CHAPTER V

SUMMARY AND CONCLUSIONS
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The progress of India is bound up with the progress of our villages. To realise this objective, the Panchayati Raj system was established in India in 1959 with three-tier structure of Panchayati Raj system. The creation of Panchayati Raj with a view of development of rural people is considered not only on innovation, but also a revolution. The third-tier of Panchayati Raj i.e., Gram Panchayat, occupies a pivotal role as it is the basic and closest tier to the people. The success of Panchayati Raj to a greater extent rests on the effectiveness of the Gram Panchayat. Therefore, analysis of the finances of Gram Panchayats is of crucial significance.

To focus of present study is on the financial resources of Gram Panchayats in Anantapur district in general and the financial resources of selected Gram Panchayat namely, Atmakur Gram Panchayat in particular over a period of ten years i.e., from 1986-87 to 1995-96. The present study examines whether the existing financial resources of Gram Panchayats are adequate or not to perform their functional responsibilities.
The Panchayati Raj finance has not been received adequate attention to the extent that the subject rightly deserves. Majority of the Gram Panchayats have neither economic nor administrative viability. The Government does not meet the expenses of the running of their administration. The inadequacy of the financial resources of Gram Panchayats is at present the most serious obstacle to the progress of Gram Panchayats in the State. The general problem of Gram Panchayats is the mobilisation of financial resources. In this context, the study of the finances of Gram Panchayats assumes an important role. The financial aspects of Gram Panchayats could not draw adequate information and no systematic effort has been made to conduct a comprehensive study in the area of the financial resources of Gram Panchayat.

The major financial resources of Gram Panchayats are, tax revenue, non-tax revenue, assigned revenue and grants-in-aid. The main sources of tax revenue to the Gram Panchayat are house tax, profession tax, vehicle tax and special taxes on the houses. Assigned revenues includes entertainment tax, surcharge on stamp duty and land cess. Non-tax revenue includes licence fees, income from remunerative enterprises and miscellaneous items and grants-in-aid such as population grant, salary grant and other miscellaneous grants.
The local tax powers in Andhra Pradesh are conferred almost exclusively on the lowest tier of Panchayati Raj, viz., of Gram Panchayats. Even though the Gram Panchayats are not in a position to utilise their tax powers, the taxes they levy are two or three in number. The tax rates in several panchayats being low and collection of taxes are poor. The tax collection efficiency in the Notified Gram Panchayats is higher than that of Non-Notified Gram Panchayats. The tax revenue as its share in total revenue being not less than 20 per cent in Notified Gram Panchayats and not less than 30 per cent in Non-Notified Gram Panchayats in the district, the tax rates, in operation, in several Gram Panchayats are low and are not revised periodically during the period under study. They have not kept place with either changing trends in incomes of the tax payers or the revenue needs of the Gram Panchayats. Low and irregular assessment of houses, large scale avoidance of houses from the purview of the house tax, levy of the tax at the minimum rate and poor collections were commonly found in the most of the Gram Panchayats in the district.

The decadal average share of house tax to the total tax revenue and to the total revenue varied between 47 and 28.20 per cent in the Notified Panchayats and 95.00 per cent and 3.78 per cent to the tax revenue and total revenue.
of the Non-Notified Gram Panchayats in the district during the period under study, i.e., from 1986-96.

House tax is the major source of revenue to Atmakur Gram Panchayat during the decade under study. On an average the revenue from house tax was 62.92 per cent per annum. In actual terms the annual average income from house tax to Atmakur Panchayat was Rs.51,572.25 per annum.

Profession tax has no prominent place in the finances of the Gram Panchayats in the district and in Atmakur Gram Panchayat. It contributes to the local exchequer is insignificant. On an average its contribution to the total revenue is 17.54 per cent in the district. The low fiscal importance of the tax in the finances of Non-Notified Gram Panchayats is due to primarily to the fact that the assesses belong to low income and the rates applicable to which are low.

The revenue from profession tax occupies the second largest source of revenue under tax revenue of the selected Gram Panchayat. The average annual share of this revenue to tax revenue was 17.31 per cent per annum.

