Chapter – VII

Summary & Conclusions
Rajasthan and Andhra Pradesh were the two early advocates of Panchayati Raj system in India. The Government of Andhra Pradesh acted swiftly in accepting the recommendations of the Balwantrai Mehta Team and enacted legislation in 1959 to introduce a three-tier structure of Panchayati Raj in the State with Zilla Parishad at the top, Panchayati Samithi at the middle and the Gram Panchayat at the top. Although later on, a few changes have been made in the organization, 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, A.P. Panchayati Raj Act 1994 is in force. The Panchayats are expected to play a vital role in rural development in India, particularly after Independence.

In Indian public finance, Panchayati Raj finance is relatively an almost unexplored field and it has not received adequate attention to the extent that the subject rightly deserves. Though the problem of state-local fiscal relation which is complex as that of central-state fiscal relations, Panchayati Raj finance is apt to be neglected in a federation system in view of the fact that the Panchayati Raj Institutions have not been given constitutional status, powers and privileges. The Panchayati Raj finance determines both independence and dependence on the rural local authorities. In India, Panchayati Raj
Institutions are creatures of State Government and functioning within the exclusive sphere of the state list under the Indian constitution.

7.2. Origin and Structure of Panchayati Raj Institutions

The nomenclature of Panchayati Raj Institutions refers to the politico-administrative device which was necessitated in the wake of the introduction of democracy and development for the nation-building programmes and activities. The local bodies provide an opportunity to the local people to participate in the administration of the country. The unnecessary growth of executive bureaucracy in administration can be easily avoided through active participation of the people in the process of policy formulation in Local Government Institutions in India.

The Mehta team felt that the community development and National Extension Service failed to mobilize popular initiative and that this was due to the absence of statutorily elected democratic institutions at the local level. It felt that for development work to be made effective a new local body with territorial jurisdiction larger than a village and smaller than a district should be created. The development block was preferred to the taluk or even a sub-division within a district as a viable unit. The block had been functioning in a similar way since 1952.

The financial resources at the disposal of the Panchayati Raj bodies were limited. Hence, the team recommended more resources to the Panchayati Raj bodies in the form of prescribed shares of land.
revenue and some other taxes levied by the State Governments, liberal grants from the State Governments and income from taxes levied by the Panchayati Raj bodies themselves like taxes on professions, entertainment, and pilgrim tax. On the basis of the recommendations of Balwantrai Mehta Study Team, Panchayati Raj was introduced in various States and it was launched on October 2, 1959 by Jawaharlal Nehru the then Prime Minister of India.

The village government system of the old paved way to centralized administration under the British and the new situation “strengthened the habit among the people to look into institutions away from the villages for the betterment of their condition”. However, in the later part of the 18th century and the early years of 20th century attempts were made to re-establish certain amount of local Self-Government in the Madras province. The first legislative enactment pertaining to rural Local Self Government was the ‘Education Cess Act of 1863’ passed by the Madras Legislature.

The Andhra Pradesh Government has issued a notification to form the Mandala Praja Parishads on 15th January 1987. With that the villages under the jurisdiction of revenue mandal with conferences came under the jurisdiction of Mandala Praja Parishads that is the villages under revenue mandal will be come under the same mandal praja parishad jurisdiction. But the municipalities and corporations which are under revenue mandal are excluded from the mandal praja parishad. The work has been started for the formation of the Mandala Praja Parishad offices and staff.
Gram Panchayat is the lower-tier of three-tier Panchayati Raj system in Andhra Pradesh. It is a body constituted for local administration of village, which governed in accordance to Andhra Pradesh Panchayati Raj Act, 1994. This Act came into force by repealing earlier Andhra Pradesh gram panchayat Act 1964. Prior to 1964 Act, gram panchayat were governed by Andhra Pradesh gram panchayat Act, 1950 and Andhra Pradesh (Telangana area) gram panchayats Act, 1956. The village is an autonomous republic and its affairs are governed by panchayat.

The functions of gram panchayats are Legislative, Executive and Judicial. They pass bye-laws, for the good government of the village and if any matter assigned to them. The panchayat prescribed a number of obligatory and discretionary functions. The functions of the gram panchayat in the state are broadly divided into two, namely, obligatory functions and optional functions. These functions include twelve obligatory and twenty seven optional functions. To discharge the effective functions, gram panchayats are provided with various financial resources. The sources of finance can be broadly categorised into tax revenues, Non-tax revenues, Assigned revenue and Grants-in-Aid.

There are only two items of revenue assignment in force in the state, the entertainment tax and a surcharge on stamp duty. The proceeds of these revenues are assigned to gram panchayats. Grants of the gram panchayat can be broadly classified as specific grants, which include Jawahar Gram Samridhi Yojana, State Finance
Commission Grant, Zilla Parishad Grants etc., and non-specific grants, such as, population grant and incentive grants.

State Finance Commission was constituted in Andhra Pradesh on June 24, 1994 in accordance to 73rd Amendment Act, 1992. This Commission consists of a Chairman and four other members appointed by the Governor on the recommendations of the Government. The term of the office specified in the order of the Government. The State Finance Commission is expected to make recommendations on the principles with regard to distribution and assignment of taxes, duties, tolls and fees between State and Panchayati Raj institutions, sanctioning of grant-in-aid to gram panchayats from consolidated fund of the State as well as other measures needed to improve the financial position of gram panchayats.

7.3. Tax Revenues of Gram Panchayats

The gram panchayats in Andhra Pradesh are financed mainly from four sources viz., Tax revenues, Non-Tax revenues, Assigned revenues, and Grants-in-Aid Revenues. House Tax, Profession Tax, Vehicle Tax, Water Tax, Lighting and Drainage Tax will come under tax revenues. However, recently profession tax has been collected by the state government and distributed to local bodies on proportionate basis.

Remunerative enterprises, fees and fines, donations and contributions, deposits and advances which are levied and collected
by gram panchayats are called as Non-Tax revenues. Taxes levied and collected by State Government but transferred to gram panchayats, such as entertainment tax, land cess, surcharge on stamp duty etc., can be classified as Assigned revenues.

