

CHAPTER 5

Lakshadweep

Location, area and population

5.1 Lakshadweep is the tiniest Union Territory of India. It is an archipelago comprising eleven inhabited Islands, sixteen uninhabited islands, and a few newly formed sand banks and reefs.

5.2 The inhabited islands are Kavaratti, Agatti, Bangaram, Amini, Kadmat, Kiltan, Chetlat, Bitra, Andrott, Kalpeni and Minicoy. These islands lie about 220 to 440 kilometers away from the coastal city of Kochi in Kerala and are between 8° and 12° Latitude above the equator and 71° and 74° East Longitude. It is a single district Union Territory with an area of 32 Sq.km. It has a very high population density 1894 per sq km (according to the 2001 census). Lakshadweep has total lagoon area of 4,200 Sq km, Large Territorial Waters (about 20000 Sq.Kms) and a huge exclusive economic zone. Table 5A captures all these details. The socio-economic profile of the UT shows that in terms of key indicators like infant mortality rate and literacy level, Lakshadweep has performed better than the national average. It has 1district, 1 district Panchayat and 10 village Panchayats.

TABLE 5-A

Lakshadweep

Area	32 square kms
Capital	Kavaratti
Average Annual Rainfall (2006)	1695.4 mm
No. of Districts	1
Districts Panchayat	1
Village Panchayat	10
No. of Municipality	0
Total Population (2001)	60650
Males	31131
Females	29519
Decennial Growth of Population	17.30%
Population Density	1895 per Sq. km
Sex Ratio	948
Infant Mortality Rate(IMR)	25
Literacy Rate(2001)	87%
Main Workers	11710
Marginal Workers	3644
Non Workers	45296

5.3 This territory was earlier known as "Laccadive Aminidivi and Minicoy group of Islands" was formed into a Union Territory in 1956 and renamed as Lakshadweep in the year 1973. Kavaratti is the headquarter of this territory. Malayalam is spoken in all the islands except Minicoy where people speak Mahl. It has a high literacy rate of 87%. The health parameters are also remarkably better than the national average. The entire indigenous population because of their economic and social backwardness and geographical isolation has been classified as Scheduled Tribes. The islanders are Muslims by religion. Lakshadweep was accorded special status under the administrative arrangements established by the British Raj. Even currently, it retains its unique heritage primarily on account of its strategic location and environmentally sensitive nature.

5.4 The origins of Lakshadweep are shrouded in mystery. However, various travelers' accounts, legends and reports of the inspecting officers of the earlier European colonizers reveal that the first settlement of these islands refers to the period of Cheraman Perumal, King of Kerala. Tippu Sultan of Mysore also seized control of the area and then it came under the British rule.

Administration

5.5 An Administrator appointed by the President of India heads the Union Territory. The Administrator's Secretariat and the District Administration are functioning as compact units under a single file system. Matters relating to the District Administration, law and order are under the purview of the Collector cum Development Commissioner who is also the District Magistrate. Lakshadweep is represented by a member of Parliament in the Lok Sabha. A two tier Panchayati Raj system has been set up in the Union Territory, like in Daman & Diu and in Dadra Nagar Haveli. Before we go into the issue of fiscal decentralization and the finances of local bodies, we need to examine the finances of the UT administration.

TABLE 5-1

Total Budget of U.T. Lakshadweep

(Rs. in Crores)

YEAR	Budget Estimate			Revised Estimate		
	Plan	Non-Plan	Total	Plan	Non-Plan	Total
2002-03	90	189.19	279.19	92.81	185.59	278.4
2003-04	70	193.14	263.14	70	185.66	255.66
2004-05	69.95	186.74	256.69	72	188.81	260.81
2005-06	82.95	190	272.95	82.95	203.5	286.45
2006-07	201.69	217.05	418.74	209	260.5	469.05
2007-08	22.11	265.35	487.46	222.11	298.12	520.23
2008-09	263.68	302.08	565.76	270.58	416.51	687.09
2009-10	296.68	448	744.68	-	-	-

Source: Communication of UT Administration of Lakshadweep to the Finance Commission

5.6 Table 5-1 shows both the budget estimates as well as the revised estimates for the both Plan and Non-Plan budget heads. The Plan expenditure has been increasing at a rapid clip but the Non-Plan expenditure has raced ahead much faster. It would be prudent for the UT administration to rein in the non-plan expenditure before it threatens to spiral out of control.

