

Financial Devolution of Village Panchayats: A case study of Kilakkadu Village Panchayat in Kalrayan Hills in Villupuram District

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Abstract

The Village Panchayats are playing a vital role in the providing of basic amenities in rural area of India. After independence in India, both the central as well as the state governments have ensured the importance of these bodies for providing basic amenities to the entire people of the society, particularly in the grass-roots level. Hence the consolidation and reorganization of local bodies have been felt at all times. Scientific consolidation and reorganization of local bodies calls for not only the provision of more efficient structure for them but also providing them with sufficient finance to discharge their duties efficiently. The 73rd Constitutional Amendment Act 1992 is a big step forward in this direction. Accordingly more powers and functions have been assigned to Panchayats. The devolution of functions to Panchayats cannot be considered in isolation of finance required to perform these functions. Increasing functions imply increasing need for resource with regard to selected village Panchayats in Kalrayan Hills in Villupuram district of Tamil Nadu.

Introduction

In Indian Constitution, 73rd Amendment Act, 1992 has given new lease of life to the Institutions of Panchayati Raj (PRI). The Village Panchayats are playing a vital role in the providing of basic amenities in rural area of India. After independence in India, both the central as well as the state

governments have ensured the importance of these bodies providing basic amenities to the entire people of the society, particularly in the grass-roots level. In this regard, the research has taken to analyse the some selected village Panchayats in Villupuram District of Tamil Nadu. A true development will take place only through the decentralizing the financial powers of the country. This is particularly true because the functions of any government and finance are inter-related. Without sound finance, no sound government is possible. Functions cannot be formed without finance and finance without functions has no justification. Henry Maddick opines that there may be very t' high marginal return in the form of local endeavour and voluntary effort. Even then, they need adequate finance. "Local government is no different from any other form of government; in that absence income means an almost complete stoppage of services".

One of the major problems of local government in India is finance. Although the selected Panchayats in Villupuram District has a moderate financial position when compared to rest of the Panchayats since these Panchayats are highly consists of Schedule Caste and Scheduled Tribal Population, they are inadequate to meet the development and maintenance of assigned work due to shortfall of funds allocated to them. After the 73rd Amendment to the Constitution and the Tamil Nadu Panchayati Raj Act 1994, the local self governing institutions in Tamil Nadu have been granted the power to plan for the locality.

Funds have been released to the Panchayats for the execution of the projects prepared by them under the participatory planning process initiated by the State Planning Board. These developments impose additional burden on the Panchayats to mobilize more funds from their own resources, allocate them in an optimum manner and ensure accountability. Even though the Panchayats are getting funds from State government in the form of grant-in-aid, the importance of own-revenue cannot be ignored. If one goes through the reports of various committees and commissions on local finance, one would generally come across a diagnosis of the existing financial arrangements and subsequently a set of solutions keeping in view the responsibilities assigned to the local bodies for the provision of the service and for the promotion of local level development. All the commissions on local finance stress the importance of improving the finances of the Panchayats by allocating certain permanent and independent sources of revenue. Panchayats are being the primary government agent at the grass root level, can take up the responsibility of collecting taxes from the local people and are answerable to them. The Sen Committee's view is worth mentioning here. "It is necessary to underscore the fact that the growing expenditure responsibilities must not be seen independent of revenue raising responsibilities. The local bodies need to be enabled to raise user charges and fees besides institutional finance.