Recently land cess is not levied and collected. Apart from revenue resources State and Central Governments provide grants to gram panchayats. These grants are either specified or un-specified while Central Government grants are only specified grants. All these grants are generally called as grants-in-aid revenues of gram panchayats.

**House Tax Revenue**

Generally house tax is an important source of tax revenue of all gram panchayats in Andhra Pradesh. Its share to the tax revenue fluctuated between 25.05 per cent in 2008-09 and 51.84 per cent in 2005-06 in Bathalapalli gram panchayat. Whereas its contribution to total revenue of Bathalapalli gram panchayat fluctuated between 0.67 per cent in 2002-2003 and 2.35 per cent in 2000-2001. On an average its contribution to tax revenue and total revenue is 87.05 per cent, 1.24 per cent per annum respectively.

With regard to E.Musturu gram panchayat, house tax revenue contributed a significant share of tax revenue. The income from this source fluctuated between Rs.1.58 thousands to Rs.2.01 thousand during the period of study. On an average it accounted for Rs.23.02 thousands per annum during the period of studyin Thammapuram.
Gram Panchayat. Its percentage to tax revenue fluctuated between 45.63 per cent in 2005-06 and 58.80 per cent in 2000-01 with an annual average share of 51.24 per cent. The annual average house tax revenue of Uppalapadu gram panchayat is Rs.2.32 thousands and its share to tax revenue during the study period varied from 35.89 per cent to 51.55 per cent per annum with an annual average share of 41.50 as shown. The gram panchayat was not received any revenue from this source during 2001-02 due to improper collection of house tax. However, the gram panchayat collected the arrears in the next financial years.

The annual average revenue from house tax is low in Brahmanapalli gram panchayat comparatively with the other two selected gram panchayats of Kuderu mandal under study. The income from this source increased from Rs.0.94 thousands in 2000-2001 to Rs.2.01 thousands in 2009-10. Its annual average contribution to tax revenue and total revenue was 24.54 per cent and 1.87 per cent per annum respectively.

It reveals that in Mudigubba gram panchayat house tax contributed a major share of tax revenue with 40.22 per cent per annum. Its contribution to the tax revenue increased during the first six years under study and then it declined significantly. The share of house tax revenue to the total revenue of Mudigubba gram panchayat was fluctuated between 2.73 per cent in 2008-09 and 10.70 per cent in 2005-06. The annual average share of house tax revenue to the total tax revenue of Kuderu gram panchayat was 83.44 per cent per annum.
as shown in table 3.7. Its contribution to the total revenue fluctuated between 5.50 per cent and 11.45 per cent per annum under study.

Pamidi gram panchayat received a low annual average yield of Rs.2.98 thousands per annum compared with the other two selected gram panchayats under reference during the decade under study. The contribution of this revenue to the total tax revenue was fluctuated between 31.23 per cent in 2009–10 and 82.35 per cent in 2005–06. It shows that the house tax revenue of Penukonda gram panchayat during 2000–2010 increased from Rs.11.80 thousands to Rs.16.68 thousands per annum during the decade under study. Its annual average share to the tax revenue and total revenue was 51.56 per cent and 8.29 per cent respectively.

**Profession Tax Revenue**

Profession tax is a major source of tax revenue of gram panchayats in the district. Its contribution to the tax revenue of Bathalapalli gram panchayat was 62.95 per cent per annum and 2.10 per cent of the total revenue per annum. Profession tax contributed an annual average share of 70.86 per cent of total tax revenue and 2.30 per cent of the total revenue of the gram panchayat during the decade under study in E.Musturu gram panchayat. The revenue from profession tax of Thammapuram gram panchayat fluctuated between Rs.11.34 thousand in 2000–01 and Rs.19.17 thousands in 2009–2010.
Uppalapadu gram panchayat of Mudigubba received annual average revenue of Rs.3.18 thousand per annum from profession tax revenue with an annual average contribution of 56.89 per cent of its tax revenue and 4.33 per cent of its total revenue. The revenue from this source in Brahmana Palli panchayat declined from Rs.3.45 thousands in 2000–2001 to Rs.2.22 thousands in 2004–05. The reason for this may be delay in transfer of share from the higher layer institute. The revenue from profession tax of Mudigubba gram panchayat was increased from Rs.6.75 thousands in 2000–2001 to Rs.12.50 thousands per annum in 2009–2010 with an annual average revenue of Rs.9.73 thousands per annum.

Among the nine selected gram panchayats for the purpose of the present study, Kuderu gram panchayat of Kuderu mandal received a low amount of revenue from this source. Regarding to Pamidi gram panchayat the annual average revenue from profession tax is Rs.2.61 thousands per annum with an annual average contribution of 46.77 per cent per annum of its tax revenue and 3.30 per cent per annum of its total revenue during the decade under study.

**Vehicle Tax Revenue**

It is observed that out of the nine selected gram panchayats in the district, vehicle tax has been levied only by two gram panchayats i.e., Pamidi and Penukonda. In Pamidi gram panchayat, the revenue from this source has been
increased from Rs.1.34 thousands per annum to Rs.3.75 thousands per annum. On an average it received an amount of Rs.2.29 thousands per annum during the period under study.

Regarding to Penukonda gram panchayat, vehicle tax is a negligible source of income to the tax revenues and the total revenues under study. Over a period of ten years under study it received an annual average amount of Rs.450/- per annum with an annual average contribution of 1.65 per cent per annum of its tax revenue and only 0.27 per cent of its total revenue per annum.

**Lighting Tax Revenue**

The revenue from lighting tax in Pamidi gram panchayat. The annual average revenue from this source is only Rs.560/- per annum and its contribution to tax revenue and the total revenue during the decade under study was 1.25 per cent and 0.15 per cent per annum respectively. Its share to tax revenue has been fluctuated between 0.37 per cent in 2004-05 and 3.57 per cent in 2009-2010.

Bathalapalli gram panchayat has received the revenue from this source only for the first five years under study. The annual average income from this revenue for the first five years under study was only Rs.200/- per annum and its annual average share to the tax revenue and to the total revenue was 2.58 per cent and 0.28 per cent per annum respectively. The revenue from lighting tax in Mudigubba gram
panchayat fluctuated between Rs.2.23 thousands and Rs.4.87 thousands per annum during the decade under study. Its contribution to the tax revenue varied from 11.46 per cent to 17.52 per cent per annum with an annual average share of 15.45 per cent per annum.