Vehicle tax is a minor source of revenue to both Notified and Non-Notified Gram Panchayats. This source occupies 0.12 per cent of total revenue in Notified Gram
Panchayats and its share was 1.80 per cent to the total revenue in Non-Notified Gram Panchayats in the district.

But in the selected Gram Panchayat the vehicle tax was not levied. The Gram Panchayat is located in semi-urban areas but the vehicle tax was not levied. It is one of the major reasons for inadequate financial resources of Gram Panchayats.

Gram Panchayats have also not shown any disposition to impose the tax on agricultural land for specific public utility purposes. This tax is a counterpart of the special tax on houses. Thus the Gram Panchayats in Andhra Pradesh in practice depends on two or three taxes only and the other taxes available to them are either not capable of bringing in significant revenue or are considered politically inexpedient.

Non-tax revenue occupies one of the important place in the finance of both the categories of Gram Panchayats in the district during the decade. The major source of non-tax revenue are remunerative enterprises, licence fees, fees and fines, contributions and donations etc. Market fees and licence fees are the major sources of non-tax revenue in Atmakur Gram Panchayat. Remunerative enterprises such as markets, slaughter houses, ferries, water supply, compost manufacturing, fisheries in minor irrigation tanks, community
cattle sheds, avenue receipts and gross sales etc., are the sources of income to the Gram Panchayats as provided in the Gram Panchayats Act 1964. On an average non-tax revenue contributes a share of 2.87 per cent per annum in the selected Gram Panchayat during the decade under study.

Assigned revenue plays a major role in the finances of Gram Panchayats in the district. There are only three items of revenue from assigned revenues in force in the state. The entertainment tax, a surcharge on stamp duty on immovable properties and land cess. The State Government is assigning 95 per cent of the gross proceeds of the entertainment tax to the Gram Panchayats on the basis of collection which is levied and collected by the State Government. Almost all the revenue from the entertainment tax is realised from cinematography. During the period under reference the share of assigned revenue to total revenue of Atmakur Gram Panchayat was 15.09 per cent per annum.

Entertainment tax is a profitable source of revenue to Gram Panchayats in urban and semi-urban areas, such as to Notified Gram Panchayats. Thus the revenue from this tax is very important source of revenue to Notified Gram Panchayats on an average it contributes 78.20 per cent to the total assigned revenue and 40.21 per cent to the total revenue per annum in the Notified Gram Panchayats of Anantapur district,
whereas in Non-Notified Gram Panchayats its average contribution was 11.20 per cent to the total assigned revenues and 36.45 per cent to the total revenue. However, there is a large scale evasion of the tax resulting in loss of considerable revenue to Gram Panchayats in Anantapur district over a period of ten years. Entertainment tax occupies the second position in the total assigned revenues of the selected Gram Panchayat. In actual terms it received Rs.11,733.26 per annum over a period of ten years under study.

Surcharge on stamp duty on immovable properties is an important source of revenue to Non-Notified Gram Panchayats. On an average, it contributes a share of 20.40 per cent to the total assigned revenue and 10.53 per cent to the total revenue of Non-Notified Gram Panchayats in the district. In Atmakur Gram Panchayat it formed the second largest source of assigned revenue. But it is fluctuating due to irregular adjustments by the government during the study period. The revenue from this source is the major source to Atmakur Panchayat. On an average it contributes a share of 67.23 per cent per annum of the total assigned revenues during the decade 1986-96.

The land cess levied and collected by the State Government along with land revenue and proceeds are distributed by the Gram Panchayats, mandals and Zilla Parishads
on the basis of collection in the ratio of 7:6:5 respectively in the Coastal Andhra and Rayalaseema and in the ratio of 12:8:5 respectively in the Telangana area of the State, revenue from this source is not a valuable for a large number of Gram Panchayats in the State, especially of the Notified Gram Panchayats due to abolition of village officers system and land revenue system, the income from this source has decreased marginally. The fiscal importance of land cess in the finances of both the categories of Gram Panchayats is not significant. On an average its share in the total revenue was 0.65 per cent and 1.26 to the total assigned revenues in the district. The revenue from land cess received only in two out of ten years under study. During these two years also its contribution to assigned revenues was very low and in these years it occupied a last place in the assigned revenues.

