



The structure and growth of Expenditure of Gram Panchayats in East Godavari District, Andhra Pradesh: A case Study

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Abstract:

The largest expenditure items in current expenditure are – Salaries, Electricity Charges, and expenditure on Health and Sanitation though there is a degree of difference across the panchayats like Dowleswaram panchayat expenditure on salaries only constitutes over 85 per cent and for Kothapet panchayat, the salary bill never came down to 61 per cent for three consecutive years. In Eleswaram panchayat the expenditure incurred on Health and Sanitation even crossed 85 percent, the balance was on Salaries. In Rampachodavaram panchayat also salary expenditure, health and sanitation and electricity are the major heads in most of the years of the study.

Key words: expenditure, democratic institution, Capital and Current Expenditure

1. Introduction:

For the successful functioning of any democratic institution, in general and at lower levels in particular “finance is fundamental, without which nothing can be implemented and achieved. Lenin is quoted to have told once. The concept of federalism has been in operation for more from six decades. Thanks to the intellectual team of Indian constitution makers for rightly choosing the path of federalism. There are one billion and twenty crore people in the country are spread over twenty nine states including the newly formed state Telangana and seven Union Territories. The concept of ‘federalism’ plays a vital role and

power sharing arrangements plays an important role in maintaining unity and harmony in the country. This formed the foundation or basis for decentralization of power. It resulted into third tier or lower level of government called “Local Government”.

In undivided Andhra Pradesh it has a large network of Panchayat Raj Institutions with 22 Zilla parishads, 1110 Mandal Praja Parishads and 21954 Gram Panchayats. The Government of Andhra Pradesh has made the conformity Act in tune with 73rd and 74th constitutional Amendment Act (CAA) and brought in a new panchayat Raj Act 1994. The policy in terms of additional functions with



increased resources is also expected to bring a lot of changes in the structure, growth and pattern of expenditure of Gram Panchayats.

The philosophy of "power to the people" at the grassroots was the guiding principle of 73rd and 74th CAA. With the introduction of 73rd and 74th CAA, a new era has started in the history of decentralized governance and a 3 tier government panchayats and municipalities has been accorded a constitutional recognition.

In the above context the remarks of the planning and evaluation Organisation needs to be critically examined, that "the problem of resources is the most difficult one faced by panchayats in most of the States, the Acts included a long list of sources of revenue for them. However, in practice, most of these sources exist on paper only. They are not tapped and the panchayats income from these new sources that are tapped is very small. In many cases, the resources are hardly sufficient to pay for the expenditure on establishments".

Taking the new changes took place in the Panchayat Raj Institutions and in the event of introduction of 73rd and 74th CAA, and the observations made by the planning and Evaluation Organisation into consideration an attempt is made in this paper to examine the structure, growth and pattern of Panchayat Expenditure of selected 5 panchayats in East Godavari District in Andhra Pradesh.

The Study is confined to only on the expenditure part of the finances of Gram Panchayats.

2. Objectives:

- (1) To examine the structure, growth and pattern of expenditure of selected Gram Panchayats in East Godavari District in Andhra Pradesh.
- (2) To examine the role of grants in Panchayat expenditure in selected Gram Panchayats.
- (3) To suggest policy interventions needed to enhance efficiency and quality of expenditure for extending better civic services to the people.

3. Methodology:

The presentation in this paper is both a descriptive as well as an empirical study primarily, based on secondary data. The main reasons for selecting East Godavari are proximity and convenience to the scholar. To avoid bias, one major panchayat from each revenue out of 5 Revenue Divisions has been chosen on the basis of the largest amount of population. Ramanayyapeta in Kakinada Revenue Division, Yeleswaram Gram Panchayat in Peddapuram Revenue Division, Rampachodavaram in Rampachodavaram Revenue Division, Dowleswaram Gram panchayat in Rajahmundry Division and Kothapeta Gram panchayat in Amalapuram Revenue Division.