Objectives of the Study

1. To analyse the structure and trends of revenue and expenditure of Killakkadu Village Panchyats in Villupuram District of Tamil Nadu
2. To study the disparities among the various heads of revenue and expenditure of the study area

Methodology

The study is mainly analytical and partly descriptive. The present is based on both primary and secondary data, which was collected from the selected village panchayat's in Kalrayan Hills based on the annual audit reports. The present study made based on geographical location and distance criteria. The Kilakkadu Village Panchayat is coming under Kalrayan Block (Hilly Region). The Total area of Kilakkadu is 1601.15 Sq. Km with head quarter distance 130 Km (Villupuram) and distance with sub-head quarter 55 Km (Sankarapuram). As per 2011 Census the total population Kilakkadu panchayat is 1899 consisting of 946 Male and 953 Female. The total Scheduled Caste population is 23 consisting with 9 Male and 14 Female and total Scheduled Tribes population is 922 Male and 929 Female. A deep analysis of the revenue and expenditure of the Panchayats for 10 years from 2006-07 to 2015-16 was made here. The study has selected one village Panchyats from Kalrayan Hills. An appraisal of the State Finance Commission Report is also made. Financial data were collected from the records and accounts maintained by the Panchayats and the reports and records kept at the office of the Deputy Director of Panchayats. The ten year period is considered to be sufficient for knowing the pattern and trends of local finance and hence the latest 10 year periods have been taken for the study. Other details were collected from all the members, secretaries and accountants of the Panchayats concerned. Open discussion was performed with key informants to have a clearer idea about the finances of Gram Panchayats. Apart from the above sources, both published and unpublished materials from various relevant organizations also have been collected. The Secondary literatures were collected from reputed journal, articles and text books at various libraries of Madras Institute of Development Studies (MIDS) and

Centre for Development Studies (CDS). The present research was analyzed with the help of some statistical techniques like simple percentage and regression models were analyzed.

Details of Revenue

Section A - deals with the sources of Tax Revenue - i. House Tax, Professional Tax, Advertisement tax, income from others. Section B - deals with the Non-Tax Revenue - License fee, building fee, sand fee, income from trees, blue print approval, additional income, bank interest, old thing auction, sales tax, income tax etc. Section C - highlights about the Assigned and Shared Revenue - Surcharge on Stamp Duty, Local cess, 2C Patta Fee, Entertainment tax, etc Section D - Connotes the Grants - in aid - State Finance Commission (SFC), House matching grants, Income from Light Spare Parts, Matching grants for development works and devolution to the Village Panchayats and finally Section E - throws lights on the Other Income - Library Tax, deposits, funeral grants, fund for labour welfare and F- briefly explain overall

Analysis and Discussion

The table-2, explain about the total tax-revenue of Kilakkadu Village Panchayat in the 2006-07 was only 0.28 lakh, but it has increased to 1.02 lakh in 2015-16. The average annual income of tax revenue was 4.01 percent and per capita tax revenue from village Panchayat was Rs.338 during the study period. Over the period of 10 years, the tax revenue has not been increased as much. The total non-tax revenue of Kilakkadu Village

Panchayat in the year 2006-07 was only Rs. 0.17 lakh, but, it was increased to Rs. 1.63 lakh in the 2014-15, but, it was again decreased to Rs. 0.36 lakh in 2015-16 since the revenue receipts from sales and income taxes were decreased many folds. The average annual income of non-tax revenue was 2.24 per cent and per capita income of non-tax revenue was Rs. 225 during the study period. The total assigned and shared revenue of Kilakkadu Village Panchayat in the year 2006-07 was only Rs. 0.16 lakh, but, it was increased to Rs. 0.26 lakh in the year 2015-16. It exhibit that the assigned and shared revenue of the particular Panchayat has increased marginally over the periods. The average annual income of assigned and shared revenue was 1.78 per cent and per capita income of assigned and shared revenue was Rs. 126 during the study period. The total grants- in-aid revenue of Kilakkadu Village Panchayat in 2006-07 was only Rs.7.36 lakhs, but it has increased to Rs. 40.52 lakhs in 2014-15. But in subsequent year, it was decreased to Rs. 20.76 lakhs in 2015-16 due to financial devolution of the State Government based on the State Finance Commission (SFC). Over the period of 10 years, the grant received by the Village Panchayat in the first 5 years has a significant impact on the rural development whereas in the after five years it starts reducing the funds for village Panchayat. The average annual income of grants- in-aid was 89.15 per cent and per capita income of grants- in-aid was Rs. 8099 during the same period.

