

CHAPTER - 4

METHODOLOGY

Information through Questionnaire

1.4.1. Being the first Commission, the SFC evolved its own Procedures and Methodology. As a first step, the Commission collected data through computer compatible and user friendly formats or questionnaires to facilitate processing through appropriate application of software with the aid of computers. These questionnaires were exhaustive, seeking information in great detail on the resources and expenditure of the rural local bodies for a period of five years and that of the urban local bodies for a period of three years ending 31.3.94. This included service levels, infrastructure maintenance, staff pattern, resource mobilisation, liabilities undischarged and suggestions from the Local Bodies for improvements. They were field tested in Tirunelveli, Chidambaranar, Madurai, Pasumpon Muthuramlinga Thevar and Chengalpattu Districts. Expert comments from Tvl. S.Guhan, Fellow Emeritus, MIDS, Madras and Dr. D.N.Basu of Planning Commission, New Delhi, and from other state level officers, were obtained before adoption by the State Finance Commission.

1.4.2. The printed questionnaires were despatched to the various local bodies as follows with guidelines in Tamil to fill them up.

		Numbers
1.	Village Panchayats	12,584
2.	Panchayat Unions	384
3.	District Panchayats	28
4.	Town Panchayats	635
5.	Municipalities	104
6.	Municipal Corporations	6

1.4.3. In addition, the officers of the State Finance Commission were deputed to all the districts to conduct detailed instruction classes to the concerned at the District level. After filling up of the questionnaires by the Local Bodies, a super check was conducted by the Assistant Directors of Town Panchayats, Regional Directors of Municipal Administration and Divisional Development Officers and Personal Assistants (PD) to Collectors of the districts concerned with regard to institutions under their control. The staff of the State Finance Commission conducted a random check of the filled-in questionnaires before they could be despatched back to the Commission, to ensure accuracy. Simultaneously, a separate set of questionnaires were sent to the Tahsildars

and District Collectors for obtaining the details of the demand and collection of land revenue, local cess, local cess surcharge, adjustment of local cess and local cess surcharge, waiver of land revenue, compensation, if any, paid to local bodies etc.

1.4.4. About 25,000 copies of various types of questionnaires intended for VIPs, Experts, NGOs and Public were also sent to the District Collectors/Local Bodies for distribution to the public, VIPs, Experts, NGOs and other eminent persons to elicit their views and suggestions for revamping the local body system. While the availability of the questionnaires intended for the public was published in the local dailies for response by those interested, the questionnaires pertaining to VIPs, experts and NGOs were either posted or sent through special messengers along with a comprehensive brochure for their remarks.

In-depth Studies

1.4.5. The State Finance Commission, Tamil Nadu conducted a study of tax-payers and beneficiaries of Local Bodies by approaching them through NGOs, by means of an In-depth sample study. This is mainly due to the fact that the information sought earlier through the questionnaires was from the officials, scholars and other eminent persons and not from the common people. In consultation with Dr.Raja J.Chelliah, an eminent economist, Dr.Palanidurai, Full-time Member, State Planning Commission, Chennai and Dr.Shankar, Director, Madras School of Economics, eight Districts were identified in which ten Municipalities, twenty five Town Panchayats and twenty five Panchayat Unions as detailed in Appendix No.3 were selected for sample study. The following are the parameters adopted for selection of Districts:-

1. Urban concentration and industrialization
2. Agricultural prosperity
3. Dry Districts
4. Trading/Commercial Activities
5. Hilly areas.

1.4.6. The work of conducting the indepth study was entrusted to the District Collectors by utilizing the services of the (1) Madras School of Social Work, (2) Assistant Director of Statistics Coimbatore and Dharmapuri, (3) Rural Development Organisation, Nilgiris, (4) Bharathidasan University, Department of Economics, Tiruchi, (5) Alagappa University, Karaikudi, (6) Nehru Yuva Kendra, Nagai Quaid-e-Milleth District an (7) YMCA Marthandam, Kanyakumari. The above agencies were invited for one day training programme at the State Finance Commission office, and were given a specially designed questionnaire suitable to the various tiers of local bodies, prepared with the help of the Madras School of Economics. The Government had also made a liberal sanction to take care of the expenses incurred by the agencies towards the conduct of these studies. About 2500 samples (or households) were taken up for study giving weightage to occupational patterns, like agriculture, land ownership, self-employed tax payers and non-tax payers as detailed below:-

1.	For 25 Panchayat Unions (4 Village Panchayats with 10 samples each)	-	1000 samples
2.	For 25 Town Panchayats (20 samples each)	-	500 samples
3.	For 10 Municipalities (50 samples each)	-	500 samples
4.	For 3 Corporations (Madras 300 and other 2 @ 100 each)	-	500 Samples
Total in 8 Districts		=	2500 Samples

The study was carried out by the agencies through questionnaire and by eliciting views by interviewing the local people.