Penukonda gram panchayat has also been levying the lighting tax as a part of its house tax revenue. However, the income from this source to the tax revenue (0.81% per annum) and the total revenue (0.13% per annum) is a minor source. (Its contribution to the tax revenue varied between 0.47 per cent and 1.25 per cent per annum and for the total revenue its share was fluctuated between 0.07 per cent and 0.34 per cent per annum only.

**Water Tax Revenue**

Water tax is levied in only one gram panchayat of nine selected gram panchayats i.e., Penukonda gram panchayat and its annual growth rate is 0.50. Penukonda gram panchayat has been receiving annual average revenue of Rs.2.30 thousands per annum from water tax. Regarding to the total revenue of Penukonda gram panchayat the yield from water tax contributed an annual average share of 0.63 per cent per annum.

**Total Tax Revenues of Sample Gram Panchayats**

It may be observed from the total tax revenues of Bathalapalli gram panchayathave been increasing steadily except in the year 2003-04. In 2003-04 there was a slight fall in the tax revenue. The reason
for this may be the low revenue from house tax and profession tax. The total tax revenues of Bathalapalli gram panchayat contributed the annual average revenue of Rs.3.05 thousands per annum with its annual average share of 3.34 per cent per annum of the total receipts of the panchayat during the decade under reference.

It shows the tax revenues of E.Musturu gram panchayat during 2000–2010. It may be observed that the total tax revenue of E.Musturu panchayat has been increasing significantly from Rs.4.21 thousands in 2000–01 to Rs.8.59 thousand in 2008–09 and it declined in the last year under study to Rs.7.89 thousands. The total tax yield of Thammapuram gram panchayat increased from Rs.34.20 thousands in 2000–2001 to Rs.58.05 thousands in 2009–2010 during the decade under study. During the period under study the average total tax receipts accounted to Rs.44.93 thousands per annum. The total tax receipts contributed a share of 6.10 per cent in 2008–09 to 21.17 per cent in 2001–02.

We shall make a quantitative assessment of the part played by tax revenues in the finances of Uppalapadu gram panchayat. On an average, the total tax revenues were Rs.5.59 thousands per annum with an annual average contribution of 7.61 per cent of the total revenues of the gram panchayat under study. Its share to the total revenues varied between 5.48 per cent in 2008–09 and 11.59 per cent in 2007–08. The yield from this source in Brahmana Palli panchayat varied from Rs.3.90 thousands in 2002–03 to Rs.8.36 thousands in 2007–08 and thus recorded an annual average collection of Rs.5.99
thousands per annum during the decade under study. Its annual average contribution to the total revenue was 7.60 per cent per annum for a period of ten years under study.

The tax revenue from this gram panchayat rose from Rs.14.57 thousands in 2000-2001 to Rs.27.79 thousands in 2009-2010 with an annual average amount of Rs.21.93 thousands per annum. The share of this revenue to the total revenue of Mudigubba gram panchayat varied from 7.64 per cent in 2008-09 to 22.12 per cent in 2005-06 with the annual average contribution of 13.06 per cent per annum.

Regarding to the Kuderu gram panchayat, tax revenue is an important component of the total revenue. It contributed an average share of 8.65 per cent of the total revenue ranging between 5.75 per cent and 11.80 per cent per annum. Pamidi gram panchayat received an annual average yield of Rs.5.58 thousands from the source of tax revenue during the decade 2000-2010. The share of total tax revenue of Pamidi gram panchayat to total revenue varied from 5.15 per cent to 9.75 per cent per annum during the decade under study with the annual average contribution of 7.06 per cent per annum.

The yield from tax collection is significant in Penukonda gram panchayat. The yield from this source has been increased from Rs.18.55 thousands in 2000-2001 to Rs.36.65 thousands in 2009-2010. The share of this revenue to the total revenue varied from 7.30 per cent to 34.74 per cent per annum with an average share of 16.09 per cent per annum.
7.4. Non-Tax Revenues of Sample Gram Panchayats

The non-tax revenues of gram panchayats may broadly be classified into five categories. They are licence fees, fees for services rendered directly by the gram panchayats, fees in the nature of fines and penalties, contributions in the shape of cash, labour or land, and receipts from the sale of and rents on properties belonging to gram panchayats.

Revenue from Fees and Fines

The revenue from this source in Thammapuram panchayat varied from Rs.0.13 thousands in 2009-2010 to Rs.0.42 thousands in 2004-05. The annual average yield from this source was only Rs.0.14 thousand per annum. E. Musturu gram panchayat has also received a negligible portion of revenue from this source in only four out of ten years under study. It may be observed that the revenue from fees and fines in Bathalapalli gram panchayat was increased from Rs.0.51 thousands in 2000-01 to Rs.31.19 thousands in 2008-09. The annual average yield from this source during the decade under study was Rs.4.02 per cent which contributes 24.32 per cent per annum of its non-tax revenue and 1.10 per cent per annum of its total revenue.

The yield from this source in Uppalapadu gram panchayat fluctuated from year to year during the study period. Compared with its total revenue, the income from fees and fines is a very minor source of this gram panchayat. The annual average yield from this
source in Mudigubba panchayat was Rs. 1.96 per cent per annum with its annual average share of 18.63 of its total non-tax revenue and 1.17 per cent of its total revenue during the decade under reference.

It shows the income from fees and fines of Pamidi gram panchayat during 2000–2010. The revenue from this source increased from Rs.0.25 thousands in 2000–01 to Rs.1.25 thousands in 2009–2010. Its share to the total non-tax revenues varied from 1.19 per cent in 2000–2001 to 20.11 per cent in 2001–02. The yield from this revenue in Penukonda gram panchayat varied from Rs.0.11 thousands to Rs.0.36 thousands per annum with an annual average yield of Rs.0.26 thousands per annum only. Its annual average contribution to the non-tax revenues during the study period was 5.88 per cent.

