CHAPTER – V

SUMMARY AND FINDINGS
5.2. Financial resources of Gram Panchayats

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 and vehicle tax 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 utilize 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 30 per cent in Non-Notified Gram Panchayats in the district, the tax rates, in operation, in several Gram Panchayts are low and are not revised periodically during the period under study. They have not kept pace 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 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 2004-09.

5.3. Tax Revenues

House tax is the major source of revenue to Narpala Gram Panchayat during the period under study. On an average the revenue from house tax was 48.34 per cent per annum. In actual terms the annual average income from house tax to Narpala Panchayat was Rs. 259900 per annum.

Profession tax has no prominent place in the finances of the Gram Panchayats in the district and in Narpala Gram Panchayat. It contributes to the local exchequer is insignificant. On an average its contribution to the total revenue is 19.11per 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 21.06 per cent per annum.

Vehicle tax is a minor source of revenue to both Notified and Non-Notified Gram Panchayats. This source occupies 0.06 per cent of total revenue in Notified Gram Panchayats and its share was 0.23 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.

5.4. Non-Tax Revenues

Non-Tax revenue occupies one of the important place in the finance of both the categories of Gram Panchayats in the district during the period. 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 Narpala 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 2.12 per cent per annum in the selected Gram Panchayat during the period under study.

5.5. Assigned Revenues

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 in the basis of collection which his levied and collected by the State Government. Almost all the revenue from the entertainment tax is
realized from cinematography. During the period under reference the share of assigned revenue to total revenue of Narpala Gram Panchayat was 23.31 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 80.09 per cent to the total assigned revenue and 27.17 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 12.09 per cent to the total assigned revenues and 6.09 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 five years. Entertainment tax occupies the second position in the total assigned revenues of the selected Gram Panchayat.

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 18.76 per cent to the total assigned revenue and 6.37 per cent to the total revenue of Non-Notified Gram Panchayats in the district. In Narpala 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 Narpala Panchayat. On an average it contributes a share of 67.23 per cent per annum of the total assigned revenues during the period 2004-09.

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 0.39 per cent and 1.15 to the total assigned revenues in the district. The revenue from land cess received only in two out of five 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.

5.6. Grants-in Aid 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 83.83 per cent to the total Grants-in-Aid and 8.98 per cent to the total revenue. In Notified Gram Panchayats it occupies 3.30 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 30.25 per cent per annum to total revenue during the five years.
Matching grants and the other grants play a minor role in the finances of Non-Notified Gram Panchayats. It occupies only 16.17 per cent to the total Grants-in-Aid and 1.73 per cent to the total revenue. In Notified Gram Panchayats, it occupies 96.70 per cent of the total grants-in-Aid and 26.38 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 30.25 per cent per annum. Compensation grant was received in two out of five years.

Narpala is the only one Notified Gram Panchayat in Narpala mandal of Anantapur revenue division of Anantapur district. With the introduction of mandal system, it became a mandal headquarter. It is revenue village and a mandal headquarter of Narpala mandal in Anantapur district. No reliable records are available to trace the history of Narpala village. Narpala is avenue village with two hamlet villages.

Public health is an essential civic amenity which is provided by the Gram Panchayat. In the absence of adequate health facilities epidemics breakout and diseases occur. To cater to public health needs under Narpala Panchayat there is a public health centre.

The year-wise receipts of Narpala Gram Panchayat for a period of five years under study. During the period under study, i.e., from 2004-05 to 2008-09, the annual income of Narpala Gram Panchayat increased from Rs.912870.70 in 2004-05 to
The total revenue of Narpala gram panchayats fluctuated from year to year due to improper collection of tax revenue and the delay.

There is also a recorded increase in the year 2007-08, the reason for this may be the release of pending salary grant by the state government and pending arrears from tax revenue were collected by the Narpala gram panchyat in this year.

The tax receipts, though fluctuating from year to year, show an increasing trend during the period 2004-09, of the total revenue the contribution of tax revenue varied proportionately from 30.67 per cent to 43.95 per cent.

Revenue varied from 48.34 per cent in 2008-09 and 62.76 per cent in 2005-06. There was a significant increase in the house tax in the year 2007-08 and 2008-09. The reason for this is the general revision of house tax, assessment which was conducted for every five years by the Panchayat. During the first two years the income from this source was less than Rs. 1.84 lakhs but it increased significantly in the fourth year i.e., 2007-08 under study.

Water tax is also minor source of income to the Gram Panchayat and it is approximately equal to the profession tax in the Gram Panchayat over a period of five years as shown in Table 4.3 Water tax was collected in all the years during the period under study. The tax collection from this source varied between Rs. 27290.00 in 2004-05 and Rs. 143690.00 in 2008-09.

