PANCHAYAT FINANCE
CHAPTER - IV
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The Nation witnessed a great revolution in Indian democracy and federal polity when the "Constitutional Status" was bestowed upon the Panchayati Raj Institutions through the 73rd Constitutional Amendment Act, 1992. The Act envisages political and economic decentralisation. To some extent, political decentralisation has been achieved through devolution of powers and functions. However economic decentralisation has not been successful because much of the rural development programmes are being carried out under Central-sponsored schemes. In spending money, the Panchayati Raj Institutions are under the obligations of the higher levels. In order to ensure that these institutions function in true sense, they should be assured first fiscal autonomy before they function with administrative autonomy. For this, they should have autonomy to mobilise their own financial resources in order to meet their new multi-faceted responsibilities. The vitality and effectiveness of rural institutions is mainly dependent on the soundness of its financial administration. In fact, financial administration is the life-blood of Panchayati Raj Institutions. In decentralisation, economic dimension is
important. Hence, ever since the inception of local government, local finance has become a critical factor in local government reform. Fiscal administration occupies a significant place irrespective of whether it is a public or private organization. Development and welfare of the grassroots democracy in India undoubtly depends upon the procurement of adequate financial resources. An efficient fiscal administration will naturally enhance the confidence and capabilities of panchayat bodies in performing their varied vital functions. The Panchayati Raj Institutions can become true and self-sustaining autonomous units of local self-government at the lower rung of the political system provided it is given financial autonomy in respect of resource mobilisation and expenditure. Hence financial autonomy can go a long way in enhancing the prestige and status of Panchayati Raj Institutions.

In addition to the obligatory functions, the Panchayati Raj Institutions have been assigned civic, infrastructural, developmental and welfare functions. To discharge these functions effectively and efficiently the panchayats must be provided with matching finance. Hence the effectiveness of panchayat system as a unit of local government for providing civic amenities, constructing infrastructural facilities, bringing about rural development and welfare of the weaker sections in the rural
areas will to a large extent depend on matching finance either by way of taxation or by grants from higher bodies. Also, to make these local bodies ideal, there shall be active participation of people in decision-making, in identifying and implementing the needs of the people and in assuming responsibility in efficient execution of programmes. The local level organisations in India, which constitute nearly 70 percent of the population enjoy various social, political and economic advantages which are not available to higher level organisations due to vastness of the area of network.

The quantum of financial assistance to local government bodies like Panchayati Raj Institutions is determined by a number of ecological factors such as their structures, size, level of local units, functions accorded to these units, duties and obligations conferred on these bodies and the extent and mechanism of governmental control. In a way all these factors have symbiotic relations with panchayat finance in determining the effectiveness of their functions. The structure of the Panchayati Raj Institutions to a large extent determines the financial autonomy and soundness of fiscal administration. Similarly the size of the panchayat unit is an important factor in determining local finance. The physiography, human settlement and the level of development are crucial
factors in any serious attempt to understand panchayat finance. The scope and scale of panchayat finance are also determined by the functions assigned to these bodies. The wide-ranging functions of these bodies naturally demand enhanced and enlarged finances. Hence larger the number of functions of the panchayat bodies, greater the need for finances, and lesser the number of functions, lesser will be the need for finances. Also the policies of the State Government and the Central Government play a decisive role in shaping the operational dynamics of these grassroots level organisations. The level of rural development and reconstruction invariably depends upon the quantum of financial assistance received from these apex governmental organisations. The local institutions perform the agency role for the State or Central Government. These institutions are also accountable to the State and Central Governments to the extent they receive financial assistance from them which indirectly increases or decreases their financial autonomy. The fiscal structure of the bodies is made up of revenue and expenditure as reflected in their budgets.

For making Panchayats vibrant and viable, financial autonomy is a sine qua non. Inspite ever since their inception, many debates and discussions have been conducted regarding the adequate financial
resources and financial autonomy for these institutions. Time and again many Committees and Commissions have been constituted to provide their recommendations over the matter, viz., Local Finance Enquiry Committee, 1951; Taxation Enquiry Committee, 1954; Balwantray Mehta Committee, 1957; Santhanam Committee, 1963; Asoka Mehta Committee, 1978; G. V. K. Rao Committee, 1985 and Singhvi Committee, 1986.

The Constitution (73rd Amendment) Act, 1992, marks a big leap towards improving the decentralisation process. The Act has revived, rejuvenated and fortified the system of local democratic governance in the country by adopting a series of preventive, curative and remedial measures. The Act proposes various measures for strengthening the financial position of the Panchayati Raj Institutions by giving them power to impose taxes, duties and fees, and assign their share in taxes collected by the State Government and releasing grants-in-aid to them. Secondly, the Act adds the XI Schedule to the Constitution providing the panchayats with a list consisting of 29 items relating to rural economic development, infrastructure, social service, poverty alleviation, social welfare, public distribution system, maintenance of community assets, etc. Thirdly, the Act mandated setting up of a Finance Commission in all
the States to:

a. supervise and administer the financial status of Panchayati Raj Institutions, and

b. review and determine the principles governing sharing of the financial resources of the State with Panchayats.

Thus the 73rd Amendment has given a new lease of life to the Panchayats. A historical survey of the Panchayati Raj Institutions reveals that with a few exceptions they have remained merely on papers. After the Amendment, the Panchayats will not remain as they were earlier. The Panchayats are expected to fulfil the aspirations of the people by way of meeting at least their basic needs. For all this, finance is important. Merely devolution of functions and powers without adequate finances would be like dressing a dead body.

After liberation, the Goa, Daman and Diu Village Panchayat Regulation, 1962, established single tier structure of Village Panchayats at the local level. At each Taluka level, Block Advisory Committee was constituted with Block Development Officer functioning along with his office staff and Extension Officers. The Goa Panchayati Raj Act, 1994, the conformity legislation to the Constitution (73rd Amendment) Act, 1992, established a two-tier structure in Goa. Apart from recognising the
Village Panchayats, the Act established Zilla Panchayats at the District level. Obliged by the High Court order, after more than 5 years on February 6, 2000, elections were conducted to the two Zilla Panchayats in Goa (Goa has two districts). Since, the elections and all other organisational formalities have been completed recently, it is too early for the researcher to evaluate the financial viability of the Zilla Panchayat in Goa. In the subsequent discussion in this chapter, a sincere effort has been made to deal with various dimensions of panchayat finances like resource mobilisation, pattern of expenditure, budgeting, accounting, auditing and accountability.

**RESOURCE MOBILISATION:**

Generally the revenue of local self-government is made up of four components:

1. Tax resources;
2. Non-tax resources comprising fees, fines, etc.;
3. Share of taxes and grants from Government; and
4. Revenue accrued from local enterprise.

In essence, these four components are the principal sources through which local governments mobilise their resources to match varied
functions.

The Goa Panchayati Raj Act, 1994, provides for the various sources of revenue incurred by the Zilla Panchayat. Every Zilla Panchayat has the power to acquire, hold and dispose of property both movable and immovable whether within or without the limits of the area over which it has authority, to lease, sell or otherwise transfer any movable or immovable property acquired by it, and to control and to do all other things necessary for the purposes of this Act, which shall be subject to the rules made by the Government in this behalf. Provided that no lease of immovable property for a term exceeding five years and no sale or other transfer of any such property shall be valid unless such lease, sale or other transfer shall have been made with previous sanction of the Government.

The Government may with the concurrence of the Zilla Panchayat from time to time, direct that any property vesting in the Government shall vest in the Zilla Panchayat. Provided that no lease, sale or transfer of such immovable property by the Zilla Panchayat shall be valid without the previous sanction of the Government.

