CHAPTER – 7

SUMMARY OF FINDINGS, SUGGESTIONS AND CONCLUSION

7.1 General

This study has its focus on the performance evaluation of town panchayats in terms of finances and services. In this chapter, the salient findings on the basis of results of analyses are presented. The implications of the findings are also stated to enable policy makers to evolve suitable plans and earmark appropriate funds to improve the quality the life of the people in panchayat jurisdiction by revamping the administration of the local bodies.

Local Government is an agency organized to provide and supervise administrative, fiscal, and other services rendered to the people who reside within its territorial boundaries. It is the level of government which is accountable to the public directly.

Local self government means the Government by the local body consisting of members elected by the people. Though the local bodies are subject to the supremacy of the national and state governments they are endowed with some power, discretion and responsibility which they can exercise freely on their own.

The welfare of the people depends very much on the style of the functioning of these local bodies. Adequate attention to the financial needs of the local authorities was not given to the extent they deserved. The town panchayats
can augment their own resources only through tax and non-tax revenues. They also receive assigned revenue, grants-in-aid and loans from the governments. The governments, by providing adequate financial assistance in a purposive manner, can help the town panchayats to ward off their financial burden. Building up of adequate resources is the need of the hour for the successful functioning of town panchayats and both the town panchayats and the governments have to go a long way in this direction.

This study is confined to the finances of all town panchayts in Thoothukudi district, which includes revenue and expenditure and the general services rendered to the people by them. Analyses of secondary data show the financial performance of town panchayats over the years. More specifically, the primary data shows the evaluation of panchayat services by the residents.

Thoothukudi district in Tamil Nadu was purposively selected as the universe for this study. Through simple convenient random sampling technique, 590 respondents from all the 19 town panchayats were selected. Primary data was collected from the sample respondents with the help of a comprehensive pre-tested enquiry schedule through personal interview method.

**7.2 Findings**

As stated above, the performance of town panchayats is examined in terms of its three major objectives i.e., (i) to study the finance of the town panchayats
and its trend, (ii) to evaluate the public services of town panchayats and (iii) to offer viable suggestions for the efficient working of town panchayats.

**Population**

The total population of all town panchayats in Thoothukudi district has grown from 2,12,469 in the year 1996 – 97 to 2,47,736 in the year 2005 – 06 recording a growth of 16.60 per cent and the average density of population of all town panchayats in Thoothukudi district is 1,280 per sq. km.

All Town Panchayats have positive population growth during the study period except Alwarthirunegari, Kannam and Perunkulam where it ended in a negative growth possibly due to migration.

As far as the density of population is concerned Thoothukudi revenue division is ranked first with 2,787, which is more than double the density of Tiruchendur and Kovilpatti divisions.

Regarding density of population, the Special Grade town panchayat had the highest density of 2,940 and the Grade I town panchayats recorded the lowest density of 984.

**Revenue**

The total revenue of all town panchayats in Thoothukudi district has recorded a two fold increase i.e from Rs.72,179 thousands in 1996 – 97 to Rs.15,14,69 thousands in the year 2006 – 07. The per capita total revenue
registered a growth of 79.97 per cent revealing the fact that the revenue collection (per head) has improved.

Vilathikulam town panchayat has secured the higher average annual growth rate of total revenue 39.24 followed by Perungulam town panchayat with 34.92. Alwarthirunagari Town panchayat has the lowest average annual growth rate of 8.33.

Regarding the total revenue Kovilpatti division excelled by securing the highest average annual growth rate of 19.94 followed by Thoothukudi division with 15.15. In all revenue divisions, the growth percentage of total revenue has been erratic.

The Grade II town panchayats in the district has secured the highest average annual growth rate of total revenue with 20.11 followed by the Special Grade town panchayat with 18.53 per cent. In the Grade I and the Grade II town panchayats, the total revenue had achieved the highest growth percentage of 173 and 242 respectively.

The share of own revenue has been more than half of total revenue in most of the years except in the years 1997 – 98, 1998 – 99 and 1999 - 2000.

The share of assigned revenue in total revenue has been 23.72 per cent in the year 1999 – 2000 establishing the influence of assigned revenue. The percentage share of assigned revenue in total revenue has not been stable.

The own revenue of all town panchayats in this district was at Rs.38,259 thousands in the year 1996 – 97 and Rs.81,893 thousands in the year 2005 – 06.
showing an increase of 114.05 per cent. The average annual growth rate of own revenue of all town panchayats in the district was around 9.35 per cent.

