CHAPTER-7

OBSERVATIONS AND RECOMMENDATIONS
CHAPTER-7
OBSERVATIONS AND RECOMMENDATIONS

The earlier chapters discussed and analyzed various issues, problems and prospects of Gram Panchayats in Andhra Pradesh in India. This Chapter, as such, lists out the important observations, drawn from the earlier Chapters and presents the author’s recommendations. The following discussion therefore is confined to relevant recommendations based on observations.

7.1 Observations

1. Government sanctions salary grant in its budgetary provisions and Panchayats receive them on regular basis. Together with budgetary provisions this item of government allocations tends to increase. This is clearly noticed in the Gram Panchayats under study. Salary grant is a regular grant on quarterly basis and the Government is also sanctioning regularly. It is continuously increasing at an increasing rate.

2. It is also observed that other grants like Zilla Parishad Grants, incentive grants etc. are allocated to Gram Panchayats on regular basis. However, with the inception of JRY/JGSY programmes, these grants decreased considerably in 1999-2000. Therefore, it is observed that the impact of decrease in these grants in Gram Panchayats is not felt much after the implementation of JRY/JGSY programmes. There is a remarkable decrease in their share in total revenue.
3. There is a general increase in tax revenue of Gram Panchayats. However, in the later half of the study period share of tax revenue in total revenue has decreased. It may therefore be pointed out that the revenue is slowly increasing at a decreasing rate. On the basis of findings, it may be pointed out that tax revenue is increasing in the face of lower growth rate. Plugging loopholes in the tax system of the Gram Panchayats improving tax compliance and collections will go a long way in making Gram Panchayats self sufficient.

4. Gram Panchayats performed well in collecting non-tax revenues. These non-tax revenues recorded an annual growth rate of 771.93. Its share in total revenue fluctuated between 28.04 and 46.46 per cent, even though it was highest in 1992-93 and at lowest in 1994-95. Inspite of this, its percentage in total revenue stood at .35. Identifying new remunerative enterprises, introduction of new fees on the services rendered by the Gram Panchayats and fines on the law breakers are some of the steps that Gram Panchayats have not considered seriously. In this direction, Gram Panchayats have miles to go before they become self sufficient.

5. It is observed that the share of grants in total revenue have considerably increased during the study period. That the annual growth rate was 1028.12 thousand signifies such observations. The extent to which Gram Panchayats depend on higher layer governments can be observed from this. No wonder that Gram Panchayats are
perpetually dependent on State governments and losing their autonomy and in dependence.

6. By and large, it is observed that tax collections have increased considerably. In the first half of the study period (except in 1990-91), the tax collections have increased to 60 per cent and in the next half it is around 80 per cent (except in 1999-2000). The share of tax collection during the study period varied between 55.58 and 87.86 per cent. Table 4.25 shows that over the year the percentage of collection has been increasing during the study period. Hence, the fourth hypothesis that ‘the efficiency of Gram Panchayats is very low’ is negated.

7. Gram Panchayats seem to neglect lighting tax, drainage tax, katarusum, tax on advertisement and vehicle tax as sources of tax revenue. This is because of absence of motivation on the part of the Panchayats to be more assertive and objective.

8. Loans from an important source of receipts for Gram Panchayats. The Panchayats consider this source only as a temporary adjustment because, interest payments cut into their expenditures. Only 7 notified and 8 non-notified Gram Panchayats are raising their receipts from loans. Therefore, it is observed that very few Gram Panchayats are resorting to loans and hence their share in Gram Panchayat revenues is low.
9. Central government initiated JRY/JGSY were started in 1989. That infrastructure facilities were increased only after initiation of this programme is established. However, inordinate delay in transfer of funds, higher current wage rate at village level compared to minimum wage rates prescribed, mismatch between expenditure components and the funds sanctioned by these programmes, lack of comprehensive knowledge of the JRY/JGSY works by the Panchayat Officials are some of the problems of the programmes.

