The principal hypothesis of this dissertation is that if local governments collect more own-source tax revenue, they are more likely to promote economic development and thus, in turn, promote growth for their region. Examining six cities, three of which are in Santa Fe—Rosario, Santa Fe (capital) and Rafaela—and three in Guanajuato—Leon, Guanajuato (capital) and San Miguel de Allende, the dissertation provides a better understanding of public finances and tax collection efforts of local governments in Latin America. Specific attention was paid to each city's budget authority to raise new revenue and efforts to promote economic development. The research also includes a large statistical dataset of Mexico's 2,454 municipalities and a regression analysis that evaluates local tax efforts on economic growth, controlling for population, territorial size, and the professional development. In order to generalize these results, the research tests the discoveries by using statistical data gathered from a survey administered to Latin American municipal officials. The dissertation demonstrates that cities, which experience greater fiscal autonomy measured by the collection of more own-source revenue, are better able to stimulate effective economic development

programs, and ultimately, create jobs within their communities. The results are bolstered by a large number of interviews, which were conducted with over 100 finance specialists, municipal presidents, and local authorities. The dissertation also includes an in-depth literature review on fiscal federalism, decentralization, debt financing and local development. It concludes with a discussion of the findings of the study and applications for the practice of public administration.

Conclusion

From the above literature being reviewed it is concluded generally that the economic growth or development of the region can be attained more effectively if the local government or the grass root institutions were given more fiscal autonomy. Most of the literature also highlights the importance to increased decentralisation or devolution of more funds or resources to lower level of governments or grass root government.

3.1 INTRODUCTION

After Independence, there was a demand for regional autonomy and better status within the constitutional framework from the tribes of the hill areas in Assam. The interim Government of India in 1947 was sensitive to the political aspirations of the tribal people of the hill areas of Assam in the background of assurance given by the outgoing British rulers. So our constitutional forefathers had understood the backwardness of tribal people and wanted to help and developed the tribal according to the aspirations of local people.¹

Under the Government Act of 1953, the Hill areas of Assam were divided into two categories – Excluded and partially excluded areas. The Lushai Hills (Now Mizoram), the Naga Hills and the North-Cachar Hills were under the excluded area over which the provisional Ministry of Assam had no jurisdiction. No federal or provisional legislation extended to the district automatically. In 1947, the Government of India setup a Sub-committee of the Constituent Assembly known as North-East Frontier (Assam) tribal and excluded Area Committee² or the Bordoloi Committee with Gopinath Bordoloi, the Chief Minister of Assam, as the Chairman. The Sub Committee co-opted two members from each of the Hill districts they visited. The co-opted representatives of Lushai Hills District were Ch. Saprawnga and

¹ Expert Committee report (2006), 'Planning for the Sixth Schedule Areas' *Ministry of Panchayati Raj, GOI*

² Ibid

Khawtinkhuna who belongs to Mizo Union Party of the Lushai Hills district.³

The Bordoloi Committee after an inquiry of all the hill districts recommended that there should be an autonomous District Councils for each of the tribal areas of Assam.⁴ Accordingly, the constitutional forefathers' drafted a special provision known as the Sixth Schedule to protect the minority tribes and fulfill the aspiration of the tribal in social, economic and political participation within their respective region.

3.2 AUTONOMOUS COUNCILS UNDER THE SIXTH SCHEDULE

The Sixth Schedule, separate provisions have been made for the Administration of Tribal areas in Assam, Meghalaya, Tripura and Mizoram, as defined under Paragraph 20 of the Schedule. These provisions have been made in exercise of the enabling provisions given in Articles 244(2) and 275(1) of the Constitution. The Sixth Schedule identifies and designates certain tribal areas as autonomous districts. It provides for the Constitution of District and Regional⁵ Councils for autonomous areas, consisting of not more than 30 (thirty members) each, of whom not more than four persons shall be nominated by the Governor and the rest shall be elected on the basis of adult

³Thanhranga HC (2007), 'District Councils in the Mizo Hills' Lengchhawn Press Bethel House, Khatla, Aizawl, p. 69

⁴ Thanhranga HC (2007), 'District Councils in the Mizo Hills' Lengchhawn Press Bethel House, Khatla, Aizawl, p. 38

⁵ Regional Council no longer exists, as they were ungraded to District Council.

suffrage for the term of 5 (five) years⁶. The Sixth Schedule also endows Councils with legislative, executive, judicial and financial powers (Expert Committee, 2006)⁷. At present there are 10 (ten) Autonomous Councils under the Sixth Schedule of the Constitution. The 10 (ten) Autonomous Councils are within the States of Assam, Meghalaya, Tripura and Mizoram. The following are the Autonomous Councils under the Sixth Schedule of the Constitution⁸.

Assam

- The North Cachar Hills Autonomous District Council (NCHAC)
- Karbi Anglog Autonomous District Council (KAAC)
- Bodoland Territorial Council (BTC)

Meghalaya

- Khasi Hills District Autonomous Council (KHAC)
- Jaintia Hills District Autonomous Council (JHAC)
- Garo Hills District Autonomous Council (GHAC)

Tripura

- Tripura Tribal Areas District Autonomous Council (TTADC)

⁶ An exception has been made in respect to the Bodo Territorial Council through the Constitution (Amendment) Act, 44 of 2003 – consisting of 46 members, 40 members shall be elected members of whom 30 sits reserved of Schedule tribes, 5 sits reserved for non-tribal and 5 sits open for all community.

⁷ Expert Committee (2006), ‘Planning for the Sixth Schedule Areas’ *Ministry of Panchayati Raj Institution, GOI*

⁸ *Ibid*

Mizoram

- Mara Autonomous District Council (MADC)
- Lai Autonomous District Council (LADC)
- Chakma Autonomous District Council (CADC)

3.3 PROVISIONS OF THE SIXTH SCHEDULE OF THE CONSTITUTION

According to the Sixth Schedule of the Indian Constitution, the ACs' form as a semi-government within each regions or areas under the state government having a limited legislative, executive, judicial and financial power and function. The various powers and functions are as below.

Legislative:

The Sixth Schedule Councils in Assam, Meghalaya, Tripura and Mizoram have been given legislative powers with respect to the subjects listed in Para 3 of the Schedule. District Councils are empowered with the assent of the Governor, to make laws with respect to -

- a) The allotment, occupation or use, or the setting apart, of land, other than any land which is a reserved forest for the purpose of agriculture or grazing or for residential or other non-agricultural purposes or for any other purpose likely to promote the interest of the inhabitants of any village or town:

Provided that nothing in such laws shall prevent the compulsory acquisition of any land, whether occupied or unoccupied for Public purposes in accordance with the law for the time being in force authorising such acquisition⁹;

- b) The management of any forest not being a reserved forest;
- c) The use of any canal or water-course for the purpose of agriculture;
- d) The regulation of the practice of jhum or other forms of shifting cultivation;
- e) The establishment of village or town committees or councils and their powers;
- f) Any other matter relating to village or town administration, including village or town police and public health and sanitation;
- g) The appointment or succession of Chiefs or Headmen;
- h) The heritance of Property;
- i) Marriage and divorce;
- j) Social custom

In addition, these Councils have also been given powers to legislate on few additional subjects under Para 3A and 3B of the Schedule; 3A with respect to NCHAC and KAAC and 3B for BTC. The legislation under 3A and 3B, however, needs prior assent of the President.

⁹ Subjected by the North-Eastern Areas (Reorganisation) Act, 1971

Executive:

The range of executive functions of District and Regional Councils vary from Council to Council, based on several amendments made to the Sixth Schedule. The common range of executive functions are laid down in Paragraph 6 of the Sixth Schedule –

a) District and Regional Councils are empowered to establish, construct, or manage primary schools, dispensaries, markets, cattle pounds, ferries, fisheries, roads, road transport and waterways in the district and may make regulations for their regulation and control. It is also specifically empowered to prescribe the language and the manner in which primary education shall be imparted in the primary schools in the district.

b) The Governor may, with the consent of any District Council, entrust either conditionally or unconditionally to that council or to its officers functions relating to agriculture, animal husbandry, community projects and co-operative societies, social welfare, village planning or any other matter to which the executive power of the State extends can also be entrusted to Councils.

Judicial:

The Sixth Schedule, Paragraph 4 provides Regional or District Councils to constitute-

1. Village councils or courts for the trial of suits and cases between the parties all of whom belong to the Scheduled Tribes within their respective areas, other than suits and cases to which the provisions of sub-paragraph (1) of paragraph 5 of the Schedule apply, to the exclusion of any court in the State and appoint suitable persons to be members of such village councils or presiding officers of such courts and also appoint such officer as necessary for the administration of the laws made by the legislative (Paragraph 3) of the Council.

2. Notwithstanding anything the Constitution, the Regional or District Council or any court on behalf shall exercise the powers of a court of appeal in respect of all suits and cases triable by a village council or court constituted under sub-paragraph 1 (the above point 'a'), as the case may be other than those to which the provisions of as paragraph 5(1) of the Sixth Schedule apply and no other court except the High Court and the Supreme Court shall have jurisdiction over such suits or cases.

3. With the Approval of the Governor, Regional or District Councils can makes rules regulating –

a) The constitution of village councils and courts and the powers to be exercised by them under the above said;

b) The procedure to be followed by village councils or court in the trial of suits and cases under the mention point 1 of judicial power.

- c) The procedure to be followed by the Regional or District Council or any court constituted by such Council in appeals and other proceedings under the above cases;
- d) The enforcement of decisions and others of such councils and courts;
- e) All other ancillary matters for the carrying out of the provisions mention in point 1 and 2 of judicial powers.

Financial Power

Constitution of District and Regional Funds: Para 7 of Sixth Schedule provides for each autonomous district and for each autonomous region, a District fund and Regional Fund to which shall be credited all moneys received, as case may be in accordance to with the provision of the Constitution. The accounts of the District and Regional Councils are to be maintained as prescribed by the President; the Comptroller and Auditor-General of India, who is also entrusted with their audit and relating to such account has to be submitted to the Governor who will cause them to be laid before the Council.

Power to collect taxes and fees: Paragraph 8(1) provides the Council to asses and collects revenue in respect of all land within the district in accordance with the principles for the time being followed by the Government of the State in assessing lands for the purpose of land revenue in the State

generally. The District Council also has the power to levy and collect all or any of the following taxes within such district, respect to –

- a) Taxes on lands and buildings, and tolls on persons resident within such areas;
- b) Taxes on professions, trades, callings and employments;
- c) Taxes on animals, vehicles and boats; therein and tolls on passengers and goods carried in ferries; and
- d) Taxes for the maintenance of schools, dispensaries or roads.

For the above points ('a' -'d') with the assent of the Governor the regional or district council has the power to make regulations for levy and collection of taxes.

Entitlement of royalties: Paragraph 9 entitles the District Council to received a share of the royalties accruing each year from licences or leases for the purpose of prospecting for, or the extraction of, minerals granted by the State Government in respect of any area within an autonomous district as agreed upon with the Government. Disputes in this regard are to be referred to the Governor for settlement.

Money lending and trade by non-tribal: The district council has the powers to make regulations for the regulation and control of money lending or trading within the district by persons other than Schedule Tribes resident in

the district. In particular and without prejudice to the generality of the foregoing power, such regulations may –

- a) Prescribe that no one except the holder of a license issued in that behalf shall carry on the business of money-lending;
- b) Prescribe the maximum rate of interest which may be charged or be recovered by the money lender;
- c) Provide for the maintenance of accounts by money lenders and for the inspection of such accounts by officers appointed in that behalf by the District Council;
- d) Prescribe that no person who is not a member of the Schedule Tribes resident in the district shall carry on wholesale or retail business in any commodity except under a licence issued in that behalf by the District Council.

To regulate the above state, the council has to pass by majority of three forth of the members and money lenders who executed business before the regulation should barred from license. It will only effective only after the assent of the Governor.

Indication of resources to be credited to Councils: Under Paragraph 13, estimated receipt and expenditure pertaining to autonomous districts which are to be credited to, or is to be made from the State Consolidated fund shall be first placed before the District Council for discussion and then shown

separately in the annual financial statement of the State to be laid before the Legislature of the State under Article, 202.

3.4 ROLE OF THE GOVERNOR OF THE STATE

The Sixth Schedule of the Constitution has entrusted several key powers to the Governor of the State concerned in respect of District and Regional Councils. These Powers are classified and briefly explained in the table 3.1 below:

Table 3.1 Role of the Governor of the State

Description of the power entrusted to the Governor	Details of the provision in the Sixth Schedule	
	Paragraph	Brief content
Power to constitute District and Regional Councils	19	To constitute district councils for each autonomous district as soon as possible and until constitution of district council, to be the head of the administration of the district
	1(2)	Divide areas of district council into

		autonomous regions
	1(3)	Issue notification for inclusion, exclusion, creation, increase, decrease unite or define areas of district council or alter the name of any district council
	2(6)	Frame rules for the first constitution of district council or regional council
	14(3)	Place one of the Ministers in charges of the welfare of the autonomous district region.
Powers to dissolve and supersede councils	16(1)	Dissolve a district or regional council and assume to himself all or any of the functions or powers of the district or the regional council on the recommendation of the commission appointed under Paragraph 14
	16(2)	Dissolve a district or regional council and assume to himself all or any of the functions or powers of the district or regional council, if satisfied that the region cannot be carried out in accordance with the provisions of the

		sixth schedule to the constitution.
Powers affecting electoral representation in the council area	2(1) & 2(6A)	Nominate four members in each district council who hold office at his pleasure
	17	For the purposes of elections to the legislative assembly of the State, declare that any area within an autonomous district shall form part of a constituency to fill a seat or seats in the assembly not so reserved to be specified in the order
Powers to enlarge, diminish powers or review decisions of District and Regional Councils	4(3)	Extent of jurisdiction of the High Court over suits and cases tried by District Council Courts
	5	Confer power under CPC and CrPC on district council courts for trial of specified nature of cases and withdraw or modify the same
	6(2)	Entrust conditionally or unconditionally all or any of the executive powers available to the State to the District Council or its offices with the consent of the District Council

	15(1)	annul or suspend acts and resolutions of district and regional council if such act or resolution is likely to endanger the safety of India or is prejudicial to the public order
Given prior assent to laws, rules and regulations of the District and Regional Councils	3(3)	Assent to laws made by the District and Regional councils, without which they have no force of law
	2(7)	Approve the rules made by the District and regional council for composition and delimitation of the Councils, qualification terms of office etc, of its members and generally for all matters regulating the transaction of business pertaining to the administration of the district
	6(1)	Give prior approval for the framing of regulations by the District Council for the regulation and control of primary schools, dispensaries, markets, road transport, waterways etc
	4(4)	Approve rules regarding

		constitution procedure etc of village council and district council courts, made by the district and regional councils
	7(2)	Make rules for the management of district and regional fund
	8(4)	Give prior assent for regulations framed by District and Regional Councils for levy and collection of taxes, without which they do not have the force of law
	10(3)	Give prior assent to regulations framed by the district councils for control of money lending, without which they do not have the force of law
Powers of arbitration	9(2)	Give the final decisions in respect of disputes between district council and regional council in cases of royalty for extration of minerals, which shall be referred to the governor for resolution
Powers to appoint a Commission	14(1)	Appoint a commission to ensure into the administration of autonomous district regions.
	14(2)	Report of commission appointed

	<p>under paragraph 14 is required to be laid before the State legislature with the recommendation (except in the case of State of Assam) with respect thereto.</p>
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Source: Expert Committee report (2006)

In addition to the above powers, special powers have been conferred in respect of the Governors of Assam, Tripura and Mizoram as describe in table 3.2 below:

Table 3.2 Additional power of the Governor

Description of the power entrusted to the Governor	Details of the provision in the Sixth Schedule	
	Paragraph	Brief content
Tripura and Mizoram	9(3)	Prescribe the period within which the royalty acquiring from grant of lease for extraction of minerals is to be shared between the Government and the District Council
	12AA(b) & 12B (b)	Direct that any act of the State legislature other than matters specified in paragraph 3 and legislation prohibiting or

		restricting the consumption of any non-distilled alcoholic liquor shall not apply to any autonomous district or an autonomous region or shall apply subject to such exceptions or modifications as may be notified
Assam	12(1) b	Direct that any act of parliament or of the State legislature other than matters specified in paragraph 3 and legislation prohibiting or restricting the consumption of any non-distilled alcoholic liquor shall not apply to an autonomous district or an autonomous region or shall apply subject to such exceptions and modifications as may be notified.

Source: Expert Committee Report (2006)

3.5 Autonomous District Councils in Mizoram

The Pawi-Lakher Autonomous Regional Council was set up on 23rd April 1953 in accordance to the Paragraph 2 of the Sixth Schedule read with Article 244(2) of the Constitution under the Government of Assam which later became a part of Mizoram. Through the North-Eastern Areas (re-organisation) Act 1971, the Mizo Hills (Lushai Hills) was elevated to the status of Union Territory of Mizoram. Following this, the Pawi-Lakher Autonomous Regional

Council was dissolved in 1972 and trifurcated into three regional Councils namely the Lakher Regional Council, the Pawi Regional Council and Chakma Regional Council, through the amendments to the Sixth Schedule, notification issued by the Government of Mizoram in April, 1972. In terms of provisions of 20B of the Sixth Schedule, Lakher Regional Council along with Pawi Regional Council and Chakma Regional Council was elevated to the status of a District Council with effect from 29th April 1972 under the Mizoram District Council's (Miscellaneous Provisions) orders, 1972 (Nodal Cell, 2013). The Lakher District Council was renamed as the Mara Autonomous District Council and Pawi Autonomous District Council was renamed as the Lai Autonomous District Council from 1st May, 1989 under Notification issued by the Government of Mizoram in May, 1989 (Expert Committee, 2006).

Under the Sixth Schedule read with Article 244(2) of the Constitution, the administration of Tribal Areas in Mizoram was applied. The Three ADCs have been accordingly constituted in accordance with Paragraph 20 of the Sixth Schedule. These District Councils cover two administrative districts, namely Saiha and Lawngtlai Districts. The details of the three councils are summarized in Table 3.3 below.

Table 3.3 Demography of Autonomous District Councils in Mizoram

I	Item		MADC	LADC	CADC
	Area		1445 Sq. Km	1870.75 Sq. Km	1500 Sq. Km
	Population (2011 Census)		56366	82,806	43,528
	ADCs' Headquarters		Siaha	Lawngtlai	Kalamnagar
	Sub-Headquarters		Tipa 'V'	Bualpui Ng	NR
	Members of the Council	No. of elected Seats	25	23	20
		No. of nominated Seats	4	4	4
	No. of Town		2	2	1
	No. of Village Councils		92	87	73
	No. of Household		11109	16030	NR
	No. Education Circle		4 (Four)	3 (Three)	NR
0	No. of Forest Ranges		6 (Six)	5 (Five)	NR
	Composition	District	Siaha	Lawngtlai	NR

1	of Court	Court			
		Sub-Ordinate Courts	Siaha & Tipa 'V'	NR	Kalamnagar
		Village Council Courts		92	87

NR = Data Not Reported

3.6 DISTRICT COUNCIL ADMINISTRATION IN MIZORAM

Apart from the demographic features of the ADCs in Mizoram, the Councils functioning are same in general especially in regards to the Administration as the roof (State Government) is the same. The followings are the main various administration functions.

Governor

The governor of the State has special powers considering ADCs. The Executive and legislative power lie with the Chief executive Member and Executive Members of the Council, who are appointed by the Governor. The Governors of the states have almost all the similar powers and functions at the district councils administration affairs as that of the President of India at Union or State level in various disciplines. Governors discharge all constitutional functions such as the appointment of the CEM, deals with failure of constitutional machinery in the Council, or with respect to issues

relating to the assent to a bill passed by legislature, exercise or their own opinion.

