

Short communication

Zero Base Budgeting (ZBB) Technique in Panchayati Raj: A Fresh Approach

Abstract: *Zero-Base Budgeting is formally defined as “operating planning and budgeting process which require each department to justify entire budget request in detail and shift to burden of proof to different department to justify when he should spent any money. This procedure require that all activities and operations be identified in decision packages which will evaluate and ranked in order of importance by systematic analysis. ZBB technique can help to the Panchayats in implementing development programmes. It can eliminate the unnecessary activities and avoid the expensive and less important activities. This method concentrates on high priority and most important work first and then according to the priority, the rest activities will be completed. Zero-Base Budgeting constitute a new look to the budget of Panchayat to curb unnecessary and non-productive expenditure. This is the time to give special emphasis to implement Zero-Base Budgeting in village development programme for inclusive growth.*

Keywords: *Zero-Base Budgeting, Panchayat, Inclusive, Decision Package, Balanced development.*

Introduction

Zero Base Budgeting Technique:

Resource planning and allocation have become a major exercise on the part of the government organization and more emphasis being laid on effective use of resources in relation to priority and achievements. As a consequence, to identify and minimize avoidable expenditure thereby making government programme more effective and result oriented. Zero Base Budgeting (ZBB) is being applied by many government departments and organizations. The technique provides a means of continually directing resources in the highest priority programme whether they are existing or newly proposed so that sectoral balanced development may be achieved.

Zero Base Budgeting (ZBB), though in the nascent stage in the country is a management tool for the decision makers enabling them to frame range of options and choose priorities among the allocative programmes in relation to funds availability. The

Systematic step of Zero Base Budgeting (ZBB) is methodical and an easy approach in linking planning, budgeting and review into a single system.

The central theme of Zero Base Budgeting technique is that every schemes, programmes and activities have to start from ground 'Zero' with each year's budget and resources can be allocated on the basis of cost benefit or some similar type of evaluation analytical tool.

Thus, ZBB is an evaluation, appraisal and critical review of the on-going schemes and programmes in such a way that outdated, redundant and low priority schemes and programmes which have outlived their utility are weeded out. By this review process funds are released from unneeded and pet schemes to highest priority schemes and programmes.

Mechanism of ZBB in India:

ZBB approach has been adopted by the department of the Central Government from April, 1, 1987 as one of the steps to control public expenditure. It will be applied to both non-development and development expenditure, in short, ZBB requires:-

- i) Identification and shortening of objectives;
- ii) Selecting the best alternatives through cost benefit and cost effectiveness analysis;
- iii) Investigation of various alternative ways attaining these objectives and targets;
- iv) Priorities of various programmes;
- v) Eliminating those programmes which have outlived their practical utility.

Zero-Base Budgeting is an approach of planning and decision-making which reverses the working process of traditional budgeting. Zero-Base Budgeting starts with zero. In Zero-Base Budgeting every line item of the budget must be approved rather than only changes.

During the review process, no reference is made to the previous level of expenditure. Zero-Base Budgeting requires the budget request be re-evaluated thoroughly starting from the Zero-Base. Thus, it is a method of budgeting in which all expenses must be justified for each new period. Zero-Base Budgeting starts from a "Zero Base" and every function within an organization is analyzed for its needs and costs. Budgets are then built around what is needed for the upcoming period regardless of whether the budget is higher or lower than the previous one.

ZBB Techniques in Govt. Rural Development Programme of Jharkhand:

The following steps should be involved in implementing Zero-Base Budgeting in Government Rural Development Programmes in Jharkhand are:

1. Identification of Decision Units (DU):

The decision unit will be based on the level of responsibility. Normally, Decision Units are identified into different departments. For example, there are different development programmes are going on in rural development programmes of Jharkhand such as Swarna Jayanti Gram Swarozgar Yozna, Jawahar Gram Samridhi Yojana, Indira Awaas Yojana etc, and each development work in under the charge of a responsible person. Each could form a separate decision unit.