Statistical Tools: Simple statistical techniques such as percentages, per



capita, growth ratios, coefficient of variations are used to analyse the collected data and to make inferences. Raw data were first tabulated and their further processed using computer. The following equation has been fitted to estimate the growth rates for the select panchayats

$$Y_t = a e^{bt}$$

Where Y_t is the value of the variable in the year t , T is the time variable, a and b are the parameter

4. Structure, growth and pattern of expenditure of gram panchayats in the study

An analysis of expenditure of selected Gram Panchayats in East Godavari district has been made in the following sections. Gram Panchayats rendered two types of expenditure responsibilities. While the first and foremost responsibility is to provide civic amenities and administration which are otherwise referred to as obligatory functions and the second one is related to social and economic development of the villages in the panchayat. The latter types of responsibilities are called as optional functions. Accordingly current expenditure arises due to the first category of functions and capital expenditure arises while rendering the optional functions. Pattern of the current and capital expenditure, their growth, the role of grants in the expenditure of the select panchayats are discussed in the following sections. According to The Andhra Pradesh Gram Panchayats Act of 1994, the functions of Gram

Panchayats have been broadly divided as Obligatory Functions and Optional Functions.

Obligatory Functions: Obligatory functions includes street lightings, medical relief, sanitation, controlling the spread of epidemics, registration of births and deaths, and 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.

Optional Functions

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.



Total (Current and Capital) Expenditure

The expenditure of Gram Panchayats is often categorized as current and capital expenditure. Expenditure like maintenance of roads, water supply, street lighting, public health and establishment expenditure comes under this category. The expenditure under various development programmes like Jawahar Rojgar Yojana, etc. expenditure relating to lying of roads, construction of wells and tanks, school building, hospitals, etc. come under capital expenditure. The core functions are not only expansive but also very expensive. For instance, the Department of Rural Development, Government of India made an estimate of expenditure to be incurred by the Gram Panchayats in

India for the provision of drinking water and sanitation while submitting its Report to the Thirteenth Finance Commission. The following Table-2 shows the enormous funds required by the Gram Panchayats.

The Table 1 shows the total amount of funds estimated for the Gram Panchayats is about Rs. 48,160 crs. Of this as much as 39 per cent is estimated to be required for Sewage disposal while 19 per cent of it is required for garbage disposal. It is also estimated that 11 per cent of the is required for replacement and maintenance of functional rural drinking water supply assets. Rural water supply assets such as hand pumps, multi-village water supply schemes, public stand posts etc., need about 25 per cent of the funds.

Table - 1: Estimated Expenditure for Water Supply and Sanitation

Sl. No.	Items	(Rs. Crore)	Per cent
I	Maintenance of functional rural drinking water supply assets such as hand pumps, rural piped water supply schemes, multi-village water supply schemes, public stand posts, etc.	12124	25.17
II	Replacement and rejuvenation of nonfunctional rural drinking water assets	5,500	11.42
III	Augmentation of 10% of the functional Schemes	2,121	4.40
IV	Garbage/solid waste management services	9,300	19.31
V	Sewage disposal	18,601	38.62
VI	O&M in rural sanitation programmes	273	0.57
VII	Capacity building of PRIs	240	0.50
Total		48,160	100.0

Source: Repots of the Finance Commissions, 2009



5. Growth and Pattern of Expenditure

This implies the enormous responsibility on the part of Gram Panchayats in discharging the core or obligatory functions. Panchayats in general have to spare a lion's share on the current or maintenance of expenditure while mostly depending upon grants of the State and Central governments to meet the developmental or capital expenditure.

Current expenditure contains expenditure on books & forms, electricity charges, Janmabhoomi charges, library charges, law charges, salaries, cable TV subscription, telephone charges, tender deposits, fairs & festivals, health & Sanitation, income tax & sales tax paid, lighting maintenance, Msc. expenditure, newspapers, donations, maintenance charges, adjustments, election charges, tender refund, group insurance scheme, advertisements, car hiring charges, dogs control, Indiramma Sambaralu, Palle Bata, Spare parts and Pipe repairs. Of which three important items of current expenditure are: 1. Salaries, 2. Electricity charges and 3. Health and Sanitation