The annual growth rates of own revenues of all town panchayats in the district showed an increasing trend in the last five years establishing the fact that there was a considerable improvement in the collection of own revenues. But during the first five years the growth rate of own revenue presented a lacklustre performance.

The average annual growth rate of total own revenue of town panchayats in Thoothukudi division is the highest at 10.91 per cent followed by Kovilpatti at 9.83 per cent and Tiruchendur at 9.14 per cent. The peak annual growth rate of total revenue was recorded at 236 per cent in the year 2001 – 02 in the Kovilpatti division followed by 227 per cent in the Thoothukudi division in the year 2004 – 05. Different growth rates of own revenue were observed in all the divisions over the years. This showed that the first hypothesis ‘there is no difference in the growth rates of own revenue of town panchayats of various revenue divisions’ held no good.

All four grades of town panchayats in the district witnessed different growth rates of own revenue during the said period. In town panchayats, the collection of own revenue is mainly influenced by the efficiency of the collecting staff and the awareness level of the public. Thus the second hypothesis that ‘there is no difference in the growth rates of own revenue of the town panchayats of various grades’ was held null and void.
The share of tax revenue in own revenue varied from 31.86 per cent in the year 2000 – 01 to 86.96 per cent in the year 1996 – 97. The per capita non-tax revenue has increased from Rs.23.48 in the year 1996 – 97 to Rs.109.93 in the year 2005 – 06 i.e. a four fold increase indicating that the collection of non-tax revenue has increased.

The total property tax revenue of all town panchayats in this district has registered a whopping 314.37 per cent growth during the period under study. The growth of per capita tax revenue was 255.40 per cent. The property tax contributed nearly 53.59 per cent of the tax revenue in Thoothukudi district in 1996 – 97, which climbed up to 68.58 per cent in the year 2005 – 06. But its share in own revenue declined marginally from 28.02 per cent to 26.30 per cent.

The linear growth equation for own revenue of town panchayats in the district is \( Y = 8510.40 + 1109.66x \). It implied that the revenue grew by Rs.1,109.66 thousands per annum.

Profession tax has increased from Rs.1,684 thousands in the year 1996 – 97 to Rs.4,933 thousands in the year 2005 – 06 registering a growth of 192.93 per cent. But the share of profession tax in tax revenue has been stagnant and even started declining after 1998– 99. This revenue has made a significant increase of its share in the total revenue over the study period, as its increase has been 36.74 per cent.

The growth of tax on carriages and carts has been found to be negligible over the study period. The average annual growth rate of tax on carriages and
carts was 73.93 per cent. The linear growth equation for tax on carriages and carts is $Y = 2.92 + 0.25x$. It was inferred that the revenue grew by Rs.0.25 thousands per annum.

License fee has grown by 573.76 per cent during the study period. The per capita license fee has improved from Rs.11.79 in the year 1996 – 97 to Rs.65.98 in the year 2005 – 06, showing a 459.62 per cent rise. License fee is found to have a reasonable share in own revenue.

Income from properties has grown by 428.93 per cent during the period of study signifying its importance. The per capita income from properties has also increased by 297.31 per cent, pronouncing its increased collection per individual. The trend value of this revenue collection is steadily increasing. A projection for the 2009 - 10 shows that income from properties will be increased to Rs.15,656.10 thousands.

Income from special services has registered 197.16 per cent hike during the study period. Its per capita has recorded 218.10 per cent increase.

**Grants-in-aid**

The per capita grants-in-aid of all the town panchayats in the district recorded 84.67 per cent rise during the study period. It has gone to a high of Rs.169.98 in the year 1999 – 2000.
The growth rate of grants-in-aid was not increasing steadily over the years. Though the district total of grants-in-aid has been progressing in the first four years, then it started fluctuating.

As per the revenue division-wise analysis, during the year 2000 – 01, the grants-in-aid was significantly low compared to other years reinforcing the idea that the contribution of grants-in-aid by the Central and State Governments was reduced during the year. When the average annual growth rate of grants-in-aid of town panchayats in all revenue divisions was analysed, it was found that the growth rate actually varied. Therefore, the third hypothesis namely, ‘there is no difference in the growth rates of grants-in-aid of town panchayats of various revenue divisions’ was not correct.