The Zilla Panchayat Fund constitutes the source of funds for developmental activities. The following are the important sources from which the Zilla Panchayat Fund gets replenishment from time to time:
i. The amount transferred to the Zilla Panchayat fund by appropriation from and out of the Consolidated Fund of the State;

ii. All grants, assignments, loans and contributions made by the Government;

iii. All fees and penalties paid to or levied by or on behalf of the Zilla Panchayat under this Act and all fines under this Act;

iv. All rents from lands or other properties of the Zilla Panchayats;

v. All interests, profits and other moneys accruing by gifts, grants, assignments or transfers from private individuals or institutions;

vi. All proceeds of land, securities and other properties sold by the Zilla Panchayat;

vii. All sums received by or on behalf of the Zilla Panchayat by virtue of this Act, provided that sums received by way of endowments for any specific purpose shall not form part of or be paid into the Zilla Panchayat Fund.6

A Zilla Panchayat may charge fee for any license or permission issued by it under this Act, and the rules made thereunder and levy rent and fee for the occupation or use of land or other property placed under its control or vested in it or maintained out of Zilla Panchayat Fund.7

A Zilla Panchayat may, with the previous sanction of the
government and subject to the conditions imposed by it from time to time, raise, loans for the execution of any work or for the purpose of carrying out any of the provisions of this Act and form a sinking fund for the repayment of such loans.³

**PATTERN OF EXPENDITURE:**

Normally two patterns of expenditures are indicated in local self-government institutions. The first pattern is decentralised expenditure, where the local bodies enjoy maximum autonomy over expenditure. This practice enables these bodies to adopt policies and programmes to suit the peculiar local conditions. In some rural areas, priority may be given to general education or provision of drinking water facilities or health and hygiene. Whereas in other areas, the priority may depend upon the existing socio-economic conditions. The other pattern is termed as deconcentrated expenditure, where the autonomy over expenditure of the local units is restricted by the terms and conditions attached to the use of funds, which normally devolve from the State or Central Government or other funding agencies. It is within such a framework, the expenditure pattern in terms of plan and non-plan expenditure may be analysed to draw appropriate conclusions.
In case of Zilla Panchayats in Goa the areas of expenditures may be listed as follows;

1. Expenditure on administration;
2. Expenditure on development programmes;
3. Expenditure on civic amenities;
4. Expenditure on the welfare of weaker sections;
5. Expenditure on special rural development programmes.

All property owned by or vested in the Zilla Panchayat under this Act and all funds received by it and all sums accruing to it under the provisions of this Act or any other law for the time being in force, shall be applied for the purposes for which by or under this Act or any other law for the time being in force, powers are conferred or duties are imposed upon the Zilla Panchayat. No expenditure shall be incurred out of the Zilla Panchayat Fund unless provision for the same has been made in the budget of the Zilla Panchayat or funds are obtained by reappropriation duly approved, except in such cases, as may be prescribed.9

The Zilla Panchatat Fund and all property held or vested in the Zilla Panchayat shall be applied, subject to the provisions of this Act, for
the payment of:

i. Salaries and allowances to the Adhyaksha and the Upadhyaksha and travelling and daily allowances to the Adhyaksha and Upadhyaksha for tours outside the district and travelling and daily allowances to the members of the Zilla panchayat or any committee there of, subject to such rules as may be made in this behalf by the Government;

ii. The salaries, allowances, pensions and gratuities of its officers and employees other than those whose salaries and allowances are paid from the Consolidated Fund of the State;

iii. Any amounts falling due on any loans contracted by the Zilla Panchayat;

iv. For the purposes specified in the Act;

v. All other purposes for which by or under this Act or the rules or regulations made there under or by or order any other law for the time being in force, powers are conferred or duties are imposed upon the Zilla Panchayat;

vi. With the previous sanction of the Government, for any other purpose for which the application of such property or fund is necessary in public interest.
Provided that any fund granted to Zilla Panchayat by the Government or any person or local authority for any specific work or purpose, shall be applied exclusively for such work or purpose and in accordance with such instructions as the Government may specify, either generally or specially in this behalf.

No payment of any sum shall be made out of the Zilla Panchayat fund, unless the expenditure of the same is covered by a budget grant except in the following cases, namely: 11

i. Refund of money, which the Zilla Panchayat is authorised to make under the Act or the rules or regulations made there under;

ii. Repayment of moneys belonging to the contractors or other persons held in deposit and of moneys credited to the Zilla Panchayat fund by mistake;

iii. Sums which the Zilla Panchayat is required or empowered by the Act to pay by way of compensation.

iv. Every sum payable:

a. Under this Act by order of the Director or the Government;

b. Under a decree or order of a civil court; and

c. Under a compromise of any suit or other legal proceedings or claim.

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Goa has 360 inhabited revenue villages constituting 59 percent of the total population of Goa. The local institutions in Goa have not attained that degree of growth and stability as compared to other States like Maharashtra, Gujarat, Andhra Pradesh and Karnataka. The Zilla Panchayats have been recently formed in the State. As a result, there are herculean tasks and responsibilities to be undertaken by the Zilla Panchayats. Undoubtedly, the financial position of the Zilla Panchayat must be stronger, to make them self-reliant and effective.

The most significant task before the Zilla Panchayat is to utilise its fund to provide the basic needs to the rural people. Rural masses suffer from paucity of housing. The simpleness of the villagers require simple houses which can provide them adequate but unostentatious shelter through-out the year. Food, clothing and shelter constitute the three basic pillars of strength of any rural based democratic institutions. These rural institutions can be meaningful and useful only if they cater to these basic needs of the people.

Another chief function of local government is to provide basic facilities to the rural people. Providing civic amenities is the primary function of any local government and particularly so the Zilla Panchayat. The main items that figure under this category are health, family welfare,
water supply and sanitation. This responsibility is natural keeping in view the backwardness, ill health, disease and unhygienic conditions of the villagers. Actually the expenditure in these areas should be sizable in magnitude.

As regards the expenditure on development, the main sectors covered are agriculture, soil conservation house construction, fisheries, forest and wild life. Expenditure in these sections or areas is very vital and an intrinsic part of rural development. Funding is essential for providing quality seeds and fertilizers to the formers, soil conservation, contour bunding, lining of channels and use of advanced machinery for tilling of the soil. The principal crops of Goa are rice, cashewnut and coconut. Others include pulses, vegetables, ragi, maize, groundnut, mango, banana, arecnut, pineapple and sugarcane. As per the data provided by the Directorate of Agriculture, total cropped area in 1997-98 was 1,69,203 hectares of land. Without adequate funding, genuine agricultural development cannot take place at the grass-roots level. The expenditure on forest and wild life indicates the Zilla Panchayats realistic concern about the protection of the environment and maintenance of ecological balance. Around 1424.38sq.kms of (35% of the total land) of area is covered by forests. Also the Zilla Panchayat should realise the
major significance of education in the whole developmental process and spend a large quantum of funds on education. Goa is one of the States with high literacy of 75.5 per cent, which is considerably higher than the national figures.

Though the scheduled castes and scheduled tribes form a minor population in the State (2.1%) still they cannot be neglected because welfare implies well-being of the entire population. Expenditure on the welfare of Scheduled Castes, Scheduled Tribes and Other Backward Communities should be one of the main concern of the Zilla Panchayat. The economic position of the Goan populace in comparison with other State is better. Whatever the size of these backward classes, they belong to the under privileged category and they are backward in the socio-economic and cultural dimensions. Also the Directive Principles of State Policy clearly directs the States to provide succor to the needy and weaker sections of the society.

Fishing is the main occupation of the people on the long coastal belt of Goa. According to the data provided by the Directorate of Fisheries, fish and frozen shrimps exported from Goa in the year 1994-95, 1995-96 and 1996-97 is about 17,193, 13,474 and 11,908 metric tones respectively. This indicates a steady decline in export of fish and
frozen shrimps. The Zilla Panchayats apart from protecting, shall also encourage fishing which is the life-bread of thousands of Goans.

The State and Central Government have initiated a number of rural development programmes for the benefit of certain category of people. These include the Integrated Rural Development Programme (IRDP), Training of Rural Youth for Self-employment (TRYSEM), Development of Women and Children in rural areas (D. W. C. R. A), Indira Awaas Yajana (IAY), Employment Assurance Scheme (E A S), National Social Assistance Programme (NSAP).

The expenditure pattern of Zilla Panchayat shall include rural development special programmes and other development programmes which constitute the major sectors. The rural industries programmes should have a larger share in expenditure since it can generate employment as well as raise the production of certain goods and services. The problem of rural unemployment should assume serious concern.