Legislature

The legislative assembly is the highest political organ in the council. The governor has the power to summon the assembly or to close the same. All members of the legislative assembly are directly elected, normally once in every five years by the eligible voters who are above 18 years of age. The current numbers of elected assembly members of ADCs vary with ADCs and 4 (four) members at maximum were nominated by the governor. The elected members select one of its own members as its chairman equivalent to the speaker in State level. The Chairman is assisted by the deputy Chairman who is also elected by the members. The conduct of meeting in the house is the responsibility of the Chairman. The main function of the assembly is to pass laws and rules. Every bill passed by the house has to be finally approved by the governor before it becomes applicable. The normal term of the legislative assembly is five years from the date appointed for its first meeting.

Judiciary

The Councils also have judicial powers to try cases under the customary law, having its own district council court running parallel to the district Court under the State Government, while cases under IPC and Cr PC are tried by District Court (the District Magistrate / Deputy Commissioner) of the State.

District Councils has the power to make laws on – allotment, occupation, used of land, management of forest other than reserved forest, use of canal or water courses for agriculture, regulation and practice of jhum or other form of shifting cultivation etc. In MADC there are three divisions in the Council Court viz. District Council Court, Sub-ordinate Court and Village Council Court. The District Council Court is constituted as Bench to be consisted of three judicial officers/ Magistrates of 1st Classes. The Court is liable to try all cases within its jurisdiction. It also functions as a subordinate to the High Court and its decision can also be appeal before high court.

Executive

The executive functions of the Council are vested in the Executive Committee headed by the Chief Executive Member (CEM). The Executive Committee can disposed of all matters falling within its purview. Each Member of the executive is allocated specifies subject for which a member of the committee is collectively responsible for all executive orders issued in the name of Council.

Administrative Division

The Administrative division of District Council can be categories into different categories. In MADC it is divided into 92 Village Councils, 4 (four) education circle, 6 Forest ranges, 22 major departments etc. The business of the Council is transacted through the various head of departments based on the

rules of business. Each department is headed by the senior officers of the councils and such other junior officers, staffs subordinate to him/her. The Executive Secretary superintending control over the whole secretariat and staff attached to the executive bodies.

3.7 ENTRUSTMENT OF POWER¹⁰

In fulfilment of the Sixth Schedule of the Constitution of India, the Government of Mizoram extends executive powers for functioning of the Autonomous District Councils by entrusting the various subject of administration from time to time. Under Mizoram Gazette 1993, 20 subjects of Departments were entrusted, in 2011 another modification against the previous entrustment of powers by entrusting 19 Subjects of Departments instead were entrusted against twenty in 1993; in 2012, the council was entrusted with 28 subject of Department. Table 3.4 describes the detailed tasks assigned for the various entrusted subjects of departments upon the Council prior to the Mizoram Gazette, 2012, Vol. XLI, Issue no. 479.

Table 3.4 Subjects of Departments entrusted along with the power and functions

Department	Power Entrusted
Agriculture	1) Construction of Agriculture link road. 2) Manures and Fertilizers.

¹⁰ Nodal Cell (2013), 'The presentation and devise information Data' MADC (GAD), Siaha

	<ol style="list-style-type: none"> 3) Plant Protection. 4) Procurement of Machineries for 50% subsidy. 5) Tools and Machineries. 6) Water Pumping Machineries. 7) Assistant to Small and Marginal farmers. 8) Agriculture Firm and quality. 9) Control of shifting cultivation. 10) Minor irrigation/ Construction of Field channels. 11) CSS Programmes relating to Agriculture. (Crop Husbandry) 12) Land Development for Wet Rice Cultivation. 13) Hill Terracing for upland rice cultivation etc. 14) Distribution of Agriculture crop seeds/seedling. 15) Medicinal plant development. 16) Rain water harvesting. 17) Spices development schemes.
<p>AH & Veterinary</p>	<ol style="list-style-type: none"> 1. Subsidiary Scheme on : (a) Cattle Development. (b) Piggery (c) Poultry (d) Dispensary. 2. Veterinary public health, meat inspection and marketing 3. Slaughter House 4. Animal husbandry, development of livestock and

	<p>poultry.</p> <ol style="list-style-type: none"> 5. Animal health and disease control, protection of animal against disease and veterinary services. 6. Development of dairy industry. 7. Dairy plant and public meat supplies. 8. General advice to animal husbandry and dairy farmer on improved methods and techniques. 9. Grazing Ground Development.
Art & Culture	<ol style="list-style-type: none"> 1. Promotion & organization of Cultural troupes. 2. Grant-in-aid for promotion of Arts & Culture. 3. Museum. 4. Archives. 5. Library Services. 6. Institute of Music & Fine Art. 7. Books and Publication. 8. Collection of Mara Cultural dress, clothes etc. 9. Organization of Mara's important festivals, like Lyuvakhutla etc. 10. Maras Documentary Film. 11. Maintenance of Video, Steel Camera etc.
Cooperation	<ol style="list-style-type: none"> 1. Co-operation Societies 2. Distribution through Co-operative Societies.

<p>Environment & Forest</p>	<ol style="list-style-type: none"> 1. Environment protection and reclamation. 2. Conservation and preservation of Forest. 3. Protection of Wildlife and improvement of its habitat. 4. Regulation and Control of Fishing. 5. Regulation and Control of Forest product. 6. Forest Reserve and Reclamation. 7. Control and Prevention of Fire. 8. Plantation Scheme 9. Afforestation Programme. 10. Soil Conservation for afforesatation. 11. Botanical and Zoological Garden. 12. Acts and Rules related to forest, forest conservation, wildlife and environment. 13. Stone Quarry. 14. Biodiversity Act and Boards. 15. Protected areas including wildlife sanctuary and National Park. 16. Soil and Moisture conservation. 17. Extraction of sand, boulders and river bed materials, etc.
<p>Finance</p>	<ol style="list-style-type: none"> 1. Finances powers and delegation thereof.

2. Implementation of Pay Committee recommendation.
3. Rules relating to Pay, Allowances and traveling allowances.
4. Rules relating to Advances.
5. Embezzlement and other financial irregularities in public finances.
6. Write off of loss.
7. Pre-audit and arrear claims.
8. Rules relating to securing deposits.
9. Constitution of Finance and Accounts Service rules etc.
10. General Advice on finance aspects of service rules etc.
11. Rules relating to grants-in-aid.
12. Interpretation of fundamental Rules, Supplementary rules and Civil Service Regulations having financial implication.
13. All Budgetary matters including control of expenditure
14. Internal audit.
15. Pension.
16. Rules and procedure regarding GPF/CPF/EPF.

	<ol style="list-style-type: none"> 17. Authorization of Pension, DCRG, Commutation etc. 18. Departmentalization of account. 19. Maintenance and Control of Pension fund Accounts. 20. Rules relating to pensionery matters 21. Life insurance Schemes of council Servants / Salary Saving Schemes (PRSS) 22. Discretionary Grants rules and Procedures. 23. Authorization of entitlement of group A & B officers of MADC Employees. 24. Rules relating to House Building Advance etc.
Fisheries	<ol style="list-style-type: none"> 1. Fish Production. 2. Management of Fish seed farm & Production of Quality fish seed. 3. Control & Protection of fish Diseases. 4. Extension & Farmers Training. 5. Development of pond / Tank by assistance to small & Marginal fish Farmers. 6. Integrated viz. Paddy-cum-Fish, Pig-cum-Fish, Prawn culture, Crab, Snail Farming. 7. Implementation Mara Autonomous District Council Fishery Act, Regulation & Law etc.
General	<ol style="list-style-type: none"> 1. General / Office Administration.

Administratio n & Control	<ol style="list-style-type: none"> 2. Creation of sub-Headquarters / Sub-Division. 3. Holiday 4. Ceremonial Function including celebration of Republic Day and Independence Day. 5. Allotment of residential accommodation. 6. Annual Administration Report. 7. Correspondences with Central / State Government election. 8. Statues and Memorials. 9. Miscellaneous matter. 10. Mara Autonomous District Council Urban Rent control Act. 11. Mara Houses and Offices outside Mara District Council. 12. Protocol 13. The Mara Autonomous District Council (Transaction of Business)Rules 14. Allotment of Subject to Departments. Creation, re-organization and amalgamation of Department. 15. The Mara Autonomous District Council (Allocation of Business) Rules. 16. Determination of Ceremonial procedure and
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precedence.

17. Visit of VVIPs

18. Matters relating to sixth Schedule.

19. Copy right Act 1957.

20. Electricity

21. Executive Committee Meeting

22. Training

23. Matters relating to debarring persons from MADC Services.

24. Condo nation of educational deficiency for MADC Services

25. Allocation of Services.

26. Deputation.

27. Advice on re-employment / extension of superannuation of Government Servant on contracts.

28. Reservation of Vacancies for handicapped person and Ex-servicemen in District Council

29. All matters relating to recruitment / appointment / transfer & posting / Leave / Suspension/ disciplinary action / reinstatement of all categories employees under Mara Autonomous District Council.

30. Rules & Procedure regarding fixation of Seniority /

	<p>Promotion / and all matters relating thereto.</p> <p>31. Creation / classification of post / service rules.</p> <p>32. All service matters relating to all categories of employees except teaching staff.</p> <p>33. Maintenance of personal / service books / incumbency register of all categories of employees except teaching staff.</p> <p>34. Matter relating to service association.</p> <p>35. Law & Order.</p> <p>36. A.C.R matters.</p> <p>37. Employment Return/Statistical of employees.</p>
Horticulture	<p>1. Construction of Horti –link road.</p> <p>2. Horticulture Garden development.</p> <p>3. Procurement of machineries for 50% subsidy.</p> <p>4. Floriculture and ornamental plan development.</p> <p>5. Distribution of Horti/Crop/Seeds/seedling.</p> <p>6. Manures and Fertilizers.</p> <p>7. Plan protection.</p> <p>8. Small tools and Implements</p> <p>9. Fruit and leafy vegetables development.</p> <p>10. Green housing.</p> <p>11. Mushroom cultivation.</p>

Industries	<ol style="list-style-type: none"> 1. Establishment of Minor Industries. 2. Cottage Industries. 3. Handicraft Schemes. 4. Mines and Minerals. 5. Natural Gas. 6. Handloom Development. 7. Supply of tools and implements to the Carpenters.
Information & Publicity	<ol style="list-style-type: none"> 1. Press, Newspapers and period. 2. Publication and publicity. 3. Advertisements. 4. Public relation and mass communications. 5. Co-ordination with AIR and Doordarshan. 6. The Right to Information Act,2005. 7. Publication of Calendar/Folder.
Land Revenue & Settlement and Taxation	<ol style="list-style-type: none"> 1. Land Revenue. 2. Land Settlement. 3. Land Records. 4. Land Reforms. 5. Compensation on account of damage of Crops/private properties by BRTF, PWD and other developmental Agencies of Government of India, Mizoram, MADDC.etc.

6. Trade License, Video/Cable License.
7. Land Acts.
8. Administration of the following :-
 - i) LDC (Land and Revenue) Act,1973.
 - ii) LDC (Agriculture Land) Act, 1979.
 - iii) LDC (Transfer of Land) Act,1974.
 - iv) LDC (House Site) Act, 1973.
 - v) LDC (Taxes) Regulation, 1994.
 - vi) LDC (Revenue) Assessment Regulation, 1973.
9. Boundary between Mara Autonomous District Council and neighbouring Lai Autonomous District Council and Maps connected therewith.
10. The Mara Autonomous District Council Roadside Land Control Act.
11. The Mara Autonomous District Council Roadside Land Control Rules.
12. The Mara Autonomous District Council (Money lending by non-Tribal's) Regulation.
13. Mara Autonomous District Council (Profession, Trade calling on Employment Taxation) Regulation, 1973
14. Professional Tax

	<p>15. Registration of firms and Societies</p> <p>16. Value Added Tax (VAT)</p>
<p>Law and Judicial</p>	<p>1. Compilation, Maintenance and Interpretation of all Acts/ Rules.</p> <p>2. Laws and regulation in force from time to time</p> <p>3. Administration of Justice including District Council Court and training of Judicial Officers</p> <p>4. Advice on Legal matters</p> <p>5. Advice on all cases for and against Mara Autonomous District Council in any Court of Law.</p> <p>6. Contract deeds and Arbitration cases.</p> <p>7. Matters relating to inheritance of property under the Mara Autonomous District (Inheritance of Property) Act, 1982.</p> <p>8. General supervision over District and other Sub ordinate Courts.</p> <p>9. Mara Autonomous District (Administration of Justice) Rules,1981.</p> <p>10. Mara Customary Law.</p> <p>11. Investiture of magisterial powers.</p> <p>12. Matters relating to High Court and Supreme Court.</p> <p>13. Registration of Marriages.</p>

	<p>14. Separation of Judiciary from Executive.</p> <p>15. Capacity Building of functionaries of Village Council Courts.</p> <p>16. Judicial Service Rules under Mara Autonomous District Council.</p> <p>17. Issuance of Certificate and Registration of Adoption, Tribal, Succession, Marriage and Divorce, Re-Marriage and Non- Remarriage.</p>
<p>Legislative</p>	<p>1. Dates of Summoning and prologue of the Mara Autonomous District Council session, dissolution of Mara Autonomous District Council.</p> <p>2. Allocation of time to the District Council in the House for discussion of motions given notice of by members.</p> <p>3. Liaison with leaders and whips of various parties and groups represented in the service.</p> <p>4. Planning and coordination of legislative and other official business in the session.</p> <p>5. Appointment of Advisory Committee.</p> <p>6. Functioning of consultative Committee of members of the District Council for various Department.</p> <p>7. Mara Autonomous District Council stand on private</p>

	<p>members Bills and Resolution.</p> <p>8. Salary, Allowance and Pension of member of the District Council.</p> <p>9. Salary, Allowances etc. of the Executive Member.</p> <p>10. Salary, Allowances etc. of the Chairman/Deputy Chairman.</p> <p>11. Salary, Allowances etc. of the leaders of opposition in the District Council.</p> <p>12. Salary, Allowances of officers of the District Council.</p> <p>13. Coordination of action by Executive Members on general application made by various committees of the District Council Legislature.</p> <p>14. Official sponsored visits of members of the District Council to places of interest.</p> <p>15. Matters connected with power, privileges and immunities of members of the District Council.</p> <p>16. M.D.C. Hostel.</p> <p>17. Library.</p>
<p>Local</p> <p>Administrative</p>	<p>1. Village Council matters and village administration.</p> <p>2. Naming of Streets, roads and villages.</p> <p>3. Animal control and taxation.</p> <p>4. Local Development works funded under State Plan</p>

	<p>Fund including Housing Assistance.</p> <ol style="list-style-type: none"> 5. Part & Recreation. 6. Housing Loans & Advances. 7. Market Administration construction of new Market, slaughter house and maintenance. 8. Implementation of Central Rural Sanitation and Health Programmes under NLCPR 9. Improvement and maintenance of Grave yards. 10. Protection of inter-District Council / inter-Village Boundary. 11. Construction of Public Bathrooms, Urinals etc. 12. Public Health & Sanitation. 13. Implementation of CSS like PRI, ULB etc.
Minor Irrigation	<ol style="list-style-type: none"> 1. <u>Minor Irrigation which includes.</u> <ol style="list-style-type: none"> (a) River Lift Irrigation. (b) Drips & Sprinklers, Hydrams etc. (c) Diversion Scheme. 2. Networking of River. 3. Flood Control. 4. Command Area Development. 5. CSS programmes relating to Minor Irrigation.
Planning & Programme	<ol style="list-style-type: none"> 1. Preparation of Annual / five Years Plan. 2. Manpower Planning

implementation	<ol style="list-style-type: none">3. Implementation plan scheme and evaluation thereof.4. Planning Advisory Board and other development committees.5. Plan Publicity.6. Statistics :-<ol style="list-style-type: none">i) Price Collectionii) Data bankiii) Rainfall Data Collectioniv) Publication of - handiwork, Census of District Council Employees, Price Bulletins, Quaterly Progress report and Various Socio-economic survey reportv) Agriculture Censusvi) District income Estimate7. Matters relating to N.E. Council8. Plan formulation.9. Evaluation of monitoring.10. Manpower employment and credit liaison.11. Remote sensing projects and its related matters.12. Information & Communication Technology and its related matters.13. Telecommunication, including Computer networks, communication across the internet and matters relating to
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	the universal Service obligation Fund.
Public Health Engineering	<ol style="list-style-type: none"> 1. Administration of Public Health Sanitation and water supply. 2. Urban & Rural Water Supply Scheme. 3. Ground water development survey and distribution. 4. Sewerage Scheme and Drainage scheme. 5. Ground water Resources estimation Development & Management.
Public Work	<ol style="list-style-type: none"> 1. Construction and Maintenance of Roads, Bridges and Buildings. 2. Construction / Maintenance of District Council buildings. 3. Supply of furniture to the residential quarters of District council. 4. Mara Autonomous District Council Ferries Act. 5. Inter-Village approach road to link up with the PWD/BRTF Roads. 6. Construction of link drain / side drain/ retaining wall. 7. Stone steps.
Rural Development	<ol style="list-style-type: none"> 2. Construction of Community Hall / Play ground. 3. Rural Housing.

	<ol style="list-style-type: none"> 4. Integrated Rural Development programme. 5. National Rural Employment Programme. 6. Planning, co-ordination, evaluation and monitoring of rural Development Scheme particularly all family oriented schemes under other development Department and Centrally sponsored scheme such as IRDP, NREP and RLEGP etc. 7. Rural Sanitation Scheme (CSRP) including construction of Ventilated Improvement Pit Latrines (VIP). 8. Assistance to small and marginal farmers (ASMF) from 1990-1991. 9. Jowahar Rojgar Yojana (JRY) BADP, BRGF. Etc.
<p>Relief & Rehabilitation</p>	<ol style="list-style-type: none"> 1. Natural calamities, Drought and Flood Relief. 2. Gratuitous Relief. 3. Disaster Management. <p>(a) Pre-disaster management as pro-active strategy including preparedness, prevention and mitigation, wherein every Department has important roles.</p> <p>(b) Post-disaster management as re-active strategy including relief, rehabilitation and reconstruction.</p>
<p>Education</p>	<ol style="list-style-type: none"> 1. Elementary School.

	<ol style="list-style-type: none"> 2. Adult Education. 3. Hindi Propagation. 4. Teachers Education (DIET) 5. Science Promotion. 6. Statistic. 7. Board of School Education. <p>(1) Prescription, preparation and publication of Text books and supplementary books for Pre-primary, Primary and Middle Schools.</p> <p>(2) Conduct of Primary and Middle School Leaving Certificate Examination.</p> <p>(3) School syllabus, curriculums, School Calendar and time table.</p> <p>(4) Prescription of fees, fines and remunerations.</p> <p>(5) Merit Scholarship and Incentive awards.</p> <p>(6) Constitution of Various Committees of the Board.</p> <p>(7) Recognition of Schools.</p>
Sericulture	<ol style="list-style-type: none"> 1. Plantation of Mulberry Plant. 2. Sericulture farm. 3. Procurement of equipments. 4. Establishment of Silking Machineries. 5. Incentive assistance for Seri-farmers.