The year 2000–01 witnessed an unreasonably low growth rate of grants-in-aid in various grades of town panchayats as it is deemed that government allocation of grants-in-aid was much lower in the said year. The average annual growth rates of grants-in-aid in the Special, the Selection, the Grade I and the Grade II town panchayats have been 73.54, 25.13, 18.14 and 22.61 per cent respectively. Therefore, the fourth hypothesis namely, ‘there is no difference in the growth rates of grants-in-aid of town panchayats of various grades’ does not hold water.
**Assigned Revenue**

Assigned revenue has increased from Rs.18,420 thousands in the year 1996 – 97 to Rs.36,200 thousands in the year 2005 – 06, resulting in an increase of 96.53 per cent. From the year 2002 – 03 onwards, the assigned revenue has been increasing steadily. Though the growth of assigned revenue has been zigzag during the period under study, it registered a phenomenal average annual growth of 76.52 per cent.

This analysis revealed that Tiruchendur division has secured a lion’s share of Rs.8,537 thousands out of Rs.18,420 thousands of the assigned revenue in the year 1996 – 97 and progressed steadily in the years after, except 2000 – 01.

When the growth rates of assigned revenue of different grades of town panchayats were ascertained, it revealed that the special grade town panchayat topped the list with 672.43 per cent. It was concluded that the special grade town panchayat fared better because of the allotment of huge devolution funds and the increased guideline value of properties.

**Analysis of Own Revenue**

Tiruchendur division has recorded the highest amount of own revenue due to a sudden spurt in the number of buildings added over the study period. Being a special grade town panchayat, it has embarked on large-scale commercial and public establishments due to an increase in the number of tourists, pilgrims and the establishment of many educational institutions in recent years.
As to the non-tax revenue, the selection grade town panchayats have recorded the highest growth rate.

The linear growth equation for total own revenue was $Y = 64.39 + 5.11x$. It implied that the revenue grew by 5.11 lakhs per annum. The rate of growth of revenue over the period was 53.3 per cent. The trend value of the revenue collection was steadily increasing.

As regards the stability of revenues, the coefficients of variation were worked out to be 35.72, 46.62, 64.86, 30.99 and 44.71 per cent for tax revenue, non-tax revenue, income from property and income from special services respectively. The growth of income from property has been more stable than the other sources of revenues during the period.

The correlation between tax revenue and non-tax revenue is high and these values were 0.8780, 0.7670 and 0.9060 respectively.

**Expenditure**

Total expenditure of the town panchayats in the district in the year 2005 - 06 has increased by 127.76 per cent when compared to the total expenditure in the year 1996 - 97. It has shown a steady upward trend after 2004 – 05, indicating that total expenditure has picked up in the town panchayats.

Nazareth town panchayat has spent the highest amount in the year 2005 – 06. Perunkulam town panchayat registered the highest average annual growth rate of total expenditure at 45.38 per cent followed by Nazareth with 35.50
per cent. Sixteen town panchayats in the district have shown a two digit average annual growth rate of total expenditure.

The total expenditure has grown from 100 per cent in the year 1996 – 97 to 208 per cent in the year 2005 – 06 in the Kovilpatti division, 254 per cent in Thoothukudi division and 230 per cent in Tiruchendur division. Kovilpatti, Thoothukudi and Tiruchendur divisions obtained the highest growth rates of 287, 278 and 230 respectively during the study period.

Regarding total expenditure the Grade II town panchayats were able to get the maximum average annual growth rate of 22.93 per cent. The average annual growth of total expenditure of all Grades of town panchayats in the district has been inconsistent.

The revenue expenditure of all the town panchayats in the district has grown from Rs.42,428 thousands to Rs.85,008 thousands during the period of research, showing a two fold increase. The per capita revenue expenditure reported fluctuations during the period.

The average annual growth rate of revenue expenditure of all town panchayats in the district was 8.15 per cent. Fourteen of the 19 town panchayats finished with only a meagre average annual growth rate. The reason is obvious that these town panchayats did not mobilize enough own revenue to meet the expenditure but depended mostly on government grants.

Thoothukudi division has excelled in increasing the revenue expenditure than other divisions. The revenue expenditure of town panchayats of many
divisions varied as they were not homogeneous in character namely, area, population, density of population, establishment, staff strength which do not suggest equal spending. The study disclosed the average annual growth rates of revenue expenditure of various divisions as Kovilpatti 6.26 per cent, Thoothukudi 11.32 per cent and Tiruchendur 8.92 per cent. Therefore, the fifth hypothesis of the present study is rejected.