10. It is observed that the State/Central Governments initiated a number of rural poverty eradication programmes such as IRDP, JRY/JGSY, DPAP, PMEY, CMEY, DWACRA etc., except JRY/JGSY, other programmes are monitored at district level by District Rural Development Agency (DRDA). This is because most of the poverty eradication programmes monitored above are not achieving their expected results. The study states that proper supervision of Gram Panchayats on rural poverty eradication programmes can yield expected results.

11. House tax, by all means, is the most important source of public revenue for Gram Panchayats.

12. It is observed that the expenditure on establishment exceeded the maximum limit of 25 per cent in the year 1994-95. However, it is also observed that the percentage of expenditure on establishment varied
between 15.25 and 31.19 during the study period. The annual growth rate of expenditure on establishment was 457.01.

13. One of the important obligatory functions of the *Gram Panchayats* is public health expenditure and it should not exceed 30 per cent of the total expenditure as per the Act. It is observed that the expenditure on public health during the study period was within the prescribed limit as provided in the Act and the component of this expenditure has increased during the study period.

14. The prescribed limit for expenditure on lighting is 15 per cent and it varied between 8.89 and 13.90. The expenditure on lighting has been continuously increasing with an annual growth rate of 249.28. Hence, it may be observed that all selected *Gram Panchayats* were electrified.

15. The study reveals that *Gram Panchayats* were spending between 5.266 and 13.10 per cent of the total expenditure on potable drinking water, which is within the prescribed limits of the statute. Still there are 16 more *Gram Panchayats* to be provided with protected water supply scheme.

16. One of the important obligatory functions of the *Gram Panchayats* is public health expenditure and it should not exceed 30 per cent of total expenditure. In the study, it is observed to be within the limit. But there is an increasing trend observed.

17. With the advent of JRY/JGSY and X Finance Commission grants expenditure on roads and communications has increased
substantially. The trend is increasing with an annual growth rate of 466.77. Nevertheless, there is still a long way to go for the Gram Panchayats to provide better roads and communications for the rural masses.

18. It is also observed that library cess collected by the Gram Panchayats is not equal to library cess refunded during the study period. There are variations between these two. That the library cess collected by Gram Panchayats is not transferred to Zilla Grandhalaya Samiti in the same year is a significant observation.

19. Expenditure on libraries maintained by the Gram Panchayats showed growing trend with an annual growth rate of 26.12. It is also found that the only notified Gram Panchayats are incurring this expenditure but revenue of non-notified Gram Panchayats is insufficient to maintain libraries. So, it may be concluded that only notified Gram Panchayats are maintaining the libraries, whereas revenues of non-notified Gram Panchayats are insufficient to maintain libraries. Lack of initiative in obtaining funds from different central and state government programmes is observed.

Based on the analysis of expenditures it may be observed that all types of expenditures are steadily increasing but not at same rate. It may be concluded that priorities of expenditures are shifted from establishment and water supply to lighting, roads and communications.

292
7.2 Conclusions on Hypotheses

It is evident from tables 5.1 to 5.38 that the collection of revenues in three regions as well as in the entire Andhra Pradesh varies one from the other. Also table 5.39 that depicts the values of OLS confirms this fact.