Table:-1 Regression Estimation of Financial Position Kilakkadu Panchayats

Estimation of multiple regression model (Y)	Non-standardized co-efficient		t- value	Significance probability	95.0% confidence interval of B	
	B	Std. error			Lower	Upper
Constant	4.167	0.357	7.573	0.000	2.587	3.864
Tax Revenue (X ₁)	0.071	0.203	0.643	0.635	-0.165	0.291
Non-Tax Revenue (X ₂)	-0.250	0.081	-2.347	0.026	-0.289	-0.042
Assigned and Shared Revenue (X ₃)	0.056	0.057	1.359	0.307	-0.072	0.174
Grants in aid (X ₄)	0.278	0.063	2.918	0.000	0.061	0.432
Other Income (X ₅)	-0.027	0.036	-0.963	0.077	-0.082	0.047
Total Receipts (X ₆)	-0.153	0.082	-1.724	0.096	-0.271	0.040

Source: Computed data

From table-1, the significance probability of the variable Tax revenue is $0.635 > 0.1$, which means that tax revenue has no significant effect in model; the significance probability of the variable non-tax revenue is $0.026 < 0.1$, which means that non-tax revenue has a significant effect in the model; the significance probability of the variable assigned and shared revenue is $0.307 > 0.1$, which means that assigned and shared revenue has no significant effect in the model; the significance probability of the variable. Grants in aid is $0.000 < 0.1$, which means that Grants in aid has a significant effect in the model; the significance probability of the variable Other Income is $0.077 > 0.1$, which means that Other Income has no significant effect in the model; the significance probability of the variable Total Receipts is $0.096 < 0.1$, which means that the Total Receipts has a significant effect in the model. Based on table-1, the

mathematical expression of the multiple linear regression model can be described as follows:

$$Y = \alpha + 4.167 + 0.071X_1 - 0.250X_2 + 0.056X_3 + 0.278X_4 - 0.027X_5 - 0.153X_6$$

Where, Y is the Village benefits, X₁-Tax Revenue; X₂-Non-Tax Revenue; X₃— Assogmed and Shared Revenue; X₄-Grants in Aid; X₅-Other Income and X₆-Total receipts.

The above table-2, explain about the total receipts of Kilakkadu Village Panchayat under Kalrayan Hills Panchayat Union in 2006-07 was only Rs. 8.18 lakhs, but it rose to Rs. 45.43 lakhs in 2014-15 due to more receipt of grants-in-aid. It has again decreased to Rs. 23.36 lakhs in subsequent year 2015-16 due to the fact that Village Panchayts has to mobilize funds through their village resources for any developmental works which is required for the public.

Table:-2 Composition of Revenue of Kilakkadu Panchayat in Kalrayan Hills block (Rs. In lakh)

Years	Tax Revenue		Non-Tax Revenue		Assigned Revenue		Grants in aid		Other Income		Total Receipts	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
2006-07	0.28	3.42	0.17	2.08	0.16	1.96	7.36	89.98	0.21	2.56	8.18	100
2007-08	0.29	3.47	0.18	2.15	0.16	1.91	7.51	89.83	0.22	2.64	8.36	100
2008-09	0.38	3.44	0.19	1.72	0.26	2.35	10.18	92.13	0.04	0.36	11.05	100
2009-10	0.41	4.46	0.18	1.96	0.24	2.61	8.22	89.35	0.15	1.62	9.20	100
2010-11	0.56	5.15	0.21	1.93	0.28	2.58	9.61	88.41	0.21	1.93	10.87	100
2011-12	0.62	4.48	0.25	1.81	0.32	2.31	12.24	88.44	0.41	2.96	13.84	100
2012-13	0.82	5.18	0.57	3.60	0.28	1.77	13.40	84.60	0.77	4.85	15.84	100
2013-14	1.02	3.85	0.53	2.00	0.12	0.45	24.01	90.71	0.79	2.99	26.47	100
2014-15	1.02	2.25	1.63	3.59	0.32	0.70	40.52	89.19	1.94	4.27	45.43	100
2015-16	1.02	4.37	0.36	1.54	0.26	1.11	20.76	88.87	0.96	4.11	23.36	100
Total	6.42	40.07	4.27	22.38	2.40	17.75	153.81	891.51	5.70	28.29	172.60	-
Average	-	4.01	-	2.24	-	1.78	-	89.15	-	2.82	-	100
PCR (Rs.)	338	-	225	-	126	-	8099	-	300	-	9089	-

