“ROLE OF RURAL LOCAL BODIES IN SOCIO-ECONOMIC DEVELOPMENT OF RAIGAD DISTRICT”

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ABSTRACT

1.1 Introduction

Local bodies in general and rural local bodies in particular have special significance, because people are very closely associated with them. They also play a very important role in achieving socio-economic development of the areas under their jurisdiction. The socio-economic development achieved by them, greatly influences social welfare of the society as a whole. It is against this background it is essential to study the role of local bodies in social economic development of their area. Raigad district is one of the districts in Maharashtra state having domination of rural area and hence rural local bodies. In this backdrop the present study examines role of rural local bodies, that is Zilla Parishad, Panchayat Samities and Village Panchayats, in socio-economic development of the rural Raigad district during the post economic reforms period from 1991-92 to 2010-11.

1.2 73rd Amendment to Indian Constitution

The financial resources of Panchayati Raj institutions in general, and Zilla Parishads in particular have to be considered in the context of the constitution (Seventy Third Amendment) Act, 1993, which has become effective from April 24, 1993. The powers, authority and responsibility in three levels of Panchayats are laid down broadly in Article 243 G, 243 H, 43 Z, 243 I and 243 Z of the amendments 243 G, subject to the provisions of this constitution, the Legislature of a state may, by law, endow the Panchayats with such powers and authority as may be necessary to enable them to function as institutions of self government and such law may contain provisions for the devolution of powers and responsibilities upon Panchayats at the appropriate level, subject to such conditions as may be specified therein, with respect to -

a) the preparation of plans for economic development and social justice;

b) The implementation of schemes for economic development and social justice as may be entrusted to them including those in relation
to the matters listed in the Eleventh Schedule. (Girgalani, J. M., 1994).

The financial resources contemplated for the Panchayati Raj institutions are laid down in Article 243 H of the Amendment Act. The institutional arrangement to review the financial position is provided for at the expiration of the every fifth year, constitute a Finance Commission to review the financial position of the Panchayats and to make recommendations to the Governor. This further demands an urgent need for studying finances in the context of socio-economic development of the Panchayat Raj institutions like Zilla Parishad.

1.3 Additional Duties and Responsibilities Assigned to Panchayat Raj Institutions

The 73rd amendment to Indian constitution in 1992 and its Act 1993 has an important provisions such as definition, functions, structure of Panchayat Raj institutions, reservation, period, powers, duties and responsibilities, decision potentialities of the states concerning taxes, grants, finance commission, accounts and audit, elections, autonomy of courts etc. This amendment has assigned the list of 29 subjects to the rural local bodies, which comprises of agriculture and extension, land development and reforms, minor irrigation projects and water management, animal husbandry dairy and poultry, fishery, social forestry, food processing and small scale industries, forest income, khadi village and cottage industries, housing, drinking water supply, energy and fodder, roads, bridges ponds and other means of transport, rural electrification and distribution, non-conventional primary and secondary education, technical and vocational education, adult and informal education, cultural programmes, libraries, markets and, dispensaries, PHCs and hospitals, family welfare, women and child development, welfare of handicapped and social welfare, public distribution system, preservation of valuable social memories, etc.

Maharashtra is well known for development, advancement and pro-reforms. Of the 29 subjects of duties and responsibilities to be transferred to rural local bodies from the state 20 subjects have been transferred already, but still 9 subjects to be transferred, which consist of land reforms and consolidation, minor forest income, small scale khadi village and cottage industries and food processing, rural electrification, technical and vocational education, adult and
informal education, public distribution and soil conservation. These have greater impact on finances of rural local bodies in general and economic development and social justice in the rural areas in particular. This indicates the thrust and urgent necessity of examining rural local government finances with reference to socio-economic development and social justice.

1.4 Statement of the Research Problem

Maharashtra is one of the economically developed states in India, which has 33 districts, tehsils in hundreds and villages in thousands. But we found a wide disparity in economic development across the states, regions, and of districts within the states. The Marathwada, Vidharbha and Konkan regions are comparatively more backward regions in general, and the district like Raigad, Osmanabad, Latur, Nanded, Ratnagiri, Sindhudurg in particular. As a result, it is of special importance and essential to review the role of rural local bodies in economic development with justice by taking into consideration their finances with reference to backward district in general and Raigad district in particular in the era of 73rd constitutional amendment. As Raigad is one of the backward districts in Konkan region of Maharashtra. It will be appropriate and rationale to examine the socio-economic development of the Raigad district by taking into account the finances of the rural local bodies of this district after 1993. Economic reforms programme being implemented since 1991, can have impact on their finances and consequently economic development of the Raigad district. Hence, it will be better to study the role of rural local body finances on the economic development with social justice of the district into our consideration since 1991 onwards.