	<ol style="list-style-type: none"> 6. Establishment of labour house. 7. Silk-worm rearing house. 8. Sericulture demonstration farm.
Soil & Water Conservation	<ol style="list-style-type: none"> 1. Soil Conservation. 2. Hill- side terracing. 3. Plantation for soil Conservation coffee and rubber plantation. 4. Utilization of terrace and for other purposes. 5. Contour banding. 6. Soil erosion control works. 7. Stream bank erosion control 8. Gully control measures. 9. Water extension dams / water harvesting. 10. Tea plantation.
Social Welfare	<ol style="list-style-type: none"> 1. Welfare of Women & children. 2. Welfare of handicapped persons which includes economic rehabilitation prosthetic aids to physically handicapped person and their income generating trades. 3. Grant-in-aid to Voluntary Organization. 4. Homes for orphans. 5. Welfare of poor and destitute 6. Implementation of Children's Act, Immoral Traffic

	<p>in women and Girls Act and Social Security scheme.</p> <ol style="list-style-type: none"> 7. The Persons with Disability (Equal Opportunities) 8. Welfare of Aged (Older) persons. 9. Old age pension. (Plan & Non-Plan) 10. All matters relating to adoption. 11. All matters relating to Social Defense and Rehabilitation. 12. National Awards for Women and children. 13. Pre-Schools.
Sport and Youth Service	<ol style="list-style-type: none"> 1. Promotion of games and sports. 2. Distribution of sport materials. 3. Bharat Scouts and Guides. 4. All youth welfare and Activities.
Transport	<ol style="list-style-type: none"> 1. General transport. 2. Motor Vehicles wing. 3. Motors Vehicle Taxation/registration Act and Rules there under. 4. Allotment of Motor / Car/ Scooter. 5. Condemnation of Mara Autonomous District Council Vehicles. 6. Inland Water Transport / ways. 7. Road Tax.

Vigilance	<ol style="list-style-type: none">1. All matters connected with Vigilance works.2. Anti-corruption measures.3. Property Returns of Gazette Officers4. Advice on CCS (CCA) Rules, 19655. Public Grievances.
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Further, the Executive Committee of the Mara Autonomous District Council allotted the following subject as department, assigned under Mara Autonomous District Council as department with the approval of His Excellency Governor of Mizoram on 8th March, 2013 vide letter No.C.31025/2/92-DCA(M) OF 18th March, 2013 (The Mizoram Gazette Vol.XLII Aizawl, Wednesday 20.03.2013 phalguna 29,SE.1934 issue No. 148) that the list of department / scheduled in the Mara Autonomous District Council (Transaction of Business) Rules, 2011 as specified below :-

1. Agriculture Department.
2. Animal Husbandry & Veterinary Department.
3. Art & Culture Department.
4. Co-operation Department.
5. Relief & Rehabilitation Department.
6. District Council Secretariat / Legislative Department.
7. Environment & Forest Department.
8. Finance & Account Department.

9. Fisheries Department.
10. Secretariat General Services / Gen. Adm. & Control Department.
11. Board of School Education Department.
12. Industries Department.
13. Information & Public Relation Department.
14. Land Revenue & Settlement Department.
15. Law & Judicial Department.
16. Local Administration Department.
17. Water Ways Department.
18. Education & Human Resources Department.
19. Taxation Department.
20. Planning & Programme Implementation Department.
21. Public Health Engineering Department.
22. Public Work Department.
23. Rural Development Department.
24. Social Welfare Department.
25. Soil & Water Conservation Department.
26. Sport & Youth Services Department.
27. Transport Department.
28. Sericulture Department.
29. Stationary & Printing Department.
30. Horticulture Department.

Though, it is ordered that the planning and programme implementation shall ensure that proportionate plan-allocations for the entrusted function / powers from the concerned departments allocation / outlays are determined and made to the Autonomous District Councils for executing the schemes or functions so as entrusted. The concerned Administrative Department shall oversee and ensure that these entrusted functions are not again undertaken by their officers in the Autonomous District Council areas and only some selection staff are retained there for the purpose of statistical requirements and co-ordination the entire exercise shall be completed by the Planning and Programme Implementation Department in consultation with concerned Administrative Departments and the District Council Affairs Department. To ensure elimination of delicacies of functions by the State Govt. department and the Autonomous District Councils in respect of the entrusted functions and to avoid duplicities of plan allocations/ outlays on these subject. However, none of the above subject has been included in entrustment of powers to the Mara Autonomous District Council till date.

The Executive Committee of the Mara Autonomous District Council strongly believes that the functionaries of the District Council would as per empowerment of paragraph 6(2) and 20 BB of the Sixth Schedule to the constitution of India. Besides, the Executive Committee of the Mara Autonomous District Council would like to request the commission that the recommendation made available for the Autonomous District Councils

functioning at full fledged autonomy, the department/ subject entrusted by Government of Mizoram vide letter No.B.17012/3/92-DCA of 22nd September, 1993 and letter No.C.13016/3/2010-DCA the 29th August, 2011. May clubbed together and enhanced to the Autonomous District. So, as to avoid duplicacies of works, programme implementation etc. in the autonomy.

Exclusively those 30 subjects functioning in the Autonomous District Council may hand over with all its administrative functionaries and works, programme and its financial maintenance. So, all the constitutional functionaries, enshrined in the Sixth Schedule to the constitution of India may accomplish.

3.8 ASSET OF MADC

MADC has both movable and unmovable assets for maintenance and to administer the various functionaries empowered to the Council more efficiently. The present assets which the council owns are given in the tables below. **Table 3.5 Movable Assets of MADC**

Sl. No.	Item	Numbers
1	Bolero	5
2	Gypsy	12
3	Car	7

Source: Nodal Cell, MADC

Table 3.6 Unmovable Assets of MADC

Sl .No	Name of Assets	Type of Building	Location
1	Main Office Building	R.C.C.	Siaha
2	Arts & Culture Office Building	R.C.C.	Siaha
3	Land & Revenue Office Building	R.C.C.	Siaha
4	Environment & Forest Office Building	R.C.C.	Siaha
5	SSA Office Building	R.C.C.	Siaha
6	District Council Court Building	R.C.C.	Siaha
7	Industry Weaving Centre	Semi Concrete	Siaha
8	CEM Bungalow under Construction	R.C.C.	Siaha
9	EM Quarter No. 5	R.C.C.	Siaha
10	EM Quarter No. 4	R.C.C.	Siaha
11	EM Quarter No. 3	R.C.C.	Siaha
12	Chairman Quarter	R.C.C.	New Siaha
13	Secretary Quarter	Semi Concrete	New Siaha
14	Judicial Magistrate Quarter	R.C.C.	New Siaha
15	EM Quarter No. 8	R.C.C.	Collage Vaih, Siaha
16	R.O Office under Construction.	R.C.C.	Tipa (V)
17	District Administrative Office	Assam Type	Tipa (V)
18	District Administration Officer Quarter	R.C.C.	Tipa (V)
19	R.O. Quarter	Assam Type	Tipa (V)
20	R.O. Office	Semi concrete	Vahia
21	R.O. Quarter	Semi concrete	Vahia
22	PHE Office Building	R.C.C.	Siaha
23	Mara House, Aizawl.	R.C.C.	Aizawl
24	Market (Main)	R.C.C.	Siaha

25	Market (New Saiha)	R.C.C.	Siaha
26	Market (Sihatla)	R.C.C.	Siaha
27	Market (Collage Vaih)	R.C.C.	Siaha
28	Market(Maisatla)	R.C.C.	Siaha
29	Market (Amobyu Vaihthie)	R.C.C.	Amobyu Vaihthie
30	Market (Amobyu)	Assam Type	Amobyu
31	Market (Kaochao 'E')	Assam Type	Kaochao 'E'
32	Market (Tipa)	Assam Type	Tipa
33	Lorrain Market Building, Vaihpi	Assam Type	Siaha

Source: Nodal Cell, 2013

All together the council has 24 vehicles (movable) and 33 buildings across the district to administered the powers and functions entrustment to the Council.

3.9 CONCLUSION

Thus, from the overview of the Autonomous District Council the General enhancement of powers and functions to various Autonomous Councils are well defined as well as the councils' have their own autonomy within their respective region. Moreover the power and functions entrusted to the Autonomous District Council in accordance to the sixth schedule is sufficient for the Council to protect its cultural heritage and participate in the Political as well as the Social and Economic development of the region. But on the other hand the enhancement of power and functions varies from State to State as it also depend very much on the State Government - the State willingness to decentralized the powers and functions to the Councils as all

the empowerment or entrusted functions are passed by the State legislative assembly. Further, tasks assigned to each of the entrusted subjects of departments also matters.

4.1. INTRODUCTION

As explained in the previous chapters, the Sixth Scheduled of the Constitution has given limited powers and functions to MADC to collect revenue and incur expenditure on social and economic development of the region besides the normal administration. Today, one of the most challenging tasks before the MADC is to mobilize its own limited revenue receipt at the optimal level in order to enhance its capacities to incurred expenditure for administration as well as the development considering upliftment of the Society and their participation in social and economic activities along with protection of their own cultural heritage. The present chapter is an attempt to examine the pattern of revenue receipt; analyzed the pattern of expenditure and; evaluating the social and economic performance of the Council and also testing the hypothesis using appropriate statistical tools, such as table, bar chart, pie chart, line graph, correlation coefficient etc. to interpret and analyzed the data.

4.2 REVENUE RECEIPT

The Council has only Revenue Receipt - the total receipt of council is equal to the total revenue receipt. The revenue receipt of council comprises of own revenue receipt which include revenue collection from land revenue and taxes imposed within their jurisdictions such as on lands and buildings, on professions, trades, callings and employments, animals, vehicles & boat and entry of goods into to market, tolls on passengers and goods carried in ferries and for the maintenance of schools and dispensaries or Roads and to received a

share of royalties accruing each year from licenses or lease for the purpose of prospecting for, or the extraction of minerals granted by the State Government and the Grant-in-aid (consolidated fund and other grants) from the State's share¹.

The total revenue of MADC can be broadly classified into two heads i.e. own revenue and grant-in-aid (GIA). The following table 4.1 shows the trend and Pattern of aggregate revenue receipt of MADC from 2009-10 to 2013-14.

Table 4.1. Trend and Pattern of Aggregate Revenue Receipt

Rupees in lakhs

SL. No	Items	2009 – 10	2010 - 11	2011 - 12	2012 – 13	2013- 14
I	Total Revenue Receipt (A+B)	5070.88	6462.18	7456.83	9189.75	8408.67
	<i>In Percent</i>	<i>100.00</i>	<i>100.00</i>	<i>100.00</i>	<i>100.00</i>	<i>100.00</i>
	A Council's own revenue	46.17	59.44	75.16	83.42	104.11
	<i>In Percent</i>	<i>0.91</i>	<i>0.92</i>	<i>1.01</i>	<i>0.91</i>	<i>1.24</i>
	B Grant-in-aid(GIA)	5024.71	6402.74	7381.67	9106.33	8304.56
	<i>In Percent</i>	<i>99.09</i>	<i>99.08</i>	<i>98.99</i>	<i>99.09</i>	<i>98.76</i>
	<i>1. Consolidated fund</i>	4921.0 0	6172.0 0	6971.0 0	7051.0 0	7293.8 0
	<i>(in percentage)</i>	<i>97.04</i>	<i>95.51</i>	<i>93.48</i>	<i>76.73</i>	<i>86.74</i>
	<i>2. Other Grants (CSS/NLCPR/TFC SPA, SCA, RKVY etc.)</i>	103.71	230.74	410.67	2055.3 3	1010.7 6
	<i>(in percentage)</i>	<i>2.05</i>	<i>3.57</i>	<i>5.51</i>	<i>22.37</i>	<i>12.02</i>

Source: Based on budget documents, MADC

¹ The constitution of India, Article, 275 read with Sixth Scheduled paragraph 20.

Own Revenue Receipt

As shown in table 4.1 there is a significant improvement or growth in the council's own revenue receipt; it increased from 46.17lakhs in 2009-10 to 104.11lakhs in 2013-14. During the last 5 years it has increased continuously as shown in graph 4.1; the Compound Annual Growth Rate (CAGR) of the own revenue receipt is 0.23 percent, but the share contribution to the aggregate revenue receipt is meager sum and very marginal – an average of 1.01 percent of the total revenue receipt of the council. During the last 5yrs (2009-10 to 2013-14) own revenue collections average was Rs. 74.66lakhs.

Grant-in-aid (GIA) fund

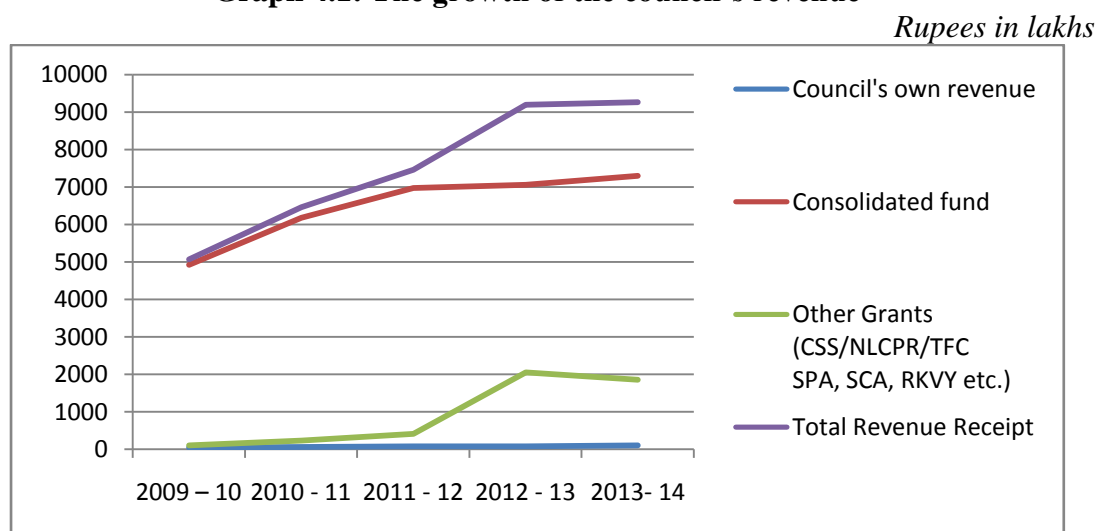
Table 4.1 shows the annual GIA fund receipt of the council and it has the major contribution or it is the main revenue for the council. The CAGR of GIA is 0.13 percent during the last 5years (2009-10 to 2012-13) and it has the average contribution of 98.99 percent to the total revenue of the council. GIA comprises of consolidated fund and other grants.

Consolidated fund: Consolidated fund basically is a grant from the Central Government and the State grants to the council as a share from the State's consolidated fund. Of the GIA fund, consolidated fund has the major contribution or the principal amount of the council total revenue receipt - the consolidated fund which comprises an average of 88.58 percent of the total revenue receipt during the last 5yrs (2009-10 to 2013-14). The consolidated fund of the council also increases annually from 2009-10 to 2013-14; the

contribution to the total revenue receipt was Rs. 4921lakhs in 2009-10 which increases annually and in 2013-14 it reaches Rs. 7293.80lakhs. However though it increases annually for the last 5 yrs it has the lowest growth rate - CAGR for the last 5years is 0.10 percent.

Other grants: Other grants comprises of GIA fund through *CSS, NLCPR, TFC SPA, SCA, RKVY* etc. There was a continuous rise in other grants from 2009-10 till 2012-13, the council also experiences a sudden rise in Other Grants in 2012-13 - the growth rate of 400.54 percent from the previous year, but in the subsequent year 2013-14 it decreases. But even though the fund decreases in 2013-14 from the previous year the other grants CAGR for the last 5years calculated is 0.77 percent, it also contributes 10.41 percent of the total Revenue receipt.

Graph 4.1: The growth of the council’s revenue

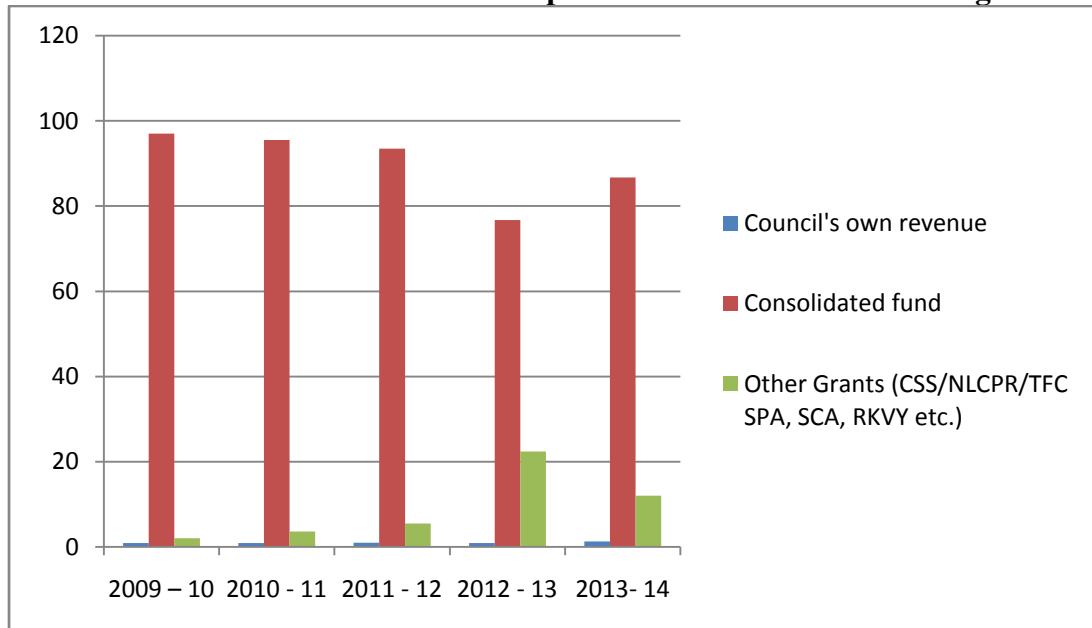


Source: Based on budget documents, MADC

During the last 5 years (2009-10 to 2013-14) the aggregate Revenue receipt CAGR was 0.13 percent. CAGR of Own revenue is higher than the total

revenue and consolidated fund, while the total revenue and GIA has the same CAGR of 0.13 percent. On the other hand, Other Grants has shown an extraordinary growth rate with CAGR of 0.77 which the highest growth rate inspite of down fall in 2013-14. Moreover the rapid rise in mid year from the other grants has been experience during the last 5yrs. As shown in graph 4.1 the Total revenue receipt of the council has a constants rise till 2012-13 and a slide fall in 2013-14 which was caused by the decreased in Other Grants fund. On the other hand the own revenue receipt and consolidated fund has positive growth annually during the last 5yrs (2009-10 to 2013-14).

Graph 4.2 Trend and Contribution of Own Revenue, the Consolidated Fund and other Grants to the Total Revenue Receipt of the Council as in Percentage



Source: Based on budget documents, MADC

Graph 4.2 highlighted the trend of various assortment of revenue (own revenue, consolidated fund and other grants) as in percentage contribution toward the total revenue. It shows that during the last 5yrs (2009-10 to 2013-14) own revenue contribution as a percentage toward the total revenue receipt of the

council was continuously increasing throughout the last 5yrs, while consolidated fund contribution has decreased annually except in 2013-14 that the contribution has increased. At the same time, other grants show an increased in its contribution to the total revenue receipt annually except a decreased in 2013-14. Even though the consolidated fund contribution as a percentage decreases in most of the 5yrs studied (2009-10 to 2013-14), but it still holds the principal contribution toward the total revenue receipt of the council. The average contribution (2009-10 to 2013-14) of consolidated fund as a percentage to the total revenue receipt of the council is 88.58 percent whereas the own revenue collection has 1.01 percent and other grants has 12.41 percent.

Own Revenue Collection

The council has the power to collect taxes, fines, fees etc as being empowered by the Sixth Schedule of the Constitution. Out of different range of revenue collection empowered to the district council, the council has collects revenue only from the following heads - taxes on income and expenditure, Land revenue, vehicles, public works, other administration, education (but stop since 2010-11), forest and other general economic services.

As shown in table 4.2 of all the revenue collected, collection of taxes from income & expenditure (which is mainly professional tax) was the highest - the average revenue collection during the last 5years (2009-10 to 2013-14) was 43.08lakhs. It is also the stable and reliable most source of revenue for the council along with other economic services as a gradual rise in revenue from

both has been experienced continuously throughout the last 5yrs. Whereas apart from the said two heads, though other heads do contributes revenue to the council, there exist uncertainty – the growth in taxes or revenue collection is meager sum and it fluctuates often during the last 5yrs studied.

