CHAPTER I

INTRODUCTION
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After Independence, Community Development Programmes and National Extension Programmes were launched in India in 1952 and 1953 respectively for the development of rural areas. But the programmes failed to achieve their objectives mainly because of lack of public participation which is considered as one of the crucial variables in the achievement of development goals. It's felt that no amount of money spent on rural development by the government can do for the people than what people can do themselves. People who are expected to be benefitted by the development must be involved and they must themselves take up the responsibility for achieving development.

Balwantrai Mehta Study Team realising the importance of popular participation and recommended the creation of Panchayati Raj Institutions which are to be statutory, elective, comprehensive in duties and functions, equipped with necessary executive machinery with adequate resources and enough autonomy and freedom. The creation of Panchayati Raj in 1959, with a view to entrusting the authority and responsibility of rural development to rural people, is considered not only an innovation, but also a revolution.
The team made an exhaustive enquiry and submitted its report on November 24, 1957. To democratise the local institutions, the team suggested a three-tier system of Rural Local Government with Gram Panchayat at the bottom, panchayat samithi at the middle and zilla parishad at the top. Now there are 2,22,691 Gram Panchayats, 4,032 Panchayat Samithis (Mandal Parishads/Blocks) and 252 Zilla Parishads in all over the country.

Rajasthan and Andhra Pradesh were the two early advocates of the Panchayati Raj system in India. The Government of Andhra Pradesh acted swiftly in accepting the recommendation of the Balwantrai Mehta Team and enacted a legislation in 1959 to introduce the three-tier structure of Panchayati Raj in the State with Zilla Parishad at the top, the Panchayat Samithi in the middle and the Gram Panchayat at the top. Although later on, a few changes have been made in the organisation, the framework has essentially remained the same. The Panchayati Raj of today in Andhra Pradesh is based on Andhra Pradesh Gram Panchayats Act 1964 and the Andhra Pradesh Mandal Praja Parishads and Zilla Praja Parishads Act of 1987 with some amendments to these two Acts in the recent years.
The Panchayats are expected to play a vital role in rural development in India, particularly after Independence. Plan documents of both the Central and State Governments and various committees have emphasised the importance of Gram Panchayats in the polity. The Second Five Year Plan document had stressed the need for creating a well organised democratic structure of administration within the district in which the Gram Panchayats would be organically linked with popular organisations at a higher level and these popular bodies were to be entrusted with the functions of the entire general administration and development of the area.

Gram Panchayats have to play a crucial role in achieving overall development of rural areas. The Gram Panchayats have many responsibilities on both civic and developmental fields such as education, public health, water supply, communications, agriculture, minor irrigation, village and small scale industries and social welfare. In this context the finances of Gram Panchayats assume a major importance. But the Gram Panchayats are endowed with inadequate tax powers and multiple functional responsibilities. Unless the Gram Panchayats have a command over larger financial resources they cannot perform satisfactorily than the developmental functions that are bestowed on them.
There are many critical observations on the working of Panchayati Raj Institutions particularly the Gram Panchayats. It is stated that they are unduly dependent on Government and are not able to generate local resources. It is observed that they spend major portion of their revenue on establishment, leaving very little for developmental programmes. On the other hand, there are representations from Gram Panchayats that their financial resources are meagre. It is stated that the assistance to the Gram Panchayats from Government, has not increased in proportion to their ever growing functional responsibilities over the decades in India.

The Santhanam Committee having studied problem of Panchayati Raj finances observed "Although Panchayati Raj Institutions have their formidable list of functions to discharge they do not have necessary financial resources to cope with their functions. Therefore, it is essential for the stability and growth of the Panchayati Raj Institutions that they should have substantial financial resources which are entirely within their power to exploit and develop". In the words of Venkat Raman "there is a need to maintain a balance between the expanding functions and the role entrusted to the local bodies and their financial resources."
Ashok Mehta Committee report pointed out that the present Panchayati Raj system is not able to function effectively not only due to the poverty level in the village but also due to the size of the resource base. It is therefore argued that the Government should transfer considerable resources to the panchayats.