1.4.7. The work of these agencies was reviewed by the Tamil Nadu State Finance Commission from time to time till its completion on 21.3.96.

Data Entry and Tabulation Scheme:

1.4.8. The filled in questionnaires, containing the data and views expressed by the Local Bodies, General Public, VIPs, NGOs, Tax payers and beneficiaries under in-depth study were received at the Tamil Nadu State Finance Commission office, sorted out and indexed with necessary code numbers to identify their respective levels. They were then sent to the Government Data Centre, Madras for computerisation and storage provided thereat. The Government in G.O. Rt. No.768, Finance (Resources) Department, dated 8.11.95 sanctioned a special honorarium for each of the Data Entry operators at Government Data Centre, Madras to attend to the input data entry work of the replies furnished in the questionnaires, considering the volume of data involved. However due to preoccupation in other items of work in the Government Data Centre, Madras, the data entry work for the village panchayats relating to 19 Districts was done through a private agency after obtaining necessary government permission.

1.4.9. The interpretation of data and correlation of various parameters were entrusted to Madras School of Economics headed by Dr.Raja J.Chelliah; Government in G.O.Rt. No.694, Finance (Resources) Department, Dated 27.9.95, sanctioned the funds needed and the entrustment of the work to them. The suitable format for the in-depth study in Districts and tabulation formats for the outputs needed for interpretation of data, were also designed by the Madras School of Economics.

The draft tabulation scheme was prepared by select officers and adopted by the Commission after scrutiny by a special team consisting of experts. The details of the officers and special team involved are given in Appendix No. 4.

1.4.10. The tabulation schemes were adopted on the dates indicated below:-

1.	28.09.95	-	The rural sector
2.	09.10.95	-	The urban sector
3.	12.10.95	-	The VIP, Public and other NGOs questionnaires.

1.4.11. The tabulation schemes were then handed over to the Government Data Centre, Chennai for report generation for interpretation and analysis. They were subsequently retrieved and handed over to State Finance Commission and Madras School of Economics. These outputs formed the basis for the various findings of the SFC.

Constitution of the Task Forces:

1.4.12. To enable the State Finance Commission to have an integrated approach, detailed studies on the resource generation, normative level of service and cost involvement thereon and the delivery mechanism needed to absorb the additional responsibilities involved, were done on the following:-

1. Maintenance of the existing obligatory Core Civic functions/services
2. Standard norms for minimum level of services.
3. Normative level for O&M of existing services and also for additional investments.
4. Augmentation of Resources
5. A good delivery system, organised structure with adequate powers.

1.4.13. Special studies were therefore undertaken to work out the norms for Core Civic services, augmentation of resources and evolving of equitable distribution system, organisation of the entire structure of the local body along with adequate powers and procedures, accountability etc. Three specialised agencies were appointed as below for constituting the Task Forces with the approval of the Government:-

Name of the Task Force and Subject dealt with -

- | | | |
|----|--|---|
| 1. | Anna Institute of Management, Chennai | Organization and Powers of Local Bodies |
| 2. | M/s Kirlosker Consultants Limited, Chennai | Norms for core civic service and their O&M, Cost involvement and projection of the needs for five years and possible areas of privatisation. |
| 3. | Institute for Financial Management and Research, Chennai | Augmentation of Tax and non - tax Resources, projection of resource generation for five years evolving principles for equitable distribution to local bodies. |

1.4.14. The members of the Task Forces were constantly in touch with the officials of the Tamil Nadu State Finance Commission and took part in most of the meetings, conferences, etc. organised by it. They had access to all the data retrieved from the various questionnaires floated by this Commission. The status reports furnished by these Task Forces were reviewed by the Tamil Nadu State Finance Commission from time to time and in areas where expert advice was required the Heads of Departments/representatives of the respective Corporations, Boards and institutions were called to meet and interact with the members of the Task Force in the presence of the State Finance Commission officials. The final reports of these three Task Forces were received and reviewed by the SFC and the salient features of such of their recommendations that were acceptable to the SFC were absorbed and incorporated in the report of the Tamil Nadu State Finance Commission.