1. It may be observed that revenues of Coastal Andhra region from House Tax, Vehicle Tax, Water Tax, Library Cess, Stamp Duty, Fees and Fines, Donations, JRY Grant, Salary Grant, X Finance Grants and Revenue from Remunerative Enterprises show an increase in trend and statistical significance. Revenue collection of Rayalaseema region from House Tax, Professional Tax, Water Tax, Library Cess, Stamp Duty, Donations, Population Grant, JRY Grant, Salary Grant, revenue from Remunerative Enterprises and Miscellaneous items have shown an increase in trend and statistical significance. Also with regard to Telangana region, proceeds from House Tax, Professional Tax, Entertainment Tax, Water Tax, Stamp Duty, Fee and Fines, Grants from JRY, Salary Grant and revenue from Remunerative Enterprises have shown an increase in trend, besides being statistically significant. This observation clearly proves the first hypothesis. However, proceeds from other sources show insignificant positive values and some other sources with negative values clearly indicated the rejection of the first hypothesis. Hence, we can conclude that the first hypothesis is not completely acceptable in case of Andhra Pradesh as a whole and for any one region separately.
2. Regarding the second hypothesis, it is observed from the study that there is growing demand for more expenditure on every item either because of inflation or because of increase in the responsibilities of Gram Panchayats. It may be observed from tables 6.1 to 6.20 that expenditure on Lighting, Roads and Communications and Public Health are increasing in all the three regions as well as Andhra Pradesh as a whole. The expenditure in Gram Panchayats in Andhra Pradesh should be understood from the viewpoint of developmental and non-developmental nature of expenditure. It is observed from the study that expenditure on non-developmental activities is increasing more compared to developmental activities. It is also understood from the study that expenditure on Roads and Communications has increased tremendously in all the three regions. This is mainly due to the 73rd Amendment of the Constitution of India that facilitated the Central Government to fund Gram Panchayats for developmental activities with a specific emphasis on roads and communications to improve rural infrastructure for a rapid development of the nation. Hence, it can be concluded that the second hypothesis is proved beyond any doubt as most of the β values show significant and positive values (Table 6.21). The negative and non-significant values can be ignored as all of them belong to non-developmental expenditure.
3. From Chapter 3, it can be understood that the Gram Panchayat Act of 1964 and 1994 have clearly indicated the rules to be followed, which are incorporated in the Act itself. Also the Act very clearly indicates that whenever an optional tax is imposed it should be approved by the Gram Panchayat as well as the District Collector who is bureaucratic head of Gram Panchayat in a District. Hence, the Third hypothesis is proved beyond any doubt.

4. From Chapter 6 it can be understood that there are no hard and fast rules laid either by the Act or by any official order regarding expenditures of Gram Panchayat. The only obligation on the part of the Panchayat Body is that the Budget prepared by the Body should have the approval of Gram Sabha. In the study it is also clearly observed that Gram Sabha in any village is for name' sake and the meetings of the Gram Sabha are not conducted in their true spirit. The values given in OLS value table also prove that there is no uniformity in the increase in the expenditures on different heads. The expenditure on different heads is more arbitrary rather than scientific. Most of the times, expenditure on different items depends on the whims and fancies of the members elected or the ruling party at the state level. Hence the fourth hypothesis is summarily rejected.

5. Regarding fifth hypothesis, the OLS values presented in Table 5.39 and Table 6.21 clearly explain that they differ widely from one region to another indicating that the priorities of collection of revenue as well
as expenditure on different heads widely differ from one region to another. It may be because of the peculiar situation that prevails in the three regions of Andhra Pradesh. For example, as stated in the study, protected water supply is the major concern in Rayalaseema and Telangana regions whereas it is roads and communications in Andhra region. Hence, the β values differ from region to region. It may be concluded from this observation that the Fifth Hypothesis is rejected in the study.

7.3 Recommendations

Based on the observations, the following recommendations are made for resource mobilization of Gram Panchayats in Andhra Pradesh. These recommendations broadly are divided into two sets. First set of recommendations relates to revenue related recommendations and examines how revenues can be enhanced from the existing sources. Second set comprises of general suggestions.

7.3.1 Recommendations

1. *Gram Panchayats* should make concerted efforts to see that vacant positions are filled and rules are followed for transfers.

2. There is need to prevent financial profligacy on the part of *Panchayats* so that they can meaningfully spend the meager resources.
3. Pilferage and waste are the hallmarks of expenditure on lighting. Standard electrical equipment should be purchased (CFL bulbs) and proper timings should be followed.

4. Health and water supply are closely related. Providing safe drinking water should be ensured and steps must be taken to install water meters to prevent wastage of water.

5. Proper roads and communication help rural agriculture and other agricultural activities to market their products. Emphasis should be made on good roads. A systematic tender system should be followed to prevent political interference in this expenditure.

6. Care should be taken and efforts be made to transfer library cess to *Zilla Grandhalaya Samitis*.

7. Libraries should be well stocked with books, periodicals and newspapers, books for the students should also be purchased. There should be proper account for sale of old books and newspapers.

8. Remunerative enterprises are neglected. As they are capital expenditure, they have to be strengthened to provide durable capital base to *Panchayats*.

9. Nearby village can undertake certain functions jointly. For example, one library can be shared by the villagers of two neighbouring villages.

