“Good governance is perhaps the single most important factor in eradicating poverty and promoting development”.

-UN Secretary-General Kofi Annan

Introduction

Panchayat Raj Institutions in India have their roots since time immemorial. The system has evolved through the ages. Panchayat Raj Institutions (PRIs) are not only the means of political education but provide an important mechanism for rural development and decentralization of powers. Panchayat Raj System (PRS) in India has come into existence through a long process of evolution. Panchayat is an old conception in India and the earlier concept of democracy in the history of civilization. Now a day’s Panchayat Raj bodies are considered as the prime mover, of societal interests as well as considered as the main instrument of the socio-economic transformation in rural area of the state. The PRIs in India are also called prime instruments of democratic decentralization at the grass root level. They assume importance because they carry back to the people the power that really belongs to them.

Mahatma Gandhi was a firm believer of Gram Swaraj. The welfare of rural people could be accomplished in terms of Panchayat Raj. Although Rajiv Gandhi made a unsuccessful attempt to impart life in the grass root institutions yet the task was completed by the then Prime Minister of India Shri Narshima Rao, by introducing 73rd constitutional amendment in the parliament. Since independence great importance has
been attached to socio-economic planning policy of India for promoting an appropriate rural infra-structure and over all development of the country. In view of this the concept of Panchayat Raj was launched in late 50's to evoke popular enthusiasm, participation and involvement in the process of socioeconomic progress of the nation.

Democratic training cannot be imparted from the top. It must be started from below where major chunk of our population taking shelter. It was the main intention of our nation builders to change the socio-economic set-up of our rural masses by involving them into political process who had hither to been the victims of illiteracy, poverty, ignorance and backwardness. Parliamentary democracy is meaningless to those who are ignorant of their rights and duties due to illiteracy and backwardness. Those who are lacking sense of involvement and participation in the political process the idea of democratic decentralization is worthless for them. So the major chunk of the population in the rural area needs to be imparted democratic training and education to make them aware of their rights and to increase their participation in the democratic process.

**Objectives of the Study**

1. To study the origin and historical perspectives of Village Panchayats in India in general Tamil Nadu in particular,
2. To analyze the structure and trends of revenue and expenditure of selected Village Panchayats in study areas in Villupuram District of Tamil Nadu
3. To study the disparities among the various heads of revenue and expenditure of the study area
4. To suggest policy measures to improve the financial position and functions of the Village Panchayat Raj Institutions based on survey results.
Methodology of the Study

The study is mainly analytical and partly descriptive. The present is based on secondary data, which was collected from the selected Village Panchayat’s in Kalrayan Hills based on the annual audit reports. The present study made based on geographical location and distance criteria. The required secondary unpublished data of revenue and expenditure of all the Village Panchayats in Villupuram District were collected from the District Rural Department publication division as follows:

i. The Reports of Revenue and Expenditure of Koliyanur, Kalrayan Hills and Vanur Blocks.

ii. The Reports of Revenue and Expenditure of selected nine Village Panchayats.

iii. The Reports of the various awareness Programmes for Rural Development and Allocation of Funds to selected Nine Village Panchayats and Koliyanur, Kalrayan Hills and Vanur Blocks in Villupuram District published by District Rural Development Agency in Collect rate.

iv. The Report of Village Panchayats and number of presidents, ward members Scheduled Castes (SCs) president, Scheduled Tribes (STs) and women Presidents in Tamil Nadu published by Rural Development Department-Panagal Maligai Chennai.

v. The Report of Villupuram District and Kalrayan Hills, Koliyanur and Vanur Blocks profile and population census, District map was given by assistant statistical department in Villupuram and census of India in Chennai respectively.
The Panchayati Raj details were collected through the published material in the forms of books, seminar reports, conference reports, committee reports, group discussion reports, group research reports, individual research work, papers and articles in leading journals and daily newspapers. The other secondary sources were collected from British Council Library; Connemara Library; Institute of Financial Management and Research (IFMR), Chennai; Madras Institute of Development Studies (MIDS); University of Madras Library; Madras School of Economics (MSE); State Finance Commission; State Information Centre and Secretariat Library, Chennai. After reviewed relevant literatures about the Panchayati Raj Finances especially Village Panchayats in Villupuram district for the research, the researcher has formulated the research design. To carry out the present study a single methodology can’t be adopted all through the research. Since, the system of PRIs is made of different hierarchy of people.