**Remunerative Enterprises**

It may be observed that the income from remunerative enterprises of Bathalapalli gram panchayat registered a seven-fold increase during the decade under study i.e., from 2000–2010. However, the revenue from this source is a minor income to the gram panchayat with an average contribution of 17.65 per cent of the non-tax revenue and 0.16 per cent of the total revenue. Thammapuram gram panchayat yielded an average amount of Rs.1.39 thousands per annum by way of remunerative enterprises during the decade under study. The revenue from this source has been increased from Rs.0.41
thousands in 2000-01 to Rs.3.51 thousands in 2009-2010. The annual average share of this revenue to the non-tax revenue and to the total revenue was 8.41 per cent and 0.38 per cent respectively.

The income from this source in Uppalapadu panchayat varied from Rs.400 in 2000-01 to Rs.510 in 2009-10 with an average revenue of Rs.0.45 thousands per annum. Its share to the non-tax revenue fluctuated between 3.23 per cent and 18.90 per cent per annum. The yield from this source for Mudigubba gram panchayat varied from 1.49 per cent in 2002-03 to 4.76 per cent in 2008-09. Its average yield during the study period was Rs.3.45 thousands and its average share to the non-tax revenues and the total revenues was 32.80 per cent and 2.06 per cent per annum respectively. The share of this revenue was more than 50 per cent of its total non-tax revenues in three out of ten years under study.

It may be observed that the annual average receipts of this revenue for Kuderu panchayat was Rs.4.71 per cent per annum. The share of this revenue to the non-tax revenue varied from 18.05 per cent to 74.79 per cent per annum over a period of ten years under study. It reveals that the revenue from remunerative enterprises is occupied an important place in the total non-tax revenues of Kuderu gram panchayat in eight out of ten years under study. The share of remunerative enterprises of Pamidi gram panchayat to the non-tax revenues varied from 1.09 per cent in 2002-03 to 11.41 per cent in
2000–01 with an annual average share of 6.65 per cent. On the other hand, its share to the total revenues varied only from 0.24 per cent to 0.84 per cent per annum with an average share of 0.54 per cent.

It may be observed that the yield from remunerative enterprises of Penukonda gram panchayat during the decade under study varied from Rs.0.75 thousands in 2003–04 to Rs.4.88 thousands in 2008–09 with an average amount of Rs.2.44 thousands per annum. The share of this revenue to the non-tax revenue was fluctuated between 33.06 per cent in 2002–03 and 68.13 per cent in 2004–05 with an annual average contribution of 55.20 per cent per annum.

**Seignorage Fee Revenue**

The average revenue from seignorage fee of Bathalapalli gram panchayat is Rs.1.88 thousands per annum. The share of this revenue to the non-tax revenues varied from 13.88 per cent in 2008–09 to 72.82 per cent in 2005–06. The average contribution of this revenue to the non-tax revenue and total revenue of Thammapuram gram panchayat was 56.02 per cent and 2.52 per cent per annum.

The seignorage fee of Mudigubba gram panchayat has been increased from Rs.0.42 thousands in 2000–01 to Rs.3.16 thousands in 2009–2010. The average yield of this revenue was Rs.1.72 thousands per annum. The share of this revenue to the non-tax revenue fluctuated between 19.09 per cent and 56.86 per cent per annum. It may be observed that the yield from seignorage fee of Kuderu gram panchayat has been increased from Rs.1.61 thousands
to Rs.2.81 thousands with an annual average share of Rs.1.91 thousands. Its average share to the non-tax receipts and total receipts of Kuderu gram panchayat during the decade under study was 20 per cent and 3.42 per cent per annum respectively.

**Miscellaneous Revenues**

It may be observed from that the miscellaneous revenues of Bathalapalli gram panchayat varied from Rs.0.62 thousands in 2002-03 to Rs.5.40 thousands in 2008-09. The average yield of this revenue was Rs.1.62 thousands per annum. The share of this revenue to the non-tax revenue of Bathalapalli gram panchayat varied from 27.18 per cent to 86.12 per cent per annum with an average contribution of 44.50 percent per annum. E.Musturu gram panchayat has received the miscellaneous receipts in eight out of ten years under study. It shows that the yield from this source increased from Rs.0.21 thousands in 2000-01 to Rs.4.16 thousands in 2007-08 with an average amount of Rs.1.33 thousands per annum. The share of this revenue to the non-tax revenue of E.Musturu gram panchayat occupied a major share with an average contribution of 78.24 per cent per annum during the decade under study.

It reveals that revenue from miscellaneous receipts of Thammapuram gram panchayat varied from Rs.0.11 thousands to Rs.5.61 thousands with the average amount of Rs.1.87 thousand per annum. Its share to the non-tax revenues varied from 1.22 per cent in 2002-03 to 24.30 per cent in 2009-10. The yield from this source in
Uppalapadu gram panchayat has fluctuated between Rs.1.91 thousands and Rs.15.67 thousands per annum over a period of ten years under study. Its share to the non-tax revenues of Uppalapadu gram panchayat ranged between 74.70 per cent in 2001–02 and 95.37 per cent in 2008–09.

Miscellaneous receipts are the only source of non-tax revenues of Brahmana Palli gram panchayat during the decade under study. The yield from this source varied from Rs.0.33 thousands in 2000–01 to Rs.11.76 thousands in 2008–09 with an average income of Rs.3.01 thousands per annum. There have been continuous fluctuations in the yield of miscellaneous receipts of Mudigubba gram panchayat. The average share of miscellaneous receipts to total non-tax receipts and total receipts of Mudigubba gram panchayat during 2000–2010 is 48.57 per cent and 3.04 per cent per annum.

The revenue from this source in Kuderu gram panchayat varied from Rs.0.11 thousands in 2000–01 to Rs.24.97 thousands in 2008–09. The average yield of these receipts is only Rs.2.94 thousands per annum. The average share of miscellaneous receipts to total non-tax receipts and total receipts of Kuderu gram panchayat was 30.79 per cent and 5.26 per cent per annum. In Pamidi gram panchayat, its average revenue was Rs.5.44 thousands and its average share to the non-tax receipts and the total receipts was 84.08 per cent and 6.89 per cent per annum.
Total Non-Tax Revenues of Selected Gram Panchayats

The yield from the total non-tax revenues of Bathalapalli gram panchayat increased from Rs.1.58 thousands in 2000–01 to Rs.6.27 thousands in 2008–09. The average income from this source during the decade is Rs.3.64 thousands. The income from non-tax revenues to E.Musturu gram panchayat is a minor source to its total revenue. The revenue from this source increased from Rs.0.42 thousands in 2000–01 to Rs.4.88 thousands in 2009–10. The average share of this revenue to the total revenue is only 0.91 per cent per annum.