10. Repair expenditure on godowns, market yards, tanks, besides depositing in financial institutions constitute capital expenditure. In
order to prevent corruption and misuse of funds on tanks etc., at the
time of construction itself, the Panchayats should ensure that the
contractors will guarantee for a period, say, five years. Funds must be
allotted for repair based upon scientific assessment of depreciation by
competent authorities. While depositing the Panchayat's funds, only
public sector banks or post office savings banks should be considered.

11. It can be observed that miscellaneous expenditure varies from
13 per cent to 28 per cent of total expenditure. There is scope for
misappropriation and wasteful expenditure on this item. The person
in charge of making such expenditure should be held individually
responsible and stringent action should be taken when found guilty.

12. One of the important aspects of the local government
institutions noticed during the study is the lack or non-availability of
data, leave alone its reliability. As a result, the State Finance
Commission finds it difficult to discharge effectively its
responsibilities. Hence, it is recommended that a separate secretariat
is constituted to serve as a central learning source of information at
the state and national level.

13. The expenditure of Gram Panchayats is observed to be more and
also ever-increasing on items like water supply, street lighting, public
health etc. Although, Gram Panchayats are empowered to levy taxes
on these items under the caption of surcharge on house tax, they are
reluctant to do so, lest the burden on house owners increases. In
order to overcome this predicament of Gram Panchayats, it may be recommended that these taxes may be brought under the obligatory list of taxes from the optional list. Further, persons living in the jurisdiction of Gram Panchayats for a period of 90 or more days continuously may be brought under the tax purview of the Gram Panchayats.

14. Another recommendation refers to the per capita grant. The government should consider taking steps to increase the per capita grant to Gram Panchayats at a rate just about equal to 10 year average growth rate of Panchayats’ expenditure, so that the Panchayat is enabled to discharge the civic responsibilities.

15. Considering the Gram Panchayat is an entity by itself, exogenous authorities like State Government and Central Government have to provide financial assistance in proper time. Panchayats should also make sincere and serious efforts to set their house right first, by improving revenue collection in their own jurisdiction. They may send tax demand notices well ahead of the due date, offer concessions to prompt payers, penalize late payers, involve all persons in the proceedings of Gram Sabha and development activities.

7.3.2 General Recommendations

1. Gram Sabha, a miniature legislation body at the village level, needs to be strengthened. It is a replica of democracy in the village. The budget proposals of Gram Sabha have to be formally passed like in
case of Parliament or State Assembly. Since this function has be performed mandatorily, the purport has to be imparted among the villagers.

2. It was found in several surveys that the priorities in the Gram Panchayats expenditures are fixed by the officials and elected representatives, but not the Gram Sabha members. So, in order to make the expenditure reflect the local aspirations, priorities should be fixed in and approved by the Gram Sabha itself.

3. Because of constitutional requirement (73rd Constitutional Amendment) Gram Panchayat should have representation of Scheduled Castes, Scheduled Tribes, Backward Castes and Women as per rules. Due to widespread illiteracy and ignorance of law and rules by these people, village Panchayats are not able to function properly. Hence, literary programmes and distance education programmes must be promoted to persons belonging to weaker sections, as literate persons can effectively participate in Gram Panchayats meetings.

4. Gram Panchayats suffer from want of adequate resources due to improper tax collection. Therefore, it is recommended that instead of private individual tax collectors, the duty of tax collection may be given to NGOs, Social Service Organizations, like Lions Club, Rotary Club etc.
5. However hard Gram Panchayats work, sanitary conditions in villages are appalling. Hence, it is recommend to give on contract the sanitary complexes like Sulabh on payment basis.

6. Villages have become cesspools of garbage and plastic pollution. Panchayats may be empowered to levy fine on defaulters and use the money collected from fines exclusively for securing and maintaining clean and green environment.

7. Universities, Colleges and other academic institutions should adopt villages in promoting literacy programmes and environmental awareness programmes, which will have a beneficial impact on the active participation of people in Gram Sabha and usher in environmentally sound villages.

8. So far as agricultural tax is concerned, voluntary disclosure of income and presumptive tax may be considered.