Grants-in-Aid to Gram Panchayats are provided for various purposes and under various schemes. These consist of (a) unconditional per capita grant, (b) a grant in connection with the revision of pay scales, (c) matching grant for impressive tax collections, (d) unanimous election grant, (e) best panchayat grant, and (f) grants for public works. Some of these grants are paid by the State Government and others by Mandal Parishads and Zilla Parishads.
Grants in general, play a major role in the finances of both the categories of Gram Panchayats in the district. Population grant or unconditional per capita grant is the major source of grants-in-aid to the Non-Notified Gram Panchayats. It shares 82.02 per cent to the total Grants-in-aid and 16.22 per cent to the total revenue. In Notified Gram Panchayats it occupies 3.60 per cent to the total Grants-in-Aid and 3.00 per cent to the total revenue in Anantapur district. In the selected Panchayat it contributes an annual share of 48.75 per cent per annum to total revenue during the ten years.

Matching grants and the other grants play a minor role in the finances of Non-Notified Gram Panchayats. It occupies only 17.96 per cent to the total Grants-in-Aid and 3.33 per cent to the total revenue. In Notified Gram Panchayats, it occupies 96.30 per cent of the total Grants-in-Aid and 78.43 per cent to the total revenue.

The only grant to which each Gram Panchayat is entitled is the per capita population grant but even the quantum of this grant is uncertain due to the haphazard manner in which certain deductions are effected from the amount.
Regarding the salary grant to the selected Gram Panchayat it is very high compared with the other grants to the panchayat. Its contribution is very significant with a share of 70.57 per cent per annum. Compensation grant was received in two out of ten years. Public works grant received in five out of ten years. The grant under Jawahar Rozgar Yojana to Atmakur Gram Panchayat was received from 1992-93 with a recorded amount per annum.

The status clearly specify the items over which Gram Panchayats have power to incur expenditure to fulfil obligatory functions of Gram Panchayats. Broadly speaking, these includes communications, street lighting, public health and sanitation and water supply. The Gram Panchayat makes reasonable provision for carrying out the obligatory functions, within the available funds. About the optional functions of Gram Panchayats, the scope of Gram Panchayat activities under this category has been broadened in the Act of 1964. It touches several aspects of rural life. In addition to the obligatory and optional functions mentioned in the statues, Gram Panchayats are also expected to perform such of the functions as may be entrusted to them. These include management of village irrigation works, ferries, charitable activities and forests.
The rate of house tax is low and it has not kept place with either changing trends in the incomes of the taxpayers or the revenue needs of the Gram Panchayats. The income of the Gram Panchayats especially of Non-Notified Gram Panchayats is too meagre to render even minimum service to the villages.

Regarding profession tax, any increase in the revenue from the tax can only be by plugging the loopholes in the tax, the loopholes being low assessment or omission in assessments.

The vehicle tax, which the Gram Panchayats are entitled to levy and collect is not being fully collected. This tax rate should be suitably revised and should continue to be levied as compulsory tax. Here a uniform levy of this tax should be adopted withdrawing the minimum and maximum rates now in vague. Due to political and other local reasons this tax was not levied by many gram panchayats, whereas it is one of the own sources of revenue to the Gram Panchayat.

In addition to taxes, the Gram Panchayats should levy/fees taxes for services like lighting, sanitation, water supply, etc. The maximum and minimum of these fees/taxes should be laid down to avoid abitraniness or lack of uniformity. Regarding the selected Gram Panchayat, it has
not levied the special taxes like lighting tax and drainage tax.

In regard to entertainment tax, there is a large scale evasion of the tax resulting in loss of considerable revenue to Gram Panchayats. Moreover, the existing rates require enhancement. The system of inspection also needs to be strengthened.