It may be observed that the income from non-tax revenues of Thammapuram gram panchayat varied from Rs.5.79 thousands in 2000–01 to Rs.451.02 thousands in 2008–09. The annual average amount of non-tax revenues during the decade under study is Rs.16.53 thousands. It shows that the average income from total non-tax receipts to Uppalapadu gram panchayat varied from Rs.2.46 thousands in 2000–01 to Rs.16.43 thousands in 2008–09. The average share of this revenue to the total revenue of Uppalapadu gram panchayat was 7.42 per cent per annum.

In Brahmana Palli gram panchayat this source is varied from Rs.0.33 thousands in 2000–01 to Rs.11.76 thousands in 2008–09 with an average amount of Rs.3.01 thousands per annum. The share of this revenue to the total revenues of Brahmana Palli gram panchayat fluctuated between 0.53 per cent and 7.23 per cent with an average share of 3.82 per cent per annum.
The Mudigubba gram panchayat yielded an average amount of Rs. 10.52 thousands per annum through its non-tax receipts during 2000–2010. Its share to the total revenues of Mudigubba gram panchayat varied from 3.58 per cent in 2002-03 to 9.67 per cent in 2000-01. It may be observed that the yield of non-tax revenues of Kuderu gram panchayat during 2000–2010 varied from Rs. 4.48 thousands in 2000-01 to Rs. 33.79 thousands in 2008-09. The share of non-tax revenues to the total revenues of Kuderu gram panchayat varied from 5.54 per cent to 30.77 per cent per annum with an annual average share of 17.10 per cent per annum.

The revenue from this source in Pamidi gram panchayat fluctuated between Rs. 1.84 thousands in 2001-02 and Rs. 12.14 thousands in 2009–2010. The average share of this revenue was 8.19 per cent per annum. It may be observed that the income from non-tax revenues of Penukonda gram panchayat varied from Rs. 2.20 thousands in 2000-01 to Rs. 7.98 thousands in 2008-09. The average yield of this revenue during the decade is Rs. 4.42 thousands with an annual average contribution of 2.61 per cent per annum of its total revenue.

7.5. Assigned Revenues of Selected Gram Panchayats

The major sources of assigned revenues of gram panchayats are surcharge on stamp duty and entertainment tax.
Surcharge on Stamp Duty

The revenue from surcharge on stamp duty yielded an average amount of Rs.0.42 thousands per annum in only seven years under study in Thammapuram gram panchayat. Its annual average contribution to the total revenue of this gram panchayat is a very minor i.e., only 0.46 per cent per annum. It may be observed that the revenue from surcharge on stamp duty in E. Musturu gram panchayat varied from Rs.0.37 thousands in 2000-01 to Rs.6.10 thousands in 2008-09 with an annual average amount of Rs.2.10 thousands per annum. Its share to the total revenue has been fluctuating between 0.41 per cent and 2.08 per cent per annum with an average contribution of 1.12 per cent.

The yield of this revenue in Bathalapalli gram panchayat varied from Rs.2.47 thousands in 2000-01 to Rs.35.41 thousands in 2008-09. Its average revenue was accounted as Rs.14.30 thousands with an annual average share of 3.90 per cent to its total revenue per annum during the decade under study. The surcharge on stamp duty is the only source for assigned revenues of Uppalapadu gram panchayat during the decade under study. The yield from this source varied from Rs.1.56 thousands in 2002-03 to Rs.6.01 thousands in 2004-05.

The income from surcharge on stamp duty of Brahmana Palli gram panchayat fluctuated between Rs. 0.15 thousands to Rs. 3.62 thousands per annum under reference. The yield from this source to Kuderu gram panchayat has been increased from Rs.0.16 thousands
in 2000-01 to Rs.4.01 thousands in 2009-10 with an average amount of Rs.1.26 thousands per annum.

The share of this revenue to the total revenue of Mudigubba gram panchayat varied from 0.59 per cent to 2.50 per cent per annum with an annual average contribution of 1.04 per cent. However, surcharge on stamp duty is the only source of assigned revenues to Mudigubba gram panchayat. Pamidi gram panchayat has received regular income by way of surcharge on stamp duty during the ten years under study. It reveals that the surcharge on stamp duty in Pamidi gram panchayat fluctuated between Rs.0.25 thousands in 2002-03 and Rs.3.67 thousands in 2009-10 with an average amount of Rs.1.91 thousands per annum.

It may be observed that the yield from stamp duty of Penukonda gram panchayat has fluctuated between Rs.0.97 thousands in 2002-03 and Rs.4.38 thousands in 2009-10 with an average yield of Rs.2.58 thousands per annum. The contribution of stamp duty revenue to the total assigned revenues of Penukonda gram panchayat during 2000-10 varied from 26.94 per cent in 2005-06 to 67.76 per cent in 2003-04. It is observed from the study that surcharge on stamp duty contributes a major share in assigned revenues of gram panchayats in most of the years which shows increasing trend and increased many folds during the study period.
Entertainment Tax Revenues

A tax, which is levied on entertainments and amusement, is known as entertainment tax. This tax is levied and collected by the State Government and the proceeds are assigned to local Governments. A tax on entertainments and amusements is a lucrative source of revenue to the state government in India. In states where the tax revenue is transferred to local authorities, this source of revenue plays an important role in the budgets of Panchayati Raj Institution in rural India in general and rural Andhra Pradesh in particular.