**BUDGETING:**

Budgeting is a very vital aspect of financial process of an organization. Budget is an administrative necessity as well as a legal obligation under the Panchayat Act. It provides an opportunity to review
the financial position and the activities to be performed by the Zilla Panchayat. Budget implies annual estimates of revenue and expenditure. Budgeting essentially involves matching or balancing the functions of an organization with the available financial resources. Hence, in the process of budgeting, functions as well as finance, both figure prominently and as such the effectiveness of an organization is mainly perceived in this basic process. Simplification and rationalisation of budgets of Panchayati Raj Institutions has been recommended by various committees. Consequently the preparation of the budgets and their approval by the smithies has become a ritual, rather than a rigorous exercise in maintaining financial prosperity.

In the Zilla Panchayat the budget is formulated by the Finance, Audit and Planning Committee. The Committee along with State level Officers discuss and deliberate on estimates of the budget. The various district level officers intimate their requirements for the coming year. The Chairman of the Committee coordinates and ultimately decides the budget for each department and sector under the Zilla Panchayat. The Committee prepares the budget and it is presented before the Zilla Panchayat for its approval at a meeting to be held between the first day of February and the tenth day of March. Such a budget, shall consist of a
complete account of the actual and expected receipts and expenditure for the financial year ending on the thirty-first day of March, together with a budget estimate of the income and expenditure of the Zilla Panchayat for the financial year to commence on the first day of April next following. The Zilla Panchayat thereupon decides the nature and quantum of appropriations and the ways and means contained in the budget. Later the approved budget is sent to the State Government for its concurrence. In case the Zilla Panchayat fails to approve the budget estimate before the prescribed period the Chief Executive Officer forwards the same to the Government, and the Government approves it with or without modifications. The budget so approved by the Government shall be deemed to have been approved by the Zilla Panchayat. The Zilla Panchayat has limited powers in matters of revision of budgets at the tune of 10 percent of the grants approved for any development functions of this body.

The budget estimates of the Zilla Panchayat include the following items:

i. Income and expenditure of the previous and the current year;

ii. Revenue capital account;

iii. Debt and the deposit account;
iv. Classified expenditure on the basis of Government departments and various account heads;

v. Expenditure on planned and non-planned schemes;

vi. Provision for such services as may be required for the fulfillment of several duties imposed on the Zilla Panchayat; and

vii. Provision for the payment of all the instalments of the principal and interest in respect of loans raised by the Zilla Panchayat.

In such a budget estimate, the Zilla Panchayat shall among other things:

a. Make adequate and suitable provision for such services as may be required for the fulfillment of the several duties imposed on the Zilla Panchayat;

b. Provide for the payment as they fall due of all instalments of principal and interest for which the Zilla Panchayat may be liable in respect of loans contracted by it;

c. Allow for a balance at the end of the year of not less than such sum or percentage of income as may from time to time be fixed by the Government. If the budget estimate is not in accordance with the provisions of the Act or the rules or orders issued thereunder, the Government may within two months from the date of receipt of the budget, modify the same.
MAINTENANCE OF ACCOUNTS:

The system of accounting is a vital aspect of financial administration since the efficiency of fiscal administration to a large extent depends on the system of accounting. The private enterprises give more attention and importance to this aspect since in the maintenance of accounts the realities of fiscal problems are perceived and rectified.

In regard to accounting procedures, the recommendations of Santhanam and Ramkrishnayya Committee lay down different procedures. For instance the Santhanam Committee would like panchayat accounts to have both 'debit', 'credit' sides and also a mention of the cumulative value of the community assets as is done in the budgets of commercial establishments. Where as annual accounts of receipts and expenditure over various heads by the panchayati raj bodies the Santhanam Committee desires it on a weekly basis.16

Normally in the Zilla Panchayat six types of accounts are maintained and compiled;

i. Compilation of receipts;
ii. Classified abstracts of receipts;
iii. Compilation of expenditures;
iv. Classified abstract of expenditures;
v. Consolidated abstract of receipts and expenditures; and
vi. Register of cheques.

In order to maintain the accounts on a sound footing a professional accountant is appointed by the Government as the Chief Accounts Officer. He performs three roles in the Zilla Panchayat fiscal administration. Firstly, he acts as the financial advisor to the Zilla Panchayat in all its financial transactions and commitments. Secondly, he is responsible for all matters relating to the accounts of the Zilla Panchayat including the preparation of the annual accounts and budget. Lastly, he shall ensure that no expenditure is incurred except under proper sanction and in accordance with this Act and the rules and regulations made thereunder and shall not allow any expenditure for which no provision is made in the budget.¹⁷

The Act further provides that:¹⁸

i. Accounts of income and expenditure of the Zilla Panchayat Fund shall be kept in accordance with such rules as may be prescribed;

ii. Expenditure from the Zilla Panchayat Fund shall be incurred subject to such sanctions, conditions and limitations as may be prescribed;

iii. The Zilla Panchayat shall within a period of three months after the
close of the financial year, pass the accounts of that year.

As soon as the final accounts have been passed by the Zilla Panchayat, the same is transmitted to the Government and Zilla Panchayat shall furnish related details and vouchers as directed by the Government.

AUDITING:

Auditing is another facet of financial administration, which conducts post-mortem of the financial transaction of an organization. The common impression is that in Panchayati Raj Institutions accounting and auditing are far from satisfactory.\(^{19}\) Audit is an instrument through which control and supervision is exercised, deficiency located and loopholes plugged to ensure soundness all-around.\(^{20}\) The audit is primarily concerned with the honesty and legality of local transaction and the accuracy of accounts. Hence the independence of audit. Another facet of auditing is that pre-audit is an executive responsibility, while post-audit is a legislative responsibility.\(^{21}\) Auditing of accounts is intended mainly to ensure proper utilisation of funds, identify difficulties and irregularities, offer solutions and suggestions and above all to serve as an authentic means of information to the State Government about the working of...
Panchayati Raj bodies. To achieve this objective the following points are generally to be kept in view at the time of conducting test audit:

i. To ensure that funds are spent judiciously and in accordance with existing rules and regulations;

ii. Whether the funds are spent for the purpose for which they were granted;

iii. Whether the works are taken up at the proper time and were completed in time;

iv. Whether the benefits are accruing from the works already completed;

v. Whether proper accounting procedures are followed;

vi. What bottlenecks are being experienced in case of incomplete works;

vii. Whether schemes are working economically and efficiently;

viii. Whether the funds earmarked were misused or embezzled; and

ix. Whether the funds sanctioned by the State Government remained idle with the panchayati raj bodies.22

The accounts of the Zilla Panchayat Fund shall be audited by the Comptroller and Auditor-General of India, in accordance with the provisions of the Comptroller and Auditor-General’s (Duties, Powers and
Conditions of Service) Act, 1971, (Central Act 56 of 1971). For the purpose of audit, the auditor shall have an access to all the accounts and records of the Zilla Panchayat. On the receipt of the audit report of the Zilla Panchayats the Government shall lay the same before the State legislature.

Powers of Auditor:

The auditor has been provided with wide-ranging and effective powers to examine the accounts of the Zilla Panchayat and other lower bodies. The auditor can call for any file, notes and correspondence for the proper conduct of audit. He has the power to interview orally or in writing any functionary of the Zilla Panchayat or other related bodies. He can call for explanation from the Adhyksha or other functionaries. In case they refuse to co-operate with the requisition law fully made by the auditor such officers are liable for prosecution and conviction. The duties of the auditor include completion of audit and presenting a report to the Government. In this report the auditor may bring out the various irregularities and improprieties as wasteful expenditure by various rural self-government institutions.
FINANCE COMMISSION:

Like the Central Finance Commission there was no institutional arrangement till recently at the State level to look into the needs of and to recommend on devolution of funds to the local bodies. After independence the new States suffered from poor infrastructure without any planning machinery. On the basis of recommendations of the various Finance Commissions and Committees the center took initiatives to devolve funds to the States. The States also received the plan grants to expand their activities and implement the centrally sponsored schemes in the States on the recommendations of the Planning Commission. The Seventy-third Amendment after listing 29 items for transfer to the Panchayati Raj Institutions mandates that the “State shall endow the Panchayats with such powers and authority as may be necessary to enable them to function as institutions of self-government”, (Art. 243 G). Now it is the responsibility of the State Governments to perform vis-a-vis the Panchayats a role that the Centre had once upon a time performed vis-a-vis the States. The new Constitutional provisions have ensured certainty, continuity and strength to the panchayats by making them administratively and financially viable units.