The average annual growth rate of expenditure of different grades of town panchayats ranged from 5.64 per cent to 11.96 per cent. Average annual growth rates of expenditure were 11.96 per cent in Grade II, 10.33 per cent in Selection Grade, 7.92 per cent in Special Grade and 5.64 per cent in Grade I. Again the ‘F’ test proved that the sixth hypothesis that there is no difference in the growth rates of expenditure of various grades of town panchayats was not correct.

There has been inconsistency in the ‘own revenue to revenue expenditure’ proportion of all the town panchayats in the district during the years under study. It showed dismal signs during certain years suggesting that the total own revenue did not match or equal the total expenditure in these years. So when the coefficient is equal to one or more than one it is desired very much and when it slips to less than one it is deemed to be discouraging.

In all revenue divisions, the coefficient of the ratio has been more than one between 2000-01 and 2004–05 suggesting that during these years ‘own revenue to revenue expenditure’ proportion has been satisfactory.
Salary expenditure rose to Rs.29,881 thousands in the year 2005 – 06 from Rs.19,684 thousands in 1996 – 97 registering an increase of 51.80 per cent. The linear growth equation for salary expenditure is \( Y = 26725.90 + 612.62x \). It implied that the expenditure grew by Rs.612.62 thousands per annum. The trend value of this expenditure was steadily increasing.

Obligatory expenditure has been steadily increasing by recording 123.12 per cent jump during the study period. The per capita obligatory expenditure also showed such a trend i.e. 91.36 percent hike. But only a meagre increase was noticed regarding the share of obligatory expenditure in total expenditure.

Local bodies i.e. town panchayats in Thoothukudi district were able to achieve 870.11 per cent growth in discretionary expenditure over the study period. The per capita discretionary expenditure increased to 732.95 per cent. The share of discretionary expenditure in total expenditure has gone up by 393.18 per cent. The overall spending on discretionary expenditure increased because of the mobilization of library and reading room cess compulsorily levied as a part of property tax which was exclusively used for discretionary expenditure.

Regarding the ‘own revenue to revenue expenditure’ proportion, the special grade town panchayat in the district clocked below the district average. The other grades were also able to put forth a better count. The Grade I town panchayats stood first in securing the highest average ‘own revenue to revenue expenditure’ ratio.
The growth proportion of own revenue to revenue expenditure of town panchayats in the district has been encouraging. They stood at 1.18, 1.14, 1.11 and 1.05 respectively during the years from 2001 – 02 to 2004 – 05. It showed dismal signs in all other years suggesting that the own revenue did not match or equal the revenue expenditure in these years.

The ratio of own revenue to revenue expenditure peaked to 1.49 in the year 2001 – 02 in Kovilpatti division, to 1.17 in 1997 – 98 in Thoothukudi division and to 1.07 in the year 2002 – 03 in Tiruchendur division, revealing the fact that the revenue position was more comfortable. The ratio touched the bottom i.e. 0.95 in Kovilpatti division in the year 2000–01, 0.83 in Thoothukudi division in the year 1998 – 99 and 0.59 in Tiruchendur division in the same year.

The highest growth ratio of own revenue to revenue expenditure of the Special Grade, the Selection Grade, the Grade I and the Grade II town panchayats were 1.24 in 2003–04, 1.24 in 2001– 02, 1.53 in 1996 – 97 and 1.23 in the year 1999 – 2000 respectively.

**Capital Expenditure**

The linear growth equation for capital expenditure is \( Y = 34,017.60 + 2,014.85x \). It implies that the capital expenditure grows at Rs.2,014.85 thousands per annum. The trend value of capital expenditure is steadily increasing. A projection for the year 2009 - 10 is also made. It will be Rs.51,143.81 thousands. The average annual growth rate of the capital expenditure is 48.99.
The growth of capital expenditure was not consistent in many town panchayats, during the study period, because the capital expenditure was greatly influenced by some specific schemes introduced by governments only in some town panchayats from time to time. But revenue expenditure like salaries, obligatory and discretionary expenditure were more consistent as they were routine in nature.