TABLE 5-2

Components of Revenue Receipts Headwise Details
UT of Lakshadweep

Account Head	(Rs in thousands)						
	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
Total Tax Revenue	10367	10570	10610	10615	13315	14363	27007
Total Non Tax Revenue	165499	176690	205482	182955	227522	352158	281348
Grand Total	175866	187260	216092	193570	240837	366521	308355

Source: Communication of UT Administration of Lakshadweep to the Finance Commission

TABLE 5-3

Balance from Current Revenue (BCR) for Lakshadweep

Details	(Rs in Crores)				
	2002-03	2003-04	2004-05	2005-06	2006-07 B.E
Expenditure	180.62	178.49	182.33	190.00	217.05
Recoveries	32.45	25.33	26.69	24.92	32.00
Net	148.17	153.16	155.64	165.08	185.05
Revenue Receipt	18.10	22.30	21.80	18.84	24.10
BCR (Positive/ Surplus)	-130.07	-130.86	-133.84	-146.24	-160.95
Plan expenditure	88.12	55.84	66.20	82.74	201.69

Source: Communication of UT Administration of Lakshadweep to the Finance Commission

5.7 Table 5-2 shows the collection of tax revenues and non-tax revenues by the Lakshadweep administration. Though the collections have almost doubled in the last years yet it finances only a small fraction of the expenditure of the government. As compared to the total budget of the government both on the Plan and Non-Plan side these collections are very meager. The entire administration is being funded by generous grants from the Central Government as in the case of other UTs.

5.8 From the above Table 5-3 it is observed that this UT has shown a negative BCR during the entire 10th Plan Period. This is mainly due to non imposition of any tax/ duties. No indirect taxation (sales tax, central excise duty, VAT etc.) has so far been introduced in this UT. All essential commodities except fish and coconut are transported from neighboring states. Hence there is no first

sale. The other reason is the high cost of administration and also the lack of infrastructure leading to a spiraling deficit.

5.9 The overall objective of the XIth Plan is to promote a self sustaining economy which can also make vital and strategic contributions to the economic development. While it is recognized that some subsidies must continue because of its isolated geographical location and the ecological fragility of the islands, it should be intended that these subsidies should help generate productivity and promote sustained economic progress.

5.10 The complexities in working out a strategy for this island territory emanate largely from the peculiarities of its social, economic and ecological dimensions. Economic activities are still predominantly in the hands of the government. While private investments in the economic activities are required the role of the government in essential sectors like education, medical and healthcare, water supply and sanitation, besides in transport to provide connectivity are vital. The strategic and ecological sensitive character of Lakshadweep calls for continued involvement of government. The local self government bodies are in a nascent stage and need to be nurtured to play a greater role in the development and growth of the islands.

5.11 These islands are strategically located on the west coast of India. They also provide outposts capable of monitoring international maritime traffic and can also be used for surveillance of the economically important western coast of India. Therefore, quicker access by air and by sea is very essential. Connectivity is the key to the development of this region.

5.12 While Lakshadweep Islands possess a set of helping features, any strategy for their development faces numerous constraints. The constraints include the limited landmass, lack of fresh water sources, and pressure of population. The islands are also vulnerable to natural disasters, isolation and remoteness leading to high cost of transportation of goods and the people and also lack of raw materials for most of the economic activities. However, the biggest handicap is ecological sensitivity and fragility of the islands in the Lakshadweep archipelago.

5.13 As against such limitations, there are supportive factors as well. These are a relatively egalitarian and homogeneous society, high level of awareness among the people. There is no malnutrition and acute poverty, and a strong level of social harmony prevails. Crime and law and order related problems are a rarity and there is strong social solidarity among the people.

5.14 The Lakshadweep government intends that development should preserve the ecology of the islands and also its egalitarian social structure. The economic activities in Lakshadweep depend primarily on the land as well as on the surrounding water bodies the lagoons, coral reefs and the ocean. The landmass is very limited and the soil has unique characteristics. The scope for industrial development is thus severely limited in view of the ecological factor and isolated location. The prospects for economic activities would be to focus mainly on fisheries and tourism. Cottage industries could also play a supporting role.

5.15 Subsidies should be related to productive activities and aim at promoting faster economic development and should taper down after reaching the self sustaining take off stage. Subsidies will however have to continue in transport, power, health, education sectors also for food grains. Subsidies will also be necessary to encourage local entrepreneurs to set up business ventures. The bulk of the Plan expenditure is focused on shipping and air connectivity and along with the power, fishing and tourism.

5.16 Panchayat in Lakshadweep are far closer to the people than those in the rest of the country, primarily owing to the smallness of the area and population. This proximity enhances the levels of the expectation of the people while the smallness makes it difficult to take unpopular decisions. Prior to the introduction of Panchayati Raj in the territory, there existed Citizen Councils in the islands and a Citizen Committee for the entire islands. There was An Administrators Advisory Council represented by members from all islands. The Seventy third Amendment to the Constitution led to the promulgation of Lakshadweep Panchayats Regulation, 1994. Then Village (Dweep) Panchayats in all the 10 inhabited islands with 79 elected members and a District Panchayat for the entire territory with 22 elected members were constituted in December, 1997 and January, 1998 respectively. The present Village (Dweep) Panchayats and District Panchayat are the third such bodies, which were constituted during December 2008 and January 2009.