The Goa Panchayati Raj Act, 1994, makes provision for the
appointment of the State Finance Commission within one year from the date of commencement of this Act, and thereafter for every five years, for the purpose of examining the financial position of the Panchayati Raj Institutions. The Finance Commission inquires into the problems of income and expenditure of the Panchayati Raj Institutions. It is the duty of the Finance Commission to make recommendations to the State Government as to:

a. The principles which should govern:

i. The distribution between the State and the Zilla Panchayats, and Panchayats and the net proceeds of the tax, duties, tolls and fees leviable by the Government which may be divided between the Zilla Panchayats and Panchayats of their respective shares of such proceeds;

ii. The determination of taxes, duties, tolls and fees which may be assigned to or appropriated by the Zilla Panchayats;

iii. The grants in aid to the Zilla Panchayat and Panchayat from the solicited fund of the State;

b. The measures needed to improve the financial position of the Zilla Panchayats and Panchayats;

c. Any other matter referred to the Finance Commission by the
Governor in the interest of sound finance of the Zilla Panchayats and Panchayats.

From the above mentioned points it is clear that the Finance Commission has to make many recommendations regarding the Government assistance and grant-in-aid to the Zilla Panchayat and other local bodies. This is mainly modeled on the Central Finance Commission for the sharing of revenue between the Central and State Governments. Regarding the development of remunerative assets of the Zilla Panchayat, the Santhanam Committee Report recommends, establishment of Panchayati Raj Finance Corporation at the State level.

The Government of Goa has constituted the Finance Commission first on April 22, 1994. One of the members subsequently became the Speaker of the Assembly. The Finance Commission has been reconstituted on April 1, 1999. The Commission submitted its report in June 1999, before the stipulated time of 3 months. The details of the recommendations of the Commission are awaited since the Assembly is not yet approved it.

The Finance Commission shall consist of a Chairman and two other members. The Chairman or a member may resign his office by writing under his hand and addressing to the Finance Secretary to the
Government, but shall continue in office until the resignation is accepted by the Government. The vacancy so created may be filled by fresh appointment and a member or Chairman so appointed shall hold office for the remaining period for which the member or Chairman in whose place he was appointed would have held office.

The Commission shall have the following powers in the performance of its functions, namely:

a. to call for any record from any officer or authority;
b. to summon any person to give evidence or produce records;
c. such other power as may be prescribed.

Though the State Finance Commissions are modeled on the Central Finance Commission, the tasks to be performed by the State Finance Commissions are considerably different in nature. They have to work in a practically virgin area with very little experience or academic work. In a sense the tasks before the First State Finance Commission are enormous.

VILLAGE PANCHAYAT FINANCE:

The village panchayats have been provided with provision of Village Panchayat Fund under section 161 of the Act. The amount accruing to this fund is from a number of sources namely:
1. Grants from the Government;
2. The proceeds from taxes, rates and fees;
3. Loans or contributions from the Government or any other authority and person or by way of gift;
4. The rent or other income from, or sale proceeds of any immovable or movable property; and
5. All other sums received from any source.

The Government shall also make a grant at the rate of about 17 rupees per person residing in the village panchayat area calculated on the basis of the last preceding census. The principle sources of income of the village panchayat are grants by way of per capita grants and the taxes imposed by the village panchayats. Apart from this the village panchayat receives special grants for certain State and Centrally sponsored schemes. Among the taxable and fee items following are included as per the provisions of Section 153 of the Act:

1. Without exceeding the maximum rate specified in schedule-III of the Act, the Panchayat shall levy tax upon buildings and lands which are not subject to agricultural assessment, within the limits of the Panchayat area;
2. A Panchayat may levy water rate for supply of water for drinking
and other purposes;

3. A Panchayat may also levy a tax or a fee on the following at such rates not exceeding the maximum specified in schedule-III:

i) tax on entertainment other than cinematography shows;

ii) tax on vehicles other than motor vehicles;

iii) tax on advertisements and hoarding;

iv) pilgrim fee on persons attending the jatras, festivals etc., where necessary arrangement for water supply, health and sanitation are made by the panchayat;

v) fee on markets;

vi) fee on the registration of cattle brought for sale in market;

vii) fee on busses and taxies and auto stands;

viii) fee on grazing cattle in the grazing lands;

ix) lighting tax;

x) drainage tax;

xi) tax on profession, trades, calling and employment;

xii) fees for sale of goods in melas, fairs and festivals; and

xiii) octrai.
The tax, rate, fee or other amount payable to the Panchayat may be collected by such agency as the Panchayat may appoint in this behalf, by public auction or by tender subject to the rules prescribed and provided it is lawful for a Panchayat.28

Every village Panchayat has the power to acquire, hold and dispose of property both movable and immovable whether within or without the limits of the area over which it has authority, to lease, sell or otherwise transfer any movable or immovable property which may have become vested in or been acquired by it, and to contract and to do all other things necessary for the purpose of this Act, shall be subject to the rules made by the Government in this behalf. Provided, no lease of immovable property for a term exceeding five years and no sale or other transfer of such property shall be valid unless such lease, sale or other transfer shall have been made with the previous sanction of the Zilla Panchayat.29

The Government or the Zilla Panchayat with the concurrence of the Panchayat may direct that any property resting in the Government or the Zilla Panchayat, shall vest in the Panchayat either conditionally or otherwise. Provided no lease, sale or transfer of any such immovable property by the Panchayat shall be valid without the previous sanction of the Government or the Zilla Panchayat, as the case may be.30
## TABLE - 4.1 : INCOME OF THE SELECTED VILLAGE PANCHAYATS :

<table>
<thead>
<tr>
<th>Si. No.</th>
<th>Particulars</th>
<th>NUVEM</th>
<th>PARODA</th>
<th>SALEM TALUKA</th>
<th>SANCOALE</th>
<th>VENA</th>
<th>MORMUGAO TALUKA</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Taxes, Fees etc.</td>
<td>236985-00</td>
<td>(48.68)</td>
<td>641523-00</td>
<td>(69.15)</td>
<td>217101-00</td>
<td>(47.24)</td>
</tr>
<tr>
<td>2.</td>
<td>Proceeds of loans, sale etc.</td>
<td>195.00</td>
<td>(0.04)</td>
<td>120.00</td>
<td>(0.01)</td>
<td>3037-00</td>
<td>(0.66)</td>
</tr>
<tr>
<td>3.</td>
<td>Extra Ordinary Income</td>
<td>43592-00</td>
<td>(8.95)</td>
<td>39135-00</td>
<td>(4.22)</td>
<td>57729-00</td>
<td>(12.56)</td>
</tr>
<tr>
<td>4.</td>
<td>Grants / Donations</td>
<td>206116-00</td>
<td>(42.33)</td>
<td>248935-00</td>
<td>(26.62)</td>
<td>181733-00</td>
<td>(39.54)</td>
</tr>
<tr>
<td>TOTAL</td>
<td></td>
<td>488888-00</td>
<td>(100.00)</td>
<td>927713-00</td>
<td>(100.00)</td>
<td>459600-00</td>
<td>(100.00)</td>
</tr>
</tbody>
</table>
too much on official or governmental initiatives. Rather resource mobilisation should begin with the village panchayat themselves with the full participation and co-operation of the people in these areas.

**Village Panchayat Taxes:**

The village panchayat has the power to tax a number of items like vehicles, light, water, health, education, octroi, trade, etc. The major taxable income to the Sancoale Panchayat is the octroi tax which constitutes about 80 percent. In general, among the taxes levied the larger share of revenue to the selected village panchayats accrues from the house tax.\(^{32}\) It amounts to about 90 percent. This trend is greatly encouraging in view of the village panchayats attitude of reluctance for enhanced taxation. In fact many studies refer to the reluctance of the popularly elected leaders like members and Sarpanchas to incur the displeasure of their constituents by imposing additional taxes on them.\(^{33}\) Income from other taxes is insignificant.

