

Chapter – 2

OVERALL BUDGETARY POSITION OF KOLHAPUR ZILLA PARISHAD (Z. P.) SINCE 1991

- 2.1 Introduction
 - 2.2 Meaning of Local Government
 - 2.3 History of Panchayat Raj Institutions
 - 2.4 Structure of Panchayati Raj Institutions
 - 2.5 Zilla Parishad
 - 2.6 Structure of Zilla Parishad
 - 2.7 Kolhapur Zilla Parishad
 - 2.8 Functions of Zilla Parishad
 - 2.9 Committees of Zilla Parishad
 - 2.10 Overall Budgetary Position of Kolhapur Zilla Parishad
- References

Chapter – 2

OVERALL BUDGETARY POSITION OF KOLHAPUR ZILLA PARISHAD (Z. P.) SINCE 1991

2.2 Introduction

In federal countries, local self-government is the part of the state government and subordinate to the state government development from below and planning at the local level is not a new concept. Democracy at the top will not be successful unless it is built on the foundation from below. They have assigned a crucial role in achieving overall development of local areas and well-being of the people in the areas covered by their jurisdictions. This means that local self-government institutions are the prominent organizations playing a vital role in development at local level through public finances. "Local bodies can be engines of economic development." ¹

2.2 Meaning of Local Government

The local government is mainly concerned with the local affairs related to a particular area. A local government unit seeks to give opportunities to the people for the expression of their opinions regard to local affairs.

Local government has been defined in various ways but the simplest definition is, "A government at local level having authority to undertake the power to perform public activities within its territory." ²

The term "Local Government means the government by freely elected local bodies, which are endowed with power discretion and responsibility to be exercised and discharged by them, without control over these decisions by any other higher authority. These actions are however, subject to the supremacy of the national government." ³

2.3 History of Panchayat Raj Institutions

The Panchayat Raj system is not new to India. It is mentioned in Reg Veda. In the Manusmriti, Jatkas, Shanti Parva of Maharashtra, Arthashastra of Kautilya, there are many references about the existence of Gram Sabhas."⁴

A) Pre Colonial Period

In course of time, these village bodies took the form of Panchayats, which looked after the affairs of the village. They had both police and judicial powers. During the Mughal period, the local government units greatly deteriorated.

B) British Colonial Period

In British period, they had mainly concentrated on the trading centres; their interest in the beginning was limited to the creation of local bodies of nominated members in the major towns.

In 1870, the Viceroy Lord Mayo got a resolution passed by his council for decentralisation of power to bring about administrative efficiency in meeting the demands of the existing imperial resources, which will not suffice for growing wants to the country. This resolution first significant step to revive the traditional village Panchayat system in Bengal was taken in 1870 through the Bengal Chowkidari Act.

The next landmark in the development of local self-government was Lord Ripon's resolution of 1882. The resolution proposed the establishment of rural local boards, two-thirds of whole membership was composed of elected representatives. In 1907, the government constituted a Royal Commission (5 Englishman and one Indian) on decentralisation. However, the Commission recommendations remained on paper only.

C) In Independent India

With the advent of Independence in India, the concept of local government acquired new significance. After the Independence, government of India has appointed various committees regarding the Panchayat Raj institutions.

The National Development Council appointed a Committee on plan projects to look into this problem. This Committee appointed a Study Team in 1956 under the chairmanship of a senior legislator Balwant Rai Mehta, to review critically community development projects and national extension service and suggest measures needed for effecting economy and improving efficiency in their implementation. This Committee suggested a three-tier structure of local self-government like Zilla Parishad, Panchayat Samittee and Gram Panchayat.

In the state of Maharashtra, a Committee was set up by the state government under the chairmanship of V. P. Naik. The Committee viewed that powers and resources should be largely devolved upon the local body at the district level e.g. Zilla Parishad. Ashok Mehta Committee was appointed in 1977 to inquire into the working of the Panchayat Raj institutions and to suggest measures to strengthen them. So as to enable the decentralised system of planning and development to be effective.

The government of India had appointed V. K. R. V. Rao Committee (1985) and I. M. Singhvi Committee (1986). They recommended to make 'district' as the basic unit of planning and also favoured holding of regular elections to the Panchayat Institutions.