Today, the entertainment tax in India is used exclusively by the state government except in Tamil Nadu, Kerala, Karnataka and Andhra Pradesh where, though levied and collected by the state government, its proceeds are distributed to local bodies also. Out of nine selected gram panchayats for the purpose of the present study only one gram panchayat has been receiving the revenue from entertainment tax. Penukonda gram panchayat alone getting income from entertainment tax. The yield from this source varied from Rs.1.48 thousands in 2003-04 to Rs.4.40 thousands in 2007-08. Its average income accounted for Rs.2.87 thousands per annum. The annual average share of this revenue to the total assigned revenues of Penukonda gram panchayat was 52.66 per cent per annum with an annual fluctuation of 39.41 per cent in 2008-09 and 73.06 per cent in 2005-06.
Thammapuram gram panchayat yielded average revenue of Rs.0.42 thousands per annum during the decade under study through the assigned revenues. It received this revenue in only seven out of ten years under study. The revenue from this source in E. Musturu gram panchayat varied from Rs.0.98 thousands in 2004-05 to Rs.6.16 thousands in 2008-09. The annual average contribution of this revenue to the total revenues of E. Musturu gram panchayat during the decade under study is 1.13 per cent.

It may be observed that the yield of assigned revenues of Bathalapalli gram panchayat has been steadily increased from Rs.2.47 thousands in 2000-01 to Rs.35.41 thousands in 2008-09 and it declined in 2009-10 with an amount of Rs.32.17 thousands per annum. Its contribution to the total revenue during 2000-2010 varied from 1.33 per cent in 2004-05 to 8.20 per cent in 2006-07 with an annual average share of 3.90 per cent. The assigned revenues of Uppalapadu gram panchayat varied from Rs.1.56 thousands to Rs.6.01 thousands per annum with an average amount of Rs.2.72 thousands per annum. The share of this revenue to the total revenue of Uppalapadu gram panchayat fluctuated between 1.41 per cent and 9.27 per cent per annum.

Assigned revenues of Brahmana Palli gram panchayat ranged between Rs.0.33 thousands and Rs.3.62 thousands per annum. The average share of this revenue to the total revenues of Brahmana Palli gram panchayat is around 1.17 per cent per annum. It may be
observed that the average revenue of Mudigubba gram panchayat during the decade under study through its assigned revenue resources is Rs.1.75 thousands per annum. The share of assigned revenues to the total revenues of Mudigubba gram panchayat varied from 0.59 per cent in 2003–04 to 2.15 per cent in 2005–06 with an average contribution of 1.04 per cent per annum only.

The average amount of this revenue for Kuderu gram panchayat is only Rs.1.26 thousands per annum. The share of this revenue to the total revenues varied from 0.48 per cent to 4.52 per cent per annum. The assigned revenues of Pamidi gram panchayat fluctuated between Rs.0.25 thousands in 2002–03 and Rs.3.67 thousands in 2009–10. The share of assigned revenues to the total revenues of Pamidi gram panchayat varied from 0.40 per cent to 3.67 per cent with an annual average share of 2.42 per cent per annum. Penukonda gram panchayat received a significant amount from assigned revenue receipts during the period under study. It shows that from this source varied from Rs.2.58 thousands in 2002–03 to Rs.8.25 thousands in 2007–08 with an average yield of Rs.5.45 thousands per annum.

7.6. Grants-in-Aid Revenues of Selected Gram Panchayats

Grants are one of the powerful means of control available to the higher layer governments. Grants are effective instruments for bridging the gap between fiscal capacity and capacity for administration. Grants from higher layer governments to lower layer governments provide an opportunity for the latter to share the
revenues of the former in order to ensure a minimum level of accomplishment in the provision of local services. Grants provide funds to local authorities in order to carry out our schemes to be executed locally.

Gram Panchayats in Andhra Pradesh are entitled to receive grants-in-aid from higher layer Governments. Those grants which are meant for the purposes of pay and allowances of the staff, construction and maintenance of roads, bridges, culverts, maintenance of primary schools, maintenance and restoration of minor irrigation schemes, agriculture, animal husbandry, fisheries, social welfare programme, and centrally sponsored schemes, National Rural Employment Programme, Jawahar Rozgar Yojana, Jawahar Gram Samriddhi Yojana etc., are conditional grants. The Per-capita Grant is an unconditional grant.

**Salary Grant**

This grant is a compensatory grant to meet pay and allowances of gram panchayats in Andhra Pradesh. It shows that all the selected gram panchayat’s annual yield from salary grant is Rs.1.80 thousands per annum. The reason for this is, this amount is released by the higher layer government to the gram panchayats for the purpose of payment of honorarium to the concerned sarpanches.
**Per Capita Grant**

Every Gram Panchayat in Andhra Pradesh is entitled to an unconditional grant at the rate of Rs.4/- per head per year according to latest population estimates. This grant will be released by the District Collector in quarterly instalments. It may be observed that the per capita grant of Thammapuram gram panchayat varied from Rs.1.68 thousands in 2002-03 to Rs.2.60 thousands in 2009-10. The annual average amount of this revenue during the decade under study is Rs.2.12 thousands per annum. Its percentage to total grants and total revenue of Thammapuram gram panchayat is 2.52 per cent and 2.32 per cent per annum respectively.

The income from per capita grant receipts of E. Musturu gram panchayat varied from Rs.2.35 thousands to Rs.4.25 thousands per annum with the average amount of Rs.3.31 thousands per annum. The share of this grant to the total grants of E. Musturu gram panchayat fluctuated between 0.93 per cent and 6.98 per cent per annum. It reveals the position of per capita grant in the finances of Bathalapalli gram panchayat during 2000-2010. The yield from this source varied from Rs.10.11 thousands in 2000-01 to Rs.13.54 thousands in 2005-06. The average receipts from per capita grant receipts of Bathalapalli gram panchayat are Rs.12.10 thousands.

Uppalapadu gram panchayat received an average amount of Rs.3.04 thousands per annum from per capita grant revenue during 2000-2010. Its contribution to the total revenue of Uppalapadu gram panchayat was also fluctuated between 2.82 per cent and 5.94 per
cent per annum during the decade under study. It may be observed from the table 6.5 that the per capita grant receipts of Brahmana Palli gram panchayat varied from Rs.1.51 thousands to Rs.4.55 thousands per annum. Its average yield during the same period is Rs.3.12 thousands per annum.