Tiruchendur division spent more amount on capital expenditure than the other two divisions. The district total capital expenditure increased from Rs.20,262 thousands in the year 1996 – 97 to Rs.57,703 thousands in 2005 – 06 registering a growth of 185.13 per cent.

The Grade I and the Grade II town panchayats have not achieved even a twofold increase in their capital expenditure during the study period. The average annual growth rates of capital expenditure of all grades have been 67.89 per cent in the district. The Selection Grade town panchayats recorded the highest average annual growth rate of 99.42 per cent during the study period, suggesting that huge capital amount has been spent on roads, water supply, storm water drain, public health and sanitation.

The linear growth equation for revenue expenditure was $Y = 65.19 + 3.52x$. It explained that the expenditure grew by Rs.3.52 lakhs per annum. The rate of growth of revenue expenditure was 50.09 per cent. The per capita revenue expenditure has increased from Rs.200 in 1996 – 97 to Rs.343 in 2005 – 06, an increase of Rs.143 over the 10 years.
This analysis endorsed the view that public expenditure and population size have been significantly correlated. Thus the hypothesis, revenue expenditure and population are positively related, has been accepted.

It was found that own revenue and revenue expenditure have not been significantly correlated according to the ‘t’ test. The hypothesis, ‘own revenue and revenue expenditure are positively related’, has been rejected. It implied that there was no relationship between the own revenue and the revenue expenditure. Grants-in-aid and loans acted as leverage for revenue.

The own revenue growth rate was 53.30 per cent during the period from 1996 – 97 to 2005 - 06. The revenue expenditure growth rate for the same period was 50.09 per cent. The growth rate of own revenue was greater than that of revenue expenditure.

The own revenue was an important variable in determining the level of revenue expenditure in all town panchayats because of the fact that the coefficient of own revenue was statistically significant at five per cent level. It implied that an additional unit of the own revenue was capable of increasing an additional unit in revenue expenditure as in the case of the following town panchayats - Alwarthirunegari, Arumuganeri, Authoor, Eral and Ettayapuram which had a regression co-efficient of 0.7222, 0.8937, 0.7957, 0.8691, 0.8139 respectively.

This analysis tested the following hypothesis ‘town panchayat’s revenue expenditure levels are determined by their own fiscal influence but not by their demographic factors’ which was proved.
Workings of Town Panchayats

a. Capital Works

The public were not satisfied with the capital works of town panchayats. A close scrutiny revealed that drainage facility, the most dissatisfied item of all has to be accorded top priority followed by public toilets. As people are more aware of health and hygiene, this basic service has to be given maximum importance because people are directly affected by them.

The level of dissatisfaction of capital works was similar in all the three divisions. The significance attached to all capital works showed uniform trend irrespective of divisions.

Public toilets and drainage canals were the most dissatisfied service across all grades of town panchayats. It was also noticed that these two services were considered to be important invariably in all grades. Therefore, equal attention must be paid for drainage and public toilets in all grades of town panchayats.

b. Ordinary Works

Water supply, the most important item of all services performed by town panchayats, has been looked after well. Street lighting, another basic service, was ranked the best by the respondents. Mosquito control, the most dissatisfied service, has to be addressed immediately.
In Kovilpatti division, the most dissatisfied services were mosquito control and road maintenance. The respondents were for giving more importance to waste disposal and water supply as they were considered to be essential to personal hygiene and health.

In Thoothukudi division, the highly satisfied area was street lighting. Vaccination and health and registration of birth and death were the most preferred areas.

As far as Tiruchendur division is concerned, maximum satisfaction was recorded in street lighting followed by water supply. Mosquito control and road maintenance were in a highly deplorable state. Attention should be given to these two services immediately. Though ordinary works were undertaken equally in all town panchayats, their utility or effectiveness differed depending upon the managerial capability and skill of the staff members of respective town panchayats.

In all grades of town panchayats, the opinion about various service differed except mosquito control and waste disposal. It led to the conclusion that more funds should be allotted to render mosquito control and waste disposal services satisfactorily. It was understood that out of several routine works, some were given importance in some grades while other services were given importance in other grades depending upon the specific needs of the people. It was brought to the light that all grades of town panchayats have neglected mosquito control and waste disposal services.
7.3 Policy implications

The above inferences and conclusions have a few policy implications for the improvement of the finances and the services of town panchayats in future.

