



## Economic viability of Gram Panchayats: A Case study in East Godavari district, Andhra Pradesh

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**Abstract:** An attempt is made in this paper to explain the sources of income of the Panchayats and actual performance of the resource mobilization of the gram Panchayats of East Godavari district. To find out the levels of income mobilization, seven notified panchayats were selected. The found that the growth rate of tax revenue shows an already trend in Grampanchayat from scheduled are on main measure for a deep decline of Tax Revenue may be poor tax base in these areas.

**Keywords:** Economic viability, Federal Government, Revenue

### 1. Introduction

The Gramapanchayats are last tile of Federal form of Government. The Gramapanchayats asked to perform the large number of functions. For the successful functioning of any democratic institutions finance is fundamental without which nothing can be implemented and achieve. The grater we are whole vulnerable we are the less resources, we have the grater is the need for the organization. Linen is going they have funds. To coup up with situation of the Panchayats allotted serration sources of income the ability of local self-Government to discharge the functions entrusted to them depends on adequacy of financial resources. The present paper tries to explain the levels of financial viability of the gram panchayats of East Godavari district

### 2. Objectives and methodology of the study:

The aim of the paper is to explain the sources of income of the Panchayats and actual performance of the resource mobilization of the gram Panchayats of East Godavari district. To find out the levels of income mobilization, seven notified panchayats were selected. Data

was interpreted in cross table and analyzed in brief.

### 3. Analysis of the study

#### I. Major income sources of Panchayats

The income of the Panchayats may be divided into the following heads.

1) Self- raised or Independent Income, which may be further divided into

a) Taxes.

b) Other income, such as income from village common lands, fisheries, plantation, and fruitarians rents.

2) Government grants, which may also be divided into two heads as; Regular Grants and Adhoc Grants (meat for specific purposes)

3) Ad hoc contribution from the people for specific development work, which are generally made to match Government Grants. The public contribution may not always be made, constitute important sources of funds for Rural Development.

#### II. Tax Revenue:

Andhra Pradesh Gram Panchayat Raj Act 1964, empower that each panchayat shall levy in the Village.



- 1) A House Tax.
- 2) Professional Tax.
- 3) Kolagram or Katarusumu, which is a tax on village produce sold in the village by weight, measure or number, subject to such rules as may be prescribed.
- 4) A funds shall be levied on transfer of property imposed in the area, under the Jurisdiction of Grampanchayat in accordance with the Provisions of section T3.

In addition, a Gram Panchayat may also levy:

- i) A Vehicle Tax.
- ii) A tax on agricultural land for specific purposes.
- iii) Land.
- iv) Fee for occupation porabokes or communal lands under the control of Gramapanchayat.
- v) Fee for occupation of buildings including Chavidi Sarais under control of Gramapanchayat.
- vi) Education.
- vii) A special tax levialle by a Grampanchayat for water and drainage.

### **Tax Revenue - vis- a vis Total Revenue**

Table 1 explains the trends in the Tax revenue vis-a-vis Total Revenue from the year 1996-97 to 2010-11. No consistent trend could be found in the receipts from the Tax Revenue. It is clearly seen that the total revenue of all selected notified Grampanchayat has been steadily increased from Rs. 48,94,071 in 1996-97 to Rs. 76,43,429 in 2010-11 for Polamuru Panchayat likewise for Magam Grampanchayat from Rs. 11,,59,418 to 23,96,925, Thondangi for Rs. 15,98,257 to

viii) Toll tax.

### **III. Non - Tax Resources of Grampanchayats.**

The Non- tax resources of Grampanchayat's including;

- 1) License Fees
- 2) Fees in the nature of fines and Penalties.
- 3) Contributions in the shape of cash, labour and land etc.,
- 4) Revenue from the sale of the Usurp of trees such as mungo, coconut, cashew nut, etc., compost manure grass on the community lands.
- 5) Receipt from the sale and rents on properties belonging to Grampanchayat.
- 6) Remunerative entreating, markets, Slaughter houses, water supply, fisheries tanks, community cattle sheds, avenue fees, grass sale, sericulture etc.

An attempt is made in the chapter to analyze the levels of Tax, Non Tax, Assigned Revenues and Grants in the Total Revenues of the selected Gramapanchayats from data collected through well designed questionnaire.