**Fees:**

Village Panchayat performs certain regulatory functions. It levies fees on various services and facilities offered by it. In this category,
licence fees from various permissions, rent, fine, registration fees and auction are important components. Among the various items income from construction licence fees is very high. In addition to this income from market fees, shop rent, certificate fees are also noteworthy.

Grants:

The Government advances grants for implementing certain state and central schemes. Based on their tax collection, the panchayats receive matching grants. This is an incentive to encourage the Panchayats to increase their revenue collection. Panchayats with annual income of upto Rs. 20,000/- are given 200% as matching grants, those having income between Rs. 20,000/- to Rs. 50,000/- are given 150% as matching grants and those above Rs. 50,000/- are given 100% as matching grants. In addition, panchayats are sanctioned grants-in-aid upto an extent of 75% of the project cost for development works and remaining 25% has to be borne by the Panchayats themselves. Panchayats are also sanctioned loans under remunerative schemes. From a close perusal of the various sources of income, it can be inferred that panchayats are not able to exploit the impressive resources.34

In 1996-97 statistical data indicates that the total grants received
by the panchayats constitutes about 24 percent of the total revenue. This is an encouraging sign. This shows that panchayats are using their powers to mobilise their own resources. This also raises hopes of the panchayats to become self-reliant bodies. If the panchayats failed to energise their extractive capabilities it may affect the very legitimacy of the system. This will ultimately not only avoid dependency of local bodies on the State or the Centre but also relieve them of the control of these higher institutions.

PATTERN OF EXPENDITURE:

Village panchayats are intimately associated with the rural populace and as such are expected to perform variety of functions like providing civic amenities, fostering rural development, efficient execution of the schemes and programmes sponsored by the Government and promote social welfare activities in the rural areas. The main items of expenditure of the village panchayats are:

(i) Expenditure on General Administration;
(ii) Expenditure on Sanitation and Public Health;
(iii) Expenditure on Public Works;
(iv) Expenditure on Planning and Development;
(v) Expenditure on Social Welfare;
(vi) Expenditure on Education and Culture; and
(vii) Miscellaneous.

Table number 4.2 indicates the expenditure pattern of selected village panchayats. It reveals that almost 52 percent of the total expenditure is done on public works which mainly includes construction/repairs of roads and bridges, electricity and water supply. The next largest item of panchayat expenditure is on general administration, which amounts to about 19 percent. It is disappointing to note that only around 7 percent is spent on planning and development.

Expenditure on general administration includes the salaries and travelling allowance for the Sarpanch, the members and the staff engaged in village panchayat activities. It also includes honorarium to Sarpanch and Deputy Sarpanch, stationary charges, maintenance and other expenses as indicated in the table number 4.3. An interesting feature of expenditure on general administration is that the travelling allowances of the sarpanchas and other staff are disproportionately high in Sancoale village panchayat in the year 1996-97, whereas it is substantially high in Verna village panchayat. It implies that either these functionaries are very dynamic and hence mobile or that they may be making frequent
<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Items</th>
<th>NUVEM</th>
<th>PARODA</th>
<th>SANCOALE</th>
<th>MORMUGAO TALUKA</th>
<th>VERNIA</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Administration</td>
<td>90464-00 (24.6)</td>
<td>110379-00 (16.1)</td>
<td>120044-00 (27.1)</td>
<td>27333-00 (35.4)</td>
<td>33947-00 (21.3)</td>
</tr>
<tr>
<td>2.</td>
<td>Sanitation &amp; Public Health</td>
<td>-</td>
<td>-</td>
<td>43680-00 (9.8)</td>
<td>3740-00 (4.8)</td>
<td>22050-00 (13.8)</td>
</tr>
<tr>
<td>3.</td>
<td>Public Works</td>
<td>99861-00 (27.2)</td>
<td>492995-00 (72.2)</td>
<td>161570-00 (36.5)</td>
<td>42850-00 (55.5)</td>
<td>89605-00 (56.2)</td>
</tr>
<tr>
<td>4.</td>
<td>Planning &amp; Development</td>
<td>123195-00 (33.6)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>5.</td>
<td>Social Welfare</td>
<td>2825-00 (0.8)</td>
<td>13600-00 (2.0)</td>
<td>34525-00 (7.8)</td>
<td>-</td>
<td>1250-00 (0.8)</td>
</tr>
<tr>
<td>6.</td>
<td>Education &amp; Culture</td>
<td>-</td>
<td>25676-00 (3.8)</td>
<td>67390-00 (15.2)</td>
<td>703-00 (0.9)</td>
<td>640-00 (0.4)</td>
</tr>
<tr>
<td>7.</td>
<td>Miscellaneous</td>
<td>50512-00 (13.8)</td>
<td>39984-00 (5.9)</td>
<td>15948-00 (3.6)</td>
<td>2630-00 (3.4)</td>
<td>11996-00 (7.5)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>368857-00 (100.00)</td>
<td>682834-00 (100.00)</td>
<td>443157-00 (100.00)</td>
<td>77256-00 (100.00)</td>
<td>159488-00 (100.00)</td>
<td>197028-00 (100.00)</td>
</tr>
<tr>
<td>Sl. No.</td>
<td>Particulars</td>
<td>NUVEL TALUKA</td>
<td>PARODA</td>
<td>SANCOAL</td>
<td>MORUGAO TALUKA</td>
<td>Verna</td>
</tr>
<tr>
<td>--------</td>
<td>------------------------------------------</td>
<td>--------------</td>
<td>--------</td>
<td>---------</td>
<td>----------------</td>
<td>--------</td>
</tr>
<tr>
<td>1.</td>
<td>Salary &amp; Allowance</td>
<td>(70.4)</td>
<td>(59.9)</td>
<td>(66.8)</td>
<td>(18.7)</td>
<td>(18.7)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>63750-00</td>
<td>66116-00</td>
<td>79882-00</td>
<td>9100-00</td>
<td>11100-00</td>
</tr>
<tr>
<td>2.</td>
<td>Travelling Allowance</td>
<td>(0.5)</td>
<td>(0.3)</td>
<td>(0.8)</td>
<td>(0.9)</td>
<td>(0.1)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>445-00</td>
<td>325-00</td>
<td>960-00</td>
<td>3-0</td>
<td>3-0</td>
</tr>
<tr>
<td>3.</td>
<td>Stationary (Postage, News papers etc.)</td>
<td>13901-00</td>
<td>(12.3)</td>
<td>(5.3)</td>
<td>(12.3)</td>
<td>(20.5)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(15.4)</td>
<td>(12.3)</td>
<td>(5.3)</td>
<td>(12.3)</td>
<td>(20.5)</td>
</tr>
<tr>
<td>4.</td>
<td>Maintenance (Bills, repairs, etc)</td>
<td>(3.7)</td>
<td>(2.3)</td>
<td>(4.1)</td>
<td>(2.8)</td>
<td>(14.0)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(3.7)</td>
<td>(2.3)</td>
<td>(4.1)</td>
<td>(2.8)</td>
<td>(14.0)</td>
</tr>
</tbody>
</table>
| 5.     | Office equipment type writers, furs, Vehicles | (22.6)      | (17.8) | (16.5)  | (12.2)         | (22.8) | (22.8)  | (4017-00| (22.8) | (22.8) | (6398-00| (500-00) | (838-00)
|        |                                          | (10.0)       | (2.8)  | (5.2)   | (1.7)          | (20.6) | (20.7)  | (4.7)  | (12.0) | (12.7) | (13.9) | (4.0)  | (9.6)  |
| 6.     | Miscellaneous                            | (10.0)       | (2.8)  | (5.2)   | (1.7)          | (20.6) | (20.7)  | (4.7)  | (12.0) | (12.7) | (13.9) | (4.0)  | (9.6)  |
|        |                                          | 9047-00      | 2857-00| 6228-00| 473-00         | 7024-00| 7439-00 | (10931-00| 28552-00| 24120-00| 24450-00| 5690-00| 12908-00|
|        |                                          | (10.0)       | (2.8)  | (5.2)   | (1.7)          | (20.6) | (20.7)  | (4.7)  | (12.0) | (12.7) | (13.9) | (4.0)  | (9.6)  |
| Total  |                                          | 90464-00     | 110379-00| 120044-00| 27333-00      | 33947-00| 38035-00| (231227-00| 237295-00| 324673-00| 178188-00| 144277-00| 134029-00|
|        |                                          | (100.00)     | (100.00)| (100.00)| (100.00)      | (100.00)| (100.00)| (100.00)| (100.00)| (100.00)| (100.00)| (100.00)| (100.00)|
visits to different places for pecuniary gains arising out of travelling allowances. Goa being small in area, travelling shall not be very expensive. In either case it is the view of the researcher that inordinately high percentage of money spent on general administration should not be wasted on travelling allowances. Tours by Sarpanch, etc, should be undertaken only when inevitable. Another observation is the expenditure on birthday greetings advertisement for the Sarpanch, M.L.As. and M.Ps. which is an undesirable expenditure. Such expenditure must be completely banned.