Revenue

- As far as property tax is concerned, efforts must be taken to bring all unassessed and under-assessed properties under the tax net by conducting periodical surveys and by allotting individual assessment numbers to properties. Strict segregation of commercial and non-commercial use must be drawn so that appropriate tax slab can be fixed.

- The significance of profession tax as a source of revenue in town panchayat area is not seriously felt. Efforts must be made to identify all professional people residing within the town panchayat area to collect tax.

- Waste or spillage tax may be levied on business concerns, which are generating considerable quantity of waste or spillage in the course of their business.

- A new tax system should be envisaged so that a certain percentage of service tax has to be directed towards local bodies by the central government.
Tax may be imposed on hoardings erected within the town panchayat’s area and private players may be allowed to utilize the land and premises of the local body for erecting bill boards and the like for a consideration.

A common pooling of account for all town panchayats within the district level may be maintained so that short-term financial transfers can be made available at reasonable interest rate.

Town panchayat’s consortium may initiate measures to attract Foreign Direct Investment (FDI) to invest in its infrastructure facilities where the Central and the State Government can stand as guarantors.

Provision for sinking fund may be made by town panchayats to replace depreciating heavy capital assets by accurately estimating their life span with the help of appraisers so that sudden capital requirements may not be caused.

Time is ripe that there is a need to minimise political interference in local body’s affairs and no Governments should undertake populist measures which hamper the cost recovery of operation and maintenance services.

Town panchayats may concentrate on the collection of vacant land tax. This is the most buoyant source of income next to property tax in urban local bodies. In fact, in the fast growing towns, there is a tremendous scope for tapping this source. Extensive survey must be conducted to prepare vacant land records in collaboration with the Registration
Department. The focus should be to bring all the vacant lands into the
tax bracket and rate of tax could be minimal to motivate the landowners
to pay the tax.

- The town panchayats should take up commercial enterprises. They
  should develop new markets, shopping complexes and theaters in the
  important growth potential areas. The local bodies should initiate these
  schemes on their own by raising finances from banks and financial
  institutions and repay them in the course of time. Income from these
  sources would strengthen the revenue of own panchayats.

- Development fee and pollution taxes are other avenues open for the
  urban bodies to augment the revenue.

- Computerization, automation and networking of all town panchayats in
  the district level may result in time and cost savings besides ensuring
  transparency in office administration.

- Rebate should be allowed for all tax payments made on time and
  penalty should be imposed for delayed payments.

- Strict measures should be taken to recover the arrears. The Tax
  Collection Machinery should be tightened and the Executive Officer
  should be made responsible for the collection of taxes citations and
  incentives may be awarded when zero arrears tax is achieved.

- To ensure regular and uninterrupted flow of tax income of the all town
  panchayats, it is recommended to empower revenue officers to take all
sorts of distraint measures against tax defaulters, besides conducting awareness campaigns for residents to make them understand that local bodies cannot implement development programmes without getting tax revenue regularly from them.

➢ Town Panchayats in Thoothukudi District are recommended to promote jointly their own power generating facilities like wind mills so as to save huge amount on electricity by obtaining long and medium term loans from banks and financial institutions at reasonable rate of interest because electricity is one of the major expenditure of the town panchayat.

➢ Tax grievance redressal camps may be conducted at ward-level for fast and easy redressal of tax related problems. Similarly ward-wise camps may be organized to legalize the illegal water connections and for water tax related problems also.

➢ Revenue department may be reorganized separating survey and assessment, billing and collection and vigilance functions for effecting an efficient and effective revenue collection system.

➢ Under a special drive, special teams may be formed to recover property tax and water charges and executive officers may be bestowed with the powers of disconnection of water supply and attachment of properties.
Expenditure

➢ Scrupulous measures can be taken with a help of industry experts to ensure energy savings in town panchayats by conducting periodical energy audit.

➢ The cost of public litigation may be considerably reduced by forming arbitration committees comprising responsible citizens, NGOs, retired municipal officers and officers from the town panchayats.

➢ A ‘Quality Control’ team must be formed in the Assistant Commissionerate level to check the quality of civic works like construction of public or town panchayats buildings, roads, culverts, overhead tanks etc. Only empanelled contractors with good track records alone may be permitted to undertake contract works in the town panchayats so that cost escalation may be averted.