The share of this revenue to the total revenue was varied around 8.96 per cent to 26.73 per cent. On an average income from this source was Rs. 95112.00. Diagram 4.5 shows the annual revenue from water tax for a period of five years i.e., from 2004-05 to 2008-09.
On an average, the revenue from this sources accounted for a share of 37.89 per cent of the total revenue of this Penchant over a period of five years under study. During the period of study it is found that significant fluctuations are there due to irregular tax collections by the Gram Penchant.

The revenue library cess is a negligible source of income to the Narpala Gram Panchayat during the period under study. Diagram 4.6 shows the yearly revenue position from library cess to Narpala Gram Panchayat during the study period. However the income from this source varied between Rs. 12933.36 in 2005-06 and Rs. 25423.00 in 2007-08.

The actual yield form this source of income varied from Rs. 66507.42 in 2004-05 to Rs. 101240.90 in 2007-08. There was a significant increase in the yield of this revenue from the year 2004-05 to 2007-08. The reason for this may be accounted for the better collections of this revenue in these years.

The revenue from miscellaneous receipts accounts to Rs. 6980.98 to Rs. 8485.42 during the period of 2004-05 to 2008-09. The major sources of miscellaneous revenues were by way of donations and contributions, deposits and advances of contractors etc.

The revenue form licence fees and sale of manure occupies the second and third position respectively. Receipts from cattle ponds occupy the fourth place.

Of the total revenue or Narpala Panchayat its proportion to total revenue of Narpala Panchayat varied from 17.43 per cent in 2007-08 to 30.28 per cent in 2004-05. However, over a period of five years under study the revenue from this source fluctuates significantly from year to year. The reason for this may be the delay in the release of a share of assigned revenue from the government.
Of the total assigned revenue of the gram Panchayat the revenue from entertainment tax occupies the least share with a significant difference compared with the other sources of assigned revenues. For the years 2004-05 and 2005-06, the share of entertainment tax was about 7.76 percent and 2.23 percent respectively.

Surcharge on stamp duty is another important source of assigned revenue to Narpala Gram Panchayat. It formed the second largest source of tax revenue in the Panchayat. It constitutes 96.07 per cent per annum of assigned revenues. The revenue from the surcharge on stamp duty was increased gradually during the period under study. The share of surcharge on stamp duty to the total revenue of the gram Panchayat was about 22.39 percent per annum.

The revenue from these sources varied from Rs.265448 in 2004-05 to Rs. 387379 in 2008-09. During the it shows gradual increase in the share of grants-in-aid. Over a period of five years the share of this revenue to total revenue fluctuated significantly due to irregular release of grants to the gram Panchayat from the government.

In the year 2007-08, the major share of about 38.70 percent salary grant had released by the state Government.

The income from this source varied between Rs. 149.70 and Rs. 181.97 in the years 2004-05 and 2008-09 respectively. The revenue from sale of manure was also a negligible source of non-tax revenue. On an average its percentage to total revenue was 0.40 per cent and the share of this source to non-tax revenue varied from 4.43 per cent to 6.18 per cent only.
On an average, the revenue from this source was Rs. 17,895.06 per annual and the decadal average share of this income to the total tax receipts was 4.43 per cent. The diagram 4.7 shows decadal average position of house tax, profession tax, water tax and library cess to the total tax revenue of Narpala Gram Panchayat.

The status clearly specifies the items over which Gram Panchayats have power to incur expenditure to fulfill 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 status, 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 pace with either changing trends in the incomes of the tax payers or the revenue needs of the Gram Panchayats. The income of the Gram Panchayats especially of Non-Notified Gram Panchayats is too meager 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 in 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 source 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 arbitrariness 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 property 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 competing authorities should fix up land values in different areas of Garam Panchayats to minimize 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 licenses 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 mobilize more contributions. It is necessary to impose the kolagaram or katarusum which his 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 atleast 90 per cent of dues.

The need to provide budgetary loans to the Gram Panchayats to enable them to set up remunerative schemes is recognized. 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 Panchayathi Raj Finance Corporations at State level to
provide loans to Gram Panchayats to enable them to take up different types of remunerative enterprises.

Various Commission and Committees and Experts on the subject were unanimous in their plea that Government should exfived 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 enable them to embark on remunerative enterprises, exfivesion of liberal grants-in-aid, assigning greater proportion of tax revenue and trasferring 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 utilizing 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 model units for the development of the nation.