The expenditure on public works like sanitation, water supply, electricity, public health, construction of roads and other facilities provided to the rural people in the village panchayat area is indicated in table number 4.4.

Among the basic amenities a very large share of money is spent on electricity. Goa is centpercent electrified. The next amenity provided is sanitation and then appears public health. Though Nuvem panchayat is financially sound and well developed there is no primary health centre. Only Sancoale panchayat has maintained a library of its own. In the remaining selected panchayats, both library and public garden are neglected. The researcher feels that the priorities in respect of public
<table>
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<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Sanitation</td>
<td>18450-00 (18.5)</td>
<td>31400-00 (6.3)</td>
<td>43680-00 (21.3)</td>
<td>4150-00 (8.9)</td>
<td>10380-00 (9.3)</td>
<td>77937-00 (67.7)</td>
<td>188298-00 (17.7)</td>
<td>185238-00 (14.3)</td>
<td>245415-00 (7.0)</td>
<td>35620-00 (4.8)</td>
<td>29500-00 (6.3)</td>
<td>44795-00 (12.3)</td>
<td>3273-00 (1.3)</td>
<td>6222-00 (1.3)</td>
<td>25982-00 (7.1)</td>
</tr>
<tr>
<td>2.</td>
<td>Public Health</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1820-00 (3.9)</td>
<td>2400-00 (2.1)</td>
<td>2610-00 (2.0)</td>
<td>244786-00 (25.8)</td>
<td>508953-00 (39.3)</td>
<td>340017-00 (9.7)</td>
<td>3273-00 (0.5)</td>
<td>6222-00 (1.3)</td>
<td>25982-00 (7.1)</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>3.</td>
<td>Water Supply</td>
<td>-</td>
<td>-</td>
<td>53682-00 (26.1)</td>
<td>4120-00 (8.8)</td>
<td>19650-00 (17.6)</td>
<td>-</td>
<td>6664-00 (0.7)</td>
<td>8172-00 (0.6)</td>
<td>5676-00 (0.2)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>4.</td>
<td>Electricity</td>
<td>81411-00 (81.5)</td>
<td>186732-00 (37.9)</td>
<td>89608-00 (43.7)</td>
<td>36500-00 (78.4)</td>
<td>79245-00 (71.0)</td>
<td>51106-00 (37.9)</td>
<td>317460-00 (33.4)</td>
<td>520640-00 (40.2)</td>
<td>-</td>
<td>697125-00 (94.6)</td>
<td>421563-00 (90.7)</td>
<td>276150-00 (75.7)</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>5.</td>
<td>Public Garden</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>7848-00 (0.8)</td>
<td>9870-00 (0.8)</td>
<td>996-00 (0.1)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>6.</td>
<td>Library</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>100-00 (0.1)</td>
<td>-</td>
<td>4474-00 (0.3)</td>
<td>6876-00 (0.2)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>7.</td>
<td>Construction / repairs of Roads &amp; Bridges</td>
<td>249725-00 (50.7)</td>
<td>10280-00 (5.0)</td>
<td>-</td>
<td>-</td>
<td>3035-00 (2.2)</td>
<td>179888-00 (19.0)</td>
<td>13314-00 (1.0)</td>
<td>2873420-00 (82.7)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
<td></td>
</tr>
<tr>
<td>8.</td>
<td>Construction / repairs of buildings</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
<td></td>
</tr>
<tr>
<td>9.</td>
<td>Others</td>
<td>25138-00 (5.1)</td>
<td>8000-00 (3.9)</td>
<td>-</td>
<td>-</td>
<td>200-00 (0.1)</td>
<td>24867-00 (2.6)</td>
<td>44706-00 (3.5)</td>
<td>1200-00 (0.1)</td>
<td>893-00 (1.7)</td>
<td>7789-00 (4.9)</td>
<td>17850-00 (10.0)</td>
<td>-</td>
<td>-</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>99861-00 (100.0)</td>
<td>492295-00 (100.0)</td>
<td>46590-00 (100.0)</td>
<td>111655-00 (100.0)</td>
<td>134988-00 (100.0)</td>
<td>949911-00 (100.0)</td>
<td>1295367-00 (100.0)</td>
<td>3473900-00 (100.0)</td>
<td>738911-00 (100.0)</td>
<td>465074-00 (100.0)</td>
<td>384777-00 (100.0)</td>
<td>224</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
health and library are needed which can benefit a large section of the rural population.

With regard to development works like construction of buildings, roads and bridges and their maintenance, the Nuvem and the Sancoale village panchayats have spent substantial amount, which is a positive indicator. Whereas this type of works are evident to some extent in Paroda, but completely absent in Verna. The maintenance also consumes a large sum of money. It is necessary to have all weather metal roads, which can provide a major outlet for trade and commerce for the rural population. As far construction of buildings there are many illegal buildings constructed in the village. Though the panchayats enjoy the power to demolish these structures, they are helpless due to political pressures. The local leaders protect the owners of these illegal structures. Some strategy has to be worked out with regard to this. The Panchayats shall be pressurised by the higher authority to demolish such structures failing to which, an equivalent grant to be given to the panchayats shall be deducted.

The village panchayats are concerned with social welfare activities, which include welfare of scheduled castes, schedules tribes, backward classes and women. Table number 4.5 provides the expenditure pattern on
### TABLE - 4.5: EXPENDITURE ON SOCIAL WELFARE IN THE SELECTED VILLAGE PANCHAYATS:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Anganwadi Rent</td>
<td>825-00</td>
<td>1100-00</td>
<td>1625-00</td>
<td>11505-00</td>
<td>16350-00</td>
<td>1375-00</td>
<td>1050-00</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(29.2)</td>
<td>(8.1)</td>
<td>(4.7)</td>
<td>(10.6)</td>
<td>(15.9)</td>
<td>(1.2)</td>
<td>(8.8)</td>
</tr>
<tr>
<td>2.</td>
<td>Financial Assistance (Indigent, celebrations, marriages, sick, etc.)</td>
<td>2000-00</td>
<td>5600-00</td>
<td>15000-00</td>
<td>16000-00</td>
<td>6100-00</td>
<td>8500-00</td>
<td>8600-00</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(70.8)</td>
<td>(41.2)</td>
<td>(43.5)</td>
<td>(14.7)</td>
<td>(5.9)</td>
<td>(7.8)</td>
<td>(7.3)</td>
</tr>
<tr>
<td>3.</td>
<td>Indigent doles</td>
<td>-</td>
<td>6900-00</td>
<td>17900-00</td>
<td>81200-00</td>
<td>80500-00</td>
<td>82500-00</td>
<td>108075-00</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(50.7)</td>
<td>(51.8)</td>
<td>(79.4)</td>
<td>(74.7)</td>
<td>(78.2)</td>
<td>(76.2)</td>
<td>(91.5)</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>2825-00</td>
<td>13600-00</td>
<td>34525-00</td>
<td>108705-00</td>
<td>102950-00</td>
<td>108225-00</td>
<td>118050-00</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(100.00)</td>
<td>(100.00)</td>
<td>(100.00)</td>
<td>(100.00)</td>
<td>(100.00)</td>
<td>(100.00)</td>
<td>(100.00)</td>
</tr>
</tbody>
</table>
social welfare activities in the selected village panchayats. In Goa the population of schedules caste is 2.08% and schedules tribe is 0.03%. It is due to their meager number there is very little that panchayats can do for them. It is encouraging to note that the Sancoale and Nuvem panchayat spent a large amount on giving doles. Also they provide financial assistance to needy and disables, during natural calamities and the like and also for local celebrations. Further, the table shows that in respect of Verna the expenditure on social welfare activities has actually declined, which is a very negative trend and it may adversely affect the life pattern of the people living in these areas. On the other hand, the Paroda panchayat shows a marginal increase in expenditure on such activities every year in the period for 1996-1999.