Visits to other States/Institutions:

1.4.15. The Government in G.O.Ms.No.73, Finance (Resources) Department, dated 1.2.1995 permitted the members of the Tamil Nadu State Finance Commission to undertake tours within and outside the State of Tamil Nadu. The members and select officers of the Tamil Nadu State Finance Commission therefore made selective tours in and out of Tamil Nadu State as a team and also individually, to interact with various officials/executives of the Local Body institutions, and members/officers of those State Finance Commissions. The areas covered by the team/part thereof outside the State of Tamil Nadu were as follows:

1. Karnataka,
2. Andhra Pradesh
3. Kerala
4. Maharashtra
5. West Bengal
6. Orissa
7. Delhi

1.4.16. The State Finance Commission's team from Tamil Nadu were met by their counterparts in the above mentioned States. They had organised meetings, conferences and visits and enlightened the Tamil Nadu State Finance Commission's team on the various issues pertaining to democratic decentralisation in their States.

1.4.17. The Tamil Nadu State Finance Commission was greatly enriched by these visits, by gaining an insight into the functioning of Local Bodies in other States. The experiences gained through these visits have also been recorded in this report.

Participation in National Level Forums:

1.4.18. Chairman and Member Secretary, State Finance Commission participated in the National level meetings of SFCs organised by Planning Commission in New Delhi on 28.10.94 and 29.10.94 and also the National level Workshops held at Hyderabad on March 19 -1995 and at Mussourie on 3.7.95. The Chairman Thiru R.Arumugham, I.A.S., and the Member Secretary Thiru Rameshram Mishra, I.A.S., of the Tamil Nadu State Finance Commission also had the privilege of being co-opted as members in two of the Working Groups that presented their final recommendations during the fourth National Workshop at New Delhi on the 3rd and 4th November 1995. The above working groups (5 nos.) were actually the off-shoot of the decision taken during the third National workshop held at Mussourie on 3.7.1995 to study the following aspects:

1. Local Finance data base
2. Functional domain of Local Bodies with reference to plan and non-plan activities.
3. Expenditure norms
4. Augmentation of resources
5. Transfers to Local Bodies

1.4.19. Thiru Rameshram Mishra, I.A.S., Member Secretary, State Finance Commission, Tamil Nadu, also took part in the first meeting of the Committee constituted by the Government of India to suggest guidelines and proper mechanism for utilisation of local bodies grant recommended by the Tenth Finance Commission, on 24.6.1996 at New Delhi.

1.4.20. The participation of the senior officers of the Tamil Nadu State Finance Commission in these national forums encouraged the Commission to have similar brain storming sessions with the field officers of the Tamil Nadu Local Body institutions before framing its recommendations.

Conduct of Conferences and Seminars:

1.4.21 . The local body institutions in Tamil Nadu are covered by three prominent Heads of Departments viz. Director of Municipal Administration, Director of Rural Development and Director of Town Panchayats, Chennai. With the advent of the new Constitutional amendments (73rd and 74th Amendments) the efficiency of the staff working in these departments has to be toned up to make the local self Governments in Tamil Nadu as viable and vibrant institutions. It was therefore decided to meet them and to draw from their 'vast store-house of experiences' through discussions, the pros and cons of the various issues, involved in the development of Local Body system in Tamil Nadu as per the constitutional amendments. The Tamil Nadu State Finance Commission invited these three Heads of Departments to conduct conferences and seminars with select representatives from each Local Bodies, not exceeding 100 in number.

1.4.22. The first conference was convened for the Executive Officers of Town Panchayats and was held at the Conference Hall of Panagal Building, Chennai-15 on 15.2.96 and 16.2.96. There were six sessions spread over two days. The details of subjects discussed in each technical session and of Chairpersons, who are senior Government functionaries are indicated in Appendix-8. The final recommendations were compiled and handed over to State Finance Commission in the form of a memorandum by the Commissioner of Town Panchayats, Chennai.