Table 4.2. Composition of Own Revenue Collection

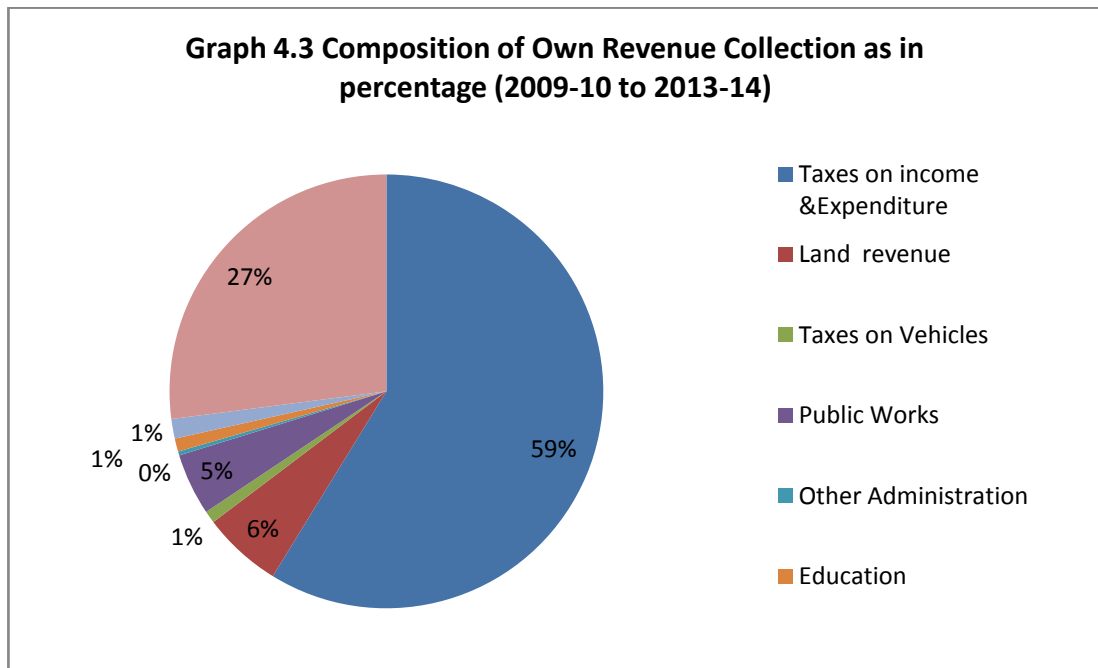
Rupees in Lakhs

Item	2009 - 10	2010 – 11	2011 - 12	2012 - 13	2013- 14
Taxes on income &Expenditure	26.65	30.77	33.00	51.30	73.67
Land revenue	4.81	4.47	2.83	5.60	4.02
Taxes on Vehicles			1.09	1.19	1.08
Public Works	2.40	3.16	2.43	2.48	6.41
Other Administration	0.11	0.03	0.82	0.03	0.10
Education	3.58	-	-	-	-
Other General Economics Services	0.62	0.76	0.82	1.35	1.80
Forest	8.00	18.96	34.95	21.17	16.00
Total	46.17	58.15	75.94	83.12	103.08

Source: Based on budget documents, MADC

Moreover, as shown in graph 4.3 during the last 5years (2009-10 to 2013-14) tax on income and expenditure has an average contribution of 59 percent which was more than half of the total own revenue collected annually. Revenue from forest has the second largest contribution with an average of 27 percent, but it has a high level of fluctuation which reduces the reliability and also uncertainty exist even though it has the second largest contribution. Revenue collection from land revenue also contributes an average of 6 percent, public

works contributes 5 percent and whereas other heads such as taxes on vehicles and other administration, other general service contributions has an approximate of 1 or less than 1 percent of the total revenue collections. Meanwhile revenue or tax collection from education stops since 2010-11.



Source: Based on Budget documents, MADC

Plan and Non-Plan allocation

Plan fund is for investment on new schemes taken up during the plan period whereas the maintenance of the scheme after the plan period is called non-plan. Table 4.3 highlighted the allocation of plan and non-plan fund. Allocation of own revenue is within the power or hands of the council and cent percent of the own revenue has been allocated for non-plan. The Consolidated fund and Other Grants were the fund received from the Central Government through the State, therefore the funds is previously allocated by the State

Government as shown in table 4.3. Other grants gave utmost importance to investment for new schemes for the development of the region; therefore during the last 5 years, all the funds were allocated for plan except in 2010-11 and 2011-12 where a meager sum of fund is also allocated for non-plan. On the other hand consolidated fund which is also the principal revenue receipt was allocated in both plan and non-plan. The allocated consolidated fund during the last 5yrs was more in non-plan, an average of 66.29 percent of the fund is allocated for non-plan and only 33.71 percent is allocated for plan. The CAGR was 0.15 percent for plan and 0.13 percent for non-plan. Thus a little higher growth rate has been experience toward plan allocation which shows the needs of more investment or on the other hand priority was given for new schemes during the last 5yrs.

Table 4.3 Allocation of Plan and non-Plan on Revenue Receipt

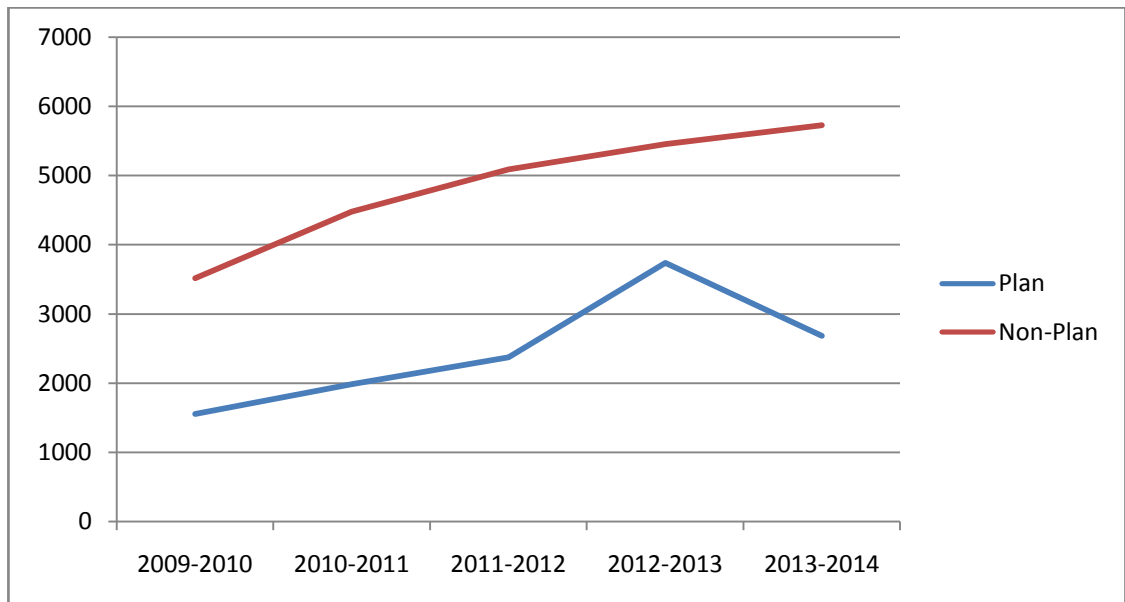
Rupees in Lakhs

Year	Own Revenue		Consolidated Fund		Other Grants		Total	
	Plan	Non-Plan	Plan	Non-Plan	Plan	Non-Plan	Plan	Non-Plan
2009-10	-	46.17	1450.00	3471.00	103.71	-	1553.71	3517.17
2010-11	-	59.44	1782.00	4390.00	203.24	27.50	1985.24	4476.94
2011-12	-	75.16	2043.00	4928.00	328.12	82.16	2371.17	5085.66
2012-13	-	83.42	1683.00	5368.00	2055.33	-	3738.33	5451.42
2013-14	-	104.11	1673.80	5620.00	1010.76	-	2684.56	5724.11

Source: Based on budget documents, MADC

Graph 4.4 also highlights the growth of plan and non-plan fund for the last 5 years. There was a continuous growth for non-plan throughout the 5 years whereas for plan, positive growth was experienced till 2012-13 while in 2013-14 it has a negative slope from the preceding year. This shows that the investment on new scheme in 2013-14 slowed down. Moreover, the main reason for the fall in plan fund allocation was the result of other grants which basically was mending for plan fund has a sort fall in 2013-14 from the previous year.

Graph 4.4 Growth of Plan and non-Plan Fund Allocation



Source: Based on budget documents, MADC

4.3 REVENUE EXPENDITURE

The district council has only revenue account, therefore the spending of the council also consist of only revenue expenditure. Moreover as highlight in the limitation of the study the deficit or borrowings of fund during the current year has been accounted in the subsequent year; there exist hindrance in highlighting the deficit of the council. Therefore account of the council's shows the aggregate revenue expenditure is equal to the Aggregate revenue receipt. The Council spending can be broadly classified into two viz. developmental and non-developmental expenditure. Development expenditure comprises expenditure incur on social services and economic services whereas the expenditure incur on general services is known as non-development expenditure. Table 4.4 highlights the council's expenditure for the said classification.

Table 4.4. Trend and Pattern of Aggregate Expenditure

Rupees in Lakhs

Item	2009 - 10	2010 - 11	2011 - 12	2012 - 13	2013- 14
Aggregate Expenditure	5070.88	6462.18	7456.83	9189.75	8408.67
Non- Development Expenditure	1453.55	1773.95	2228.80	2304.24	2492.53
<i>General services</i>	1453.55	1773.95	2228.80	2304.24	2492.53
Development Expenditure	3617.33	4688.23	5228.03	6885.51	5916.14
<i>Social Services</i>	2666.04	3401.15	3948.36	4334.72	4318.51
<i>Economic Services</i>	951.29	1287.08	1279.67	2550.79	1597.63

Source: Based on budget documents, MADC

Non-Development Expenditure

Non-development can also be state as general services since non-development expenditure comprise of only expenditure on general services. It includes expenditure incur on organs of the council, administrative services, fiscal services, pensions and miscellaneous general service. From table 4.4 there is a continuous growth in the non-development expenditure of the council, it was Rs. 1512.10lakhs in 2009-10 and rises up gradually to Rs. 8601.70lakhs in 2013-14, and the calculated CAGR is 0.14 percent which is higher than CAGR of 0.13 of the total expenditure. During the last 5years the average expenditure of the council on general services was 2050.61lakhs

Development Expenditure

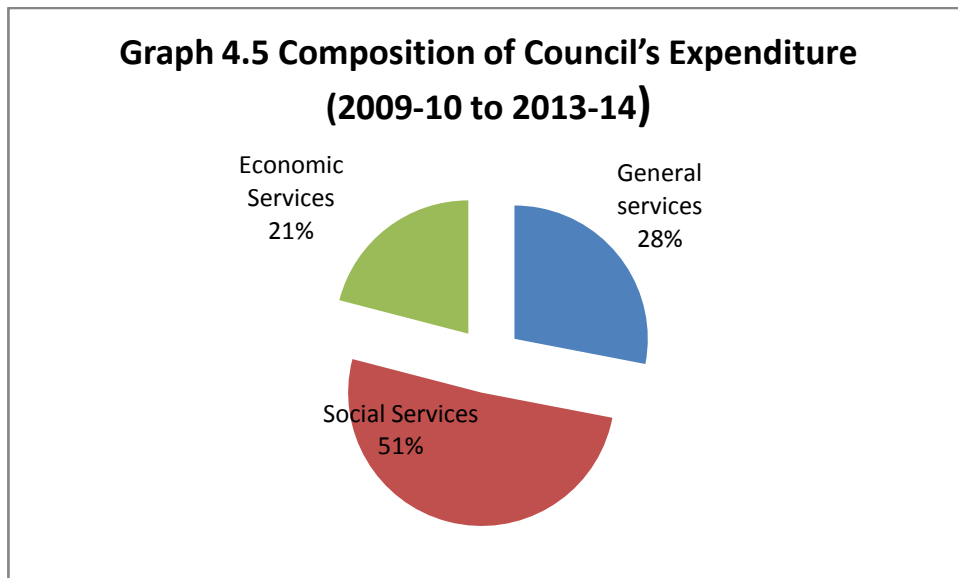
Development expenditure comprises of social services and economic services as shown in the table 4.4. Development services spending increases from 2009-10 to 2012-13 and falls in 2013-14 and its CAGR is 0.13 percent for the last 5yrs (2009-10 to 2013-14) which is lower than non-development expenditure CAGR.

Social service: Social service spending includes expenditure on education, sport & youth services, art & culture, public health, social welfare, sanitation etc. There was a continuous growth on the council's spending towards social services from 2009-10 to 2012-13 but a slight fall in 2013-14. The CAGR is calculated at 0.13 percent and during the last 5years the average expenditure of the council on social services was 3733.76lakhs.

Economic services: Economic services include council's spending on agriculture and allied activities, industries, rural development, minor irrigation, road & water transport and mines & minerals etc. Similar with the social service, economic services spending increases till 2012-13 and falls in 2013-14. The calculated CAGR is 0.14 percent which is higher than social services spending. During the last 5 years the average expenditure of the council on economic services was 1533.29lakhs.

The main reason of rise and fall in the council's spending can be stated as the effect of revenue income as the council's spending goes along with the total revenue receipt or income and during 2013-14 of the last 5 years the council experiences sort fall in other grants received which was mainly funds allocated for the plan or developmental activities. On the other hand it can also be interpreted that the council concentrated more on strengthening non-development activities than development expenditure- the growth rate (CAGR) is higher in non-development expenditure (general services) compared to the development expenditure (social services and economic services). Likewise, within the development expenditure, expenditure incurred on social services has the lower CAGR than CAGR of economic services. Council's spending on Economic services has the highest growth rate (CAGR), followed by both general services and social services. Meanwhile in term of the real fund spending, expenditure on Social services is the highest with an average of Rs. 3733.75lakhs during the last 5 yrs, whereas expenditure on General services was Rs. 2050.61lakhs and economic services was only Rs. 1533.29lakhs.

As shown in graph 4.5 distribution of fund to various services, noticeably during the last 5years (2009-10 to 2013-14) the council incurred an average of 28 percent spending on General services or non-developmental activities whereas 71.98 percent had been spend on developmental activities. Within the development expenditure, 51 percent of the total revenue expenditure has been spend on social services and only 21 percent has been spend on economic services. Thus, the council is engaging much on social development of the region.



Source: Based on budget documents, MADC

As evaluation of social and economic performance of the council is one of the objectives of the study. Therefore more details expenditure regards to social services and economic service is needed to analysed for evaluation. Below table shows economic service and social services expenditure in more details.

Expenditure on Social Services

Table 4.5 highlights the council's fund allocation and fund distribution to various subjects of departments under the social services. There are 7 (seven) subjects of departments under the social service and for the said, fund allocated and been distributed (spends) was the same for most of the Subjects of departments in 2013-14 except in social welfare the distributed fund is lesser than the allocated fund. The councils spending on education is the highest with 48.04 percent of the total revenue expenditure where as for the other subjects of departments such as sport & youth services, Art & culture, district library, relief on account of natural calamity and public health engineer the council spends less than 1 percent each of the total revenue expenditure. In case of social welfare the allocated fund was 1.28 percent (more than 1 percent) but only 0.8 percent of the total revenue expenditure of the council was spend for social welfare.

Thus, among the various subjects of departments under social services, the council gives prior importance to education as it is a subject of department where the council incurred nearly half of its total spending in 2013-14. On the other hand neglect the development of social welfare.

Table 4.5 Revenue Expenditure Performance as a Percentage of Revenue Receipt on Social Services (2013-14)

Particulars	Allocated Fund	Distributed Fund
Education	48.04	48.04
Sport & Youth Services	0.72	0.72
Art & Culture	0.81	0.81
Social Welfare	1.28	0.8
District Library	0.28	0.28
Relief on account of Natural Calamity	0.01	0.01
Public Health Engineer	0.7	0.7

Source: Based on budget documents, MADC

Expenditure on Economic Services

The council's fund allocation and fund distribution to various the Economic services comprises of 12 (twelve) subjects of departments. For better convenience agriculture and allied activities were group as one head which comprise of Agriculture & horticulture, sericulture, minor irrigation etc.

Table 4.6 show council's spending on various economic services is same with the allocated fund, except in environment & forest and transport (road and water way) where the spending was higher than the allocated fund. The Council's spending on Forest and environment is above 5 percent of the total revenue expenditure whereas it is below 5 percent of the total revenue expenditure in other subjects of departments under economic services. Since the

council spends more than the allocated fund for the environment and forest, the council shows more responsiveness towards protecting the environment & forest as well as maintain good transportation (road and water way) within its own area among various subjects of departments under economic services. However even though the population of rural areas constitutes more than 50 percent of the population (chapter 1), the council's spending on Rural development is only 4.76 percent of the aggregate expenditure which is a meager sum.

Table 4.6 Revenue Expenditure Performance as a Percentage of Revenue Receipt on Economic Services (2013-14)

Particulars	Allocated Fund	Distributed Fund
Environment & Forest	5.01	5.06
Agriculture and allied activities	4.53	4.53
Fisheries	0.69	0.69
Industry	0.67	0.67
Rural Development	4.76	4.76
Soil & Water Conservation	1.2	1.2
Cooperation	0.25	0.25
Transport (Road and water way)	1.28	1.37

Source: Based on budget documents, MADC

Thus, from the above fund allocated and fund distributed, the council is engaging more on social development than economic development of the district. Moreover, high priority is also given toward educational development.

4.4 EVALUATION OF SOCIAL AND ECONOMIC PERFORMANCE OF THE COUNCIL

As it has been stated in the limitation of the study that, the council alone cannot be accountable for the socio-economic development of the area as dual or parallel form of government exist - departments run/administered by the Council and the State Government co-exist. However the since the council also contributes spending on social and economic developmental activities, the development status of the region can also partly be accounted for the council's activities. Thus some of the available data which indicates the social and economic development are highlight to evaluate the performance of the council toward social and economic development and at the same time to comprehend the developmental reliability of the council's performance in the social and economic activities. Apart from the secondary data, primary data is also evaluated to make sure the reliability in the council's performance on social and economic development of the region.

Evaluation of Secondary Data

From the above spending on the social and economic services of the council, performance of the council can be evaluated using the socio-economic indicators. Some of the available socio-economic development indicators where the council's developmental activities can be included are shown in the table below. Table 4.7 shows the socio-economic development status using Population and Literacy rate as the indicators. It highlights the literacy rate of

the district is lower than the State's – Literacy rate of Saiha district is 90.01 percent whereas Mizoram is 91.33 percent (2011 census) which means in literacy the district's performance is poor or not up to the mark of the State average. The council controls and administered educational system within the region from grass root level still VIII Standard (Class – VIII). Even after giving prior importance and incurring huge expenditure on social services - more than half of its total revenue expenditure and especially in education 48 percent this is nearly half of the total revenue expenditure, but the council's performance is still low.

Furthermore where ever economic development booms up, the population growth of the region rise up as many were been attracted by the developmental activities. In case of the council, while the State has a population growth rate of 23 percent, noticeably the district has a negative population growth of -7.34 percent which indicates poor economic performance of the council. Further, there can be a variety of factors causing negative growth of population which might varies from region to region. On the other hand, generally whenever negative growth is experience the root causes is lack of Social and Economic development which let the population of the region to decreased with various factor.