Zilla Parishad (ZP) is a major constituent of rural local bodies in general in India and in Maharashtra in particular. Consequently, this constituent has to play a pivotal role in socio-economic development of the area under its jurisdiction. Hence, it will be more appropriate to assess the role of Raigad Zilla Parishad finances in the economic development with social justice of rural Raigad district in the post economic reforms period along with post 73rd constitutional amendment regime.

In the year 2006, the scenario of rural local bodies in the Raigad district of Maharashtra was one Zilla Parishad (ZP), 15 Panchayat Samitis and 818 Village Panchayats. As ZP is more important on many counts in general and economic
development in particular, it will be logical to study the role of Raigad ZP finances in the economic development with social justice of Raigad district in general and its rural areas in particular after 1991 onwards.

The fiscal scenario of the Raigad Zilla Parishad (ZP) in the recent last five years seems rather dismal having significant degree of financial stress and crisis. The overall budgetary deficit of the ZP into our consideration was Rs. 1.25 crore in 2001-02, which significantly increased to Rs. 5.04 crore in 2003-04, but remained at Rs. 0.09 crore in 2005-06, which stood at Rs. 0.04 crore in 2010-11. During the same period, its revenue deficit amounted to Rs. 5.83 crore, except a surplus of Rs. 5.04 crore due to grants, Rs. 0.03 crore, Rs. 0.04 crore respectively. The striking features of fiscal operations of the Raigad ZP during 2001-02 to 2010-11 are overall deficit, revenue deficit with an exceptional, surplus, deficit, surplus with exceptional balanced capital account fiscal operations and difficulty of maintaining balances, which are obligatory to maintain. Likewise, Panchayat Samities as well as Village Panchayats as constituents are also in financial stress.

1.5 Objectives of the Study

The important objectives of the present study are as follows:

1. To review overall fiscal operations of Local Bodies of Raigad District since 1991 onwards.
2. To examine growth and composition of revenue of the Rural Local Bodies into our consideration.
3. To study growth and composition of expenditure of Rural Local Bodies under study.
4. To study implications of 73rd Constitutional Amendment to the finances of Rural Local Bodies in to consideration.
5. To assess the role of Raigad Rural Local Bodies in the socio-economic development of the District under study.
1.6 Hypothesis

The hypothesis of the present study is as below:

Rural Local bodies can play a very pivotal role in the socio-economic development of the area under their jurisdiction but in the situation of sound financial position only.

1.7 Database and Research Methodology

A) Data Collection

The present study relies on the secondary data only, which covers the period from 1991-92 to 2010-11. The necessary and adequate secondary data for this study is availed with the help of sources such as:

1. Budgetary Documents of Raigad District Rural Local Bodies
2. Administrative Reports
3. Socio-Economic Survey of Maharashtra
4. Socio-Economic Survey of Raigad District
5. State Finance Commission Reports
6. Records and Reports and Publications of Government of Maharashtra

B) Sample Design

Raigad District Rural Local Bodies consist of one Zilla Parishad, 15 Panchayat Samitis and 818 Village Panchayats. A random sample of 50% of Panchayat Samities (7) and one Village Panchayat (7) from the selected Panchayat Samities is taken. Due care of selection of both the developed and underdeveloped Village Panchayats is taken.

C) Research Methodology

The collected the secondary data is tabulated and processed by employing suitable statistical tools such as Mean, Ratio Analysis, Compound Growth Rate, Standard Deviation, Correlation, Regression, by making use of computer software packages namely Excel, SPSS.
D) **Parameters**

The present study makes use of the below parameters.