1.4.23. The second conference was organised by the Commissioner of Municipal Administration, Chennai for nearly all the Commissioners of Corporations and Municipalities jointly, at Madras on 26.2.1996 and 27.2.96. There were six sessions in this conference also, spread over the two day period. The details of technical sessions chaired by the various officers are indicated in Appendix No.9. The final recommendations of the above six technical sessions were presented in the form of a memorandum, to the SFC.

National Level Conference:

1.4.24. In order to reap a richer and wider experience through 'meeting of minds' from different parts of the country, the Tamil Nadu State Finance Commission, in collaboration with the M.S.Swaminathan Research Foundation and Madras School of Economics, organised a National Conference on Local Body Finance during 14th and 15th of March 1996 at Chennai. Eminent persons, scholars, experts and Senior Administrators from many of the States, were invited to "promote cross fertilisation of ideas" and ascertain the 'trend of thinking across the country on the Local Body Finance'. In this conference, there were five technical sessions covering two days viz., 14th and 15th March 1996. The guests of honour among others during this function were Dr.Raja J.Chelliah, Chairman, Madras School of Economics and Chairman, National Institute for Public Finances and Policies, New Delhi, Dr.M.S.Swaminathan, Founder Director, M.S.Swaminathan Research Foundation, Thiru V.Karthikeyan, retired Chief Secretary to Government of Tamil Nadu, Thiru N.Haribhaskar, I.A.S., Chief Secretary, Government of Tamil Nadu. The eminent persons who chaired and presented papers in each technical sessions and the list of participants are furnished in Appendix No.10.

1.4.25. The final recommendations of the technical sessions were presented by the concerned Chairpersons during the valedictory function. The views that emerged were printed in a book form along with the papers presented by the participants concerned. The National Conference was really beneficial to the State Finance Commission in gaining new ideas, suggestions for improvement and a vision for developing a successful local body system in Tamil Nadu.

Meetings with the Secretaries to Government:

1.4.26. The Constitution (73rd and 74th Amendment) Act 1992 brought in its wake, certain functions, listed under the 11th/12th schedule of the amendments, to be devolved to the Local Bodies. The State Government have incorporated 29 items under the 4th schedule for rural local bodies and 18 items for urban local bodies under 10th and 11th schedule for devolution.

1.4.27. The devolution of these functions to the local bodies would necessitate amendments to certain acts, rules or executive instructions. In the light of this, extensive meetings were organised with the concerned Secretaries to Government of Tamil Nadu, to enlist their views and also for arriving at decisions on transfer of funds by Tamil Nadu State Finance Commission to the respective Local Bodies. Therefore, the transfer of functions has a vital bearing on the recommendation of SFC .

Dates of the Meetings with Secretaries to Government:

1. 07.12.1995 - Thiru M.Ahmed, IAS, Secretary to Government, Animal Husbandry and Fisheries Department and others.
2. 08.12.1995 - Tmt. C.K. Gariyali, IAS, Secretary to Government, Social Welfare and Nutritious Meal Programme Department and others.
3. 12.12.1995 - Thiru T.R.Srinivasan, IAS, Secretary to Government, Co-operation, Food and Consumer Protection Department and others.
4. 21.12.1995 - Thiru R.Sellamuthu, IAS, Secretary to Government, Handlooms, Handicrafts, Textiles and Khadi Department and others.
5. 22.12.1995 - Tmt. Susan Mathew, IAS, Secretary to Government, Energy Department and others.
6. 28.12.1995 - Thiru R.Poornalingam, IAS, Secretary to Government, Health & Family Welfare Department and others.
7. 03.01.1996 - Thiru Debendranath Sarangi, IAS, Secretary to Government, Housing & Urban Development Department and others.
8. 05.01.1996 - Thiru P.Natesan, IAS, Secretary to Government, Adi-Dravidar and Tribal Welfare Department and others.