Table 4.7 Status of Socio-economic Development on Population and Education

Particulars		<i>As in Percentage</i>	
		Mizoram	Saiha District
Population Growth		23	-7.34
Literacy Rate	Age Group of 0-6yrs	89	87
	Total Population	91.33	90.01
	<i>Male</i>	93.35	92.64
	<i>Female</i>	86.75	87.34

Source: Based on Census 2011, India

Table 4.8 highlighted the Infant Mortality Rate (IMR) of Saiha District. During the last 5 years (2010-11 to 2014-15) the IMR rate of Saiha District was double of the State. The average IMR of the State was 31.8 (2010-11 to 2014-15) whereas Saiha District has IMR rate of 78.8. In 5 years duration (2010-11 to 2014-15) the average numbers of infant dead in the State was 678 and out of which 110 were from Saiha District which in an average is 16.29 percent of the Infant dead in Mizoram. This shows poor health care facilities within district. In turn the poor health care facilities can cause by inefficiency in social performance – Poor drainages, sewage, drinking water etc leads to an unhealthy environment for the person to live in the region and in economic performance – low level development in various economic development indicators (chapter 1) which makes the people poor enough to not able to take care of their own health. Thus it is the duty of the council to implement scheme or exercise more

schemes to develop the above said cause since the council has the tasks assign related to the above.

Table 4.8 Status of Socio-economic Development on Health Care

Particular	Infant Death & IMR	2010-11	2011-12	2012-13	2013-14	2014-15
Saiha District	Total No. of Infant Death	108	116	63	107	158
	Infant Mortality Rate	75	81	46	79	113
Mizoram State	Total No. of Infant Death	593	646	590	738	822
	Infant Mortality Rate	27	30	30	35	37

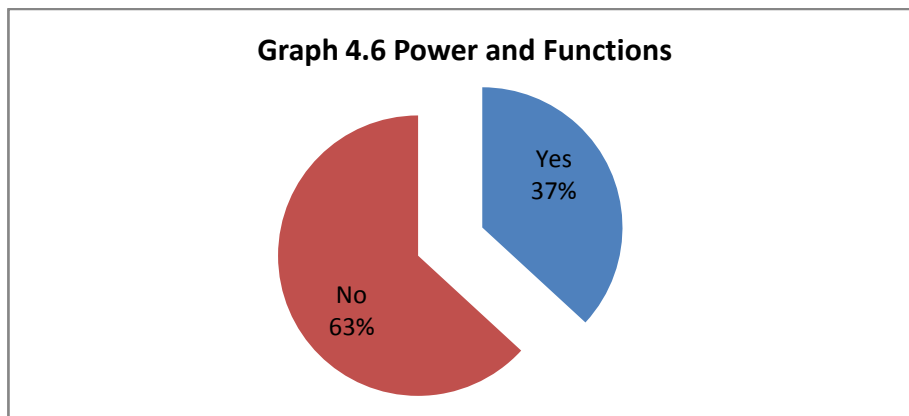
Source: Based on Health & Family welfare department, Mizoram

Thus from the above indicators, social and economic development status is poor within the council area and though the council spends 70 percent approximately on social and economic services, the district response or output toward social and economic development is poor. On the other side it also shows inefficient performance of the council towards its social and economic activities being exercised.

Evaluation of Primary Data

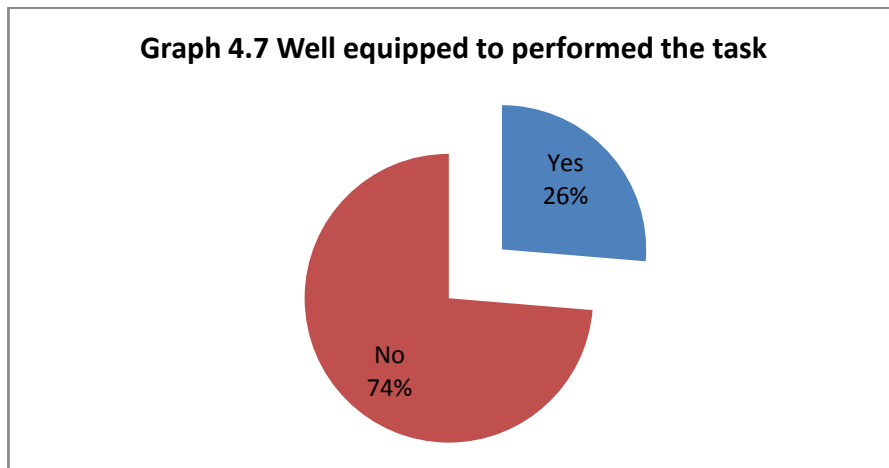
To ensure the reliability or supplement the evaluation of the performance of the council through secondary data, primary data was collected through questionnaire from 22 head of departments; Out of 22, only 19 responses has been received. Three general question were been asked to each head of departments and the following are the responses that has been evaluated.

It is the basic needs for the council to administer all the power and functions entrusted to be efficient in performing their tasks assigned. The first question was, Did the department performed all the power and functions being entrusted? As shown in Graph 4.8 out of 19 respondents only 37 percent says 'yes' and 63 respondents says 'no' which means that in majority of the departments all power and functions cannot be performed as entrusted. A government or an institution, to have a good performance, one of the first priorities is to perform all the tasks assigned or entrusted. Therefore this clearly explains there is inefficiency (something left out) in administering the power and functions entrusted to council. Linking this with the social and economic performance of the council, it can be state that certainly the council is poor/lack in social and economic performance as the powers and functions of social and economic developmental activities or tasks assign to the council is not exercise fully. This leads to leakage in the development even with spending more than half of its total revenue expenditure.



Source: Based on Primary data collected

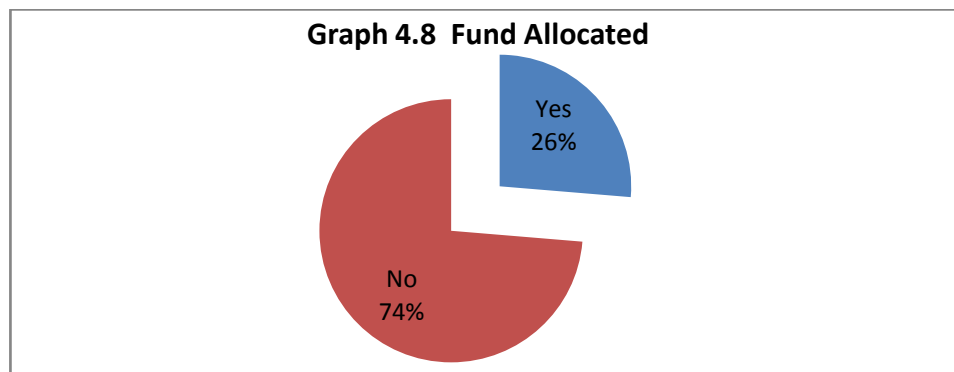
On the other hand, to perform all the power and functions one needs to be self equipped – land, labour, machinery, technology etc. Second question was - Is the department well equipped to performed the tasks assigned? As shown in graph 4.9 out of 19 respondents only 26 percent say ‘yes’ and the other 74 percent say ‘no’. Therefore, it is obvious and clear that the council is experiencing hindrance to performing the tasks assign to them as equipments are not sufficient enough to perform the empowered tasks or in other words the council lack capital formation to perform all the tasks assigned.



Source: Based on Primary data collected

Further, to be well equipped in capital formation, the council has to increase or have adequate fund. Since to administer the tasks assigned to the council, fund or financial assistance has to be sufficient to implement various tasks assign to them. The third and last question that has been asked was whether the fund allocated to the department is sufficient to perform the powers and functions entrusted to the council? And as shown in Graph 4.10, out of the 19 respondents only 26 percent said ‘yes’ and the remaining 74 percent of the respondents said ‘no’. If the fund allocated to the departments is not enough to

administer the powers and functions or tasks assigned to the council, the council will lack capital formation which in turn will effects the performance of the council. Thus the Primary data reveals that, lack of funds is one of the main reasons why the council performance is low. Moreover, as council is just semi-government (institution which is not full government like State Government or Centre Government) their resources (income) rely very much on the GIA funds from the State and Central Government. Therefore if the council lacks fund, descriptively it can be concluded that the fund devolved to the council is insufficient or low.



Source: Based on Primary data collected

From an overall primary data analysed, descriptively it is concluded that lack of fund or fiscal autonomy act as an impediments to efficient performance of the council.

4.5 MEASURING LEVEL OF FISCAL AUTONOMY

The hypothesis of the study states that lack of fiscal autonomy exist within the council. To evaluate or measure the level of fiscal autonomy, devolution of

the consolidated fund to the council is used - during the last 5 yrs (2009-10 to 2013-14) the consolidated fund constitutes an average of 88.30 percent which was the principal revenue receipt of the total revenue of the council. Therefore, the fiscal autonomy depends on the State's devolvement of fund toward the council. So, the devolution of consolidated fund is used to indicate the level of fiscal autonomy of the Council. The devolved fund is measured based on population and the shared proportion of ADCs from 25 percent of the consolidated fund of the State² as a paradigm for devolution of consolidated fund. Population based and share proportion of the ADCs is evaluated against the State's total consolidated fund receipt and expenditure. The table below highlights the level of fund devolved to the council.

Table 4.9 highlights the devolvement of funds to the council. The first row highlights the percentage of actual consolidated fund devolved to the council from the consolidated fund of the state which is measured against receipt and expenditure. During the 5yrs (2009-10 to 2013-14) the average percent share received and spends by the council from the total State consolidated fund receipt and spends was 2.33 percent and 2.01 percent respectively. The council experiences highest devolution of fund in 2010-11 with 3.08 percent and lowest is 1.98 percent in 2012-13.

² The council's population constitute 5.16 percent of the total population of Mizoram and the sharing ratio of consolidated fund among the ADCs is 11:9:7 to LADC, MADC and CADC

4.9 Fiscal Devolution of the Consolidated Fund as a Percentage

Particular	2009-10	2010-11	2011-12	2012-13	2013-14	Average
Share of the State consolidated fund						
<i>1. Revenue receipt</i>	2.11	3.08	2.46	1.98	2.02	2.33
<i>2. Expenditure</i>	1.90	2.05	2.00	2.25	1.85	2.01
<i>Average (1+2)</i>	2.01	2.57	2.23	2.12	1.94	2.17
Share based on Population						
<i>1. Revenue receipt</i>	40.84	59.66	47.61	38.35	39.10	45.11
<i>2. Expenditure</i>	36.78	39.79	38.80	43.57	35.79	38.95
<i>Average (1+2)</i>	38.81	49.73	43.21	40.96	37.45	42.03
Share based on Share proportion of ADCs						
<i>1. Revenue receipt</i>	25.30	36.96	29.49	23.76	24.22	27.95
<i>2. Expenditure</i>	22.78	24.65	24.04	26.99	22.17	24.13
<i>Average (1+2)</i>	24.04	30.805	26.765	25.375	23.19	26.03

Source: Based on budget documents, MADC and Statistical handbook, GOM

Second row highlights the fund devolvement based on population of the district. Firstly the Total State consolidated fund is calculated proportionate to the district population and which is assumed to be the shared of the council. Then the actual devolved fund is calculated as a percentage from the population based proportion. The district population constitutes 5.16 percent (census, 2011) of the total population of the State and using this as a paradigm for fund devolvement to the council from the receipt and expenditure of the state

consolidated fund. The average fund devolved to the council during the last 5yrs was 45.11 percent and 38.95 percent against consolidated fund receipt and expenditure of the State Consolidated fund respectively.

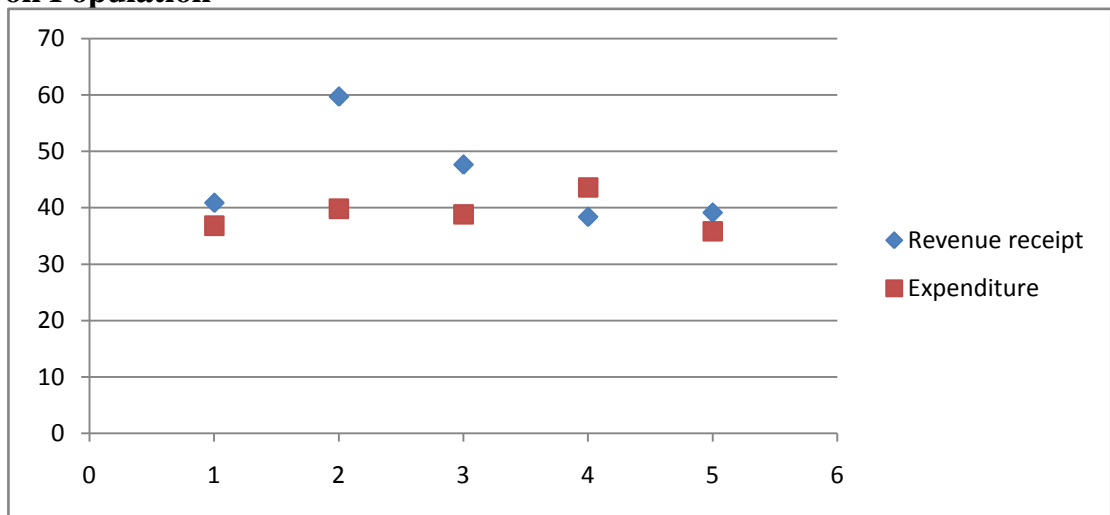
The last row highlights the fund devolvement based on the share proportion of ADCs. Firstly a share of 25 percent³ of the State consolidated fund with the proportion of 11:9:7 to Lai Autonomous District Council, Mara Autonomous District Council and Chakma Autonomous District Council respectively is calculated. Then the actual fund devolved to the council as a percentage is calculated from the proportion share of MADC. Thus, during the last 5yrs studied the average fund devolved to the Council against the receipt and expenditure of the State Consolidated fund was 27.95percent and 24.13 percent. Therefore using population or shared proportion of ADCs, the devolution of fund to the council as an indicator of fiscal autonomy, the table highlights low level of fiscal autonomy or the council lacks fiscal autonomy.

Moreover the given 25 percent of the consolidated fund to the ADCs at a time of the statement (2006) was when the councils were entrusted only 18 subjects of departments (which was even highlighted in the above said GOM statement) and at present the MADC has been entrusted with 30 subjects of departments. Therefore, with and without increasing the entrusted subjects of departments the devolved fund is less or lesser respectively. Normally if the GOM entrusted more subjects of departments then more fund (proportionate to

³ Statement made by the GOM officials during the meeting held with the expert committee at Aizawl.

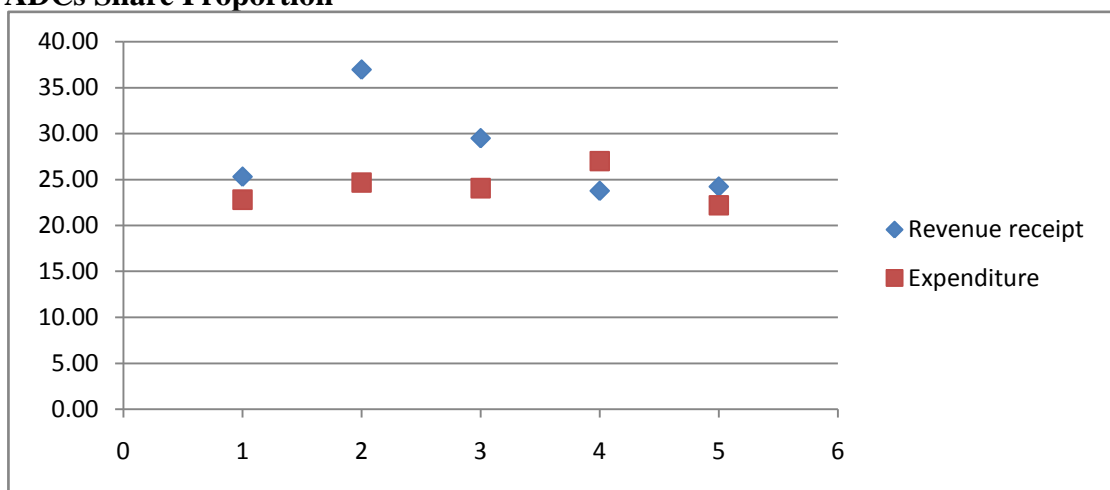
the increment of tasks assign) also must devolved but in this present case proportionate increment in devolution of fund has not been experience by the council. The case shows that State upgraded or decentralised only more powers and functions or entrusting more tasks to the council without increasing the grant fund which is needed for administering the tasks assign. Therefore, it clearly show that the council lack fiscal autonomy.

Graph 4.9 Scattered Diagram Showing Percentage of Fund Devolved Based on Population



Source: Based on fiscal devolution measured

Graph 4.10 Scattered Diagram Showing Percentage of Fund Devolved Based on ADCs Share Proportion



Source: Based on fiscal devolution measured

The above devolvement of fund calculated based on population and share proportion of ADCs are shown in scattered diagram in graph 4.6 and graph 4.7 respectively. Using population as the paradigm, during the last 5years the fund devolved to the council was below 50 percent except in 2010-11 the fund devolved against revenue receipt of the State consolidated was 59.66 percent. And using share proportion of the Council as the paradigm, the fund devolved to the council was less than 30 percent except in 2010-11 the fund devolved against revenue receipt of the total consolidated fund was 36.96 percent. Moreover from both the graph 4.6 and 4.7 the fund devolved to the council was lesser against expenditure than receipt except in 2012-13 where the fund devolved against expenditure was higher than the receipt of the total consolidated fund of the State. Noticeably, the devolution of fund fluctuated in most of the annual plan and also the level of devolution in the last annual plan (2013-14) is even lesser than the first annual plan (2009-10) highlighted.

From the calculation, out of 100 percent of consolidated fund which can be devolved not even 50 percent of the fund has been devolved to the council. Moreover instead of increasing the level of devolution of funds the State decreases the level of devolution – the percent devolvement of consolidated fund was lesser in 2013-14 than 2009-10. This indicates that the State does not favour fiscal devolution. Therefore, above all clearly explains that the council lacks fiscal autonomy with devolution of fund as an indicator.

4.7 TESTING THE RELATIONSHIP OF THE HYPOTHESIS

A statistical tool is also employ to prove the relationship of fiscal autonomy and performance of the council. The hypothesis of the study can contains both independent and dependent variables - fiscal autonomy and efficient performance of the council respectively. Therefore, in this case the total revenue receipt or expenditure of the council is taken as variable factors to indicate fiscal autonomy and on the other hand, fund allocated on General Services, Social services and Economic services as a variable factors to indicate the performance of the council. Using Karl Pearson's correlation the relationship between the variables is tested with Statistical Package for Social Sciences (SPSS) software to find out the relation between the fiscal autonomy and the performance of the council as highlighted in table 4.10 below.

From the correlation tested (2-tailed) above, there is a positive relation between the revenue receipt and expenditure with fund allocated in general services, social services and economic services. Since the correlations of all the variables are between 0.75 and 1, there is a highly positive relationship between every variable tested to indicate the fiscal autonomy and performance of the council.

Table 4.10 Correlations Between the Indicators of Fiscal Autonomy and Performance of the Council

		Aggregate Revenue Receipt	Aggregate Expenditure	General services	Social Services	Economic Services
Aggregate Revenue Receipt	Pearson Correlation	1	1.000**	.928*	.977**	.871
	Sig. (2-tailed)		.000	.023	.004	.055
	N	5	5	5	5	5
Aggregate Expenditure	Pearson Correlation	1.000**	1	.928*	.977**	.871
	Sig. (2-tailed)	.000		.023	.004	.055
	N	5	5	5	5	5
General services	Pearson Correlation	.928*	.928*	1	.979**	.630
	Sig. (2-tailed)	.023	.023		.004	.255
	N	5	5	5	5	5
Social Services	Pearson Correlation	.977**	.977**	.979**	1	.749
	Sig. (2-tailed)	.004	.004	.004		.145
	N	5	5	5	5	5
Economic Services	Pearson Correlation	.871	.871	.630	.749	1
	Sig. (2-tailed)	.055	.055	.255	.145	
	N	5	5	5	5	5

** . Correlation is significant at the 0.01 level (2-tailed).

* . Correlation is significant at the 0.05 level (2-tailed).