D) Constitutional Provisions

1. The 64th Amendment (1989)

The 64th Constitutional Amendment Bill suggested setting up of Panchayats in every state at the village, intermediate and district levels. The intermediate level was not obligatory in the states with a population of less than 20 lakhs. This bill passed in Lok Sabha in 1989 but could not pass by the Rajya Sabha.

2. The 73rd Amendment (1992)

The Union Parliament passed the 73rd Constitutional Amendment Act 1992. The salient features of the Act are –

1. To provide three-tier system of Panchayati Raj for all states having population of over 20 lakh.
2. To hold Panchayat elections regularly after every five years.
3. To provide reservation of seats for scheduled castes, scheduled tribes and women.
4. To appoint State Finance Commissions to review the financial position of the Panchayats and to make recommendations as to –
 - a) the distribution between the state and the Panchayats of the net proceeds of taxes, duties, tolls and fees leviable by the state which may be divided between them and how allocation would be made among various levels of Panchayats.
 - b) what taxes, duties, tolls and fees may be assigned to the Panchayats.
 - c) Grant-in-aid to the Panchayats.

5. Powers to impose taxes and financial resources

A state may by law authorise a Panchayat to levy, collect and appropriate taxes, duties, tolls etc. The law may lay down the procedure to be followed as well as the limits of these exactions. It can also assign to a Panchayat various taxes, duties etc. collected by the state government. Grant-in-aid may be given to the Panchayats from the consolidated fund of the state.

6. Powers, authority and responsibilities of Panchayats

State Legislatures have power to confer on the Panchayats such powers and authority as may be necessary to enable them to function as institutions of self-government (Article 243G, 243H). They may be entrusted with the responsibility of –

- a) preparing plans for economic development and social justice.
- b) implementation of schemes for economic development and social justice.
- c) in regard to matters listed in the Eleventh Schedule ((inserted by the 73rd Amendment).

Eleventh Schedule (Article 243 G)

The list contains 29 items –

1. Agriculture including agricultural extension
2. Land improvement, implementation of land reforms, land consolidation and soil conservation
3. Minor irrigation, Water Management and Watershed Development
4. Animal Husbandry, dairying and poultry
5. Fisheries

6. Social forestry and farm forestry
7. Minor forest produce
8. Small scale industries, including food processing industries
9. Khadi village and cottage industries
10. Rural housing
11. Drinking water
12. Fuel and fodder
13. Roads, culverts, bridges, ferries, waterways and other means of communication
14. Rural electrification, including distribution of electricity
15. Non-conventional energy sources
16. Poverty alleviation programme
17. Education, including primary and secondary schools
18. Technical training and vocational education
19. Adult and non-formal education
20. Libraries
21. Cultural activities
22. Markets and fairs
23. Health and sanitation, including hospitals, primary health centres and dispensaries
24. Family welfare
25. Women and Child development
26. Social Welfare, including welfare of the handicapped and mentally retarded

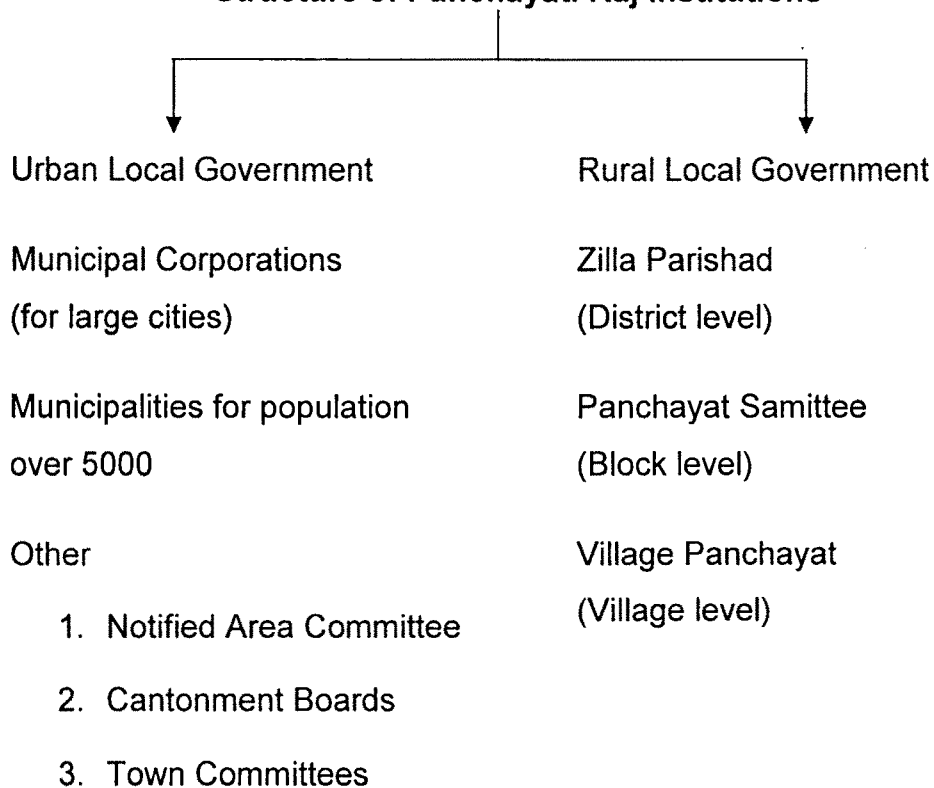
27. Welfare of the weaker sections and in particularly of the Scheduled Castes and the Scheduled Tribes
28. Public distribution system\
29. Maintenance of community system.⁵