Growth and Pattern of Capital Expenditure

The pattern of capital and current expenditure in Dowleswaram panchayat is presented in Table-2. A fluctuated trend of capital expenditure is found during the period 2001-02 to 2010-11. The highest percentage was recorded by 30.71 in 2006-07 and 21.02 in 2004-05. In the remaining period, the percentage varied from 5.32 per cent to 9.74 per cent respectively. The capital and current expenditure pattern in Kothapeta panchayat is presented in Table-4. It is observed from the table that the capital expenditure varied from 40.32 per cent in 2004-05 and 2005-06 to 19.41 percent in 2010-11. In case of current expenditure, the percentage varied from 80.59 percent in 2010-11 to 59.68 per cent in 2005-06 and 2006-07 respectively. The pattern of capital and current expenditure in Ramanayyapeta panchayat is presented in Table-5. According to the study, the capital expenditure varied from 64.15 per cent in 2003-04 to 35.72 per cent in 2008-09. In case of current expenditure, the percentage was varied from 64.28 percent in 2008-09 to 35.85 percent in 2003-04.



Table- 2 : Capital and Current Expenditure in Dowleswaram Panchayat, 2001-11

Year	Total Expenditure (Rs)	Capital Expenditure		Current Expenditure	
		Total Capital Expenditure	%age to Total Expenditure	Total Current Expenditure	%age to Total Expenditure
2001-02	4457873	237331	5.32	4220542	94.68
2002-03	4953192	263701	5.32	4689491	94.68
2003-04	5503547	293001	5.32	5210546	94.68
2004-05	9934869	2088478	21.02	7846391	78.98
2005-06	8225061	801442	9.74	7423619	90.26
2006-07	10450801	3209193	30.71	7241608	69.29
2007-08	8968829	538189	6.00	8430640	94.00
2008-09	9865712	592008	6.00	9273704	94.00
2009-10	9760050	810172	8.30	8949878	91.70
2010-11	10736055	891189	8.30	9844866	91.70

Source: Audited Annual Administration Reports of select Gram Panchayats in East Godavari District, AP

Table 3 explains the pattern of capital and current expenditure in **Yeleswaram panchayat** during 2001-11. It is found that the proportion of capital expenditure varied from 3.05 per cent in 2009-10 to 49.70 per cent in 2010-11. In case of current expenditure, the percentage varied from 50.30 per cent in 2010-11 to 96.95 per cent in 2009-10 respectively.

Table - 3: Capital and Current Expenditure in Yeleswaram Panchayat 2001-11

Year	Total Expenditure	Capital Expenditure		Current Expenditure	
		Total Capital Expenditure	%age to Total Expenditure	Total Current Expenditure	%age to Total Expenditure
2001-02	4367735	794439	18.19	3573296	81.81
2002-03	4830933	1945485	40.27	2885448	59.73
2003-04	5314027	2140034	40.27	3173993	59.73
2004-05	4198868	131827	3.14	4067041	96.86
2005-06	5327688	1021880	19.18	4305808	80.82
2006-07	3602306	423629	11.76	3178677	88.24
2007-08	2819761	1080644	38.32	1739117	61.68
2008-09	4116207	242926	5.90	3873281	94.10
2009-10	3469523	105808	3.05	3363715	96.95
2010-11	4757542	2364546	49.70	2392996	50.30

Source : Same as table 2



The pattern of capital and current expenditure in Rampachodavaram panchayat is presented in Table-4. It is clear from the table that the percentage of capital expenditure varied from 2 per cent in 2001-02 to 59.66 per cent in 2005-06 and 2006-07. In the case of current expenditure, the percentage varied from 40.34 per cent in 2005-06 and 2006-07 to 96.13 percent in 2010-11. But it was as high as 97.96 percent in 2001-02.