1. Growth of Finances
2. Levels of Deficit
3. Economic Growth
4. Employment Generation
5. Poverty Removal
6. Educational Development
7. Growth of Health and Medical Facilities
8. Environmental Protection
9. Increase in Housing Facilities
10. Women and Child Development

1.8 **Chapter Scheme**

The chapter scheme of the present study is as follows:

**Chapter - I** : Introduction, Data Base & Research Methodology and Review of Research Literature

**Chapter - II** : Overall Budgetary Position of Raigad District Rural Local Bodies

**Chapter - III** : Analysis of Growth and Composition of Total Revenue of Raigad District Rural Local Bodies

**Chapter - IV** : Analysis of Growth and Composition of Total Expenditure of Raigad District Rural Local Bodies

**Chapter - V** : Rural Local Body Finances and Socio-Economic Development of Raigad District

**Chapter - VI** : Conclusions and Suggestions
1.9 **Major Conclusions**

The major conclusions of the present study are as follows:

1. The overall fiscal operations of the Raigad Zilla Parishad were not conducive for the speeding up socio-economic development of the area under its jurisdiction, because it created surplus unnecessarily for more than a decade during the total study period. Its both the total revenue and total expenditure grew at the considerable rates only. The fiscal operations of the Raigad Zilla Parishad on revenue account were rational, it created revenue surplus and diverted towards capital account. The noteworthy bad thing is for some years Raigad Zilla Parishad used part of the capital receipts for meeting revenue deficit.

2. All Panchayat Samities in Raigad district under study had meagre both the Total Revenue as well as Total Expenditure. However, they have shown efficiency in spending activities without creating excessive surplus or deficit. Only Alibag, Pen, Panvel and Mangaon Panchayat Samities were in good, but not better financial position.

3. More or less all Village Panchayats in Raigad district under our study are financially very much weak. However, comparatively the Panchayats Thal, Navade, Patanus were in good financial position so far as revenue mobilisation is concerned. We get mixed picture of surplus or deficit on all the fiscal accounts. However, the salient feature is they had attempted to dispose of collected revenue efficiently to the greater extent possible without creating much surplus or deficit.

4. Raigad Zilla Parishad has collected total revenue considerably, but not significantly, during the study period, which also showed a considerable growth rate of 13% CGR per annum. Its total revenue was (61%) dominated by Capital Receipts than the Revenue Receipts (39%) indicates the urge of the Zilla Parishad to achieve long term development of its area. But it is determined by composition of Capital Receipts. However, due to recent significant increasing Revenue Receipts they have shown a higher growth rate (20% CGR) than the Capital Receipts.
5. Total Revenue of Raigad Zilla Parishad was comparatively not prominent in Total Revenue collection, but increased at the significant rate during the study period. Its Total Revenue was dominated by Tax Revenue, in relative share (63%) as well as growth respects (27% CGR) is a good Revenue Receipts composition due to its certainty and productivity is concerned. However, Non-tax Revenue and Grants showed a dismal performance in relative position as well as growth grounds, which is a thing of serious concern.

In the Tax Revenue, the assigned Tax Revenue was prominent than the Water Cess and taxes imposed and collected. The assigned Tax Revenue contributed Tax Revenue by 57% on an average relatively with 29% CGR.

Even though, there are the number of sources of Non-tax Revenue the Raigad Zilla Parishad could not exploit and utilize all of them, hence, its Non-tax Revenue was lesser and insignificant in relative share as well as growth respects, this demands due attention towards its utilisation.

6. Even though Capital Receipts of Raigad Zilla Parishad dominated its Total Revenue, the study of the composition of Capital Receipts reveals that it was dominated by advances and authority (99%), which are refundable. Loans raised by the Zilla Parishad stood at only one percent relative share and 3% growth rate. This composition of Capital Receipts of the Raigad Zilla Parishad is not favourable for long term development of its area.

7. It is found that all the Panchayat Samities in Raigad district are financially weak, out of them some are very weak under our study. They totally depend upon Raigad Zilla Parishad for revenue mobilisation. They don not have a single source of revenue at disposal. Their Total Revenue is dominantly contributed by the cess grants given by the Zilla Parishad is very serious thing from the point of view of revenue mobilisation by the Panchayat Samities, and more importantly their fiscal autonomy.