9. 09.01.1996 - Thiru H.M. Pande, IAS, Secretary to Government, Labour & Employment Department and others.
10. 10.01.1996 - Thiru P.Baskaradoss, IAS, Secretary to Government, Public Works Department and others.
11. 07.02.1996 - Thiru S.Meikantadevan, IAS Secretary to Government, Revenue Department and others.
12. 07.02.1996 - Thiru N.Athimoolam, IAS, Secretary to Government, Small Industries Department and others.
13. 09.02.1996 - Thiru V.Manivannan, IAS, Secretary to Government, Environment & Forest Department and others.
14. 12.02.1996 - Tmt.Girija Vaidyanathan, IAS, Additional Secretary to Government, Education, Science & Technology Department and others.
15. 20.02.1996 - Thiru R.C.Panda, IAS, Secretary to Government, Agriculture Department and others.
16. 22.02.1996 - Dr. S.Narayan, IAS, Secretary to Government, Rural Development Department and others.

1.4.28. The salient features of the discussion held with these Secretaries to Government of Tamil Nadu were later on communicated to them and they were asked to take follow up meetings with all the Heads of Departments at their level and issue necessary Government orders on the devolution of functions, funds and staff to Local Bodies, for their respective Departments. The Food and Consumer Protection Department alone has issued orders in G.O. Ms. No.84 CF&CP, dated 4.4.1996 till date.

Meetings with Fund raising and Funds utilising Departments:

1.4.29. To explore possibility of raising resources and plugging leakage to verify the unit cost of various prices adopted, the existing service levels and the feasibility of achieving the normative level, the cost implication, SFC held meetings with the following, Fund Raising Departments:

1. Commissioner for Commercial Taxes Department
2. Inspector General of Registration
3. Commissioner of Transport
4. Commissioner for Land Revenue
5. Commissioner of Geology and Mines

6. Chief Engineer, Tamil Nadu Electricity Board
7. Tamil Nadu Water Supply and Drainage Board
8. Chief Engineer, Public Works Department
9. Chief Engineer, Highways and Rural Works
10. Director of Public Health & Family Welfare
11. Madras Metropolitan Development Authority
12. Director of Town and Country Planning

1.4.30. The simplification of procedure, receipt of revenue collected by the Government for the local bodies, its distribution, the standards and norms of service levels, staff, managerial difficulties in implementing schemes, etc. were discussed in great depth during these meetings, along with the three Task Forces constituted for the State Finance Commission .

1.4.31. The Heads of Local Bodies Departments viz. Director of Municipal Administration, Director of Town Panchayats and Director of Rural Development were also requested to present their Memorandum to the Tamil Nadu State Finance Commission with their recommendations for the effective functioning, fund raising and fund utilising methods to be adopted in Local Bodies, for the consideration of the State Finance Commission.

Meetings with Nodal Departments:

1.4.32. In its quest to find measures needed for improvement of the financial position of the Local Bodies and to formulate principles to govern the distribution of the funds receivable from the State Government to the Local Bodies, the Tamil Nadu State Finance Commission also held detailed discussions with the Nodal Departments viz. Finance Department, Rural Development Department and Municipal Administration and Water Supply Department. The Resource Allocation Mechanism (RAM) for the urban and rural local bodies has been designed by the Tamil Nadu State Finance Commission keeping the above discussion in mind.

1.4.33. This (RAM) was discussed in depth with the Secretaries to Government Rural Development and Municipal Administration and Water Supply Departments viz., Dr. S.Narayan, IAS and Ms. Malathi, IAS respectively on two separate dates viz. 18.6.96 and 23.7.96. Their views were elicited and they were requested to give Memoranda to indicate the total requirement of funds needed for the Local Bodies under their control for consideration by the Tamil Nadu State Finance Commission.

1.4.34. The SFC meetings with Secretary to Government, Finance Department were also held in four different spells, viz., on 18.4.96 and 8.10.96 with Thiru P.V.Rajaraman, I.A.S. , and on 29.5.96 and 15.7.96 with Dr.S.Gurumurthi, I.A.S. The fund flow from State to Local Bodies was discussed with them at great length. The Finance Department was also requested to give a memorandum indicating the financial

commitments and constraints of the State Government and the additional amount that could be made available to the local bodies by the Finance Department, for examination by the Tamil Nadu State Finance Commission. Based on the projection of State Finance for the next five years so received, the principles for allocation and distribution of funds from Government to the various tiers of urban/rural local bodies have been evolved by SFC.