2.4 Structure of Panchayati Raj Institutions

India has taken the structure of local government from England. In Panchayati Raj institutions, two types of local governments are included such as –

1. Local Governments of Rural Areas
2. Local Governments for Urban Areas

Structure of Panchayati Raj Institutions⁶



The government for rural areas in India is called rural local government. As per the recommendations of Balwant Rai Mehta Team in 1957, Panchayat Raj introduced in various states in different patterns. In some states, rural local government has three bodies.

There is Village Panchayat at bottom; Zilla Parishad at the top and in between there is a Panchayat Samittee. Panchayat Samittee works between Zilla Parishad and Village Panchayat.

Local government is at the bottom of pyramid of governmental institutions with the national government at the top and intermediate governments occupying the middle range.

2.5 Zilla Parishad

In Maharashtra, the Zilla Parishad is the strongest body of the Panchayati Raj. It is constituted at the district level in all the states except Assam, where it is at sub-divided level. Zilla Parishad is known by different names in different states. It is known as Zilla Parishad in Andhra Pradesh, Bihar, Maharashtra, Orissa, Punjab, Rajasthan, Uttar Pradesh and West Bengal, District Panchayat in Gujarat, Zilla Panchayat in Madhya Pradesh and as the District Development Council in Tamil Nadu and Karnataka. In Assam, the sub divisional body is known as the Muhkuma Parishad.

The chairman of Zilla Parishad is known as 'Chairman' in Andhra Pradesh, Madhya Pradesh, Tamil Nadu, Orissa, Punjab and West Bengal, as 'President' in Assam, Gujarat, Maharashtra and Karnataka, as 'Adhyaksha' in Bihar and Uttar Pradesh.

The Panchayat Raj institutions were launched in Maharashtra on 1st May 1962 according to the recommendations of the Shri Vasant Rao Naik Committee.

2.6 Structure of Zilla Parishad

As per the Maharashtra Zilla Parishad and Panchayat Samittee Act 1961 –

1. The number of elected members of Zilla Parishad is not more than 75 and less than 50.
2. Each member of Zilla Parishad generally represents 40,000 voters.

3. The chairman of Panchayat Samittee in the district as ex-officio members.
4. Out of total 33% seats are reserved for women.
5. Out of total 27% seats are reserved for scheduled caste, scheduled tribes and backward classes citizens. Such seats are allotted by rotation to different electoral divisions.

2.7 Kolhapur Zilla Parishad

Kolhapur is one of the developed districts in the state of Maharashtra. Kolhapur Zilla Parishad was established on 1st May 1962, Kolhapur district consists of 12 talukas (tehsils) namely, Karveer, Kagal, Gadhinglaj, Ajara, Chandgad, Bhudargad, Radhanagari, Gaganbawada, Shahuwadi, Hatkanangale, Shirol and Panhala. The Zilla Parishad head quarter is located at Kolhapur. There are twelve Panchayat Samittees located at the taluka places, and 1030 Gram (Village) Panchayats. One Municipal Corporation and eight Municipal Councils have been scattered all over the district. Kolhapur Zilla Parishad works as a link between the state government and 12 Panchayat Samittees.

