



## FINANCIAL RESOURCES OF LOCAL SELF-BODIES: A STUDY IN RAYALA SEEMA REGION OF ANDHRA PRADESH.

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### **Abstract**

*Finance is the fuel of any organization. Creating an organization and giving wide powers and responsibilities without which lacks adequate financial resource. It is like 'dressing a dead woman'. As the Taxation Enquiry Commission (1953-54) put it, "apart from growth and development, the crux of the problem of local bodies is finance". It is recognized that the success of local self-government bodies depends, to a considerable extent, on the financial resources available to them". There is also a need to maintain a balance between the expanding functions and the role entrusted to the local bodies and their financial resources. The creation of Panchayati Raj in 1959, with a view to entrusting the authority and responsibility of rural development to rural people, is considered not only an innovation, but also a revolution. To democratize the local institutions, the team suggested a three-tier system of Panchayati Raj with Gram Panchayat at the bottom, Panchayat Samithi at the middle and Zilla Parishad at the top. So, in this paper will be discussing about finance resources local self-bodies*

**Key words:** *Gram panchayats, financial resources,*

### **Introduction**

India is committed to democracy and wants to develop itself with planned economy. It believes that development will be possible only with the participation of people at all levels of governmental machinery which is intended to accomplish the said task. As India lives in her villages, development depends to a large extent on the active involvement of the rural population in administration. After Independence, Community Development Programmes and National Extension Programmes were launched in India in 1952 and 1953 respectively for the development of rural areas. The team made an exhaustive enquiry and submitted its report on November 24, 1957. The Central Government found the solution in the form of 73<sup>rd</sup> constitutional Amendment bill which was passed by Parliament on 22<sup>nd</sup> December 1992 to remove all the weaknesses of Panchayati Raj system. Rajasthan and Andhra Pradesh were the two early advocates of the Panchayati Raj in India. The Government of Andhra Pradesh acted swiftly in accepting the recommendations of the Mehta Team and enacted a legislation in 1959 to introduce a three-tier Panchayati Raj system. In the state with Gram Panchayat at the bottom, Zilla Parishad at the top and the Panchayat Samithi at the middle.

### **Scope of the Study**

The present study attempts a detailed enquiry into the financial resources of of selected gram panchayats in Rayalaseema region of Andhra Pradesh. The emphasis of the present study is on the various tax resources of gram panchayats in Rayalaseema region of Andhra Pradesh.

### **Objectives of the Study**

1. To describe the evolution of Panchayati Raj system, financial resources of Gram Panchayats in Andhra Pradesh



2. To analyse the various financial resources of selective Gramanchyats in Rayalaseema region of A.P.
3. To make critical review of the trends in the pattern of revenues of local self-bodies.

### **Methodology and Sampling Design**

In view of large number of gram panchayats in the Rayalaseema region and their wide geographical dispersal, the area of the study is confined to a certain geographical periphery. Each one district two mandalas and each Mandal two Grama panchayats were taken for study. Relevant information was collected from the officials and non-officials of the gram panchayats. Secondary data was gathered from several published reports and administrative reports of gram panchayats to the extent of their availability.

### **Revenue Resources and Matching Expenditure**

Major challenges for effective decentralization are to balance responsibilities with resources including own revenue resources and intergovernmental transfers along with local participation, accountability and transparency. To cater the significant expenditure responsibility, local governments need autonomy for provision of services. A standard practice is to assign expenditures first, then assign revenues that match expenditure needs.

### **Sources of Revenue Resources**

The Amendments left important matters such as implementation, service delivery including local capacity building and transfer of responsibilities and powers to the gram panchayats at the discretion of the state legislatures. Consequently, while expenditure responsibilities of these Institutions are extensively enhanced. There is no law to ensure a corresponding assignment of funds to match the additional responsibilities of Gram Panchayats.

The State Finance Commissions are required to recommend financial support from the state and principles for determination of taxes, tolls and fees that could be assigned to or appropriated by the gram panchayats. At present, not much fiscal power is vested in the hands of the Gram panchayats. Their financial resources are largely drawn from tax assignment, tax sharing and grants-in-aid from the state and the centre while the share of own tax revenues and non-tax revenues are very small.

The non-tax revenues include user charges on public facilities, and on the use of common resources in the form of forests, water bodies quarried materials and minor minerals and taxes on private property. In addition to this the funds flow from the central government on the basis of the recommendations of the Central (National) Finance Commission and the Planning Commission of India.

### **Major Tax Powers**

1. House tax
2. Vehicle tax
3. Water, drainage and sanitation taxes
4. Pilgrim tax
5. Tax on fairs and other entertainments
6. Tax on profession, trade, and callings
7. Octroi on animals or goods or both brought for sale
8. Special tax for construction and maintenance of public works



9. Tax on advertisement
10. Lumpsum levy of factories in lieu of taxes

#### **Fees and Charges levied for provision of public facilities**

1. Water rate
2. Drainage fee
3. Street cleaning fee
4. Lighting fee
5. Conservancy fee
6. Sanitary fee for public latrines; and pilgrimage fee

#### **Fee for use of common resources**

1. Fee for the use of panchayat shelter
2. Fee for use of common resources like grazing land etc.
3. User charges for hospitals and schools
4. Fee on markets and weekly bazaars
5. Fee on animals sold etc.

#### **New powers recommended by the State Finance Commission**

1. House tax
2. Tax on pumps and tractors
3. Tax on highway services
4. Tax on village produce sold in regulated markets
5. Tax on telephones and cable T.V.
6. (Non-Agricultural) profession tax

#### **Conclusions**

The financial needs of Gram panchayats for outweigh the resources at their disposal especially with discretionary use. In order to have more effective Panchayati Raj System, it is important to have clear and explicit assignment of expenditure and revenue functions. One way to increase local revenues is through higher tax authority and the power to Gram Panchayats for more frequent revision of their tax rates.

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