Local finance has not received adequate attention to the extent that the subject rightly deserves. Though the problem of state-local fiscal relations is as complex as that of central-state fiscal relations, local finance is apt to be neglected in a federation in view of the fact that in several federations, local authorities do not have any constitutional status, powers and privileges. It is stated that the state level fiscal adjustments are much more complex than the central-state fiscal adjustments. Unlike the Central Government which deals with a few State Governments, the State Governments have to deal with thousands of Local Governments which are of different composition and nature and whose revenue potential and expenditure are widely differ from one another. The powers and functions of the lower-tier of Panchayati Raj in India are differ from one State to another State.
THE IMPORTANCE OF THE STUDY

It is necessary to study the finances of Gram Panchayats, which have to play an increasingly important role in the democratic life of the country. The inadequacy of the financial resources of Gram Panchayats is at present the most serious obstacle to the progress of Gram Panchayats. The successful functioning of Gram Panchayats, however, depends on adequate financial resources. But in India, in almost all States, Gram Panchayats have been suffering with inadequate financial resources. They have also inadequate powers to levy taxes. Finances of Gram Panchayats include the financial resources, pattern of expenditure, grants-in-aid to the panchayats and their functional responsibilities. As Gram Panchayats are now saddled heavily with ever-growing functional responsibilities, the need to mobilize more financial resources by the Gram Panchayats is greater than before.

The State Government imposed many restrictions on the financial powers of Gram Panchayats and the taxes allocated to Gram Panchayats are limited and less elastic. The general problem of Gram Panchayats has been one of widening gap between inelastic and limited financial resources and their evergrowing functions. Some Gram Panchayats have many functional responsibilities in both civic and development
fields such as public health, water supply, communications, street lighting and other social welfare activities. In this context, the study of the finances of Gram Panchayats assumes an important role.

Though various problems of Gram Panchayats have been studied and highlighted, the problem of shortage of finances of Gram Panchayats is an area yet to be fully explored. The financial aspects of Gram Panchayats could not draw adequate attention of governments and academicians and no systematic effort has been made to conduct a comprehensive study in the area of the finances of Gram Panchayats in India.

Though a thorough investigation into the political and administrative aspects of Panchayati Raj Institutions have drawn the attention, the financial aspects of Gram Panchayats could not draw adequate attention of governments and academicians and no systematic effort has been made to conduct a comprehensive study in the area of the Gram Panchayats in India.

In the light of the paucity of studies pertaining to the finances of Gram Panchayats in Andhra Pradesh and the inadequate attention paid by the recent committees and commissions appointed by the State Government to make a thorough study of the finances of Gram Panchayats. In this
The need for the present study is both relevant and urgent. An attempt is, therefore, made in the study to examine critically the finances of Gram Panchayats in Anantapur district with special reference to the finances of Atmakur Gram Panchayat in Dharmavaram revenue division in Anantapur district of Rayalaseema region in Andhra Pradesh.

REVIEW OF LITERATURE

There have been a few studies on the Panchayati Raj Institutions covering different aspects like (1) functions and powers, (2) mobilisation of resources for developmental functions, (3) the official and non-official relations and (4) their role in the implementation of developmental programmes etc. A brief review of the important literature on such aspects attempted in the following pages would be most relevant and urgent.

There is one detailed study by B.C. Muttaiah on Panchayat taxes with particular reference to a few Gram Panchayats in Andhra Pradesh. It reveals the truth that these bodies are heavily depends on grants from the Government and the upper tiers of Panchayati Raj Institutions. But taxation is also conceived of as one of the resources of revenue for Panchayati Raj bodies and this understanding, he
concludes, may be one of the influencing factors in their tax payment.