2.8 Functions of Zilla Parishad

The Zilla Parishad is an apex of three-tier Panchayat Raj structure and vested with executive functions in various fields including planning and development and advising the state government.

The Zilla Parishad is performing following important functions in most of states.

1. Classification of fairs, festivals and roads etc.
2. General supervision of Gram Panchayats and Panchayat Samittee.

3. Construction and maintenance of public roads, bridges, human and veterinary hospitals, schools upto junior college.
4. Administration and execution of primary education and construction and maintenance of libraries.
5. Water supply.
6. Preparation of district plans, review and co-ordination of Panchayat Samittee or Block Samittee plans. ⁷

2.9 Committees of Zilla Parishad

Zilla Parishad works for the development of Zilla Parishad area, which controls and regularates the whole working of Zilla Parishad area. There are various committees, which are appointed for undertaking development activities in the Zilla Parishad area.

Following committees are formed under Zilla Parishad Act of Maharashtra.

1. Standing Committee
2. Finance Committee
3. Construction Committee
4. Agriculture Committee
5. Co-operation Committee
6. Education Committee
7. Health Committee

2.10 Overall Budgetary Position of Kolhapur Zilla Parishad

With the passing of the 73rd Constitutional Amendment in India, the structure of governance has changed permanently from two-tier to a three-tier system with union, state and Panchayat.

In this study, firstly it focuses on overall budgetary position of Kolhapur Zilla Parishad for the period 1990-91 to 2007-08.

Overall budgetary position shows the nature and extent of surplus or deficit of the government working at any level. It enables us to examine the trends in surplus or deficit of the governments.⁸

The government plays the number of functions, duties to promote socio-economic development as well as improving standard of living of the people by providing basic and infrastructural facilities. To meet that increasing expenditure, it necessitates to mobilize revenue in an increased quantum.

Table No. 2.1
Overall Budgetary Position of Kolhapur Zilla Parishad

(Rs. in crore)

Year	Total Revenue	Total Expenditure	Overall Surplus/ Deficit
1990-91	65.40	66.36	- 0.95
1991-92	79.58	78.85	0.72
1992-93	85.35	19.93	65.42
1993-94	92.96	90.89	2.06
1994-95	105.22	101.98	3.24
1995-96	120.52	118.05	2.47
1996-97	159.76	166.68	- 6.92
1997-98	183.14	168.97	14.17
1998-99	199.10	201.46	- 2.35
1999-2000	254.18	256.41	- 2.22
2000-01	248.11	249.19	- 1.07
2001-02	279.26	275.45	3.81
2002-03	280.91	276.37	4.53
2003-04	304.25	278.90	25.35
2004-05	323.10	302.50	20.60
2005-06	342.82	333.01	9.81
2006-07	392.77	386.09	6.68
2007-08	36.97	43.09	- 6.12
1990-91 to 2006-07	11.97	14.1	--
1990-91 to 1999-2000	15.8	20.94	--
2000-01 to 2006-07	7.12	6.57	--
Fold Growth	6.00	5.81	--