Surcharge on stamp duty on immovable properties is an important source of revenue to the Gram Panchayats especially of Non-Notified Gram Panchayats. There is large scale evasion of stamp duty on immovable property through deliberate understatement of property values with the collusion of the registration officials. They has led to considerable erosion of revenue. The existing system of self-declaration of property values by the parties and the corruption in the registration department can be checked effectively by prescribing to the parties to produce a valuation certificate from the Sarpanch of the Gram Panchayat in which the property is located. Besides this, suitable deterrents must also be provided against erring executive authorities of Gram Panchayats in the issue of the valuation certificates. The present rate of levy on stamp duty can remain, but competent authorities should fix up land values in different areas of Gram Panchayats to minimise undervaluation of properties.
Increase in non-tax revenues can only be marginal and that too through better administration and better collections alone. Any appreciable increase in the non-tax revenue is possible only when the State Government handover all the communal properties to the Gram Panchayats as laid down in the Act and also finances of the Gram Panchayats adequately to undertake remunerative enterprises. However, the need for discovering and developing the non-tax revenues potential is very great. The rate of levy of fees on licences should be increased to not less than one hundred per cent. All leviable items should be assessed and fees will be collected regularly. Since contribution is an essential part of development from below, efforts should be made to mobilise more contributions. It is necessary to impose the kolagaram or katarusum which is not available for the Gram Panchayat. A tax on agricultural land for specific public purposes should be imposed. The pilgrim tax on persons leaving by inland water ways, a notified fair or festival centre or any place within a specified distance therefrom should be levied efficiently by the Gram Panchayats.

There is a great need for increasing the scale of grants to Gram Panchayats and also to rationalise the scheme of grants. Though it is desirable it may not be possible to the Gram Panchayats to collect 100 per cent dues. So, grants
may be made to them, if they collect at least 90 per cent of dues.

The need to provide budgetary loans to the Gram Panchayats to enable them to set up remunerative schemes is recognised. Political considerations also seem to influence the grant of loans to Gram Panchayats. In seeking measures to make finances available to Gram Panchayats, the suggestion made by Santhanam Committee should be followed by establishing a Panchayati Raj Finance Corporations at State level to provide loans to Gram Panchayats to enable them to take up different types of remunerative enterprises.

Various Commissions and Committees and Experts on the subject were unanimous in their plea that Government should extend liberal financial help to the Gram Panchayats. The means suggested to increase the income of the existing sources of revenue, handling over to the Gram Panchayats to all communal projects in the concerned panchayat areas, providing impetus to the Gram Panchayats to enable them to embark on remunerative enterprises, extension of liberal grants-in-aid, assigning greater proportion of tax revenue and transferring new tax resources to the Gram Panchayats.

It is suggestable that to improve the finances of the Gram Panchayats is to handover to it certain permanent and independent taxes. It is good in the sense that the
Panchayat being the primary unit of local self government should take up the responsibility of collecting taxes from the local people and be answerable to them.

In the sphere of financial administration, radical changes in the existing budgeting and book keeping methods of Gram Panchayat are called for. At present budgeting in Gram Panchayats is more ritualistic than realistic forecast of revenue and expenditure. There is a wide divergence between actuals and estimates. Bad system of budgeting is mainly due to lack of adequate guidance in the preparation of budgets from the inspecting officials.

Lack of secretarial assistance to the vast army of Gram Panchayats, lack of proper and adequate guidance by the inspecting officials and auditors, low educational status of large number of sarpanches can be stated to be responsible for the inadequate and improper book keeping in the Gram Panchayat in Anantapur district. Audit of many Gram Panchayats are pending for quite a long time. Audit objections were never taken seriously by the Gram Panchayats. The present system of audit does not seem to be efficient. The quality of the audit is poor and the audit conducted by them is of a routine nature. If the Gram Panchayats are utilising their powers in the collection and levy of their own resources like house tax, vehicle tax, special taxes and non-taxes which are
levied by the Gram Panchayats without any political involvement then the Gram Panchayats will become a model units for the development of the nation.