Rs. 38,43,916, Kotanaduru Rs. 2,30,712 to Rs. 29,93,124, Biccavolu Rs. 82,38,244 to Rs. 1,53,58,280, Cheyyeru Rs. 1,87,536 to rs. 44,84,541 and even a Gramapanchayat is schedule are little increase in Total Revenue is shown from Rs. 47,953 to 2,33,197 for the same period under study. But the growth rate of tax revenue show a mixed in Non-Scheduled area panchayat, where that growth rate of Tax Revenue shows an already trend in Grampanchayat from scheduled are on main measure for a deep decline of Tax Revenue may be poor tax base in these areas.



It indicates that special emphases on strengthening of financial resources in these areas should be worked out and policies shall be designed accordingly. The reason for such a decline of Tax revenue in scheduled areas, in addition to poor Tax base, may be attributed to Non-availability of Taxable items and unofficial Tax exemption. The same is the case with other notified panchayats selected for study also that the revenue from increasing over the period but the said panchayat have not able to extract the fullest income through Taxes the reasons may be Political, Official and un-official exemptions, under avulsion of assets and other many considerations creeping in, resulting loss of income through the tax. Almost all the sarpanches of selected notified Grampanchayats are insisting on fixing minimum rates of tax, stipulated in the Act. The rates of assessment of the taxes which are actually levied are frequently low. As a result the Grampanchayats are losing a good amount which is supposed to collect by the panchayats.

**Non- Tax Revenue:** The Grampanchayat have been getting a big quantum of amount from Non- Tax Sources, such as Markets, Licence fee, Sale of rubbish and fishery rents. Major chunk of amount realize of Market fishery rents and water charges for private tap connections.

It is also seen table 1 that major share of Non- Tax revenue is from other sources like interest on JRY grants, Old paper sale, Management receipts, Court fees, Building fees, Old avenues sale, Panchayat unanimous election, Salary grants, Shops rents.

It may be seen from the Table 1 that the percentage of Non- Tax revenue in the Total Revenue has increased over the years under study, except during 12<sup>th</sup>

commission period, it is recorded 3.09 percent in Thondangi Notified Grampanchayat, it rose to the maximum of 76.50 percent during 10<sup>th</sup> Finance Commission in Polamuru Grampanchayats. It may also be noted from the same analysis that Non- Tax revenue is zero in Veeravaram Grampanchayat schedule area. It may be due to lack of initiation, willingness from elected public representatives to some extent and also attributes to non-availability of non-tax resources in this area.

#### **Assigned Revenue - vis- a vis Total Revenue**

Table 1 show that the Assigned revenue has been tremendously increased in all the Notified Grampanchayat selected for study during the period from 1996-2010-11. It may be noted from the table 1 that percentage of Assigned revenue in the total revenue during the 10<sup>th</sup> finance commission period in Polamuru Grampanchayat is 8.02 percent, Magam 28.90 percent, Thondangi 11.06 percent but Kotananduru and Veeravaram Grampanchayat share the Assigned revenue during 10<sup>th</sup> Finance Commission is zero, but it steadily increased during the periods of all Finance Commissions in all the selected notified Grampanchayats

#### **Grants in Aid - vis- a vis Total Revenue**

Table 1 also indicates the percentage of Grants -in Aid in total revenue of all selected notified Grampanchayat during the period under study. It shows that the share of the Grants in Aid -in Total Revenue is almost negligible in almost all the percentage. But it reveals fact that the grants in-Aid are very much required in the Grampanchayats in scheduled areas for providing basic



amenities to the people in their respective selected notified Grampanchayats.

Table 1, Percentage of various Revenue sources of the Grampanchayats (1996-2011-12)