8. The analysis of Total Revenue of Village Panchayats in Raigad district under study shows that all Panchayats are financially weak. However, comparatively the Panchayats Thal and Patanus are better in respect of
revenue collection. Total Revenue of all Panchayats into consideration is dominated by Revenue Receipts in general and Tax Revenue in particular. Non-tax Revenue and grants could contribute very meagre revenue to Revenue Receipts and Total Revenue as well, is a thing of serious concern that demands their exploitation and utilisation. It is a fact that these Panchayats have failed in Capital Receipts collection and thereby attempts for long term development. Further Tax Revenue of the Panchayats is dominated by buildings tax and trade tax with exception, also demand due attention towards utilisation of taxes. The noteworthy feature of Capital Receipts of the Panchayats under study is dominated by deposits (97%), grants (1%) exceptionally, by neglecting loans (1%).

9. Raigad Zilla Parishad has spent a considerable amount as its Total Expenditure to discharge its duties and responsibilities, which has also shown a considerable growth of 13% CGR during the study period. Its Total Expenditure is dominated by Capital Expenditure (58%) than the Revenue Expenditure (42%). However, Capital Expenditure is dominated by repayment of deposits and advances (98%) without much spending on development activities is a thing of serious concern. But Revenue Expenditure has been spent by this Zilla Parishad on buildings, communication and irrigation facilities (25%), medical and health facilities (15%), social welfare (22%) and administration (15%).

10. All Panchayat Samities in Raigad district covered by our study reveals that they are financially weak, hence they have spent lower expenditure. Their Total Expenditure is dominated by Revenue Expenditure (98%) than the Capital Expenditure (21%). They prominently attempt to provide building and communication services (65%) which is followed by community welfare (24%) and they have not given much importance to education, health, agriculture and animal husbandry so far as Revenue Expenditure is concerned. Moreover, they spend a lion’s share of Capital Expenditure on repayment of advances and deposits.

11. Except Thal and Patanus Village Panchayats in Raigad district under study all others are financially worst. Hence, their Total Expenditure was also lower only, in respect of size as well as growth. Their Total Expenditure is
dominated by Revenue Expenditure (85%) than the Capital Expenditure (15%). Revenue Expenditure of the Village Panchayats into consideration is spent on public welfare and education (23%), building and communication (24%), administration (12%) respectively. It is the fact that the Village Panchayats into our consideration have spent very less Capital Expenditure during study period. However, whatever they have spent that Capital Expenditure was on development work prominently is a satisfactory thing.

12. The major focus of the present research study was to examine fiscal operations undertaken by the rural local bodies in Raigad district for achieving social and economic development of the area under their control. The study of spending activities of the Raigad Zilla Parishad indicates that it has prominently spent on social development (65%) than the economic development (35%) that shows its commitment towards social development and thereby social welfare of the society as a whole. In social expenditure Raigad Zilla Parishad has given priority to social welfare activities (22%), public health (18%), administration (12%) and education (3%) respectively. In economic development activities Raigad Zilla Parishad has given importance to building and communication facilities (20%), agriculture and animal husbandry (6%) and irrigation (7%) respectively.

Raigad Zilla Parishad in Revenue Expenditure on socio-economic development spends a major share on social development (69%) than the economic development (31%), this clearly indicates its desire to provide social services to the people than the economic services. In Total Revenue Expenditure on social development this Zilla Parishad has given increased importance to public health (33%), administration (10%), social welfare (16%) and education (2%). In Total Revenue Expenditure on economic development this Zilla Parishad has given priority to providing building and communication facilities (15%), agriculture and animal husbandry (6%) and irrigation facilities (11%). The salient feature of Revenue Expenditure on social and economic development activities is that they have shown considerable growth during study period.
Capital Expenditure on social and economic development reveals that Raigad Zilla Parishad has given importance to again social development (60%), than the economic development (40%). In the Total Capital Expenditure on social expenditure it has given priority to social welfare (31%), which is followed by miscellaneous (11%), administration (13%), education (5%) and public health (1%). On the contrary in Total Capital Expenditure on economic development, this Zilla Parishad had spent on buildings and communication (29%), agriculture and animal husbandry (6%) and irrigation (4%) respectively.