The average yield from per capita grant to Mudigubba gram panchayat during 2000–01 to 2009–10 is Rs.6.28 thousands. The average share of this revenue to the total grants and total revenues of Mudigubba gram panchayat during the same period is 4.70 per cent and 3.74 per cent per annum respectively. The yield from this revenue for Kuderu gram panchayat varied from Rs.1.28 thousands in 2001–02 to Rs.1.85 thousands in 2009-10. Its share to the total grants fluctuated between 2.61 per cent and 6.11 per cent per annum. Its contribution to the total revenue varied from 1.61 per cent per annum to 4.54 per cent per annum under study.

The per capita grant revenue of Pamidi gram panchayat steadily increased from Rs.2.47 thousands to Rs.4.91 thousands per annum except during 2004–06. The average revenue from this source over a period of ten years is Rs.3.73 thousands with an average share of 5.74 per cent of its total grants and 4.72 per cent of its total revenue. Among all the nine selected gram panchayats under study, the average share of per capita grant to the total grants and total revenues is high in Penukonda gram panchayat. The share of per capita grant receipts to the total grants of Penukonda gram panchayat recorded high in the year 2003–04 and low record in 2008-09.
Jawahar Gram Samridhi Yojana Grants (JGSY)

The funds of Jawahar Gram Samridhi Yojana programme are used for creation of community activities such as means of irrigation, construction of bridges, drainages, laying of roads etc besides creation of gainful employment to rural poor. The cost of this programme is shared by the Centre and the State in the ratio of 75:25.

The JGSY grants are playing an important role in the finances of selected gram panchayats. It reveals the place of JGSY grants in the finances of Thammapuram gram panchayat during 2000–01 to 2009–10. The share of this grant to the total grants varied from 69.20 per cent to 95.57 per cent per annum with an average share of 83.98 per cent. It may be observed that the JGSY grant of E. Musturu gram panchayat varied from Rs.40.15 thousands in 2005–06 to Rs.232.19 thousands in 2008–09. The annual average income from this grant during the decade is Rs.129.82 thousands with an average share of 73.47 per cent of its total grants and 69.60 per cent of its total revenue. The contribution of JGSY grants were more than 70 per cent of its total revenue in eight out of ten years under study.

The annual average receipts from JGSY grants in Bathalapalli gram panchayat over a period of ten years under study is Rs.197.71 thousands and its average share to the total grants is 67.93 per cent per annum. The contribution of JGSY grants to the total revenues of Bathalapalli gram panchayat varied from 39.72 per cent to 69.35 per cent per annum with an annual average share of 53.90 per cent.
revenue from this grant in Uppalapadu gram panchayat varied from Rs.32.05 thousands in 2001-02 to Rs.66.97 thousands in 2006-07. The average amount of this grant during the decade 2000-01 to 2009-10 is Rs.46.87 thousands. Its share to the total grants and total revenues of Uppalapadu gram panchayat is 78.50 per cent and 63.80 per cent per annum.

In Brahmana Palli gram panchayat also the average share of JGSY grants to the total grants and total revenues is nearly 70 per cent per annum. The share of JGSY grant was declined from 91.50 per cent to 55.47 per cent of its total grants. The share of JGSY grant contributed a share of 47.58 per cent to 84.03 per cent per annum to its total revenue. In Mudigubba gram panchayat, this grant varied from Rs.86.41 thousands in 2004-05 to Rs.161.08 thousands in 2008-09. The average yield of this grant was Rs.104.50 thousands with an annual average share of 78.15 per cent of its total grants and 62.23 per cent of total revenue during 2000-2010.

It may be observed that the yield from JGSY grant of Kuderu gram panchayat during 2000-01 to 2009-10 has steadily increased from Rs.21.41 thousands in 2000-01 to Rs.39.14 thousands in 2009-10. The share of these grants to total grants varied from 55.20 per cent to 91.79 per cent per annum with the annual average share of 78.67 per cent. The share of JGSY grant of Pamidi gram panchayat varied from 94.13 per cent in 2001-02 to 34.68 per cent in 2008-09. The share of JGSY grant fluctuated between 34.68 per cent and 83.59 per cent per annum.
It may be observed that the revenue from JGSY grants of Penukonda gram panchayat varied from Rs.25.80 thousands in 2004-05 to Rs.214.53 thousands in 2008-09 with an annual average amount of Rs.86.41 thousands per annum. The share of this grant to the total grants fluctuated between 49.49 per cent and 89.47 per cent with an annual average contribution of 65.27 per cent per annum.

**Finance Commission Grants**

With the recommendations of 73 Amendment Act, the State Finance Commissions were established in various states to pursue the finances of local self governments in the respective states. In this process, the government of Andhra Pradesh was also introduced the State Finance Commission to enquire the functioning and financial performance of Panchayati Raj Institutions from time to time.

It reveals the place of Finance Commission grants in the finances of selected gram panchayats two out of 10 years years under study. Due to non availability of data, the figures are calculated for 2 years only. Thammapuram gram panchayat received an average share of 11.37 per cent of its total grants and 10.48 per cent of its total revenue. The decadal average amount of Finance Commission grant in the selected gram panchayats varied from Rs.5.23 thousands (Rs.26.15 thousands per annum for the two years) per annum in Kuderu gram panchayat to Rs.79.47 thousands (two years average is Rs.397.33 thousands) in Bathalapalli gram panchayat during the decade under study.
As this grant has been provided by the state government on the basis of population and size of gram panchayats the major gram panchayats like E. Musturu, Bathalapalli, Mudigubba and Penukonda gram panchayats received a major amount through State Finance Commission grants. Regarding to total revenues, the decadal average share of Finance Commission grants are also more in E. Musturu gram panchayat (22.39%) and low in the same Kuderu gram panchayat (9.36%) during the ten years average.

**Total Grants-in-Aid Receipts**

It may be observed that the receipts from total grants-in-aid to Thammapuram gram panchayat during 2000-2010 fluctuated between Rs.51.59 thousands and Rs.181.80 thousands per annum. The share of the total grants to the total revenue is very significant with an annual fluctuation of 85.73 per cent in 2006-07 to 95 per cent in 2000-01. It reveals that the yield from total grants of E. Musturu gram panchayat varied from Rs.45.10 thousands in 2005-06 to Rs.444.61 thousands in 2008-09 with the average amount of Rs.176.69 thousands per annum. The average share of total grants of E. Musturu gram panchayat to its total revenue per annum was 94.73 per cent.