Source : Budgetary Documents of Kolhapur Zilla Parishad

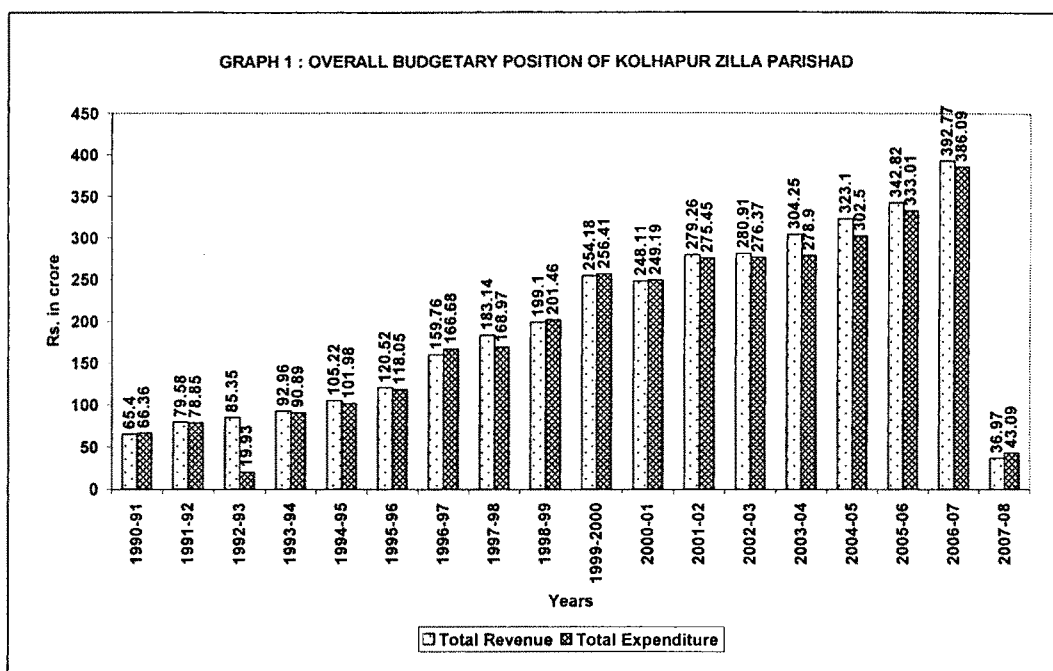


Table No. 2.1 shows overall budgetary position of Kolhapur Zilla Parishad during 1990-91 to 2006-07. In this table, column number 2 shows the growth of the total revenue of Kolhapur Zilla Parishad. It rose from Rs. 65.40 crore in 1990-91 to Rs. 120.52 crore in 1995-96, Rs. 248.11 crore in 2000-01, Rs. 392.77 crore in 2006-07, registering a growth about 6 times over 2006-07. The CGR of total revenue for 1990-91 to 2006-07 was 11.97 percent, 1990-91 to 1999-2000 it was 15.8 percent and 2000-01 to 2005-06, it was 7.12 percent.

The column number 3 of this table shows the growth of the total expenditure of Kolhapur Zilla Parishad. It rose from Rs. 66.36 crore in 1990-91 to Rs. 118.05 crore in 1995-96, Rs. 249.0 crore in 2000-01, Rs. 386.09 crore in 2006-07 with 5.81 fold growth. The CGR of total expenditure for 1990-91 to 2006-07 was 14.1 percent during 1990-91 to 1999-2000 it was 20.94 percent and for 2000-01 to 2006-07, it was 6.57 percent.

The column number 4 of the table indicates that Kolhapur Zilla Parishad had been suffered by deficit for some times, some times it was in surplus. It had suffered deficit of Rs. 0.25 crore in 1990-91, Rs. 6.92 crore in 1996-97, Rs. 2.35 crore in 1998-99, Rs. 2.22 crore in

1999-2000, Rs. 1.07 crore in 2000-01. It had suffered deficit continuously during three years (1998-99 to 2000-01).

The data in table No. 2.1 reveals that the growth rate of total expenditure was always higher than the growth of its total revenue except the latest decade under study. There was a considerable gap between the growth of expenditure of Kolhapur Zilla Parishad and its revenue growth. The problem of deficit is an indicator of bad fiscal practices of the Zilla Parishad. The deficit financing is not allowed under Act that facilitates its proper working.

Table No. 2.2
Financial Position of Kolhapur Zilla Parishad on Revenue Account

(Rs. in crore)

Year	Revenue Receipts	Revenue Expenditure	Revenue Surplus/ Deficit
1990-91	44.69	47.95	- 3.25
1991-92	57.15	55.19	1.95
1992-93	73.87	7.34	66.53
1993-94	77.46	77.69	- 0.22
1994-95	90.02	87.13	2.88
1995-96	106.17	105.51	0.65
1996-97	129.87	129.97	- 0.10
1997-98	151.95	141.62	10.33
1998-99	160.63	159.21	1.42
1999-2000	223.26	207.40	15.85
2000-01	239.52	217.17	22.35
2001-02	243.75	247.15	- 3.40
2002-03	250.46	231.38	19.07
2003-04	257.85	247.16	10.68
2004-05	254.65	276.93	- 22.28
2005-06	286.22	311.33	- 25.11
2006-07	332.57	356.87	- 24.30
2007-08	7.20	13.33	- 6.12
1990-91 to 2006-07	12.75	16.86	--
1990-91 to 1999-2000	17.8	25.23	--
2000-01 to 2006-07	4.83	7.9	--
Fold Growth	7.44	7.44	--