Meetings with Service Associations and Pensioners:

1.4.35. It is a well known fact that decision making in the affairs of any local body today has become " a specialised field of Public Administration" as it provokes criticism/ appreciation especially when new situations arise out of changes in legal provisions or development programmes. The process of revamping the financial and social status of the local bodies in Tamil Nadu may lead to a spate of criticisms/appreciations. To overcome this, the Tamil Nadu State Finance Commission organised special meetings at headquarters and at zonal levels with the general public, VIPs, experts, to elicit their views on the Constitutional (73rd and 74th) amendments. The service associations of Municipalities and Town Panchayats also met the Chairman, State Finance Commission and submitted their memoranda on 14.5.96. The retired rural and urban local body staff and officials also met the Tamil Nadu State Finance Commission for a round of discussions and presented their memoranda at Trichy on 1.7.1996. The Chairman, Tamil Nadu State Finance Commission along with a few officials, launched a programme of meeting the representatives of the general public in different District headquarters and received many valuable suggestions and recommendations, through their interaction and the memoranda presented by them. As Gandhiji said " start all economic reasoning from the genuine needs of the public and help the poor to help themselves out of poverty", the Tamil Nadu State Finance Commission was really able to decipher the genuine needs of the people through these sessions and to adopt most of their recommendations in this report, to help them come out of their backwardness and also to rejuvenate the grass root level Institutions.

District Sittings:

1.4.36. District sittings were held in the following districts to elicit the views of ex-local body representatives, ex-legislators, sitting MLAs and MPs, officials and non-government officials as to how the services rendered by the local bodies could be improved, and their resources strengthened and on empowering them on the lines of 73/74th Constitutional Amendments.

27.06.1996	- South Arcot Vallalar District
02.07.1996	- Tiruchirapalli
03.07.1996	- Madurai
09.07.1996	- Ramanathapuram
11.07.1996	- Kamarajar

12.07.1996	-	Chidambaranar
16.07.1996	-	Chengai - M.G.R.(Now Anna and MGR)
17.07.1996	-	Thiruvannamalai Sambuvarayar
24.07.1996	-	Coimbatore
25.07.1996	-	Periyar

1.4.37. Many N.G.Os, scholars, retired officials and general public attended these District sittings along with the sitting MLAs/MPs of that area and had a lively interaction with the State Finance Commission. The Collectors also presented Memoranda reflecting the views of the Local Bodies with reference to their needs and resources.

1.4.38. In the Districts not covered by the Tamil Nadu State Finance Commission as a team, the Member Secretary, State Finance Commission undertook tours and collected the Memoranda after discussions with the District Collectors, Project Officers, District Rural Development Agencies, Regional Directors of Municipal Administration and Assistant Directors of Town Panchayats concerned on the following dates:-

10.7.1996	-	Kanniyakumari
11.7.1997	-	Tirunelveli
17.7.1996	-	Perambalur and Karur
18.7.1996	-	Dindugul
25.7.1996	-	Dharmapuri & Salem

1.4.39. The memoranda so collected from the general public, VIPs, experts, NGOs, MLAs, MPs, ex-MLA, Ex-MPs etc. were grouped according to the District concerned and all the important suggestions, views and recommendations were culled out and taken into consideration, while, framing this Report.

Meetings of State Finance Commission :

1.4.40. The State Finance Commission constituted by this Government in G.O. Ms. No.350, Finance (Resources) Department, dated 23.4.1994 always worked as a team to achieve its goal. The activities and progress of the work done in the Commission were reviewed by the five member team from time to time and policy guidelines laid. The Members of the State Finance Commission met nearly every second month to review the status of the work done so far and to interlock their minds as to the future course of action to be undertaken for establishment of a sound Local Body Finance based on the lines of 73rd and 74th Constitutional Amendment Act. The State Finance Commission had nine sittings as indicated below, and reviewed the progress and discussed on the view points and methodologies to be adopted during each sitting before implementing them.

1.	First Sitting	-	20.10.1994
2.	Second Sitting	-	17.03.1995
3.	Third Sitting	-	14.07.1995
4.	Fourth Sitting	-	12.10.1995
5.	Fifth Sitting	-	23.02.1996
6.	Sixth Sitting	-	31.05.1996
7.	Seventh Sitting	-	27.08.1996
8.	Eighth Sitting	-	27.09.1996
9.	Ninth Sitting	-	11.11.1996 & 12.11.1996

1.4.44. In its final sitting on 12.11.1996 the draft Report of the State Finance Commission was placed and adopted.