13. The analysis of spending activities of the Village Panchayats in Raigad district selected for the present study shows that more or less all are financially weak. However, whatever revenue collected by them they spend on social and economic development activities under their area. It is revealed that all Village Panchayats into consideration spend a major share of their Total Expenditure on social development (68%) than economic development (32%). Of the Total Expenditure on social development their priority is on education and welfare (20%), water supply (11%), public utility (16%), public health (8%) and street lighting (2%). Moreover, Total Expenditure on economic development, these Panchayats have given importance to buildings and communication (21%), development work (11%) and others (3%) respectively.

14. Road is a basic infrastructure that plays important role in economic development of the area. Raigad Zilla Parishad during the study period has undertaken road works that increased at the minimal growth rate of 3 percent per annum. Out of which maintenance of roads (71%) was prominent than the construction of new roads (29%). This is an indicator of Raigad Zilla Parishad is failure in construction of roads.

15. Irrigation facilities play an important role in agricultural development of the area. Raigad Zilla Parishad has not much succeeded in promoting irrigation capacity, which decreased at the 8% per annum. Likewise the growth in new wells constructed also has shown negative growth of 7%. Only its work in well maintenance is appreciable (6% CGR).
16. Raigad Zilla Parishad also undertakes some activities for the agricultural development. During our study period it has played a significant role in supplying agricultural inputs like seeds, chemical fertilizers, insecticides and pesticides, which have shown a significant growth.

17. Raigad Zilla Parishad also attempts for the development of animal husbandry in the area under its jurisdiction. During the study period this Zilla Parishad has played an important role in the development of animal husbandry on the fronts of organising workshop (12%), artificial insemination (31%), farmer camps (4%).

18. Raigad Zilla Parishad also attempts for educational development. However, it is revealed that this Zilla Parishad has not succeeded in achieving educational development. The number of pre-primary schools increased at only 2% CGR and its number of students rose at the rate of 6% only.

19. Raigad Zilla Parishad tries to supply drinking water as a social service through wells and taps. However, its performance on this ground is not much appreciable. The number of drinking water wells supplied by the Zilla Parishad increased at the low rate of 4% only. Moreover, taps provided by the Zilla Parishad showed a negative growth of 20% per annum during the study period.

20. Raigad Zilla Parishad also attempts to provide public health and medical facilities for the people under its area. This shows comparatively the better performance. The number of medical staff increased at 12% per annum during the study period. During the same period the number of beneficiary villages rose at the marginal rate of 6%. The beneficiary population showed a considerable growth of 12%. Likewise, the number of cots, patients admitted, family planning instruments provided, doses provided have shown satisfactory picture.

21. Raigad Zilla Parishad also attempts for promoting social welfare through some of the activities. The total number of benefited from social welfare schemes increased at the considerable rate of 9%. The number of students in Balwadies (3%) and construction of Samaj Mandir (15%) have shown
considerable progress. However, students benefited from B. C. hostels has shown negative growth.

22. The study of role of Village Panchayats in Raigad district selected for the study reveals that they also attempts for socio-economic development of the area under their control. Under social development, Thal Village Panchayat has undertaken certain activities for its social development. It has failed in promoting educational development, but has succeeded in increasing number of drinking water wells (4%), number of lakes (8%), public toilets (15%). It could not play much role in economic development of its village.

23. Karav Village Panchayat has undertaken certain activities of social development, but we did not get its satisfactory picture with some exceptions. The number of public toilets has increased by 13%, number of employees increased by 12% and plantation and maintenance of trees by 26%. However, this Panchayat has failed in promoting number of drinking water wells, street light polls, construction of ghats etc. This Panchayat has undertaken a meagre activity of economic development through supply of seeds and fertilizers.

24. Navade Village Panchayat has undertaken some social development activities, which shows good picture. The number of public toilets has increased at 14% rate. The new toilets constructed grew at 7% rate. The number of street light polls increased at 10% rate. The Panchayat employees increased at 10% rate during the study period. However, it has failed in increasing number of drinking water wells, trees, anganwadies, etc.

25. Patanus Village Panchayat has not undertaken much social development activities. The number of public toilets in its area increased at 32%. Number of new toilets constructed grew at 5%. The number of drinking water wells decreased at 1%, the number of lakes and Balwadies was constant. This Panchayat has not attempted much for its economic development. The number of co-operative institutions, fair price shops has increased marginally. However, minor canal work and cottage industries have shown a negative growth.
26. Golegani Village Panchayats has undertaken some social development activities. The number of maintenance of wells increased at 22%. However, the number of drinking water wells, lakes, public toilets, trees, maintenance of trees, streetlight new polls has remained constant. The efforts made by Golegani Village Panchayat are dismal. The construction of roads, number of co-operative institutions and number of fair price shops is either constant or decreased.