Siva Subramanyam's study on the finances of Panchayati Raj Institutions in Andhra Pradesh, covers financial aspects of Panchayat Raj Institutions. The team for the study of community projects and national extension service appointed by the Government of India in 1957 under the chairmanship of Balwantrai Mehta, Local Finance Enquiry Committee headed by P.K. Wattal, appointed by the Government of India, 1951, the study team on Panchayati Raj Finances in 1963 headed by Santhanam made some innovative suggestions in the field of finances of Gram Panchayats. The other expert bodies constituted by the Government of India viz., The study team on Budgeting and Accounting Procedure of Panchayati Raj Institutions (1963), the study team on the Audit of Accounts of Panchayati Raj Bodies (1965) made only a few suggestions in the field of Panchayati Raj finances but they have not made any comprehensive study of the finances of Gram Panchayats. The report of the committee on Panchayati Raj Institutions headed by Ashok Mehta in 1978 appointed by the Government of India also made constructive suggestions on structural, functional and administrative aspects but not attempted any comprehensive study of the finances of Gram Panchayats.
Number of Committees have gone into the working of Panchayati Raj Institutions in various States of India. The report of the Committee on Panchayati Raj bodies, Jalagam Vengala Rao as its convenor appointed by the Andhra Pradesh Congress Legislature Party in 1968 gave much importance to the political and administrative aspects of Panchayati Raj Institutions only. The report of the High Power Committee on Panchayat Raj appointed by the Government of Andhra Pradesh in 1972 headed by C. Narasimham to make the study of the working of Panchayati Raj Institutions and to suggest measures to strengthen these democratic local institutions in the State has not examined the aspect of their finances in comprehensive manner. The committee has paid greater attention only to structural and administrative issues. The report of this committee did not give much weight to the financial aspects of Gram Panchayats in Andhra Pradesh.

SCOPE OF THE STUDY

The present study attempts a detailed enquiry into the finances of Gram Panchayats in Anantapur district in general and the finances of selected Gram Panchayat namely Atmakur Gram Panchayat in particular over a period of ten
years i.e., 1986-87 to 1995-96. The emphasis of the present study is on the various financial resources of Atmakur Gram Panchayat.

The conclusions drawn from the case study may not have validity with regards to all panchayats in Anantapur district. The data relating to the finances of the Gram Panchayat's in other revenue divisions of Anantapur district was not readily available. Hence a comparative study of finances of Gram Panchayats could not be attempted.

OBJECTIVES OF THE STUDY

The main objectives of the study are:

1. To understand the working of Panchayati Raj system in Andhra Pradesh with particular reference to Anantapur district,

2. to examine the financial resources of Gram Panchayats in Anantapur district, and

3. to attempt a case study of the financial resources of purposively chosen Gram Panchayat in Anantapur district, and finally to indicate the possible lines of improving the finances of Gram Panchayats.
METHODOLOGY

This study attempts to examine briefly the working of local self governments in historical perspective. The study also reviews briefly the working of Panchayati Raj system in Andhra Pradesh with special reference to the finances of Gram Panchayats in Anantapur district. The different sources of revenues of Gram Panchayats in Anantapur district are critically examined. Atmakur Gram Panchayat which is a notified Gram Panchayat of Dharmavaram revenue division in Anantapur district of the Rayalseema region is purposively chosen for a case study. The study is based on secondary data. The data relating to finances of the Gram Panchayats in the district in general and particularly of Atmakur Gram Panchayat has been collected from the Annual Accounts, Budget Estimates and Audit Reports of the Gram Panchayat, the Inspection Reports, the Report of the Examiner of Local Fund Audit and Accounts, Administrative Report of the Panchayats and from the officials and non-officials of the Gram Panchayat selected were also consulted wherever necessary. The administrative reports provide useful information on Gram Panchayat finances and the information available is critically examined. Further, useful information is also collected by having consultations with concerned
officials. The period of study was restricted to ten years i.e., from 1986-87 to 1995-96, as the data relating to finance of Gram Panchayats in Anantapur district was readily available for this period.

CHAPTER SCHEME

The study divided into five chapters. Chapter I covers the significance of the finances of Gram Panchayats, the importance of the study, objectives and methodology of the study.

Chapter II contains a brief account of the evolution of Panchayati Raj in India and Andhra Pradesh.

Chapter III explains the different aspects of financial resources of Gram Panchayats in Anantapur district.

Chapter IV deals with the case study of financial resources of Atmakur Gram Panchayat in Anantapur district.

Chapter V is devoted to the summary of findings and conclusions.
REFERENCES