The main reason behind the study is to understand the income and expenditure pattern of the Village Panchayats. The district has the highest number of Village Panchayats (1099) and Panchayat Union Councils (22) among the districts of Tamil Nadu. As per the demographic status of the rural population, the district is having the more Scheduled Castes (SCs) population which occupies second place in the state of Tamil Nadu. There are 22 Blocks/Panchayat Union Councils (PUCs) in Villupuram district which is having highest number in the State of Tamil Nadu, out of which, the researcher has chosen three PUCs based on the geographical location, distance of the Village Panchayats from the district headquarter (i.e. Collectorate, Block Development Office (BDO)) population size, especially SCs and STs namely Kalrayan Hills, Koliyanur and Vanur.
The researcher has chosen three villages from each block based on the same criteria cited above. In the first block, there are villages Kilakkadu, Pudupalapattu and Vellimalai coming under the Kalrayan Hills Block. Under the second block, there are villages of Ayyankoilpattu, Salayampalayam, Kandambakkam are coming under Koliyanur block and other villages of Karasanur, Komdipattu and Royaputhupakkam comes under Vanur block. Out of 9 Village Panchayats, there are three Panchayats headed by SC presidents including one woman, 3 Panchayats headed by ST including one woman, 2 Panchayats headed by Most Backward Class (MBC) and one Panchayat headed by Back Class (BC) including woman President based on the reservation norms followed by the State Government of Tamil Nadu.

The Panchayats the third tier of government with reasonable substance and contents in terms of powers and authority as well as creating adequate space for women and marginalized groups i.e., SCs and STs in the federal set-up. [Pal, Mahi: 2004:137]. As per the perception of the field survey, most of the time, the confrontation happens between the president and vice-president with regard to financial administration in the Village Panchayats where the SC Man/Woman is heading the Panchayats because the Vice-President of the Panchayats is usually assume charge as a Vice-President from any other BC community since any matter relating to finance, both President and Vice-President are suppose to sign and operate the funds. The collection of data relating to income and expenditure of the Village Panchayats has been taken from the period of 2006-07 to 2015-16 from Annual Auditing Report of Village Panchayats.
The present conditions of supply of civic amenities i.e., drinking water supply, health and sanitation, street lighting, streets, primary education and other service delivery performance of Village Panchayats in the study areas were assessed based on the financial records of the Villages Panchayats by the researcher. In addition to that, the income and expenditure pattern of the Village Panchayats’ and financial administration in selected Village Panchayats were collected.

Moreover, what are the ways and means for income generation to the Village Panchayats, and the revenues are spending whether it was spent on development and non-development activities. If local revenues are not sufficient to meet over all the needs of Village Panchayats, how they met the deficit of Village Panchayats. Is there any new ways for the increasing the local revenues within their jurisdiction.

Financial data were collected from the records and accounts maintained by the Panchayats and the reports and records kept at the office of the Deputy Director of Panchayats. The ten year period is considered to be sufficient for knowing the pattern and trends of local finance and hence the latest 10 year periods have been taken for the study. Other details were collected from all the members, secretaries and accountants of the Panchayats concerned. Open discussion was performed with key informants to have a clearer idea about the finances of Gram Panchayats. Apart from the above sources, both published and unpublished materials from various relevant organizations also have been collected.

In addition to that, the details of tax revenues of Village Panchayats like 1. **Tax Revenue** comprises of House Tax, Professional Tax, Advertisement tax, income from others. 2. **Non-Tax Revenue** comprises of Licence fee, building fee, sand fee, income
from trees, blue print approval, additional income, bank interest, old thing auction, sales
tax, income tax etc. **3. Assigned and Shared Revenue** comprises of Surcharge on Stamp
duty, Local cess, 2C Patta Fee, Entertainment tax, etc., **4. Grants - in aid** comprises of
House matching grants, Income from Light Spare Parts, Matching grants for development
works given by the State Finance Commission (SFC) and **5. Other Incomes** comprises of
Library Tax, deposits, funeral grants and fund for labour welfare were discussed in the
analysis. The present research was analyzed with the help of some statistical techniques
like simple percentage and regression models were analyzed.