Source: Annual Audit Report of Kilakkadu Village Panchayat from 2006-07 to 2015-16

Note: PCR-Per Capita Revenue

Table: 3. Composition of Expenditure of Kilakkadu Panchayat in Kalrayan Hills block (Rs. In Lakh)

Years	Establishment Charges		Capital Expenditure		Maintenance Expenditure		Miscellaneous		Total Expenditure	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
2006-07	0.36	4.72	4.01	52.56	3.12	40.89	0.14	1.83	7.63	100
2007-08	0.42	7.91	2.01	37.85	2.71	51.04	0.17	3.20	5.31	100
2008-09	0.72	8.54	5.02	59.55	2.61	30.96	0.08	0.95	8.43	100
2009-10	0.84	10.19	4.31	52.31	2.94	35.68	0.15	1.82	8.24	100
2010-11	1.11	10.93	5.42	53.35	3.46	34.06	0.17	1.66	10.16	100
2011-12	0.15	1.49	4.22	42.03	5.46	54.38	0.21	2.10	10.04	100
2012-13	2.85	15.63	11.83	64.86	2.32	12.72	1.24	6.79	18.24	100
2013-14	3.57	18.15	9.77	49.67	4.98	25.32	1.35	6.86	19.67	100
2014-15	3.42	6.57	40.01	76.90	7.66	14.72	0.94	1.81	52.03	100
2015-16	2.76	11.35	10.06	41.37	10.01	41.16	1.49	6.12	24.32	100
Total	16.20	95.48	96.66	530.45	45.27	340.93	5.94	33.14	164.07	-
Average	1.62	9.55	9.67	53.05	4.53	34.09	0.59	3.31	16.41	100
PCE (Rs.)	853	-	5090	-	2384	-	313	-	8640	-

Source: Annual Audit Report of Kilakkadu Village Panchayat from 2006-07 to 2015-16

Note: PCE- Per Capita Expenditure

The table-3 explains about the total expenditure on establishment charges of Kilakkadu Village Panchayat in the year 2006-07 was only 0.36 lakh. However, it was

increased to Rs. 3.57 lakhs in 2013-14 was not much significant improvement in establishment charges. Similarly, the allocation of capital expenditure, maintenance

expenditure and other miscellaneous expenditure has not increased adequately due to various devolution of financial allocation to the Village Panchayats and thereby over the years, the performance of the Village Panchayats are not satisfactory improved as expected by the Village community people in the study areas. Under this circumstances, the social over head facilities or infrastructure development like roads, schools, communication, water supply, markets, welfare sources, improved nutrition, literacy, adult education, health and sanitation has been deteriorating in the rural villages, especially in the study area all these facilities are lacking behind due to the poor revenue sources of the village Panchayats. The primary objective of village Panchayat is to enrich the overall quality of rural villages and thereby ensure human development in a sustainable manner. Therefore, it the right time to revamp the Panchayat Raj system by way of allocating more funds either through direct allocation from the State or through grants-in-aid so that every village should be a republic or a Panchayat having full powers. The greater the power of Panchayats, the better is for the people.

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- [4] Henry, Maddick, Op cit., P.137
- [5] Sen Committee, Op. cit., Para2.6.