2. Preparation of Decision Package (DP):

The decision package is the building block of the Zero-Base Budgeting concept. A number of decision packages make up one decision unit. These are the activities or programmes on which the Development Programme Officer can take decision to carry out or drop. For example, in Swarna Jayanti Gram Swarozgar Yojana, a number of decision packages are to be made - what type of loan should be given to rural people or tribal people. Usually loans are granted without investigation of their nature and behavior. A tribal young and unemployed youth is provided loan for Auto Rickshaw which is not in their nature, they mostly like to work with the nature. This is the main cause of their failure in this field.

Thus each activity should be considered independent and should be measured in terms of cost incurred, target completed and objectives achieved. They should be mutually exclusive in making up the overall workload of a decision unit.

The decision package will contain the following information.

- General and reference information;
- Goals of decision unit;
- Description of the programme and activity;
- Specific measure of performance or targets;
- Benefits expected from performance;
- Consequences of not approving the package;
- Projected or expected costs;
- Activity-Costs and benefit for all alternatives studies including the recommended one.

3. Evaluation of Decision Package:

Evaluation of packages is carried out on the basis of costs, benefit and its feasibility. The measure of importance is the Benefit Cost Ratio (BCR). The alternative in each programme or activity which provides the best BCR is chosen at first. BCR should be more than the minimum level. For example, in self-employed programme in rural areas, young unemployed tribal women are provided sewing machine and involved in making papad and pickles which are not in their nature and behavior. They should rather involve in those activities which suits their nature and behavior. They could do better in animal husbandry, Dairy, Poultry farms & fishing or making forest based Product & Medicine. Thus, evaluation of each decision packages should be analyzed on the basis of costs, benefits and feasibility.

4. Ranking Package in the order of importance:

Each activity should be prepared as an individual decision package and all are brought together and ranked in the order of importance on the basis of BCR. From this list prepared listing all decision package in descending order of BCR. From the list, the DPS are chosen from the top one after another to make up the available quantum of funds. For example, in Jharkhand, most of the villages are situated in hilly areas where drainage has no use. But programme and plan and whole state made all together. Zero-Base Budgeting gives opportunity to rank the different development projects according to need and priorities.

Empowerment of Panchayati Raj:

It has been felt that merely holding elections of Panchayat does not mean decentralization. They need to have sufficient power and resources to work, under decentralization, instead of conceiving Panchayati Raj as an agent of development i.e, of people's power. The earlier concept of grew out of the failure of the community development administrative involving the people in the development process. Now it is expected that people are to be made into efficient instrument of development, instead of viewing development as an instrument of people.

The 73rd Constitutional amendment act 1992, has given autonomy to PRI (Panchayati Raj Institution) within the frame of article 243 (G). PRI's have adequate autonomy to decide their local needs and priorities and design and implement action in their light. They have now reasonable degree of autonomy supported by adequate administrative and financial powers to achieve their objectives.

According to article 243 H of the 73rd Amendment Act 1992, state legislature has been empowered to enact laws:

- i. To authorize a Panchayat to levy, collect and appropriate such taxes, duties, tolls and fees.
- ii. To assign to a Panchayat such taxes, duties, tolls, fees levies of State Government.
- iii. To provide for all kinds of grants-in-aid to the Panchayat from the consolidated fund of the state and

- iv. To provide for constitution of such funds for Panchayat for crediting all money received by or on behalf of Panchayats and also the withdrawal of such money therefrom.

Article 243-I provides for constitution of a State Finance Commission to review financial position of Panchayats and to make recommendation to the Governor regarding principles governing major issues mentioned in Articles 243 H. So the sources of PR system is depended on the proper management of the financial aspect of PRI's. Hence it is necessary to consider this particular aspect in its totality. PRI has got both financial and non-financial powers and it has its own internal and external sources. Optimum utilization of these funds is sine qua non for the success of Panchayati Raj.