**Significance of the Study**

The Panchayati Raj system or PRIs are the only way out to complete this major
task of rural development. It was Panchayat Raj system by which people's participation
and involvement could be ensured in the political system. That is why it is more
significant to study the working of these institutions. That is why the persons like
Mahatama Gandhi, Jawaharlal Nehru, Jai Prakash Naraian and S.K.Dey, and Rajiv
Gandhi laid much emphasis on the development and significance of grass-roots
institutions i.e. PRIs. Even, prior to independence most of the matters relating to the
villages were settled by the Gram Panchayat (G.P). But with the advent of British
colonial rule, the status and importance of these institutions were minimized. The higher
rate of illiteracy was also one of the major hurdles in the awakening of the masses. It was
only after the independence that special attention was given to improve rural life by
involving the masses in the democratic process. As already mentioned that Gandhiji was
convinced that village Panchayats have enormous potentialities organisation based on
grass-root democracy. He was of the opinion that 'the greater the power to panchayats,
the better for the people.' Thus, on attaining independence, the establishment of Panchayat raj was accepted by nation as a whole. Since then the government is trying its best to provide a desired status to the grass root level institutions. The Directive Principles of State Policy Article 40 is a testimony to this intension of constitution makers. But this provision was not a firm commitment." This was the formal constitutional recognition of the Panchayat Raj as a unit of rural local self-government. However, the present functions of the Panchayat Raj systems in Tamil Nadu are basically the powers of the financial autonomy and available local resources. In that case, the researcher has chosen the area of Villupuram District Panchayats because several Panchayats are headed by SC Presidents without having more financial resources. Under which, the District Panchayats have only adversary role in the state and as such no asset creation and maintenance roles are entrusted to them. Hence, no share is to be given to them from the total devolution of PRIs in Tamil Nadu. The estimated requirements or salary and office administration for District Panchayats would be first set, apart and the balance would be distributed between PUCs and Village Panchayats. The PUCs are maintaining rural roads and school buildings. But the lower tier like Village Panchayats is having all maintenance activities and thus their requirements are high. The Village Panchayats is more important tier of PRIs why, because the Village Panchayats is primarily responsible for meeting all essential needs for the village people. Hence, the Village Panchayats is more important tier of PRIs in India. Therefore, there are two principal reasons that motivated the researcher to undertake such study on Village Panchayats in Villupuram district. Firstly, the district has more rural population that is 85.5 per cent [Policy Note-2015-16] and has more number of Village Panchayats in
Tamil Nadu. Secondly, though there are some good empirical studies on Village Panchayats in Tamil Nadu, but studies are related to financial administration of Village Panchayats level as such is inadequate.

**Statement of the Problem**

The 73rd Constitutional Amendment Act of 1992 which created a uniform three-tier structure of Panchayat Raj at the district, block/mandal and village levels provides transfer of responsibilities and tax powers from the state government to the gram panchayats. The responsibilities include preparation and implementation of plans for economic development and social justice relating to an indicative list of 29 subjects given in Eleventh Schedule of the Constitution. Under Article 243-G, the Constitution has given authority to state governments to endow Gram Panchayats with necessary powers to carry out their functions. States are empowered under Article 243-H to authorize Gram Panchayats to levy, collect the appropriate taxes, duties, tolls and fees apart from giving them grants-in-aid from the consolidated fund of the State. Another provision, that of Article 243-I, provides for the constitution of a State Finance Commission (SFC) for every five years to review the financial position of Gram Panchayats and to recommend ways for implementing the provisions of Article 243-H so as to improve the financial position of the later.