5.17 The island wise details of total members in the Villages (Dweep) Panchayats and District Panchayat are given in the Table 5-4.

TABLE 5-4

Sl. No.	Island	Total number of members in V (D) Ps	Number of woman members	Total number of members of Dist. Panchayat	Number of women members
1	Agatti	10	4	3	2
2	Amini	10	4	3	1
3	Andrott	11	4	4	-
4	Bitra	3	1	1	-
5	Chetlat	6	2	1	1
6	Kadmat	8	3	2	-
7	Kalpeni	8	3	2	-
8	Kavaratti	11	4	4	2
9	Kiltan	8	3	1	1
10	Minicoy	10	4	4	2
	Total	85	32	25	9

Source: Communication of UT Admin. of Lakshadweep to the Finance Commission

5.18 There is District Panchayat constituted for the entire territory consisting of 22 directly elected members and the Chairpersons of 10 Villages (Dweep) Panchayats. In addition the Member of Parliament representing Lakshadweep in the Lok Sabha is also a member of the District Panchayat.

The District Panchayat should hold its meetings once in three months. The District Panchayat is headed by a President Cum Chief Counselor and two Vice Presidents Cum Counselors and the Village (Dweep) Panchayats are headed by Chairpersons.

5.19 The Lakshadweep Administration, in addition to transferring the developmental schemes to the Panchayats along with staff and funds, also provide Rs 1 crore to Panchayats as grant for the developmental schemes prepared by the Panchayats and as recommended by the District Planning Committee. Out of this Rs 30 lacs per annum is given to the District Panchayat and the balance of Rs 70 lacs are distributed among the Villages (Dweep) Panchayats ensuring that even the smallest island of Bitra also gets Rs 5 lakh per annum.

5.20 In keeping with the spirit of Panchayati Raj, the Administrator had transferred 35 schemes and 1027 employees to the local bodies with funds in 1998. Again, during the year 2001, the Administration transferred 15 additional schemes and more staff to the Panchayats. The grant-in-aid required for the implementation of these schemes and meeting the salary of staff transferred are being given to the local bodies on receipt of utilization certificate from the Panchayats. After an exhaustive exercise, additional development programmes and schemes have also been transferred to the Panchayats covering the 29 subjects listed in the 11th Schedule of the Constitution.

5.21 The Panchayats need to generate their own resources in accordance with the provisions of Lakshadweep Panchayats (Taxation and Appeal Rules), 1997. The Administrator has issued an order on 12.11.2001 fixing the rates of taxes.

5.22 The Administration in addition to the transfer of development schemes as mentioned above, have transferred a number of staff for the effective implementation of the schemes transferred. The salary and allowances of the staff transferred are met by the administration by way of grant-in-aid. The control of the staff including maintenance of their service registers are with the respective Panchayat.

TABLE 5-5

Details of Grants in Aid released to the Panchayats by the Administration

(Rs in lakhs)

Sl.No.	Department	2006-07		2007-08		2008-09	
		VDP	DP	VDP	DP	VDP	DP
1	Agriculture	196.495	--	198.93	--	289.49	--
2	Animal Husbandry	30.3	1.3	33.33	1.37	34.15	2
3	Fisheries	45.45	21.77	48.23	21.77	20	5
4	Industries	7.81	--	11.75	--	8.7	--
5	Medical	50	--	50	--	64.5	--
6	Education	--	132.18	--	1375	--	3400
7	Labour & Employment	15.6	2	14.79	2	12.99	--
8	DOP	226.97	89.12	453.27	101.23	166.6	89.79
9	Environment & Forest	15	44	53.8	66	25	90
10	PWD	--	--	--	--	11	--
11	Electricity	14.6	--	14.6	--	13	30
12	SW&TA	27.76	--	24.5	24.04	--	--
13	Arts & Culture	--	63	--	55.15	--	52.2
14	W&CD	1.45	10.79	2	8	2	33
	Total	631.435	364.16	905.2	1654.56	647.43	3701.99

Source: Communication of UT Admin. of Lakshadweep to the Finance Commission

5.23 Section 51 of the Lakshadweep Panchayats Regulation, 1994 empowers the Panchayats to levy taxes and fees on the items indicated therein. Based on the recommendation of the Finance Commission for UT, a joint committee under the chairmanship of the President cum Chief Counsellor, District Panchayat was constituted to recommend a proper taxation proposal to the Panchayats. On this basis the Administrator has notified the rates and subjects on which a uniform rate of tax is to be imposed by the Panchayats.