➢ It is evident that the town panchayats spend large proportion of money on wages and salaries of its employees, which put substantial burden on the fiscal position of town panchayats. Therefore expenditure management holds the key to fiscal consolidation and herein reduction in revenue expenditure is necessitated. Urban local bodies can envisage a Fiscal Responsibility and Budget Management Bill wherein expenditure reduction is attempted by withdrawing subsidy and a switch over to user charges method through legislative action.

➢ The cost of administration had increased manifold during the period under study. Though it is a very difficult task to freeze such cost completely,
efforts should be made to keep it to the barest minimum without adversely affecting efficiency and control. The misuse of conveyance allowance needs to be stopped immediately. There have been leakages of large amounts of revenue due to negligence and malpractices by the staff. A supervisory control machinery is needed to hold them in check.

- Another important area, which is neglected, is the training of the town panchayats personnel. Several orientation courses have to be organised to boost their morale, equip them with current knowledge and new skills. This would make them responsive to the growing problems of the local bodies.

**Grants-in-aid**

All town panchayats receive grants-in-aid from the Central and State Governments. These are based on the assumption that the existing resources available with the town panchayats are not sufficient to yield the revenue they need.

- A basic general-purpose grant is advocated to assist the smaller local bodies in discharging their obligatory functions. The basis of this grant should be formulated taking into account a number of factors such as size, density of population, area, need and the available resources of the town panchayats.

- Specific grants-in-aid for the various projects of the town panchayats should be sanctioned on a priority basis. The norms and criteria for such
grants should be fixed in advance instead of the present practice of examining each case on its merit, as it causes inordinate delay.

- A periodical review should be undertaken in order to adjust the system of grants with the changing conditions.

**Public Services**

- All town panchayats should be networked through computers as part of providing infrastructure in panchayat areas. As computerization is an important component of ‘Bharath Nirman Project’, it is imperative to link them with one another and also with a National Panchayat Portal.

- It is recommended that all local bodies should implement rejuvenating traditional rain water harvesting system because water management and water conservation involve communities and households and the prevalent mindset that water management is the exclusive responsibility of the government must give way to a paradigm built on ‘participative and local management of this critical life source’.

- Many Urban Local Bodies including town panchayats were under suspension, supersession and dissolved for a long duration. As a result, the functioning of Local Self Government (LSG) in terms of public utility services was unsatisfactory. There was also the absence of people’s representatives in the administrative system. Therefore, election should be held for the local bodies within a period of six months of their dissolution.
➢ It is strongly recommended that town panchayats should propose a scheme to create Model Township with some identified basic amenities like housing, water and power connections, and wet latrines, nutrition and primary education to children, link roads and sanitation facilities.

➢ In order to develop civic facilities and maintain cleanliness with greater public participation and co-operation, Public Participation Committees (PPCs) headed by non-political persons may be set up in every ward in town panchayats which will meet every three months to discuss issues related to beautification of the town and prepare proposals for its development.

➢ Initiative must be taken by town panchayats to issue error free birth and death certificates. Such certificates may be issued online which saves time and cost to the applicant.

➢ A few adjoining town panchayats may join together to undertake under ground drainage system and install Effluent Treatment Plants (ETP) so that treated water can be used for agricultural purposes, which generates revenue. It also contains environmental problems.

➢ Steps may be taken to prepare an inventory of town panchayat assets by computerizing the details of all properties so that an optimal utilisation strategy for the properties may be formulated.
7.4 Conclusion

In fine, the performance evaluation of town panchayats in Thoothukudi district substantiates the fact that the lack of resources is a major constraint which hampers the performance of the town panchayats. Increased responsibilities coupled by environmental, economic, administrative, technological and socio-political factors have brought out the gap in the income and expenditure ratio. Nevertheless, factors such as decline in fiscal dependence on higher levels, increase in own tax sources of town panchayats in general, are indicators of improved fiscal health. However, when this is viewed in the context of growing population and increasing prices, the situation appears to be quite challenging. It therefore, calls for raising the required funds through better use of existing sources of revenue, through other innovative means and proper blend of policies.

7.5 Scope for Further Research

This study gives scope for further research to be undertaken in village panchayats also which come under rural local government set up as they experience similar financial constraints.

This study opens up further avenues of research in the context of an inter-state comparison of performance of town panchayats so as to understand the policy implications of other state governments.
An exclusive research study of not only town panchayats but also small and medium towns can be undertaken on the modernisation and rationalisation of the functions of these local bodies to serve the community better.