Education, sports and culture are most essential for a complete development of human personality. They contribute to a great extent in depicting the image of an individual in the society. Village panchayats can play an important role in promoting them by encouraging the rural people either by way of cash or kind. Table number 4.6 indicates the expenditure pattern on education, sports and culture in selected village panchayats.

It is admiring that Sancoale panchayat spends a substantial amount
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<td>1</td>
<td>Education</td>
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<td>10402-00 (15.4)</td>
<td>703-00 (100.00)</td>
<td>640-00 (100.00)</td>
<td>889-00 (13.3)</td>
<td>79215-00 (62.0)</td>
<td>257781-00 (74.6)</td>
<td>133519-00 (59.0)</td>
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<tr>
<td>2</td>
<td>Sports</td>
<td>15000-00 (100.00)</td>
<td>25676-00 (100.00)</td>
<td>37840-00 (56.2)</td>
<td></td>
<td>5800-00 (86.7)</td>
<td>40938-00 (32.0)</td>
<td>62668-00 (18.2)</td>
<td>81290-00 (35.8)</td>
<td>10500-00 (100.00)</td>
<td>20000-00 (81.4)</td>
<td>9775-00 (83.7)</td>
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<td>3</td>
<td>Culture</td>
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<td>7620-00 (6.0)</td>
<td>24754-00 (7.2)</td>
<td>11873-00 (5.2)</td>
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<td>19148-00 (28.4)</td>
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<tr>
<td>Total</td>
<td></td>
<td>15000-00 (100.00)</td>
<td>25676-00 (100.00)</td>
<td>67390-00 (100.00)</td>
<td>703-00 (100.00)</td>
<td>640-00 (100.00)</td>
<td>6689-00 (100.00)</td>
<td>127773-00 (100.00)</td>
<td>345203-00 (100.00)</td>
<td>226682-00 (100.00)</td>
<td>10500-00 (100.00)</td>
<td>24578-00 (100.00)</td>
<td>11873-00 (100.00)</td>
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TABLE 4.6: EXPENDITURE ON EDUCATION, SPORTS AND CULTURE IN THE SELECTED VILLAGE PANCHAYATS:

- **MARMUGAO TALUKA**: 1997-98 expenditures include 4578-00 (16.3%); 1996-97 expenditures include 15000-00 (100.00%)
- **NUVEM**: 1998-99 expenditures include 889-00 (13.3%)
- **SANCOALE**: 1998-99 expenditures include 133519-00 (59.0%)
- **VERNA**: 1998-99 expenditures include 9775-00 (83.7%)

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on education in the form of scholarships, uniforms, etc. It is disappointing that the same trend is not followed in other panchayats. On the other hand, all panchayats contribute for the development of sports. They provide sports-materials like footballs, organise tournaments and give donations to sports clubs, etc. The researcher feels that, in case of Nuvem and Verna, the priorities in respect of education and sports is uneven and imbalance. In fact the panchayats would have accorded higher priority to education. Further, the table reveals that the expenditure on cultural activities is completely absent in Paroda and Verna. The panchayats shall organise such activities not only to depict our culture to the local people, but also inculcate such culture in the mind and heart of every individual.

The study reveals that, the expenditure pattern on establishment under the old set up has not changed even with the inception of the new Panchayati Raj Institutions in which the village panchayat is the principal unit of development planning and administration. The selected village panchayats generally concentrate on public works and welfare functions than on what have been categorised as developmental functions. It does not require much justification to argue that the expenditure on these activities are inevitable in view of the urgent need to provide the basic
necessities at the local level. It can be inferred that the village panchayats are not interested in undertaking long term projects since the gestation period is long and the lay population may not be willing to wait that long. In order to gain the confidence of the local people the members are very keen to show immediate results to the people and hence they embark on short term activities.\(^3\) All these factors have resulted in emphasis on public works.

**Problems Of Fiscal Administration:**

Since their evolution, the Panchayati Raj Institutions have faced a number of problems in fiscal administration. The Taxation Enquiry Committee (1953-54) has observed rather emphatically that the “Crux of the problem of local bodies is finance”.\(^3\) Finance has become a crucial issue in panchayat administration and has hampered the effective performance of these bodies. In this regard the problems faced by the South Goa District with regard to financial matters are examined in-depth for a proper understanding of the socio-economic and political dynamics in rural setting:

1. There is the problem of resource mobilisation with regard to rural institution and as such the local institutions in South Goa District are
no exception to this general rule. For instance, the Asoka Mehta Committee has examined this aspect in-depth and concluded that Panchayati Raj Institutions are ineffective because of lack of capacity and will to mobilise resources. The issue of mobilisation of resources through their own efforts has acquired significance in view of the nature and quantum of assistance from the governmental organisations, due to the fact that:

a. Governmental grants are grants with conditions or they are also known as tied grants. Government advances grants under various schemes, projects and programmes with certain prescribed norms. The local institutions have no freedom to use this fund as per its will and requirements of the area, people and problems.

b. The grants advanced by the Government are inadequate with regard to the large magnitude of problems and variety of proposals.

Hence the question of raising resources through it own efforts occupies effective financial autonomy through a well planned and a well-conceived scheme of political and economic decentralisation.

2. The functioning of panchayats has been constantly affected by the lack of political will and administrative support. The situation in Goa is not otherwise. The State level leadership and the bureaucracy have
not been in favour of flourishing grassroots democracy as they do not want to share powers with elected representatives of the panchayats. It was due to this fact that the Zilla Panchayats were not constituted till recently, even after 5 years of passing of the new Act. The state level leaders did not want to create their competitors at the district level. For smooth functioning of Panchayati Raj Institutions, the influence of representatives at the Centre and States should be restricted to the minimum required extent.

3. Section 154(4) of the Goa Panchayati Raj Act, 1994, matters of recovery of taxes and other dues provides that any tax due to the panchayat should be intimated to the concerned person with least delay through a demand notice. If the dues are not paid within 30 days from the date of serving a demand notice, the panchayats may recover the amount due along with a penalty of ten percent of the sum due, by distraint and sale of the movable property of the defaulter. So far no panchayats in Goa have gone beyond issuing demand notices. It is necessary that the panchayats adopt strict measures to recover the dues.

4. With regard to tax performance of the panchayats, it has been noted that there is general reluctance by the panchayat leaders, particularly
Sarpanchas to impose new taxes or raise the revenue of the existing taxes for the fear of becoming unpopular. For instance, Goa being an international tourist attraction there is heavy traffic activity in the state. Panchayats can earn substantial revenue by imposing parking fees, especially along the tourist coastal zones. Similarly, revenue collected on certain items like dog tax, entertainment tax, trade tax, drainage tax, contribute very little to the panchayat revenues. Also in fee category items like cattle fee and market fee fetch very less. Hence the panchayats shall reconsider such items which do not contribute significantly to the panchayat revenue. Also, the panchayats shall encourage cottage industries in rural areas which will provide greater employment and income to the local people, and additional revenue to the Panchayati Raj Institutions through taxes on these industries. Therefore, if the local body has to depend more on self-finance, then low levels of taxation will hamper concerned local body’s existence.