District Panchayat can levy

1. Employment Tax
2. Transfer Duty
3. Fee for registration of Vehicles including Boats & Sailing Vessels.

Village (Dweep) Panchayat can levy

- 1 Building Tax
- 2 Tax on Boats (mechanically propelled or otherwise)
- 3 Octroi

5.24 Most of the Panchayats have started collection of these taxes and fees. However, since the Panchayat so far could not collect the sufficient fees and taxes to run the developmental activities. The Administration has introduced a scheme to encourage resource mobilization.

TABLE 5-6

Tax collection by each Village Dweep Panchayat

Sl.No	Panchayats	Tax & Fee Collected (In Rupees)		
		2006-07	2007-08	2008-09
01	District Panchayat	35,879	60,313	1,07,045
02	V(D)P, Agatti	8,596	13,180	13,100
03	V(D)P, Amini	1,875	450	1,450
04	V(D)P, Andrott	--	--	--
05	V(D)P, Bitra	1890	2086	10591
06	V(D)P, Chetlat	--	--	--
07	V(D)P, Kadmat	7,604	9,590	6,740
08	V(D)P, Kalpeni	--	--	--
09	V(D)P, Kavaratti	29,697	33,527	45,544
10	V(D)P, Kiltan	--	--	1,600
11	V(D)P, Minicoy	6,560	4,945	5,100

Source: Communication of UT Admin. of Lakshadweep to the Finance Commission

5.25 The Panchayats in addition to the taxes and fees as mentioned above generate income from various other means like implementation of income generating schemes. Following are the details of the revenue collected by various Panchayats for the financial years 2007-2008 and 2008-2009 (Table 5-7).

TABLE 5-7
Revenue Collected by various Panchayats

Sl.No	Name of the Panchayats	(In Rupees)	
		Revenue Collected 2007-2008	Revenue Collected 2008-2009
01	District Panchayat	23,52,816.00	7,00,403.00
02	V(D)P, Agatti	58,732.00	1,89,821.00
03	V(D)P, Amini	1,57,519.00	1,57,313.00
04	V(D)P, Andrott	97,374.00	2,60,502.00
05	V(D)P, Bitra	1,710.00	11,157.00
06	V(D)P, Chetlat	2,22,483.00	1,41,485.00
07	V(D)P, Kadmat	2,39,664.00	2,60,225.00
08	V(D)P, Kalpeni	53,641.50	1,50,140.00
09	V(D)P, Kavaratti	5,47,508.00	7,36,927.00
10	V(D)P, Kiltan	21,762.00	1,10,075.00
11	V(D)P, Minicoy	6,07,454.00	5,49,644.40
Total		Rs. 43,60,664.00	Rs. 32,67,692.00

Source: Communication of UT Admin. of Lakshadweep to the Finance Commission

5.26 The UT administration of Lakshadweep has set in motion devolution of funds and functions to the district and village Panchayats with the transfer of twenty nine subjects under the 11th schedule of the Lakshadweep Panchayat Regulation 1994. However, this has not satisfied the aspirations of the Panchayati Raj member. The President cum Chief Counsellor of the District Panchayat has done a detailed analysis of all schemes (letter at Annexure) and finds that no more than 15 to 20 schemes and limited staff have been transferred to the Panchayati Raj bodies. Most of the schemes are still operated by the Lakshadweep administration.

5.27 Since the Lakshadweep Administration has transferred certain specific schemes with only limited funds, the District Panchayats and Village Panchayats cannot formulate any of their own schemes under the above 29 subjects transferred to them.

5.28 Since the schemes transferred to the Panchayats are almost irrelevant for the development of these islands, it is the desire of the Panchayats to formulate their own schemes which they feel will lead to over-all development of the islands. The Lakshadweep Administration should release more funds and leave the implementation to the District and Village Panchayats.

5.29 The Panchayats would like to be allocated untied funds under both Plan and Non-Plan based on budget proposals approved by the PRIs and the District Planning Committee so that the former are free to formulate their own schemes under any of the devolved subjects.

5.30 The Panchayats would like that 40% of the Plan and Non Plan funds are transferred to them for formulating their own schemes and to implement them according to the pattern and procedures approved by various Committees. For creating infrastructure in the villages there needs to be specific capital fund allocation to the Panchayats for setting up office buildings, meeting halls, common facilities and super markets etc. Hence, additional funds are required for above mentioned facilities. The Lakshadweep Administration has created various types of community assets in the islands. The maintenance of these community assets is a subject of the District Panchayat. Therefore, all the community assets need to be transferred to the District Panchayat for further maintenance and for better utilization by the people. For a wider and transparent distribution of the benefits of the schemes, the Lakshadweep Administration needs to transfer all the beneficiary oriented schemes along with funds and staff to the Panchayats. Monitoring of the schemes should be done by the administration to ensure they are working optimally.

5.31 The Panchayat members also want their honorarium to be enhanced along the line of Kerala.