Correlation coefficient between the Council revenue receipt/expenditure with general services is 0.028, with social services the significant level is 0.004 and with economic services it is 0.055 and its significant level are 0.023, 0.004 and 0.055 respectively. Therefore, the increase in fiscal autonomy will increase the efficiency of the performance of the council as well as lesser fiscal autonomy will decreased the efficiency of the performance of the council. The changes in fiscal autonomy will be most sensitive with social services as the correlation is the highest among the other dependent variables.

Conclusion

From the overall evaluation there is low level of fund devolvement which indicates lack of fiscal autonomy and at the same time the Social and Economic development status of the district is poorer than the State average, moreover primary data analysed reveals inefficient performance of the council the study concluded the hypothesis holds true - lack of fiscal autonomy act as is an impediment to the efficient performance of the Council.

MAJOR FINDINGS

In general, though the council's performance is poor in most of the tasks assign, but according to the study the root causes of the poor performance is lack of resources (funds). For a government or an institution to function or administered the task assigned effectively and efficiently, financially they need to be saved and sounded because financial support is one basic or it is a part and parcel in functioning or administering a Government – Central, State or Local. Meanwhile the Council rely very much upon the consolidated fund as it is principal resources or sources of income, but from the data that have been analysed, it is found that the fund (Consolidated fund) devolved to the council is too less to administered all its power and functions efficiently. Therefore the performance of the council in an average is low. Below points highlighted are the details regards to the major findings of the study.

1. The Study reveals that, the council's own revenue collection is meagre sum though the Compound Annual Growth Rate (CAGR) is higher than the Grant-in-aid fund. During the last 5yrs (2009-10 to 2013-14), the average fund contribution from own revenue was Rs. 74.66lakhs with a CAGR of 0.23 percent whereas the GIA contribution was Rs. 7343.00lakhs with the CAGR of 0.13 percent.
2. Of the GIA funds, consolidated fund contribution is higher than the other grants and at the same time the study reveals that, consolidated fund is the principal revenue of the council. During the last 5yrs (2009-10 to

2013-14) the average contribution of consolidated fund towards the total revenue receipt of the council was Rs.6570.07lakhs or 88.58 percent with CAGR of 0.10 percent whereas other grants contributes only Rs. 762.24lakhs or 10.42percent but it has the highest CAGR of 0.77 percent. This also reveals that the other grants growth rate (CAGR) has the highest among the various sources of Revenue receipt.

3. In spite of rises in the total revenue receipt in the first 4yrs of the last 5yrs data analysed, the council's performance still remains low. Moreover, it reveals that the decreased in total revenue receipt (2013-14) will even makes the performance of the council get worse as the hypothesis stated that rise in the fund will increase the efficiency in the performance whereas lesser fund will lower the efficiency in the performance of the council. The study also reveals that the fall in the council revenue receipt was the effect of fall in the other grants funds. Further, it is found that the other grants funds fluctuated rapidly during the last 5yrs which shows the instability or uncertainty of other grants.
4. The study reveals that, even though the consolidated fund (principal revenue) of the council rises annually throughout the last 5yrs, but the level of council's reliability on the consolidated fund decreases gradually year after year – its contribution as a percentage to the total revenue receipt decreases annually. In 2009-10 consolidated fund contribution to

the total revenue receipt of the council was 97.04 percent and gradual falls year after year and it was only 86.74 percent in 2013-14. On the other hand the study also reveals that to some extent, it was because of significant improvement on the council's own revenue collection and other grants – both has the higher CAGR than CARG of the consolidated fund.

5. It is found that the councils' own revenue collection rely mostly on taxes on Income & Expenditure , moreover the study also reveals that the council collects most of the revenue from service sectors as the collection of taxes on income & expenditure was mostly professional taxes. Further it has a stable growth along with the Other General Economic Services. Revenue collection from forest also contributes huge amount (second highest) towards own revenue receipt of the council, but there exist uncertainty and instability as the revenue collection from forest increases rapidly till 2011-12, but continuously decreased thereafter. Whereas revenue collection from Land Revenue, Taxes on Vehicles, Public Works, and Other Administration are meagre sum to rely on and revenue collection from education stops since 2010-11. Meantime, the study also reveals that the council also has not yet claimed the Value Added Tax (VAT) which was entrusted or empowered to the Council since 2012(*highlighted in the entrustment of power to the Council- highlighted in Chapter 3*). For the said the State

Government has collected Rs. 85.82lakhs in 2013-14 within the District (*Statistical handbook, Mizoram 2014*).

6. The study also reveals that as own revenue is completely in the hands of the council, cent percent was allocated in non-plan whereas in almost all the annual budget, other grants is allocation in plan except in 2010-11 and 2011-12 where meagre sum for non-plan was also allocated. But in case of consolidated fund as it is the principal revenue, during the last 5yrs the fund was allocated for both Plan and non-plan whereas it was higher for the non-plan fund.

7. It is also found that among the various services, the major spending of the council was incurred on Social Services - during the last 5years an average of Rs. 3733.76lakhs which was 51 percent of the total expenditure of the council. But on the other hand since lesser expenditure was incurred on general services and economic services there arise the needs to increased, so both have the higher CAGR than social services – Social services CAGR was 0.13 whereas General services and Economic Services CAGR was 0.14 each. Further the expenditure incurred on development and non-development has the same CAGR of 0.13 whereas the council development expenditure was higher than the non-development expenditure which also reveals that the council is exercising and concentrating more on development activities.

8. Among the subjects of departments under the Social services the council is giving high priority on Education – 48.04 percent of the total spending of the council was incurred on educational activities. But unfortunately the council has neglected social welfare of the region – the distributed fund for social welfare was lesser than the allocated fund. Apart from social welfare the council's spending was exactly the same as allocated fund.

9. On the contrary, though the council gives high priority for educational activities, the literacy rate status shows poor of inefficient performance - Saiha District literacy rate is 90.01 percent whereas the State literacy rate is 91.33 percent. This shows that the council with spending huge fund on education, its performance is still poor or inefficient. The study also reveals that this can be caused by insufficient fund (*primary data analysis*) which lets the councils not able to perform some of the tasks assigned in this concerned.

10. Among the various heads of economic services the council is more responsive toward forest & environment and transport – the spending on both was higher than the allocated fund, moreover of the economic services it was only on forest & environment that the council spends more than 5 percent of the total revenue expenditure. Meantime for the

other heads the spending was as allocated. Further none of the other heads crosses 5 percent of the total revenue expenditure of the council.

11. During the last 5 years (2010-11 to 2014-15) the average IMR of Saiha District was 78.8 which is extremely high (more than double) compared to the State IMR of 31.8. This clearly shows poor health care facilities. Further as the council also plays its own part in health care related activities such as developing sanitation, drainage, sewerage etc (environmental health), which is needed for the people in the region. So partly it can also be the poor performance of the council in this concerned which directly or indirectly facilitate poor health care.

12. While the State has a population growth rate of 23 percent, unfortunately the district has a negative growth rate of -7.34 percent. It is found that it can be the effect of poor economic as well as social development. Sine, if the council is efficient to performed, it can maximised the social and economic outputs of the region which in turn can attract the outsiders as well as migration can be lesser which might able to resist better population growth status than the present situation. In the meantime though the low output of MADC's performance can be one of the factors for the negative growth of population but there can also be more factors as status is too vulnerable for only one factor.

13. The study also reveals that the council will experience heavier lack of funds or resources with more tasks assignment (increasing the power and functions). Because devolution of the consolidated fund is not proportionate with the enlargement power and functions or tasks assigned (*power entrustment, Chapter 3*).

14. Out of the response received from 19 Departments Heads, only 26 percent informed that the department was well equipped to perform the task assigned whereas 74 percent informed that they were not well equipped to perform all tasks assigned to the council. This reveals inefficiency in capital formation or inadequacy in equipments needed for the tasks assigned without which efficient the performance cannot be attained.

15. Out of the response received from 19 Departments Heads, only 37 percent informed that the department has perform all the task assigned to them whereas the remaining 63 percent informed that they did not perform all the power and functions entrusted. This reveals the outputs or results of inefficiency of capital formations without which the tasks assigned to the council cannot be fulfilled. Moreover, if the council did not perform all the tasks assigned then it can never be well efficient in its performance.

16. Out of the response received from 19 Departments Heads, only 26 percent informed that fund allocated was sufficient enough for the department whereas 74 percent states that the fund allocated to the council was not sufficient. This shows that majority department lacks financial support. Moreover since the council rely on consolidated fund (principal revenue), it also reveals low fund or lack of fund (consolidated fund). Further, as the council cannot attain the needed income and outgo of fund from its vital source, it also indicates that the council lacks fiscal autonomy too.

17. Based on population as a parameter, during the last 5 years (2009-10 to 2013-14) the consolidated fund devolved (Receipt and Expenditure) to the council is less than 50 percent except in 2010-11 during which the fund devolved against Revenue receipt was 59.66 and the average devolvement during the last 5yrs (2009-10 to 2013-14) against revenue receipt was 45.11 percent and 38.95 percent against the expenditure. This show that out of 100 percent fund which can be devolved to the council merely or not even 50 percent has been devolved to the council based on population as a paradigm. This also signifies lack of fund devolvement which in turn indicates lack of fiscal autonomy as the council rely on consolidated fund.

18. Based on ADCs share proportion as a parameter, during the last 5 years (2009-10 to 2013-14) the average fund devolved to the council was only 27.95 percent against revenue receipt and it was 24 percent against the expenditure of the State. Through this measurement, even lesser level of fund devolvement is experience – worse than based on population. It also indicates low accountability of the State in fund devolution.

19. In both the parameter (based on population and ADCs sharing ratio) the devolved fund against receipt is higher than the devolved fund against expenditure during the last 5years which reveals that even if the increment in State consolidated fund was granted there was no increment given to the council. In simple word, the council has lesser fiscal autonomy toward expenditure than revenue receipt in case of devolution of consolidated fund. On the other hand, it also reveals that the causes could be partly because the council’s revenue deficit of the current year was accounted in the subsequent year as stated in the limitation of the study. Further this also reveals that, if the deficit is accounted as stated in the limitation of the study, the deficit amount can add up year after year and without notice and unexpectedly bankruptcy or financial crisis can occur after certain period of time.

20. Noticeably the level of devolution of the consolidated fund has decreased gradually during the study period – in 2009-10 average level

of devolution was 38.81 percent but fall to 37.45 (based on population paradigm) and 24.04 percent in 2009-10 which falls to 23.19 in 2013-14 (Based on Shared proportion of ADC). This reveals that the level of devolution of fund is getting worse year after year. Further it also reveals that though in today's world most of the economist favour decentralisation as well as fiscal devolution to lower level of government as it gears up development the region, but the State do not favour fiscal devolution. On the contrary, the State government is one of the backward States depending largely on the central fund for its revenue resources (funds) like the council is toward the State. Therefore the State also might be facing hindrance in devolving abundant funds to the council while fund insufficiency grew more and more within the State (Funds is insufficient for the State itself).

21. Using Pearson's correlation coefficient, council's revenue receipt and expenditure as variables to indicate fiscal autonomy and council's Receipt on general services, social services and economic services as variables to indicate the performance of the council was tested. The tested indicators shows high positive correlation as the correlation coefficient for all the tested variables is between 0.75 -1. Therefore, it reveals that there exist a correlation between fiscal autonomy and performance of the council. Moreover it also signifies that the high and

low level of fiscal autonomy will lead to higher and lower performance of the council respectively.

22. Since, the measurement and evaluation indicates lack of fiscal autonomy and impediments in the performance of the council exist and moreover the correlation test shows highly positive relation between fiscal autonomy and performance of the council, the hypothesis holds true that, 'Lack of fiscal autonomy acts as an impediment to the efficient performance of the council'.

SUGGESTIONS

As managing the fiscal policy is one of the important responsibilities of any Government. Therefore finances and performance of the council is one of the important aspects as it is a driving force and also the council's effectiveness toward social and economic as well as normal administration for the region depends on it. From the overall findings even though the council has poor performance, the key or major causes for the poor or inefficient performance is lack of fund. Therefore in an overall suggestion more funds is needed to be devolved to the council and at the same time the council has to mobilised the devolved fund at the optimal level in order to enhance its capacities to incurred expenditure for various development as well as non-developmental activities and attain maximum output or perform the tasks assign most effectively. More detailed suggestions based on the various findings are as highlighted in the points below.

Revenue Collection

1. Thought the council's own revenue growth rate (CAGR) is high compared to the GIA, but its contribution toward the council's revenue receipt is a meagre sum. Therefore the council needs to take more initiatives in collecting revenues - revenue collection as one of the most important priorities of the council in administering the area because to developed the region one needs to be adequate for their own needs. Prior to the said, the council can still broaden its revenue collection by claiming VAT; collecting more taxes and revenues by exploring new taxable resources from the powers and function entrusted to the council within their own region. Moreover the council also can increase its revenue collection by revising the rates of taxes, fees, fines etc.
2. Since the council or the region is a backward of the backward regions of the State and it is also a semi-government (council), it cannot provide sufficient fund by itself. Moreover, in enlarging the power and functions to certain extends it lies in the hands of the State as it needs the approval of Governor as well as the State Legislative Assembly especially for fund devolvement (consolidated fund), the bill is passed by the Legislative Assembly in the annual budget Session and the fund devolved is granted from the State Consolidated fund. Therefore, firstly it is the responsibility of the State Government to ensured adequate or sufficient funds is provided for the tasks assigned or entrusted to the

council. Further it will be even better if higher priority or special consideration is given to the council by granting extra/higher proportion of funds distinct from the normal fund proportion of the Districts shares. Likewise the central government also granted higher proportion of State consolidated fund for the State as it is special category States (backward States).

3. In both, based on population and based on shared proportion of ADC the level of fiscal devolution of the consolidated fund from state consolidated against receipt was lesser than the measurement against its expenditure. This can be partly because the council's revenue deficit of the current year was accounted in the subsequent year as stated in the limitation of the study. Therefore it is necessary that the council should also have the revenue deficit accounted in the current year when deficit occurred to balance the level of the fund devolution. Moreover, if the deficit is accounted as stated in the limitation of the study, the deficit amount will add up year after year and without notice and unexpectedly bankruptcy or financial crisis can occur after certain period of time. At the same time the deficit attainable must be limited as the recommendation made by the finance commission.
4. In case of Other Grants, as the councils fund is meagre sum compared to the State. So fluctuation which does not affect much (change in meagre

sum) on the aggregate revenue of the State, but can be burden sum for the council and caused hindrance in revenue allocation(finding 3). Therefore as the stated since fluctuation is more sensitive in the council, more stable Other Grants funds is needed for the council.

Revenue Expenditure

1. One of the reasons for the formation of Autonomous Councils under the Sixth Schedule is to develop their own region. Therefore, though it is necessary for the council to enlarged or extend its administration or power and functions, but at first it is more important that the Council has sufficient fund to incurred more expenditure for the present limited power and functions entrusted so that it can have an optimum utilisation or sufficient funds and attained maximum output than enlarging the tasks with heavy burden of insufficient fund for investment or to perform numerous tasks (additional tasks assigned) and have low output.
2. Social and economic growth has to go hand in hand if one wants to attain a balance sustainable growth and development of the region. At the present situation, while the council has spend more than 50 percent of its total revenue on social services and only 19 percent has been spend on economic services. Thus, it is also suggested that the council also should distribute higher or incurred higher growth of spending on economic services, but at the same time more fund also should be distributed or spend on social services because even with 50 percent (approx) spending

of the total revenue in social development - the status of the region is still low or lacks behind (does not attained even the State average status).

3. It is known that the council has been giving prior importance to Education and Environment & Forest among the other subjects of departments in social services and economic services respectively or even as a whole – the spending were much higher compare to the other subjects of departments of their respective services. However the council cannot attain the average of the State’s status on Socio-economic development indicators. Therefore more expenditure needs to be incurred on the above stated activities as well as huge or higher fund is also needed to be incurred in the other lower subjects of departments too because the council’s performance is low even in the high prior subjects of department, therefore it is obvious that performance will be poorer in lower investment subjects of departments. In simple words to fulfil the needed development for social and economic services huge amount of spending needs to be incurred.

Social and Economic Performance

Supposed even if the council is sufficient in its revenue income and outgo, it is not enough because what matters most is that how well the fund is utilized or maximum output is attained for the social and economic

development of the region as well as its own administration. It is also known that the council lacks fund, but keeping that aside the suggestion regards to the social and economic performance of the Council is as highlighted below.

1. The effect of lack of fund has let the council not able to perform all the power and functions in most of departments therefore to perform all the power and functions and have optimum output, the employees from top to bottom level needs to be well efficient to implement all the activities assigned. For which each employee has to upgrade and trained their skills from time to time to attained more and cope up with the new technology and environment.
2. From the performance appraisal through primary data collected, the council cannot accomplished all the necessary equipments (labour, machineries, infrastructure, technology etc.) needed for efficient performance. Therefore, it must be one of the priorities for the council to attain all the equipments needed to administer the council regarding social and economic development as well as normal administration.
3. The social and economic development indicators which have been evaluated shows poor status of the district in IMR, Population Growth as well as literacy rate which are some of the most important aspect in measuring development or performance of the council. Therefore apart

from other activities it is the responsibility of the council to maintain adequate health care related tasks assigned to the council such as public health sanitation, good drainage and sewerage, good water supply etc (*entrustment of power, chapter 3*). If the said are fulfilled the environment of the region will be healthier and which can have impacts on lowering the IMR and in fact it will also have positive impacts on population growth. Moreover the council also needs to develop and implement more of schemes regards to industries, agriculture and allied activities so that the region can be more commercialised and have adequate surrounding for business to flourish. This will also attract more of population and in turn will increase the population growth. Protecting the environment & forest from pollution & deforestation (shifting cultivation) and other externalities is also very important. In meantime till now large number of farmers still lived on jhuming which is one of the hazardous environmental pollution when forest is burn. Therefore it needs to be stopped or the council needs to provide or assist those farmers for alternate ways of farming or occupation. This will also give a better and healthier surrounding of the region.

4. Apart from lack of fund, there can be many reasons why the literacy rate of the district is lower than the State average. Therefore the council has to take more initiative in different spheres to increase the literacy rate. Motivating the children and their parents about the importance of

education until every single person is keen and has the eagerness to attain education and at the same time provide good educational system. Moreover teachers and staffs also needs to upgrade and train their skills from time to time as well as be motivated so that they can exercise their works enthusiastically and utilised their skills more efficiently and effectively. Further the infrastructures and equipments of educational institution should adequate as well as save and sound for the pupils and teachers. These are some of the important spheres that the council needs to work on it to improve or increase the literacy rate of the region.

Fund Devolution

As the Council relies much on the consolidated fund for administering the various power and functions entrusted. Suggestion in general regards to fund devolution is that, it is important that a reasonable or more accountable fund has to be devolved. The highlighted points are the suggestions regards to the fund devolvment processed from various findings.

1. Based on ADCs share ratio the measured, devolution of consolidated fund is very low -the State Government stated 25 percent of the fund had been granted to the three ADCs for administering 18 subjects of departments, but still the level of devolution measurement shows that the statement has low accountability with the real fund devolved to the council (average of 5yrs fund devolved was less than 30 percent). Therefore according to the baseline used, it is high responsibility of the State Government to be more

accountable by increasing the fund devolved or reasonable funds (sufficient fund) should be devolved to the council as stated. Moreover, based on population as a paradigm, the measurement of fund devolved during the last 5 year from 2009-10 to 2013-14 was also lesser than 46 percent in an average.

2. On the other hand, GOM stated that 25 percent of the fund was given to the three ADCs for administering 18 subjects of departments in 2006 and using the same statement for calculation even after the higher subjects of departments are assigned – since 2012, 30 subjects of departments are assigned to the Council. But noticeably the fund devolved does not improved along with the enlargement of power and functions to the council. Therefore it is suggested that the devolved fund must increased in proportion to the enlargement of tasks assigned. At present this is not maintain- as approximately one third of the subjects of departments were the additional or added to the council for administering in 2012 but the growth of fund devolution remains unchanged – more or less the same.