5. It is noticed that in the selected village panchayats there is a significant discrepancy between the estimated amount of tax collection and the actual collection. For instance, in the financial year 1998-99 in Nuvem village panchayat the proposed tax amounted to Rs. 233.
9,12,400/- where as actual collection amounted to Rs. 4,9,600/-. Similarly in Verna the proposed tax was Rs. 12,34,366/-, and the actual collection was Rs. 4,23,268/-. This indicates that:

a. Tax collection is improper / loose ; and /or

b. Procedure adopted in the estimation of the tax collection is not correct; and / or

c. Lack of experience / technical qualification on the part of person who prepares the estimation.

It is an accepted fact that the local self-government institutions in most states shy away from an aggressive taxation policy. The South Goa District is not exception to this general rule. This attitude has to undergo transformation if local self-government institutions have to play a useful role in raising the standard of the rural people. In this connection Asoka Mehta Committee has observed very succinctly that inspite of all exhortations to raise their own resources through taxation there is reluctance on the part of Panchayati Raj Institutions to impose taxes. This is clearly visible not only in respect of panchayats which are face-to-face contact with the people at the grass-roots level, and on a magnified scale the same psychological ethos prevails.40
PANCHAYAT FINANCE: TASKS AHEAD

For making Panchayati Raj Institutions financially autonomous bodies, the following tasks may be performed:

1. Reorganising the Village Panchayate demographically is essential to make the panchayats economically sound and viable. This has been suggested by several studies. The Asoka Mehta committee (1978) pointed out that Panchayats unsound resource base is mainly due to the size of the present panchayats. The Singhvi Committee (1986) emphasized reorganisation of villages in order to make for more viable village panchayats. V. K. R. V. Rao in 1977, expressed that a cluster of villages with a population of about 5000 should be the unit for integrated area planning as the size would ensure economic viability.41 The Goa Panchayat Raj Act, 1994, provides for 5 members village panchayat with a population between 1500-2000 and 7 members village panchayat with a population between 2000-5000. Thus the State Government should take a fresh look at this aspect of the panchayats and reorganise the village panchayats demographically for making them financially viable.

2. The centrally sponsored schemes (CSSs) pertaining to rural development shall be abandoned since they have lost relevance after
the Constitution Amendment Act. For instance M.Ps. Local Area Development Scheme has made a way in some states for M.L.As. fund for developmental works in his/her constituency. One shall not be surprised if a similar demand for funds is made by the panchayat leaders to nurse their constituencies. In this way the whole scheme of political and economic decentralisation will be jeopardized. The panchayat bodies should prepare their own plans of economic and social development keeping in view the local needs and priorities and therefore curtail the growth of centrally sponsored schemes. Thus it is suggested that for empowering panchayats financially the funds of centrally sponsored schemes should go to the grass-roots through the state government.

3. There shall be a clear-cut demarcation of the powers and functions of the State Government and the Panchayati Raj Institutions in order to enable them to function as institutions of self-government. Several subjects in the XI Schedule fall in the Concurrent list, e.g., education, rural electrification, social welfare and public distribution system. It implies that the State Governments are fully authorised to interfere with impunity in the functioning of the panchayats. Hence it is suggested that there shall be clear distinction of powers and functions.
4. The devolution of powers and functions to panchayats in isolation of finances would be meaningless. In the first instance the activities to be taken up be the panchayats within the purview of the XI Schedule shall be decided. Then the principles that govern the distribution of funds between the state and the panchayat shall be determined. The first task is to be undertaken by the State government and the latter by the State finance Commission. Here it is suggested that the functions must be matched with finance. It is not the listing of functions but the access to financial resources that determines the role of the Panchayati Raj Institutions.

5. The Central and the State level leaderships and bureaucracy are reluctant to be friendly with Panchayati Raj Institutions. So they have created parallel institutions such as District Rural Development Agency / Authority, District Planning Board / Committee, etc. The funds of various schemes instead of devolving to Panchayats have been devolved to these bodies and a very little is routed through panchayats. Similarly the functions performed by these institutions should legitimately belong to the Panchayati Raj Institutions. The government shall rethink of abolition of these institutions and thereby transfer such functions with requisite finance to the Panchayati Rai Institutions.
CONCLUSION:

The above analysis of fiscal administration in the selected village panchayats indicates that there is an imbalance between functions and resources, assigned for developmental activities. Without adequate financial resources, no local self-government institution can deliver the goods and services. In such circumstances this may lose its credibility, delivering a mortal blow to the development of responsible democracy, whose effect are felt at the grass-roots level of the village and the higher level of district, State and Centre. The practice of looking at the finances of the local bodies from this total perspective by taking into account their obligations and their resources has not received much attention at the higher levels in our country. What is needed in matching of obligation and resources. This constitutes the central problem of local finance. Such an analyses is simple yet very startling. This is a part of the overall legacy of Panchayati Raj in India. In the climate prevailing in the country, since the inception of Panchayati Raj, resulting from foreign aid coming into the country and a centralised missionary approach trying to change the socio-economic conditions of the masses, the Panchayati Raj bodies look towards the government rather than instilling in themselves the objectives of mass mobilisation and voluntary self-help.
The trend of receiving grants and other assistance from the Government shows that the present system is moving in the direction of centralisation of revenues and decentralisation of expenditure.

In Goa elections to the first Zilla Panchayats have been conducted on February 6, 2000. They may require quite sometime settling in their administration and establishment. It is rather too early to assess their functioning and financial performance. The State Finance commission has submitted its report regarding the financial aspects and distribution of funds between the State and the Panchayati Raj Institutions. An ideal situation is expected to prevail provided the state government agrees to transfer the resources to the panchayats as suggested by the State Finance Commission. Otherwise rural local bodies, particularly the Zilla Panchayat may not be able to deliver the goods because of the woeful lack of financial resources. The recommendations of the various committees and particularly the State Finance Commission would degenerate into an operation for dressing a dead woman.

This chapter has rather elaborately dealt with the financial aspects of the four selected village panchayats of Nuvem, Paroda, Sancoale and Verna and also the South Goa Zilla Panchayat, which is recently constituted but yet to establish itself in various capacities. The relevant
conclusions have been drawn through discussion of the field data presented in a tabular form. One broad conclusion is that the panchayat finances are not so bad in shape but there are certain functional hurdles. The inadequacies and the policy prescriptions for removing the lacunae have been clearly indicated in the relevant part of this chapter. Self-help and local initiative rather than dependence on government doles are the need of the hour. All this requires creating a sense of consciousness among the rural population and pride and identification with local self-government in the South Goa District. This is the only panacea for solving the economic and other problems of the people of this rural area.
NOTES AND REFERENCES


5. Ibid; Section 165.

6. Ibid; Section 166.

7. Ibid; Section 169.

8. Ibid; Section 170.

9. Ibid; Section 168 (1).

10. Ibid; Section 168 (2).

11. Ibid; Section 171.


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17. Section 151 (4); Goa Panchayati Raj Act, 1994, op.cit.,

18. Ibid ; Section 191.


20. Report Of The Study Team On The Audit And Accounts Of


23. Section 194; *Goa Panchayati Raj Act, 1994*; op. cit.

24. Ibid., Section 199.

25. Article 280 of the Indian Constitution provides for the appointment of Finance Commission to make recommendations on the following: (a) the distribution between the Union and the States of the net proceeds of taxes which are to be or may be divided between the States of the respective Shares of such proceeds; (b) the principle which should govern the grants-in-aid of the revenue of the States out of the Consolidated Fund of India; (c) any other matter referred to the Commission by the President in the interest of sound finance. See D. D. Basu, *Constitutional Law Of India* (New Delhi, Prentice Hall of India Pvt. LTD., 1977), p. 323.

27. Section 199(7); *Goa Panchayati Raj Act, 1994*, op. cit.

28. Ibid; Section 157.

29. Ibid; Section 158.

30. Ibid; Section 159(1).

31. Ibid; Section 159(2) and (3).

32. This is a phenomenon elsewhere in the country. See V. Shivaling Prasad, *Panchayats And Development*, op. cit., p. 144.


36. B. S. Bhargava and N. Sivanna, “Taluk Development Board Finances,” *Panchayat Sandesh*, Vol. XXIV, nos. 10, 11, 12, Jan,


40. Ibid; pp 107-109 and 125.