Notified Grama Panchayat	period	%tax revenue	% Non-tax	%Assigned Revenues	% Grants-in -Aid	%Grants from FC	Total Revenue
1	2	3	4	5	6	7	8
Polamuru	I0 FC	5.90	76.50	8.02	0.00	9.58	4,894,071
	11 FC	8.96	67.23	8.56	0.00	15.25	6702572
	12FC	18.91	61.88	8.46	0.00	10.75	7643429
	13 FC	0.00	0.00	0.00	0.00	100.00	268932
	Total	13.18	65.62	8.15	0.00	13.05	19781424
Magam	I0 FC	19.85	13.10	28.90	9.61	28.55	1159418
	11 FC	18.62	7.99	27.49	8.64	37.26	2572434.9
	12FC	29.83	6.79	21.87	12.82	28.70	2396925.5
	13 FC	0.00	0.00	0.00	0.00	100.00	191450
	Total	22.53	8.23	24.78	10.14	34.31	6320228.4
Thondangi	I0 FC	68.26	7.66	11.06	0.00	13.02	1598257
	11 FC	71.80	4.09	16.75	0.62	6.75	3449624
	12FC	62.67	3.09	20.58	0.00	13.66	3843916
	13 FC	0.00	0.00	0.00	0.00	100.00	322259
	Total	64.87	4.15	16.77	0.23	13.98	9214056
Kotananduru	I0 FC	88.30	0.00	0.00	0.00	11.70	230712
	11 FC	35.91	5.44	22.39	2.81	33.45	1732273
	12FC	20.04	16.09	19.63	0.00	44.24	2993124
	13 FC	0.00	0.00	0.00	0.00	100.00	270151
	Total	27.28	11.02	18.66	0.93	42.11	5226260
Biccavole	I0 FC	33.44	27.26	24.91	0.17	14.22	8238244
	11 FC	30.01	24.39	20.25	0.15	25.20	12059737
	12FC	33.27	32.58	15.58	0.15	18.42	15358280
	13 FC	0.00	0.00	0.00	0.00	100.00	601034
	Total	31.64	28.08	18.97	0.26	21.05	36297295
Cheyyuru	I0 FC	27.70	9.17	23.13	0.00	40.00	1875361
	11 FC	32.03	8.34	29.58	0.00	30.05	4262370
	12FC	41.51	12.55	24.76	0.00	21.17	4484541
	13 FC	0.00	0.00	0.00	0.00	100.00	353686
	Total	34.13	9.94	25.56	0.00	30.37	10975958
Veeravaram	I0 FC	0.00	0.00	0.00	0.00	100.00	47953
	11 FC	1.88	0.00	17.53	0.00	80.58	163644
	12FC	1.15	0.00	14.12	0.00	84.73	233197
	13 FC	0.00	0.00	0.00	0.00	100.00	256968
	Total	0.82	0.00	8.78	0.00	90.40	701762

Table 1 shows the trends in Tax revenue, Non Tax, Assigned Revenues, Grants in-Aid, Grants from Finance Commissions in Total Revenue of the selected Notified Grampanchayats during the period under study.



### Grants - vis- a vis Total Revenue

The Government of Andhra Pradesh and Finance Commission have been assisting the Grampanchayats long time. The notified Grampanchayats have getting financial assistance in the form of grants for various kinds of functions and services. Many a time the grants are being given on the basis of size of the population, instead of their specific requirements. such a basis is not rotational because while giving grants the revenue potentiality of Gramapanchyats needs to be taken into account. The grants so released to the grampanchyats so induce efficiency in raising their own resources.

Table 1 shows the grants amounts given by the Finance Commissions and State Finance Commission to the notified Grampanchyats for different purposes during the period 1996-2010-11. The Grants given by the Finance Commissions have been increasing for all the years under study and for the selected notified Grampanachayats. The share of the grants in total revenue of Grampanchayats is ranging from 84.73 percent to 6.75 percent during period of Finance Commission under selected years.

**Grampanchayats Functions Vs revenue:** As per the 73 amendment of Indian Constitution, Panchayats have significant role in developmental activities. Their functions are vitla. These include: Obligatory functions includes street lightings, medical relief, sanitation, controlling the spread of epidemics, registration of births and deaths, and

**References:**

1. Various reports of Finance commissions, Government of India
2. Records of Selected Gram Panchayats for various years

marriages, constructions, repairs, maintenance of assets. Functions like establishment and maintenance of primary schools, constructions, repair and maintenance of public wells, tanks, and ponds, maternity and child welfare, maintenance and repair of bunds, wells and other works to protect the panchayat villages from floods com under this category. The Gram Panchayats can also undertake functions such as planting of trees on either side of roads or anywhere in the village, protecting the animals from diseases, development cooperation and establishment of maintenance of library and reading rooms, establishment of organizations to promote good will, peace and harmony between different communities. As stated above the expenditure incurred by the Gram Panchayat to carry out its core functions including administration is called as Current Expenditure. The expenditure that a panchayat undertakes to carry out developmental works is called as Capital Expenditure. Further analysis in this Chapter focuses on these issues.

**Conclusions:** Gramapanchayat Expenditure is the Expenditure incurred by respective Grampanchayats for the satisfaction of collective needs of the people within the Gramapanchyat limits and for promoting their economic social welfare. In consonance with the rapid development of local bodies the panchayat services also increased both in magnitude and variety. The tax revenues of the panchyats have been static and are not keeping with mounting expenditure. Thus, more revenue source is needed to meet their local needs.