Table-4: Capital and Current Expenditure in Rampachodavaram Panchayat 2001-11

Year	Total Expenditure (Rs)	Capital Expenditure		Current Expenditure	
		Total Capital Expenditure	%age to Total Expenditure	Total Current Expenditure	%age to Total Expenditure
2001-02	516052	10552	2.04	505500	97.96
2002-03	747932	156296	20.90	591636	79.10
2003-04	938476	227024	24.19	711452	75.81
2004-05	844629	204322	24.19	640307	75.81
2005-06	2286273	1364098	59.66	922175	40.34
2006-07	2514901	1500508	59.66	1014393	40.34
2007-08	1359770	621963	45.74	737807	54.26
2008-09	933366	407406	43.65	525960	56.35
2009-10	1037073	452673	43.65	584400	56.35
2010-11	1488149	57593	3.87	1430556	96.13

Source : Same as table 2

Table-5: Capital And Current Expenditure In Kothapeta Panchayat 2001-11

Year	Total Expenditure (Rs)	Capital Expenditure (Rs)	%age to Total Expenditure	Current Expenditure (Rs)	%age to Total Total Expenditure
2001-02	3029404	848842	28.02	2180562	71.98
2002-03	3366005	943158	28.02	2422847	71.98
2003-04	3740005	1047953	28.02	2692052	71.98
2004-05	4155561	1164392	28.02	2991169	71.98
2005-06	4595868	1853274	40.32	2742594	59.68
2006-07	4136282	1667947	40.32	2468335	59.68
2007-08	4492759	1003307	22.33	3489452	77.67
2008-09	5451137	1067051	19.57	4384086	80.43
2009-10	4845742	1239604	25.58	3606138	74.42
2010-11	4268949	828706	19.41	3440243	80.59

Source : Same as table 2

Table-6: Capital and Current Expenditure in Ramanayyapeta Panchayat 2001-11(Rs)



Year	Total Expenditure	Capital Expenditure		Current Expenditure	
		Total Capital Expenditure	%age to Total Expenditure	Total Current Expenditure	%age to Total Expenditure
2001-02	5155603	1964839	38.11	3190764	61.89
2002-03	5353216	2286879	42.72	3066337	57.28
2003-04	10768688	6908582	64.15	3860106	35.85
2004-05	10769448	4910612	45.60	5858836	54.40
2005-06	7900810	3900533	49.37	4000277	50.63
2006-07	11283380	5620011	49.81	5663369	50.19
2007-08	11165421	5339856	47.82	5825565	52.18
2008-09	10299558	3678962	35.72	6620596	64.28
2009-10	12094039	6626362	54.79	5467677	45.21
2010-11	14717680	7621255	51.78	7096425	48.22

Source: Same as table 2

The major items of capital expenditure are works like roads, water works and other capital goods shows the predominance of Current expenditure in all the Gram Panchayats during the study period. It may be observed from the diagram that the current expenditure is largest in Dowleswaram panchayat followed by Yeleswaram and Kothapeta panchayats. The lowest

current expenditure is evident in the case of Ramanayyapeta followed by Rampachodavaram panchayat.

In order to examine the growth of current and capital expenditure in the select Panchayats exponential growth rates are calculated using the methodology explained above. The growth rates estimated are presented in the Table-11.

Table - 7: Exponential Growth Rates of Expenditure

Panchayats Variables	Dowleswaram	Kothapeta	Ramanayyapeta	Yeleswaram	R.Chodavaram
Capital Expenditure	12.50 (1.39)	0.70 (0.24)	10.40 (2.64)**	-9.70 (-0.75)	17.60 (1.08)
Current Expenditure	9.20 (7.16)*	5.90 (4.03)*	8.60 (4.88)*	-2.70 (-0.88)	5.00 (1.47)
Total Expenditure	9.40 (4.53)*	4.60 (3.92)*	9.30 (3.97)*	-2.70 (-1.23)	8.10 (1.61)

Note: 1. Growth Rates are in percentages.

2. Figures in Parentheses are 't' values

3. * Significant at 1 percent level.