27. Vanaste Village Panchayat has undertaken some efforts to achieve social development of the area in its control. However, it has not succeeded much. The number of drinking water wells was the constant at 4%, toilets 6%, employees 1%. It has not undertaken any economic development activity.

28. Nigadi Village Panchayat has undertaken some social development activities in the area under its jurisdiction. The number of drinking water wells increased at 4% rate. The number of public toilets increased at 16% rate. However, the number of lakes, streetlight polls, plantation and maintenance of trees, Balwadies and Panchayat employees is either constant or decreased during the study period. This Panchayat has not undertaken activities much for economic development. The number of co-operative institutions increased from 1 to 2 and the number of fair price shops was constant at only 2.

6.3 Important Suggestions

The following suggestions could be useful to examine the role of rural local bodies in socio-economic development of Raigad district, and has identified certain problems relating to their fiscal operations as well as socio-economic development achieved by them.

1. The revenue base of Raigad Zilla Parishad should be increased by providing certain sources of revenue in the situation of increase in its duties and responsibilities by the 73rd amendment to the Indian Constitution.
2. Raigad Zilla Parishad should raise loans and advances from the nationalised banks and the state government to collect Capital Receipts, which will enable to undertake the long term socio-economic development activities.

3. Raigad Zilla Parishad in particular, and all Zilla Parishads in Maharashtra in general, should be permitted to revise the rates of taxes as well as Non-tax Revenue sources in accordance with the needs and requirements.

4. Raigad Zilla Parishad and other Zilla Parishads also get grants which are in lesser amounts and uncertain. Hence, the state government as well as the union government of India should devolve grants in significant amounts having provision of increase frequently and in accordance with the needs.

5. Raigad Zilla Parishad and others also be permitted to float bonds and debentures in the market to raise Capital Receipts.

6. It should be made obligatory to Zilla Parishads at least to spend 40% of Total Expenditure on Capital Account for development activities only.

7. Like social development the Zilla Parishads also should be made compulsory to undertake economic development activities in their jurisdiction that will promote rural development and economic development of the state as well as country as a whole.

8. Panchayat Samities in Raigad district and in the state of Maharashtra as well, are financially very much weak and they do not have their own revenue sources. Hence, the state government should assign some sources of Tax Revenue, Non-tax Revenue along with grants.

9. State government and union government should provide some assured grants to the Panchayat Samities by making their provision in budgets to enhance their resource base.

10. Panchayat Samities should also be allowed to raise Capital Receipts and Capital Expenditure to achieve long term development of the areas under their control.
11. Village Panchayats are financially very much weak. They should be permitted to revise the rates of taxes as well as Non-tax Revenue sources in accordance with their needs and requirements.

12. The amount of grants given by state government and union government should be increased, certain and regular for their financial stability.

13. Village Panchayats should be made compulsory to undertake some economic development activities to promote level of economic development at grass root level.

14. All rural local bodies namely Zilla Parishads, Panchayat Samities and Village Panchayats should be made compulsory to take precaution in supplying qualitative and adequate socio-economic services in the areas under their jurisdiction.

15. People's participation, especially of richer section and social and economic institutions through resource contribution should be promoted to promote socio-economic development in the rural areas.

16. Rural Development Fund should be created at both the state and national level by the state and union government to make dynamic the process of socio-economic development in rural areas.

17. Rural Development Institute should be setup at state level to study problems of socio-economic development in the rural areas and to give necessary recommendations to the state as well as local governments to deal with these problems.

18. Union Finance Commission should become more active in strengthening resource base of the rural local bodies.

19. State Finance Commission has become more or less defunct, which should be made active and contribute to the rural development through financial assistance and tackling rural development problems.

20. Planning Commission should directly participate in the socio-economic development of the rural areas to achieve overall economic development of the economy as a whole.
21. Socio-economic development projects on build, operative and transfer (BOT) basis should be permitted to the rural local bodies to promote the level of development but due precaution of injustice will not be done, should be taken.

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