Source : Same as of Table No. 2.1

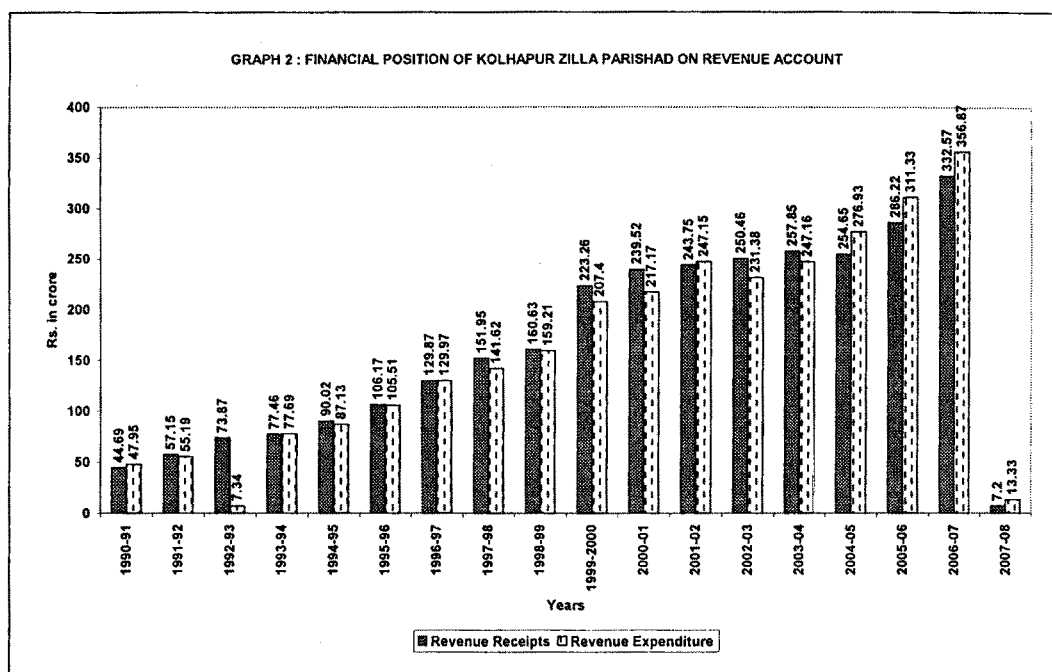


Table No. 2.2 shows financial position of Kolhapur Zilla Parishad Revenue Account during 1990-91 to 2007-08. In this table column number 2 shows the growth of revenue receipts of Kolhapur Zilla Parishad. They have increased frequently. They rose from Rs. 44.69 crore in 1990-91 to Rs. 106.17 crore in 1995-96, Rs. 239.53 crore in 2000-01, Rs. 332.57 crore in 2006-07 registering a growth about 7.44 times over 2006-07.

In this table, column number 3 shows the growth of revenue expenditure of Kolhapur Zilla Parishad. It rose from Rs. 47.95 crore in 1990-91 to Rs. 105.51 crore in 1995-96, Rs. 217.17 crore in 2000-01, Rs. 356.87 crore in 2006-07 registering a growth about 7.44 times over 2006-07.

The CGR of revenue receipts of Kolhapur Zilla Parishad for 1990-91 to 2006-07 was 12.75 percent for 1990-91 to 1999-2000 it was 17.8 percent and during 2000-01 to 2006-07 it was 4.83 percent. On the other hand, the CGR of revenue expenditure of Kolhapur Zilla Parishad for 1990-91 to 2006-07 was 16.86 percent for 1990-91 to 1999-2000 it was 25.23 percent and during 2000-01 to 2006-07 it was 7.9 percent.

The data in table No. 2.2 reveals that the growth rate of revenue expenditure was always higher than the growth of revenue receipts. During the period from 1990-91 to 2006-07 Kolhapur Zilla Parishad faced the problem of revenue deficit for eight years in the total period of seventeen years. It had suffered deficit of Rs. 3.25 crore in 1990-91, Rs. 0.22 crore in 1993-94, Rs. 0.10 crore in 1996-97, Rs. 3.4 crore in 2001-02. After that it had suffered deficit continuously during latest three years (Rs. 22.28 crore in 2004-05, Rs. 25.11 crore in 2005-06, Rs. 24.30 crore in 2006-07).