The Gram Sabha, the general assembly of villagers, has a key role in effective functioning of Gram Panchayats through, among other things, discussion of the Annual Financial Statements of Gram Panchayats. The main components of fiscal decentralization comprise expenditure and revenues transfers to local governments and
sub national borrowing, which is not a regular feature of Panchayati Raj Institutions in India.

Though the Panchayat Raj Institutions were in existence in various forms in various States, these institutions did not acquire the status and dignity of viable and responsive people’s bodies due to a number of reasons including the absence of regular elections, prolonged supersession, insufficient representation of weaker sections like SC, SC and Women, inadequate devolution of powers and lack of financial resources. In the light of the experience gained and the short-comings of the village Panchayats in Villupuram district need to be addressed to enshrine in the Constitutional provisions of the basic and essential features of Village Panchayats. The present study would focus on administration of income and expenditure at the Village Panchayats level, how they are spending the funds at village level and what would be the income sources to execute their responsibilities towards rural development in Villupuram district since Village Panchayats are primarily responsible for meeting essential needs for the Village People. Moreover, the Village Panchayats has limited resources for development work from own fund. The development expenditure from Village Panchayat fund works out at Rs. 4/- per person. Manab Sen, [2005:807].

The District Panchayats and Panchayat Union Councils have permanent revenues from their own sources, so that these two bodies can run their Panchayats without depending on Central and State Governments Grants-in-aid. In the case of Village Panchayats also have these types of revenues but it is not sufficient for their administration. The Tax-Revenues were decreased every year at the Village Panchayats levels in recent days with the following reasons:
1. Due to lack of permanency and political autonomy
2. Due to financial inadequacy and lack of financial autonomy
3. Monsoon failure
4. Poor Management of Common Property Resources
5. Tax evection etc.

Profile of the Study Area

Villupuram district is the 23rd District of the State Tamil Nadu. It has been bifurcated from the erstwhile composite South Arcot District and commenced its function from 30th September 1993 with its Head Quarters at Villupuram. It is the largest District in Tamil Nadu which is predominantly agrarian. The total geographical area of the district is around 7011 sq kms. The district is situated in the northern part of Tamil Nadu and close to the state capital of Chennai in a distance of about 100 kms from its north border. The district’s head quarter Villupuram is about 160 kms from Chennai. The boundaries of the District are Bay of Bengal and the Union Territory of Puducherry by the East and Kancheepuram and Thiruvannamalai District by the North, Cuddalore District by the South and West by Dharmapuri and Salem Districts. The district is characterized mostly by plains, the major area of which is utilized for agricultural purposes.

It also has vast area of hills in two of the blocks (Kalrayan hills and part of Kallakurichi).

There are four revenue divisions:

i. Eight Revenue Taluks
ii. Two municipalities (Villupuram & Tindivanam)
iii. Sixteen Town Panchayats
iv. 22 Panchayat Unions

v. 1490 Revenue Villages in the District with a total area of 722203 Hectares.

The administrative headquarters is located at Villupuram town. The district lies between 110 59’ and 120 48’ north 30 latitude and 780 60’ and 790 to 800 east longitude. The details of the names of the taluks and areas in sq. km. are shown in the following Table:

<table>
<thead>
<tr>
<th>S. No</th>
<th>Name of the Taluks</th>
<th>Area in Sq. Km.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Sankarapuram</td>
<td>1414.21</td>
</tr>
<tr>
<td>2</td>
<td>Gingee</td>
<td>1151.84</td>
</tr>
<tr>
<td>3</td>
<td>Kallakurichi</td>
<td>1132.05</td>
</tr>
<tr>
<td>4</td>
<td>Tindivanam</td>
<td>1121.51</td>
</tr>
<tr>
<td>5</td>
<td>Villupuram</td>
<td>1013.34</td>
</tr>
<tr>
<td>6</td>
<td>Thirukovilur</td>
<td>839.30</td>
</tr>
<tr>
<td>7</td>
<td>Ulundurpet</td>
<td>819.61</td>
</tr>
<tr>
<td>8</td>
<td>Vanur</td>
<td>712.77</td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
<td><strong>8204.63</strong></td>
</tr>
</tbody>
</table>

Source: Compiled from Tamil Nadu Government Records.