It may be observed that the yield from total grants of Bathalapalli gram panchayat was increased significantly from Rs.133.09 thousands in 2000-01 to Rs.788.97 thousands in 2009-10. It shows that it increased nearly six times during the ten years period.
The share of total grants to total receipts of Brahmana Palli gram panchayat fluctuated between 83.76 per cent and 90.54 per cent per annum during 2000–2010 with an average share of 87.41 per cent.

Mudigubba gram panchayat received the annual average revenue of Rs.133.72 thousands per annum from total grants-in-aid receipts during 2000–2010. The share of this revenue to the total grants of Mudigubba gram panchayat fluctuated between 69.88 per cent and 85.34 per cent per annum with an average contribution of 79.63 per cent. It may be observed that the receipts from total grants of Uppalapadu gram panchayat varied from Rs.37.06 thousands in 2001–02 to Rs.104.73 in 2008–09 with an average amount of Rs.59.71 thousands per annum. The annual average share of total grants to the total revenues of Uppalapadu gram panchayat is 81.27 per cent per annum.

Out of nine sample gram panchayats, Kuderu gram panchayat received fewer amounts from total grants (Rs.40.22 thousands) during the decade under study. Its contribution to the total revenues varied from 58.43 per cent to 79.82 per cent per annum with an annual average share of 72 per cent. The contribution of total grants to total revenues of Pamidi gram panchayat ranged between 77.71 per cent and 88.80 per cent with an average contribution of 82.33 per cent per annum.

The grants-in-aid receipts of Penukonda gram panchayat has been fluctuated very significantly from year to year. This revenue fluctuated between Rs.12.30 thousands in 2003–04 and Rs.392.33 292
thousands in 2008-09 with average revenue of Rs.132.39 thousands per annum. Its contribution to the total revenue was also varied significantly from 24.88 per cent in 2003-04 and 89.26 per cent in 2008-09 with an average share of 78.09 per cent per annum.

7.7. Suggestions

To improve the financial position of gram panchayats, it is necessary to increase the share of united grants in transfers, adopting an equalization formula for allocation of grants, increasing own and assigned sources of tax revenue and offering matching grants to induce own tax effort.

It is also essential to transfer a fixed percentage of all state taxes to provide stability to local governments and flexibility on a timely basis.

Inadequacy of staff has seriously affected the functioning of the gram panchayats whose expenditure needs are rising due to requirement for additional administrative, trained and technical staff for schools, water supply, communications, accounts, tax collection, sweeping, drain cleaning etc. Staff costs can be reduced by attrition, maintaining core professional staff and drawing local expertise.

It is required to make gram panchayats financially stronger to meet their needs include a carrots and stick approach. They need better tax collection authority and capacity, more untied grants and help with improving accounting and record keeping.
Many Gram panchayats do not levy the compulsory taxes and fewer still are able to collect them with any degree of efficiency. This should be rectified.

As the Gram panchayats may find it difficult to raise sufficient revenue from their taxes, they must make serious efforts to increase their own resources through other revenue powers granted them. These powers relate to levy of fees, fines, rents from their properties and tolls. The Gram panchayats can earn substantial revenue by turning these common property resources into remunerative enterprises. In the long-run, Gram panchayats can improve their own resources only through non-tax resources and may not depend only on State or Central Government Grants.

As regards grants-in-aid being provided by the State government, it has to be borne in mind that state government finances are themselves in a shambles. They have been running into hue budget deficits for years together. In fact, on the recommendations of successive finance commissions, the government of India has been giving grants-in-aid to State government. In this scenario, state government does not have the financial ability to give substantial funds to the gram panchayats.

The tax-base in the form of property, profession, income, vehicles such as bicycles, rickshaws, carts etc., is itself not very wide, given the low standards of rural living. The populist tendencies of the State and gram panchayats prevent a scientific revision of rates of taxes which are basically levied by the Gram panchayats.
Accounting involves the collection, recording, classification and presentation of financial data in such a way as can be useful for the administration. Proper accounting is very essential at the gram panchayat level. The gram panchayats have not been maintained proper recording.

The gram panchayats are facing difficulty because of lack of power for re-appropriation of funds from one major head of account to another, for both plan and non-plan sectoral allocations. This results in too much correspondence with the higher layer institution or even lapse of money at the end of each financial year.

There is a need to vest power to the gram panchayats itself to make full use of the resources by resorting to change of allocation from one major head to another.

The gram panchayats are not managing any utility services other than water supply. It would be worth consideration if they set-up their own enterprises like distribution of Fertilizers, Seeds, Cattle Feed, etc. This can be advantageous both to the gram panchayats and the beneficiaries, as the former would be earning some revenue out of it, while later would be benefited by low pricing and good quality.

Gram panchayats may also enter into suitable service sectors like agro-processing center, maintenance of cold storage centres, etc. A percentage of Motor Vehicle Tax may be assigned to the gram panchayats for proper maintenance of roads, a portion of the cess collected by Government for traffic on bridges may be given to the concerned gram panchayats.
A judicious portion of Excise Duty, Sales Tax, Motor Vehicles Tax, Stamp Duty, Market Fees, Forest Levies, Entertainment Tax and Profession Tax collected in each district can be allocated to each gram panchayat without any delay.

The Audit Rules have become out-moded and are not in tune with the objective and functioning of the modern local self-government. There is a need to introduce concurrent performance auditing. Almost all officials, when questioned about their job satisfaction in Panchayati Raj Institutions stated that even if they had certain plans to improve the functioning of the system, they are too scared to be trapped by merciless auditors, who refuse to appreciate their good intentions and the end result achieved by slight violation of the stifling rules and regulations. It is necessary to impose the kolagaram/katarusum which is not available for the gram panchayats. A tax on agricultural land for specific public purposes should be imposed.

The system of grants-in-aid are not based on the needs and means positions of gram panchayats. There is a need to help the poor gram panchayats in order to bring them up on par with other gram panchayats. Enlarging the present size of the gram panchayat maybe considered as one way of making the gram panchayat financially strong. One clear way to increase the income of the gram panchayats is to increase their size. In most of the selected gram panchayats, sometimes the opening and closing balances were not shown correctly in the budget estimates.