4. ** Significant at 5 percent level

Resource Mobilization Initiatives

There is a dire need to mobilize additional resources by the



gram panchayats to have their own funds to provide the basic amenities which are well below the agreed norms. For instance, still 48 percent of the rural people do not have sanitation facilities. The same is the case with the accessibility of potable water. So, these governments need to exploit their own tax and non-tax resources. As stated above, the House Tax which has lot of potential is not being tapped. Similarly, the non-tax sources like penalties, fees, fines and income from remunerative enterprises need to be harnessed and a built-in mechanism for their rate-revision is essential. It has been suggested to transfer some more new taxes by the state government to these grass root governments. But the suggestion does not gain much importance as the gram panchayats are not exerting the existing tax sources to the maximum extent possible for reasons obvious. In such case what is the purpose of empowering them with some more taxes? Therefore, what is needed is that panchayats should realize the importance of mobilization of adequate resources to lessen their fiscal dependence on the upper layers of government.

It follows that there are no adequate initiative on the part of panchayat functionaries especially the non-official functionaries to augment their additional own resources from tax and non-tax sources. As the local initiative is dismal the fiscal dependence on upper layers of government continues. As

long as undue fiscal dependence of gram panchayats continues, the goals of self governance as envisaged in the 73rd CAA cannot be realized. The dreams of the Father of the Nation with regard to Gram Swaraj will be realized only when the gram panchayats function actively and peoples representatives play a proactive role in the rural governance.

Conclusion:

In conclusion, the above analysis of pattern of expenditure reveals the pre-dominance of current expenditure over capital expenditure throughout the study period. An analysis of pattern of expenditure reveals the predominance of current expenditure over capital expenditure throughout the study period. For instance, Dowleswarampanchayat recorded current expenditure as high as 94 per cent while the same is 80 per cent in Kothapeta during the study period. Similarly, it was as high as 96 per cent in Yeleswaram and 97 per cent in Rampachodavarampanchayat in select years while the same is 64 per cent in Ramanayyapeta panchayat. In almost all the panchayats the largest expenditure items in current expenditure are – salaries, electricity charges and expenditure on health and sanitation though there is a degree difference across the panchayats. Among these three items in Dowleswaram Panchayat expenditure on salaries only constitutes over 85 percent. In three consequent years the salaries bill of Kothapeta Panchayat never came



down to 61 percent and the balance is on electricity, sanitation and maintenance charges. In Ramanayyapeta Panchayat the current expenditure under health and sanitation, electricity charges exceeds salary bill of their staff. In Yeleswaram Panchayat the expenditure spent under health and sanitation even crossed 85 percent while the balance is on salaries and electricity. In the Rampachodavaram Panchayat also salary expenditure, health and sanitation and electricity are the major heads in most of the years of the study period. The major items of capital expenditure are works like roads, water works and other capital goods. Besides the State Government grants, grants received from Eleventh and Twelfth Finance Commissions are also spent on formation of roads, sanitation works and construction of drains. The empirical analysis shows the predominance of current expenditure in all the Gram Panchayats during the study period. It may be observed that the current expenditure is the largest in Dowleswaram panchayat followed by Yeleswaram and Kothapetapanchayats. The lowest current expenditure is recorded in the case of Ramanayyapeta followed by Rampachodavaram panchayat.

Policy Suggestions

1. In view of the inordinate delays in channeling the grant amount provided by the Union and State Finance Commissions to Gram Panchayats, a prescribed time

limit need to be fixed to transfer the grant amount by the states to the Gram Panchayats.

2. The panchayats should put in their efforts to augment their own finance and for instance, the panchayat can start utility services suitable to the local conditions.
3. Gram Panchayats are required to exploit the non tax sources like fines and penalties, income from remunerative enterprises to augment their own revenue from non-tax in order to meet their expenditure.
4. Union and State Governments, while sanctioning grants to the panchayats, they should take not only population but backwardness of the area as a criteria for devolution of funds especially in Scheduled areas.
5. In order to improve the resources of local bodies in near future the State Government should avoid delays in constitution of finance commission.
6. All panchayats should impose taxes henceforth not imposed so far, in even panchayat Raj Acts provide rights to panchayats to impose such taxes.
7. The State Government may adopt a scheme of incentivisation to induce the panchayats to tap their tax and non-tax resources for its expenditure.



8. Last but not least the gram panchayats need to reduce their fiscal dependence on the upper layers of the government by augment their own resources.

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