Villupuram district ranked 6th place in terms of the highest population size among the districts. The district has 15% of urban population to its total population. The district has recorded the highest Scheduled Caste population (31.54%) among the district. The district has recorded the 3rd highest Scheduled Tribe population (0.23%) among the districts. In terms of population density, Villupuram district has recorded 481 persons per square kilometer. The sex ratio of the district is 987, lower than the State sex ratio of 996. The district has recorded the literacy rate of 71.9%, lower than the State literacy rate of 80.1 per cent. Gingee Taluk has the highest number of inhabited villages (236) while Vanur taluk has the least number (79) of inhabited villages. Pidagam village of
Ulundurpettai taluk is the most populated (10961) and Kadayam Reserve Forest Village of Villupuram taluk has recorded the least population of 2 in the district. Thagarai Reserve Forest village of Kallakurichi taluk has the largest area of 4817.4 hectares and Kongarampoondi Reserve Forest village of Villupuram taluk has the least area of 13.93 hectares. The district has recorded 3rd lowest percentage of Main workers to total workers of 74.0 percent among the districts. The district has recorded 86.8 percent of rural household having no latrine which is 3rd highest among the districts.

**Table:- 1.1 Selected Village Panchayats details**

<table>
<thead>
<tr>
<th>Basic Details</th>
<th>VP1</th>
<th>VP2</th>
<th>VP3</th>
<th>VP4</th>
<th>VP5</th>
<th>VP6</th>
<th>VP7</th>
<th>VP8</th>
<th>VP9</th>
</tr>
</thead>
<tbody>
<tr>
<td>Area (Sq.Km)</td>
<td>775.28</td>
<td>996.82</td>
<td>993.23</td>
<td>471.44</td>
<td>406.57</td>
<td>1023.22</td>
<td>468.84</td>
<td>292</td>
<td>664.71</td>
</tr>
<tr>
<td>Total Household</td>
<td>183</td>
<td>1289</td>
<td>189</td>
<td>1115</td>
<td>709</td>
<td>1812</td>
<td>683</td>
<td>156</td>
<td>533</td>
</tr>
<tr>
<td>Total Population</td>
<td>1899</td>
<td>5778</td>
<td>954</td>
<td>4716</td>
<td>2999</td>
<td>7776</td>
<td>2862</td>
<td>715</td>
<td>2565</td>
</tr>
<tr>
<td>Male</td>
<td>946</td>
<td>2944</td>
<td>465</td>
<td>2399</td>
<td>1529</td>
<td>3897</td>
<td>1458</td>
<td>355</td>
<td>1271</td>
</tr>
<tr>
<td>Female</td>
<td>953</td>
<td>2834</td>
<td>489</td>
<td>2317</td>
<td>1470</td>
<td>3879</td>
<td>1404</td>
<td>360</td>
<td>1294</td>
</tr>
<tr>
<td>Total SC Pop</td>
<td>23</td>
<td>844</td>
<td>0</td>
<td>335</td>
<td>882</td>
<td>3053</td>
<td>539</td>
<td>396</td>
<td>1029</td>
</tr>
<tr>
<td>Male-SC</td>
<td>9</td>
<td>435</td>
<td>0</td>
<td>162</td>
<td>443</td>
<td>1535</td>
<td>285</td>
<td>201</td>
<td>501</td>
</tr>
<tr>
<td>Female-SC</td>
<td>14</td>
<td>409</td>
<td>0</td>
<td>173</td>
<td>439</td>
<td>1518</td>
<td>254</td>
<td>195</td>
<td>528</td>
</tr>
<tr>
<td>Total ST Pop</td>
<td>1851</td>
<td>25</td>
<td>945</td>
<td>0</td>
<td>36</td>
<td>41</td>
<td>32</td>
<td>135</td>
<td>117</td>
</tr>
<tr>
<td>Male-ST</td>
<td>922</td>
<td>13</td>
<td>459</td>
<td>0</td>
<td>20</td>
<td>23</td>
<td>16</td>
<td>68</td>
<td>54</td>
</tr>
<tr>
<td>Female-ST</td>
<td>929</td>
<td>12</td>
<td>486</td>
<td>0</td>
<td>16</td>
<td>18</td>
<td>16</td>
<td>67</td>
<td>63</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Name of block</th>
<th>Kalrayan Hills</th>
<th>Kalrayan Hills</th>
<th>Kalrayan Hills</th>
<th>Koliyanur</th>
<th>Koliyanur</th>
<th>Koliyanur</th>
<th>Vanur</th>
<th>Vanur</th>
<th>Vanur</th>
</tr>
</thead>
<tbody>
<tr>
<td>Name of District</td>
<td>VPM</td>
<td>VPM</td>
<td>VPM</td>
<td>VPM</td>
<td>VPM</td>
<td>VPM</td>
<td>VPM</td>
<td>VPM</td>
<td>VPM</td>
</tr>
<tr>
<td>Distance from BDO (Km)</td>
<td>38</td>
<td>40</td>
<td>0</td>
<td>3</td>
<td>8</td>
<td>14</td>
<td>10</td>
<td>31</td>
<td>6</td>
</tr>
<tr>
<td>Distance from Head quarters (Km)</td>
<td>130</td>
<td>95</td>
<td>130</td>
<td>3</td>
<td>8</td>
<td>14</td>
<td>30</td>
<td>64</td>
<td>38</td>
</tr>
</tbody>
</table>