ZBB and Panchayati Raj:

As the Panchayati Raj enjoys the empowerment of both procurement and allocation of funds. We consider that allocation of fund is more important than procurement of fund. Flow of funds should optimally be utilized in Panchayats to achieve the balanced growth and ultimately the benefits should reach to the last member of the society. The then finance Minister Sri P. Chidambaram has also emphasized this problem in his present budget and suggest to implement a technique which can make possible to reach to ultimate goal of poor welfare. Our traditional system of budgeting is nothing but to increase or decrease a certain percentage in our previous budget activities. Ministry of Rural Development of India's, stressed that without adequate funds and financial autonomy, PRI's will not be able to function as Institution of Self Government. As the panchayats have given power to decide the welfare activities according to their needs and priorities, each panchayat has its own needs depending upon region, language, religion, geographic structure, culture, social system etc. The need and priority of each panchayat differs with others.

ZBB technique will help the Gram Sabha or the Finance Committee in allocating their funds, ZBB technique of budgeting first come to zero to all activities and according to priority and need the activities of Gram Panchayats maybe identified. Once identification of activities, the next step of ZBB is to find out various alternative methods to achieve the identified activities and the third step of ZBB is to select the best feasible method to reach the activities. The last but not the least is the implementation of that method to achieve the optimal activity and finally to control the activity by comparing with the standards.

This technique of budgeting will eliminate the unnecessary activities and avoid the expensive and less important activities. This method will concentrate on high priority and most important work first and then according to priority the rest activities will be completed. For example - The newly established State Jharkhand is a hilly state and making of drainage for rain water in rural area has less importance than to give drinking water facilities to the villagers. Previously a similar budget for North and South Bihar were announced and implemented which was a use less in hilly areas. So far as each panchayat has their own needs and priorities, budget should be prepared accordingly ZBB technique will certainly help in this regard.

The Model of ZBB Technique for Implementation of Panchayati Raj:

- Step-I :** Define the objectives, mission and key-result areas of Panchayats. Communicate these to all members of Panchayats and general people in the Gram Sabha and other decision units (A decision unit is a programme or organizational entity for which budgets are prepared).
- Step-II:** Let each decision unit list out all their activities. Activities will include programme, schemes etc.
- Step-III:** Identify those activities which have outlived their utility and so can be eliminated.
- Step-IV:** Identify those activities that can be conveniently merged with other activities e.g., Panchayat Bhawan/Community Hall can be used for education, adult education, marriage purposes etc.
- Step-V:** With reference to the need and objectives to be achieved of villages, priorities and rank the activities in decreasing order of priority, this should be done by using the approach of cost, benefit analysis wherever feasible.
- Step-VI:** For each activity, there are alternative methods of achieving this activity. For each alternative method one can prepare a decision package and choose the best decision package i.e., the one which is most cost effective and feasible.
- Step-VII:** For each activity after selecting the most cost effective among a set of mutually exclusive decision packages develop a few decremental decision packages for that activity.
- Step-VIII:** Once again rank of all decision packages will be finally selected in order of decreasing priority.
- Step-IX:** Step II - VIII should be done by each decision unit. The steps should then be repeated at the next higher level in the hierarchy and so on.
- Step-X:** Final ranking of schemes/activities should be done by the expert, depending on the resource constraints there will be a cut-off line, schemes/activities i.e., decision packages, falling below the cut-off line will not be funded.

Conclusion:

Mere empowering the Panchayats in funding and allocation of resources is not be the solution of village development of India. We cannot ignore the domination and exploitation by the higher and affluent classes of the society. Still they dominate in

Panchayats and villages directly or indirectly. In Gram Shabha they are strong enough to sanction their benefited schemes and activities. The poor and deprived class of society is not benefited of the Govt. development Programme & Schemes at Panchayat level.

Zero Base Budgeting technique can help the Panchayats in this regards. To conclude the discussion, Zero Base Budgeting constitute a new look to the budget of Panchayat to curb unnecessary and unproductive expenditure. This is the time to give special emphasis to implement Zero-based Budgeting in panchayati Raj institution and intensive improvement in it to obtain the desired result. And finally the dream of village development may be achieved.

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