3. On a contrary, it may be better if the Central Government specified the amount of share to be devolved to the ADCs while preparing or transferring the State's consolidated fund to the State because the State itself is a special category State (backward) - State Consolidated fund granted to the States is higher (in proportion share) than the general States of India. However even

with higher percent of State consolidated fund received, the total receipt of the State (Mizoram) is still inefficient to incurred expenditure or the State has high deficit rate (interpret from Statistical handbook of Mizoram, 2014). Therefore it might be difficult or the State Government does not favour to transfer more of funds to the ADC's while the State has financial hindrance. At the same time, it might be also far better if the fund (consolidated fund) is transferred directly (direct funding) by the Central Government as demanded by the ADCs. And if this is not possible and the Government really want to gear up the development of the region it will be even better to upgraded the Council into Union Territory (demand made by the council). As it will be difficult for the State to give priority and give more funds to other backward (ADCs) autonomous institution or semi-government while it cannot sustain its own.

CONCLUSION:

The overall conclusion of finances and performance of the council is lack fiscal autonomy which leads to insufficient fund; insufficient fund, inefficient in allocation of resources, lack in resources, low level of investment and capital formation which had adversely affect the level of output in different lines of social and economic activities. So summing up the hypothesis holds true that is, lack of fiscal autonomy act as an impediment to the efficient performance of the council. Moreover this circulation can be plunge along with the vicious circle of poverty - as long as the council lacks in resources, the performance of the councils will be low and this will circulate

again and again if the barriers to Social and Economic developments are not break off from the circulation.

Thus, more funds (reasonable fund) should be granted to the council i.e at reasonable and more accountable fund should be devolved so that the council can perform to the tasks assigned adequately. Through this the council can performed better in political, social and economic development of the region as well as the normal administration. This can also be plunge with the theories of economic developments to overcome vicious circle of poverty such as Critical minimum effort thesis; Big Push theory – in general which states that, reasonable or huge investment (funds) needed to incur to developed a country and lead one out of the vicious circle of poverty or break off the barrier in economic development. Therefore, if adequate fund has been given to the council, there will be a pace of progress, output of the region will be higher and gradually the region can also be out of vicious circle of poverty. Moreover this will free the council from the obstacle which keeps the council in poor or inefficient to perform the empowered tasks assigned.

ABSTRACT

**FINANCES AND PERFORMANCE OF AUTONOMOUS DISTRICT
COUNCILS IN MIZORAM:
A CASE STUDY OF MARA AUTONOMOUS DISTRICT COUNCIL**

**(A DISSERTATION SUBMITTED FOR THE AWARD OF THE DEGREE
OF MASTER OF PHILOSOPHY IN ECONOMICS)**

BY

L. PEACE HRATHAO

TO

**THE DEPARTMENT OF ECONOMICS
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INTRODUCTION

Managing the fiscal policy is one of the important responsibilities of any Government – Central, State or Local. Devolution of Powers and sources of finance, clarity in assignments of functions and sources of finance also plays an important role in the accountability for social, economic and political participation of the society. The pattern of economic activities in a particular area is largely determined by the nature of resources available therein and their economic viability. This resource and activity linkages lead to variations in economic structures over the geographical space. The Sixth Scheduled of the Indian Constitution lay down the formations of Autonomous Regional or District Council to be autonomous institutions considering the protection of minority tribes. This paper stresses the finances and performance of Autonomous District Councils (ADCs) in Mizoram with special references to Mara Autonomous District Council (MADC).

Fiscal Responsibilities and Practices in Autonomous District Councils

The fiscal system of a country is determined by the prevailing political system. In India, federal form of government is followed and hence federal finance. In case of the backward region special provision has been set up for Autonomous District Council for minority tribes within their respective States. ADCs in Mizoram fall under the special provision known as Sixth Schedule. ADCs form as a semi-government within the State having legislative, executive, Judicial and financial powers; a separate Autonomous administration and department runs parallel with the State Government in their own region.

Subsequent to the above, the special provision under the Article 244 and 275, read with the Sixth Scheduled of the Constitution, empowered Autonomous District Councils with certain Powers and Functions.

District council is empowered to assess and collect land revenue and impose taxes within their jurisdictions such as on lands and buildings, on profession, trades, callings and employments, animals, vehicles & boat and entry of goods into to market, tolls on passengers and goods carried in ferries and for the maintenance of schools and dispensaries or Roads. District Councils are also entitled to receive a share of royalties accruing each year from licenses or lease for the purpose of prospecting for, or the extraction of minerals granted by the State Government in respect of any area within an autonomous district as agreed upon with the Government. Dispute in this regards are to be referred to the Governor for settlement. MADC own revenue collection is Rs. 104.11lakhs in 2013-14. Apart from own revenue collection, consolidated fund which is the principal Revenue of the council is granted from the State consolidated fund (Article 275 of the Constitution)as well as other grants such as CSS, SCA. SPA etc are granted by the Union Government through the State Government.

The councils' sources of income comprised of revenue receipt only, similarly the council's total expenditure is equal to the revenue expenditure. ADCs are empowered to administer its own institution and exercise social and economic activities; 30 subjects of departments with the approval of the Governor are assigned to MADC to exercise both developmental and non-developmental activities within their own region (The Mizoram Gazette Vol. XLII, 2013, issue no. 148). Thus, for the assigned activities, the expenditure is being incurred by the ADCs. The Controller and Auditor General (CAG) of India audit the accounts of District

Councils as stated by the Sixth Schedule of the Constitution. For the said, MADC audit is due since 2011.

Problems in State-Council Financial Relation

Of all the powers and functions, fiscal related matters are one of the most disputed topics of Autonomous District Councils (ADCs), especially with ADCs in Mizoram. There are strong ethnic feelings, between tribal communities and the State, which undermines the spirit of collaboration and cooperation required between different levels of government for effective functioning. The State Assembly has passed resolution for abolition of Councils and on the other hand the councils have been demanding separate UT status and direct funding. The Expert Committee met the Chief Secretary (CS) and officers of Mizoram State at a meeting held at Aizawl on 17th May, 2007. The Chief Secretary (CS) and officers presented in the meeting states that, 18 departments were assigned to the District Councils and though the population of District Councils together totaled about 14 or 15 percent of the State, the allocation of fund to them is about 25 percent and further extended the statement that the councils needs to more accountable.

On contrary ADCs in Mizoram states that, lack of fiscal devolution (Consolidated fund given is too less) prevails within the council and dichotomy or contrast toward the district development within the district councils still continues though the council has been vested with wide powers. The State Government continues to undertake works in respect of the same devolved without consulting the Council directly or through DRDA. Moreover funds were directly given to the village councils (implement projects) without the prior knowledge of the Council who constitute the village councils.

Review of Literature

Literature review is one of the important content of research as it reduces the gap of the research or study. It also throws light and make easier for the researcher as the relevant Literature support the study being portray, focusing the phenomena which deals with the objectives and hypothesis of the research. It also gives a clear cut insight of the subject matter and relevance of the study. Here the review will focus Public Finance and various researches considering the performance of various autonomous councils under the sixth schedule and relevant literature which deals with the importance of fiscal devolution or decentralisation of a government. In abstract only few reviews have been highlighted.

Public authorities had to raise resources for financing its many activities. These activities were not concerned with the satisfaction of individual wants of citizens, but the collective wants of the citizens of the State (Cauvery et al., 1998). Dalton (1967) defined Public Finance as, ‘one of those subjects which lie on the borderline between economics and politics. It is concerned with the income and expenditure of public authorities and with the adjustment of one to another’. Groves (1958) also defined Public Finance as, ‘field of enquiry that treats the income and outgo of the Government – federal, state and Local’. Musgrave tripartite classification of Public finance as resources allocation, distribution and Stablisation branches (Musgrave, 1954). Allocation branch was to ensure efficiency in resource allocation; Stabilisation was to ensure a stable macro economy for the economic agents to perform and any differences in the capacity entitlements are supposed to deal with the distribution branch. The operation of the distribution branch was supposed to ensure equal access to service and redistribution was calibrated essentially among different income classes (Rao, M.G., et al., 2008).

Expert Committee report (2006) had an inquiry on the performance of Autonomous Councils in Northeast India considering the strengthening of Panchayati Raj. After visiting various autonomous councils and meeting with the State Governments, the team had variety of suggestions and recommendation for upgradation the various Autonomous Councils. The various suggestions and recommendations can be sum up into general conclusion that, empowerment under the Sixth Schedule is just for name sake, therefore the autonomous councils needs to have more autonomy within their respective regions and a reasonable empowerment along with the autonomy in different aspect is needed to have a stronger or better decentralised Government. Following the expert committee report The Second Administrative reforms (2009) in their 15th report gave importance to the autonomous councils under the Sixth Schedule; their inquiry draws line in an approached to enlarge the empowerment of Autonomous councils by amending the Sixth Schedule. To re-assure the needs of the councils and more specified to the goals, the Union Ministry of Home Affairs requested the State government of Mizoram to set up an inquiry commission to understand and verify the status of the ADCs in Mizoram. For the said, the Standing Inquiry Commission (2012) after a detailed study, suggested that the ADCs in Mizoram also should attain the empowerment of power and functions similar to the empowerment entrusted to Bodoland Territorial Council (BTC), an the Autonomous Councils in Assam. Highlighting the facts that, ACs in Assam attained their present status (territorial council) because of insurgency while ADCs in Mizoram were left astray with their political aspiration since such insurgency does not prevails. Therefore, it is their constitutional rights for the ADCs in Mizoram to attained the empowerment which other ACs attained.

Nath and Purohit (1993) estimated the indices of expenditure reassignment of Local Shares in the total State -Local expenditure of 10 (ten) Indian States. The evidence from expenditure effort reassignment, fiscal decentralisation is to be treated as highly suggestive and the approached adopted would demonstrated the need for further investigation in the light of additional information on State and local government fiscal experiences. However these results bear significant implication with respected to State-local fiscal decision making as there was no conclusive evidence to show that reassignment had invariably any dampening impact on local expenditures. Given the equity considerations, the result had a bearing on any policy which aims at expenditure reassignment.

From the some of the highlighted review of literature, it is understood that Public finance plays an important role in administering a government of any kind. Moreover fiscal decentralisation can be one of the key factors in developing respective region. Likewise, there is also contradiction in thoughts and procedure of fiscal devolvement toward the councils between the State and Councils authorities considering the performance.

OBJECTIVES OF THE STUDY

- To examine the pattern of revenue receipt of the council
- To analyse the pattern of expenditure of the council
- To evaluate the social and economic performances of the council.

HYPOTHESIS

- Lack of fiscal autonomy acts as an impediment to efficient performance of the Council.

METHODOLOGY

The purpose of the research is to identify the status of MADC in its finances and performance. The study focuses the patterns of revenue income and outgo as well as its performance in social and economic development. From the data analyzed, the study tries to draw line on the level of fiscal autonomy and the performance of the council. To evaluate the level of fiscal autonomy, the consolidated fund devolved to the council based on population and ADCs shared proportion as a paradigm is used. Though with the level of fiscal autonomy, automatically conclusion regarding the performance of the council can be descriptively drawn but to ensure the council's performance available socio-economic status of the district is evaluated. In addition for more reliability in the council's performance evaluated from secondary data, primary data is collected by means of questionnaire and is evaluated using appropriate statistical tools.

The data required for the study is collected from primary and secondary sources. The data consist mainly of secondary sources collected from Documents, Journals, and Papers and Books published and unpublished by MADC and the State while in addition, primary data is also collected for appraisal of the performance of the council. Populations of 22 officers who are the heads of departments to administer the 30 subjects of departments empowered to the council are selected. They are selected because for the performance of the council they most reasonable persons for their respective subjects of departments. The said officers were given general questionnaires regarding the departmental performance of their power and functions respectively of their concern departments. Using the said response to the questionnaire, Fund sufficiency, equipment adequacy and their efficiency in performing the tasks assigned to the council had been evaluated.

Statistical Tools

For the convenience of data analysis and evaluation, various statistical tools were used such as average, diagrams, tables, graphs, percentage, Compound annual growth rate (CAGR) etc. Karl Pearson's Correlation is also used to test the relationship between fiscal autonomy and performance of the council. And for measuring the level of fiscal autonomy, fund devolution based on population and based on sharing proportion of the funds was used.

SCOPE OF THE STUDY

No researcher has so far studied and attempted to examine the level of fiscal autonomy and fiscal procedure or pattern of the council, though there were few inquiry commissions that had done the general evaluation of the council considering the empowerment status. This study is the first of its kind. A study in this direction helps to understand the fiscal autonomy of the council and its effect on the performance of the council as well as the social and economic development of the region. The assessment of the patterns of revenue income and outgo will enable MADC to realize the needs to mobilize their resource to its fullest. Likewise the suggestions of the study would be useful for the council to formulate policies on resource allocation, distribution and stabilization as well as realized the council's fiscal autonomy. Moreover the research will throw lights to the new researchers.

In general, this study will aware the MADC officials as well as the people regarding the impact and magnitude of activities process by the council toward the social and economic development of the region. It will also encourage and motivate the council considering the needs and importance to be more reasonable and accountable toward the economic and social development of the region.

LIMITATION OF THE STUDY

Since only few inquiries have done considering MADC in particular and the council lacks transparency¹ and in some cases accuracy of the data is low. Moreover to access the detailed data of the council, the executive committee has to approved, this proofs that lack of transparency within the council's. Moreover in MADC area or Saiha District, dual or parallel administration co-exists therefore it is difficult to seize social and economic development of the area to MADC. Further, though orally fiscal deficit within the Council exist but the council revenue deficit incurred were acquire through borrowing made as an advance toward consolidated fund from the State. Thus, the deficit amount has been accounted in the subsequent annual budget; therefore hindrance is there in highlighting the fiscal deficit². Moreover, most of the insight rules and regulations within the council are ordinarily passed by the executive body (Executive Committee) which can be changeable frequently or in other word it is mending for temporary used, therefore applicability is low.

1.15 CHAPTER PLAN

- Chapter I : Introduction
- Chapter II : Review of Literature
- Chapter III : An overview: Autonomous District Council
- Chapter IV : Data Analysis
- Chapter V : Findings, Suggestion and Conclusion

Bibliography

¹ The council takes time to give out the data needed for the study, it even needs the executive committee approval to attained the data needed.

² The highlighted impediments toward fiscal deficit are taken from the verbal report of Finance & account officer during discussion.

Major Findings

In general, though the council's performance is poor in most of the tasks assign, but according to the study the root causes of the poor performance is lack of resources (funds). For a government or an institution to function or administer the task assigned effectively and efficiently, financially they need to be saved and sounded because financial support is one basic or it is a part and parcel in functioning or administering a Government – Central, State or Local. Meanwhile the Council rely very much upon the consolidated fund (Principal revenue) as its resources or sources of income, but from the data that have been analysed, it is found that the fund (Consolidated fund) devolved to the council is too less to administered all its power and functions efficiently. Therefore the performance of the council in an average is low. Below points highlighted are the details regards to the major finding of the study.

1. The Study reveals that, the council's own revenue collection is meagre sum though the Compound Annual Growth Rate (CAGR) is higher than the Grant-in-aid fund. During the last 5yrs (2009-10 to 2013-14), the average fund contribution from own revenue was Rs. 74.66lakhs with a CAGR of 0.23 percent whereas the GIA contribution was Rs. 7343.00lakhs with the CAGR of 0.13 percent.
2. Of the GIA funds, consolidated fund contribution is higher than the other grants and at the same time the study reveals that, consolidated fund is the principal revenue of the council. During the last 5yrs (2009-10 to 2013-14) the average contribution of consolidated fund towards the total revenue receipt of the council was Rs.6570.07lakhs or 88.58 percent with CAGR of 0.10 percent whereas other grants contributes only Rs. 762.24lakhs or 10.42percent but it

has the highest CAGR of 0.77 percent. This also reveals that the other grants growth was the highest among the various sources of Revenue receipt.

3. In spite of rises in the total revenue receipt in the first 4yrs of the last 5years data analysed the council's performance still remains low. Moreover, the decreased in total revenue receipt (2013-14) will even makes the performance of the council lower as the hypothesis stated that rise in the fund will increase the efficiency in the performance and lesser fund will lower the efficiency in the performance of the council. The study also reveals that the fall in the council revenue receipt is the effect of fall in the other grants funds of the council. Further, the other grants funds fluctuated rapidly during the last 5yrs which show the instability or uncertainty of Other Grants.
4. The study reveals that, even though the consolidated fund (principal revenue) of the council rises annually throughout the last 5yrs, but the level of council's reliability on the consolidated fund decreases gradually year after year – its contribution to the total revenue receipt decreases annually. In 2009-10 consolidated fund contribution to the total revenue receipt of the council was 97.04 percent and gradual falls year after year and it was only 86.74 percent in 2013-14. On the other hand the study also reveals that to some extent, it was because of significant improvement on the council's own revenue collection and other grants – both has the higher CAGR than CARG of the consolidated fund.
5. Councils' Own revenue collection rely mostly on taxes on Income & Expenditure , moreover the study also reveals that the council collects most of the revenue from service sectors as the collection of taxes on income &

expenditure was mostly professional taxes. Further it has a stable growth along with the Other General Economic Services. Revenue collection from forest also contributes huge amount (second highest) toward the own revenue collection of the council, but there exist uncertainty and instability as the revenue collection from forest decreases rapidly till 2011-12 but continuously decreased thereafter. Whereas revenue collection from Land Revenue, Taxes on Vehicles, Public Works, and Other Administration are meagre sum to rely on and revenue collection from education stops since 2010-11. Meantime, the study also reveals that the council also has not yet claimed the Value Added Tax (VAT) which was entrusted to the Council since 2012(*highlighted in entrustment of power and function to the Council highlighted in Chapter 3*). For the said the State Government has collected Rs. 85.82lakhs in 2013-14 within the District (*Statistical handbook, Mizoram 2014*).

6. The study also reveals that cent percent of the own revenue collection is allocated in non-plan whereas in almost all the annual plan other grants received are for plan fund except in 201-11 and 2011-12 where meagre sum for non-plan fund is also received. But in case of consolidated fund as it is the principal revenue, during the last 5yrs the fund received was for both Plan and non-plan whereas it is higher for the non-plan fund.
7. During the last 5years (2009-10 to 2013-14) the council major spending was on social services – an average of Rs. 3733.76lakhs which is 51 percent of the total expenditure of the council. But on the other hand since lesser expenditure is incurred on general services and economic services, so both have the higher CAGR than social services CAGR – Social services CAGR was 0.13 whereas General services and Economic Services CAGR was 0.14 each. Further the

expenditure incurred on development and non-development has the same CAGR of 0.13 whereas the council incurred more on development expenditure than non-development expenditure which also reveals that the council is exercising more on new schemes.

8. Among the subjects of departments under the Social services the council is giving high priority on Education – 48.04 percent of the total spending of the council is incurred on educational activities. But unfortunately the council has neglected social welfare of the region – the distributed fund for social welfare is lesser than the allocated fund. Apart from social welfare the council's spending is exactly the same as being allocated fund.
9. On the contrary, though the council gives high priority for educational activities, the district status on literacy rate is below the average of the State literacy rate - Saiha District literacy rate is 90.01 percent whereas the State literacy rate is 91.33 percent. This shows that the council with expending huge fund on education, its performance is still poor or low. The study also reveals that this can be caused by insufficient fund which lets the councils not able to perform some of the tasks assigned in this concerned (Primary Data) though spending is high.
10. Among the various heads of economic services the council is more responsive toward forest & environment and transport – the spending on both was higher than the allocated fund, moreover it was only on forest & environment that the council spends more than 5 percent of the total revenue expenditure. Meantime for the other heads the spending was as allocated, further none of the other heads crosses 5 percent of the total revenue expenditure of the council.