Source: Village records
Note: VP1- Kilakkadu, VP2- Puthupalapattu, VP3- Vellimalai, VP4- Ayyankoilpattu, VP5- Kandampakkam, VP6- Salayampalayam, VP7- Karasanur, VP8- Komadipattu, VP9- Royaputhupakkam
Limitations of the Study

The present study confined to nine selected village Panchayats have been selected purposely in Villupuram District during the period of 2006-07 to 2015-16. The selection of the Panchayats has been done on the basis of purposive and random sampling. These village Panchayats are Kilakkdu, Puthupalapattu and Vellimalai comes under Kalrayan block. The other village Panchayats namely Ayyankoilpattu, Kandampakkam and Salaiyampalayam comes under Koliyanur block and the remaining Village Panchayats namely, Karasanur, Komadipattu and Royaputhupakkam comes under Vannur block with regard to financial administration of Village Panchayats based on the available records of revenue and expenditures were analyzed. The analysis was made based on the grants received from the State Finance Commission and other sources of funds mobilized from the Village Panchayats were discussed.

Outcome of the Study

The present study of Panchayat Raj would provide a strong foundation for the Village Panchayats for local self governance for better implementation of the various services to the rural communities. The study will also facilitate the local government in order to understand the importance of Village Panchayats devolution of financial bargaining powers from the Central and State governments, instead of initiating such policies which could strengthen the Panchayati Raj institutions, have used these institutions as for distributing funds to the target groups. It provides a clear-cut picture about the financial resources and an inclusive exposure of financial allocation by head wise of Village Panchayats of selected Village Panchayats in Villupuram District. The study would also suggest proper financial administration of the Village Panchayats
ultimately would result to enhance local finance more effectively and better utilization of local funds would result better delivery of various rural development schemes.

**CHAPTERISATION**

**FIRST CHAPTER** deals the theoretical background of Village Panchayat and Panchayat Raj Institutions, objectives, methodology, importance, limitation and outcome of the study.

**SECOND CHAPTER** portrays the theoretical literature reviewed about the Village Panchayats and its financial positions of various Village Panchayats in Tamil Nadu and other States of India.

**THIRD CHAPTER** highlights the Origin and Historical perspectives of the Village Panchayat Raj Institutions in India.

**FOURTH CHAPTER** exhibits An Economic Analysis of Revenues sources of selected Village Panchayats in Villupuram District.

**FIFTH CHAPTER** portrays An Economic Analysis of Expenditure Heads of selected Village Panchayats in Villupuram District.

**SIXTH CHAPTER** summarizes findings and conclusion of Village Panchayat Raj Institutions.
References


3. Ibid,