11. During the last 5 years (2010-11 to 2014-15) the average IMR of Saiha District was 78.8 which was extremely high (more than double) compared to the State IMR of 31.8. This clearly shows poor health care facilities. This also indicates poor social development or indicates low performance of the council.
12. While the State has a population growth rate of 23 percent, unfortunately the district has a negative growth rate of -7.34 percent. This also shows poor economic development as well as social development and on the other hand it indicates poor performance of the council because if the Socio-economic condition of the region is well then it will attract the outsiders as well as migration will be lesser and the growth of population will be better than the highlighted growth rate. In the meantime though development of the region is one factor for the negative growth of population but there can also be some external factors as status is too vulnerable for only one factor.
13. The council will experience heavier lack of fund or resource with more tasks assignment (increasing the power and functions) if reasonable fund is not provided. Because the fund devolution or the consolidated fund of the council does not increase proportionately along with the enlargement of the tasks assign to the council - more than one third of subjects of departments was added to the council in 2012 (*power entrustment, Chapter 3*) whereas the council's consolidated fund (which is the principal revenue receipt) does not increased with same proportion or the fund increases in the normal rate as usual (before additional tasks assigned). Moreover since this happens the council will experience more hindrance in performing all the task assign to the council.

14. Out of the response received from 19 Departments Heads, only 37 percent informed that the department has perform all the task assigned to them whereas the remaining 63 percent informed that they did not perform all the power and functions entrusted to them. This also shows that in the council majority departments lacks or is inefficient in performing all the power and functions entrusted to them. This is also one of the key reasons for poor performance of the council.
15. Out of the response received from 19 Departments Heads, only 26 percent informed that the department was well equipped to perform the task assigned to them whereas 74 percent informed that they were not well equipped to function all tasks assigned to the council. This shows low capital formation or inadequacy in performing the entire task assigned to the Council. Thus, this also signifies or indicates inefficiency in the performance of the council.
16. Out of the response received from 19 Departments Heads, only 26 percent informed that fund allocated was sufficient enough for the department whereas 74 percent states that the fund allocated to the council was not sufficient. This shows that majority departments lack financial support to exercise the tasks assigned which indicates lack of fiscal devolution. On the other hand, lack of fund is also one of the major causes why the council's performance is poor. Moreover as the council rely on grants from the State consolidated fund, it also indicates low level of fiscal devolution.
17. Based on population as a parameter, during the last 5 years (2009-10 to 2013-14) the consolidated fund devolved (Receipt and Expenditure) to the council is less than 50 percent except in 2010-11 during which the fund devolved against Revenue receipt was 59.66 and the average devolvement during the last 5yrs

(2009-10 to 2013-14) against revenue receipt was 45.11 percent and 38.95 percent against the expenditure. This show that out of 100 percent fund which can be devolved to the council merely or not even 50 percent has been devolved to the council based on population as a paradigm. This signifies lack of fund devolvement to the Council which in turn indicates lack of fiscal autonomy of the council as the council rely on consolidated fund.

18. Based on ADCs share proportion as a parameter, during the last 5 years (2009-10 to 2013-14) the average fund devolved to the council was only 27.95 percent against revenue receipt and it was 24 percent against the expenditure of the council. Through this measurement, even lesser level of fund devolvement is experience – worse than based on population. It also indicates lack of fiscal autonomy of the council in fund devolution.
19. In both the parameter (based on population and ADCs sharing ratio) the devolved fund against receipt is higher than the devolved fund against expenditure during the last 5years which again also reveals that even if the increment in State consolidated fund was granted there is no increment given to the council. In simple word, the council has lesser fiscal autonomy toward expenditure than revenue receipt in case of devolution of consolidated fund. On the other hand, this can be partly because the council's revenue deficit of the current year was accounted in the subsequent year as stated in the limitation of the study in chapter one.
20. Noticeably the level of devolution of the consolidated fund has decreased during the last 5yrs (2009-10 to 2013-14) – in 2009-10 average level of devolution was 38.81 percent but fall to 37.45 (based on population paradigm) and 24.04 percent in 2009-10 which falls to 23.19 in 2013-14 (Based on

Shared proportion of ADC). This reveals that even though in today's world most of the economist favour decentralisation as well as fiscal devolution to lower level of government to gear up development the region but the State does not favour fiscal devolution. On the contrary, the State government is one of the backward States depending largely on the central fund for its revenue resource (Consolidated fund). Therefore the State also might be facing hindrance in devolving abundant funds to the council while fund is insufficient for the State itself.

21. Using Pearson's correlation coefficient, council's revenue receipt and expenditure as variables to indicate fiscal autonomy and council's Receipt on general services, social services and economic services as variables to indicate the performance of the council was tested. The tested indicators shows high positive correlation as the correlation coefficient for all the tested variables is between 0.75 -1. Therefore, it reveals that there exist a correlation between fiscal autonomy and performance of the council. Moreover it also signifies that the high and low level of fiscal autonomy will lead to higher and lower performance of the council respectively.
22. Since, the measurement and evaluation indicates lack and poor fiscal autonomy and performance of the council respectively and moreover the correlation test shows highly positive relation between fiscal autonomy and performance of the council, the hypothesis holds true that, 'Lack of fiscal autonomy acts as an impediment to the efficient performance of the council'.

SUGGESTIONS

As managing the fiscal policy is one of the important responsibilities of any Government. Therefore finances and performances of the council is one of the important aspects as it is a driving force and also the council's effectiveness toward social and economic as well as normal administration for the region depends on it. In General the study suggests that even though the council has poor performance as stated in the finding, the key or major causes for the poor or inefficient performance is lack of fund. Therefore more funds is needed to be devolved to the council and at the same time the council has to mobilised the devolved fund at the optimal level in order to enhance its capacities to incurred expenditure for various development as well as non-developmental activities and attain maximum output or perform the tasks assign most effectively. More detail suggestions based on the various fings are as highlighted in the points below.

Revenue Collection

1. Thought the council's own revenue growth rate (CAGR) is high compared to the GIA, but its contribution toward the council's revenue receipt is a meagre sum. Therefore the council needs to take more initiatives in collecting revenues - revenue collection as one of the most important priorities of the council in administering the area because to develop a region one needs to be adequate for their needs. Prior to the said, the council can still broaden its revenue collection by claiming VAT; collecting more taxes and revenues by exploring new taxable resources from the powers and function entrusted to the council within their own region. Moreover the council also can increase its revenue collection by revising the rates of taxes, fees, fines etc.

2. Since the council or the region is a backward of the backward regions of the State as well as it is a semi-government (council), it cannot provide sufficient fund by itself. Moreover, in enlarging the power and functions to certain extends it lies in the hand of the State as it needs the approval of Governor as well as the State Legislative Assembly. Especially for fund devolvment (consolidated fund), the fund devolve is from the State Consolidated fund. Therefore, firstly it is the responsibility of the State Government to ensured adequate or sufficient funds is provided for the tasks assigned or entrusted to the council. However at present situation from the study the council is insufficient in resources (fund), so the State has to increase fund or increase the level of devolution of consolidated fund and also increased Other Grants funds to the Council. Especially consolidated fund as it is the principal resource (fund) for the council. Further, it is also important that higher priority or special consideration must be given to the council in devolution of consolidated fund as it is one of the most backward regions of the State. Likewise the central government also provided higher rate of consolidated fund for the State as it is special category States (backward States). The State consolidated fund granted to Mizoram is higher compared to Other Indian States (General States), because it is a special or backward State and rely on the Central fund for the revenue receipt.
3. In both, based on population and based on share proportion of ADC the level of fiscal devolution of the consolidated fund from state consolidated against receipt was lesser than the measurement against its expenditure. This can be partly because the council's revenue deficit of the current year was accounted in the subsequent year as stated in the limitation of the study. Therefore it is

necessary that the council should also have the revenue deficit accounted in the current year when deficit occurred. Otherwise, if the deficit is accounted as stated in the limitation of the study, the deficit amount will add up year after year and without notice and unexpectedly bankruptcy or financial crisis can occur after certain period of time. At the same time the deficit attainable must be limited as the recommendation made by the finance commission.

4. In case of Other Grants, as the councils fund is meagre sum compared to the State so fluctuation which does not affect much on the aggregate revenue of the State can cause hindrance for the Council (finding 3). Therefore as the stated since fluctuation is more sensitive in the council, stable Other Grants funds is needed for the council.

Revenue Expenditure

1. One of the reasons for the formation of Autonomous Councils under the Sixth Schedule is to develop their own region. Therefore, though it is necessary for the council to enlarged or extend its administration or power and functions, but at first it is more important that the Council has sufficient fund to incurred more expenditure for the present limited power and functions entrusted so that it can have an optimum utilisation or sufficient funds and attained maximum output than enlarging the tasks with heavy burden of insufficient fund for investment or to perform numerous tasks (additional tasks assigned) and have low output.
2. Social and economic growth has to go hand in hand if one wants to attain a balance sustainable growth and development of the region. At the present situation, while the council has spend more than 50 percent of its total revenue on social services and only 19 percent has been spend on economic services.

Thus, it is also suggested that the council also should distribute higher or incurred higher growth of spending on economic services, but at the same time more fund also should be distributed or spend on social services because even with 50 percent spending of the total revenue of in social development, the status of the region is still low or lacks behind (does not attained even the State average status).

3. It is known that the council has been giving prior importance to Education and Environment & Forest among the other subjects of departments in social services and economic services respectively or even as a whole – the spending were much higher compare to the other subjects of departments of their respective services. However the council cannot attain the average of the State's status on Socio-economic development indicators. Therefore more expenditure needs to be incurred on the above stated activities as well as huge or higher fund is also needed to be incurred in the other lower subjects of departments too because the council's performance is low even in the high prior subjects of department, therefore it is obvious that performance will be poorer in lower investment subjects of departments. In simple words to fulfil the needed development for social and economic services huge amount of spending needs to be incurred.

Social and Economic Performance

Suppose even if the council is sufficient in its revenue income and outgo it is not enough because what matters most is that how well the fund is utilized or maximum output is attained for the social and economic development of the region as well as its own administration. It is also known that the council lacks fund, but

keeping that aside the suggestion regards to the social and economic performance of the Council is as highlighted below.

1. The effect of lack of fund has let the council not able to perform all the power and functions in most of departments therefore to perform all the power and functions and have optimum output, the employees from top to bottom level needs to be well efficient to implement the all the activities assign. For which each employees has to upgrade and trained their skills from time to time to attained more and cope up with the new technology.
2. From the performance appraisal through primary data collected, the council cannot accomplished all the necessary equipments (labour, machineries, infrastructure, technology etc.) needed for efficient performance. Therefore, it must be one of the priorities for the council to attain all the equipments needed to administer the council regarding social and economic development as well as normal administration.
3. The social and economic development indicators which have been evaluated shows poor status of the district in IMR, Population Growth as well as literacy rate which are some of the most important aspect in measuring development or performance of the council. Therefore apart from other activities it is the responsibility of the council to maintain adequate health care related tasks assigned to the council such as public health sanitation, good drainage and sewerage, good water supply etc (*entrustment of power, chapter 3*). If the said are fulfil the environment of the region will be healthier and which can have impacts on lowering the IMR and in fact it will also have positive impacts on population growth. Moreover the council also needs to developed and implement more of schemes regards to industries, agriculture and allied

activities so that the region can be more commercialised and have adequate surrounding for business be provided employment and will also attract more of population and in turn will increase the population growth. Protecting the environment & forest from pollution & deforestation (shifting cultivation) and other externalities is also very important. In meantime till now large number of farmers still lived on jhuming which is one of the hazardous environmental pollution when forest is burn. Therefore it needs to be stopped or the council needs to provided or assist those farmers for alternate ways of farming or occupation. This will also give the region a better and healthier surrounding of the region.

4. Apart from lack of fund, there can be many reasons why the literacy rate of the district is lower than the State average. Therefore the council has to take more initiative in different spheres to increase the literacy rate. Motivating the children and their parents about the importance of education until every single person is keen and has the eagerness to attain education and at the same time provide good educational system. Moreover teachers and staffs also needs to upgrade and train their skills from time to time and also motivate so that they can exercise their works enthusiastically and utilised their skills more efficiently and effectively. Further the infrastructures and equipments of educational institution should adequate as well as save and sound for the pupils and teachers. These are some of the important spheres that the council needs to work on it to improve or increase the literacy rate of the region.

Fund Devolution

As the Council relies much on the consolidated fund for administering the various power and functions entrusted. Suggestion in general regards to fund

devolution is that, it is important that a reasonable or more accountable fund has to be devolved. The highlighted points are the suggestions regards to the fund devolvement from various findings.

1. Based on ADCs share ratio the measured, devolution of consolidated fund is very low -the State Government stated 25 percent of the fund had been granted to the three ADCs for administering 18 subjects of departments, but still the level of devolution measurement shows that the statement has low accountability with the real fund devolved to the council (average of 5yrs fund devolved was less than 30 percent). Therefore according to the baseline used, it is high responsibility of the State Government to be more accountable by increasing the fund devolved or reasonable funds (sufficient fund) should be devolved to the council as stated. Moreover, based on population as a paradigm, the measurement of fund devolved during the last 5 year from 2009-10 to 2013-14 was lesser than 46 percent in an average.
2. On the other hand, GOM stated that 25 percent of the fund was given to the three ADCs for administering 18 subjects of departments in 2006 and using the same statement while during the studied years (2009-10 to 2013-14) the subjects of departments entrusted is higher – since 2012, 30 subjects of departments are assigned to the Council. But noticeable the fund devolved does not improved along with the enlargement of power and functions to the council. Therefore it is suggested that the devolved fund must increase in proportion to the enlargement of tasks assign to council. At present this is not maintain- as approximately one third of the subjects of departments were the additional or added to the council for administering in 2012 but the growth of fund devolution remain unchanged – more or less the same.

3. On a contrary, it may be better if the Central Government specified the amount of share to be devolved to the ADCs while preparing or transferring the State's consolidated fund to the State because the State itself is a special category State (backward) - State Consolidated fund granted to the special category States is higher than the general States of India. Moreover even with higher percent of State consolidated fund received, the total receipt of the State (Mizoram) is still inefficient to incurred expenditure or the State has high deficit rate (interpret from Statistical handbook of Mizoram, 2014). Therefore it might be difficult or the State Government does not favour to transfer more of funds to the ADC's while the State has financial hindrance. At the same time, it might be also better that if the fund (consolidated fund) is transferred directly (direct funding) or specified percent share of ADCs is estimated or budgeted by the Central Government as demanded by the ADCs (see Chapter 1). As it will be difficult for the State to give priority and give more funds to other backward (ADCs) autonomous institution or semi-government while it cannot sustain its own.

5.3 CONCLUSION:

The overall conclusion of finances and performance of the council is lack fiscal autonomy which leads to insufficient fund; insufficient fund, inefficient in allocation of resources, lack in resources, low level of investment and capital formation which had adversely affect the level of output in different lines of social and economic activities. So summing up the hypothesis holds true that is, lack of fiscal autonomy act as an impediment to the efficient performance of the council. Moreover this circulation can be plunge along with the vicious circle of poverty - as

long as the council lacks in resources, the performance of the councils will be low and this will circulate again and again if the barriers to Social and Economic developments are not break off from the circulation.

Thus, more funds (reasonable fund) should be granted to the council i.e at reasonable and more accountable fund should be devolved so that the council can perform to the tasks assigned adequately. Through this the council can performed better in political, social and economic development of the region as well as the normal administration. This can also be plunge with the theories of economic developments to overcome vicious circle of poverty such as Critical minimum effort thesis; Big Push theory – in general which states that, reasonable or huge investment (funds) needed to incur to developed a country and lead one out of the vicious circle of poverty or break off the barrier in economic development. Therefore, if adequate fund has been given to the council, there will be a pace of progress, output of the region will be higher and gradually the region can also be out of vicious circle of poverty. Moreover this will free the council from the obstacle which keeps the council in poor or inefficient to perform the empowered tasks assigned.

Appendix I

Questionnaire

Name of the Person: _____

Designation: _____

Department: _____

Notes: Name and designation of the correspondent will be kept confidential.

Signature of the Correspondent

1. Did the department performed all the power and functions being entrusted?

a. Yes

b. No

Remarks _____

2. Is the department well equipped to perform the task being assigned?

a. Yes

b. No

Remarks _____

3. Is the fund allocated to the department well sufficient for the tasks assigned?

a. Yes

b. No

Remarks _____

Name and Signature of the Research Scholar

Appendix II

Response to the Questionnaire

Particular	Yes		No		Total	
	Nos.	%	Nos.	%	Nos.	
Did the department perform all the power and functions being entrusted?	7	36.84	12	63.16	19	100
Is the department well equipped to perform all the power and functions assigned?	5	26.32	14	73.68	19	100
Is the fund allocated to the department well sufficient?	5	26.32	14	73.68	19	100

Appendix III

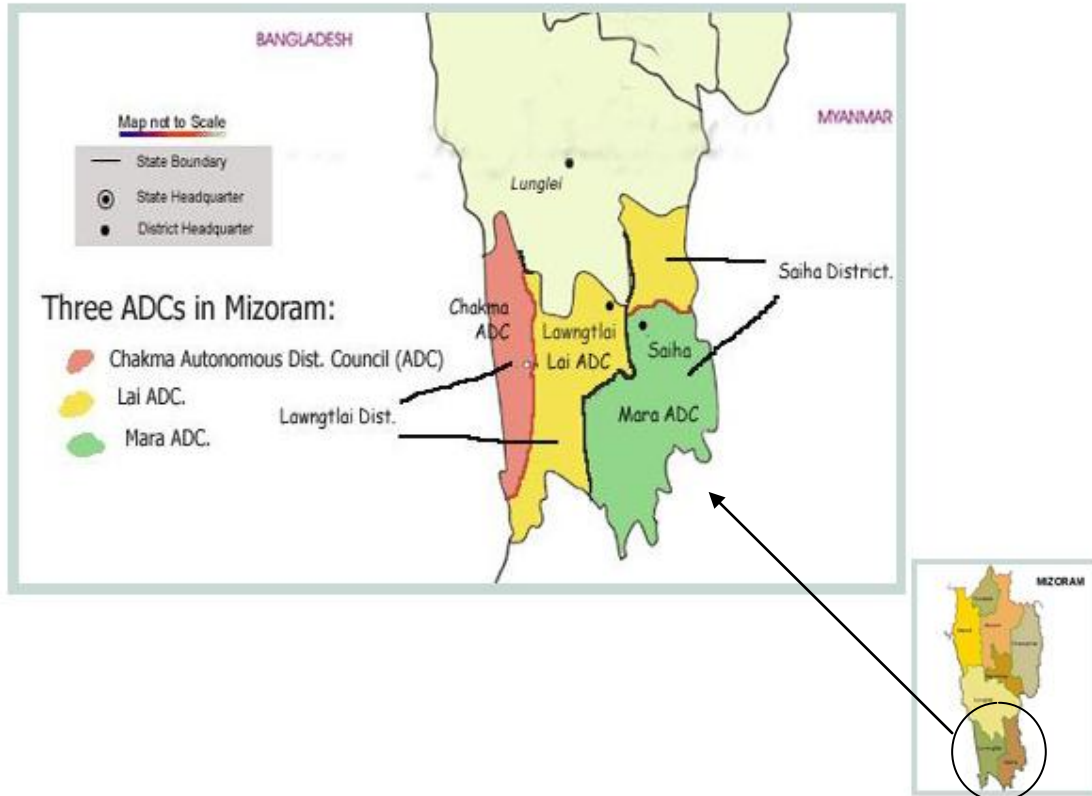
Map of North-East India



Appendix IV

Map of Autonomous District Councils area of Mizoram

Autonomous District Councils in Mizoram



Appendix V

MAP OF MARA AUTONOMOUS DISTRICT COUNCIL (Not to Scale)



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