Table No. 2.3

Financial Position of Kolhapur Zilla Parishad on Capital Account

(Rs. in crore)

Year	Capital Receipts	Capital Expenditure	Overall Surplus/ Deficit
1990-1991	20.71	18.41	2.29
1991-1992	22.43	23.65	-1.22
1992-1993	11.48	12.59	-1.10
1993-1994	15.49	13.20	2.29
1994-1995	15.19	14.84	0.35
1995-1996	14.34	12.53	1.81
1996-1997	29.88	36.70	-6.81
1997-1998	31.19	27.35	3.83
1998-1999	38.47	42.25	-3.78
1999-2000	30.91	49.00	-18.08
2000-2001	8.59	32.02	-23.43
2001-2002	35.50	28.29	7.21
2002-2003	30.45	44.99	-14.53
2003-2004	46.40	31.73	14.67
2004-2005	68.45	25.56	42.88
2005-2006	56.60	21.67	34.92
2006-2007	60.20	29.21	30.98
2007-2008	29.76	29.76	--
1990-91 to 2006-07	8.84	4.74	--
1990-91 to 1999-2000	9.04	12.64	--
2000-01 to 2006-07	31.1	4.78	--
Fold Growth	2.90	1.58	--

Source : Same as of Table No. 2.1

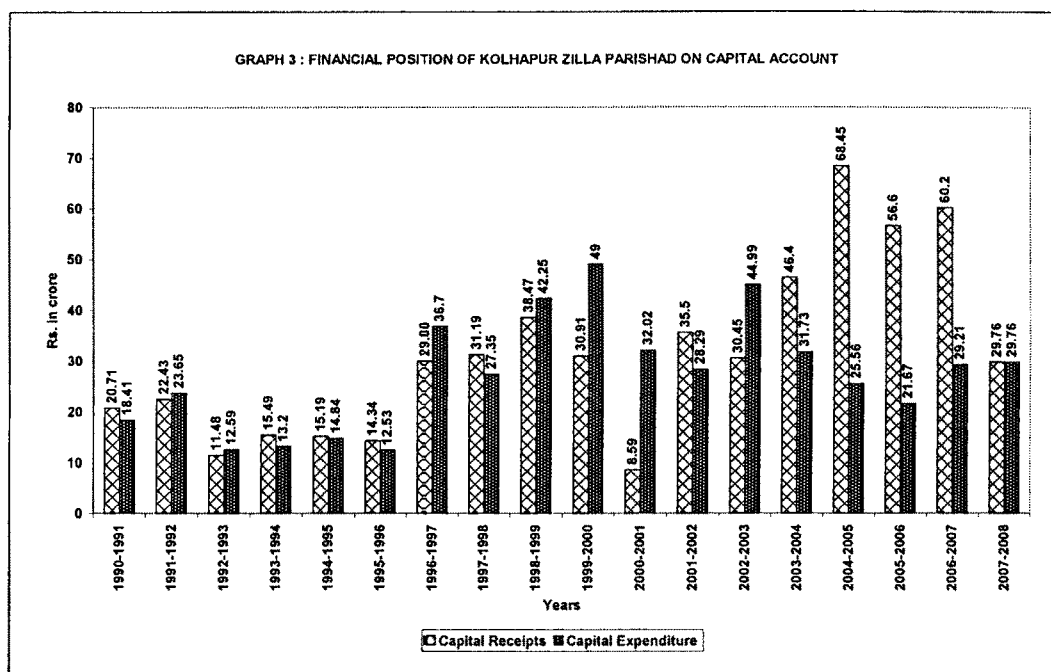


Table No. 2.3 shows budgetary position of Kolhapur Zilla Parishad on Capital Account of since 1990-91 to 2007-08. In this table, column number 2 shows the growth of capital receipts of Kolhapur Zilla Parishad. They rose from Rs. 20.71 crore in 1990-91 to Rs. 14.34 crore in 1995-96 but fell to Rs. 8.59 crore in 2000-01 again rose to Rs. 60.20 crore in 2006-07 registering a growth about 2.50 times over 2006-07.

Column number 3 shows the growth of capital expenditure of Kolhapur Zilla Parishad. Capital expenditure has fluctuated from 1990-91 to 2006-07. It fluctuated from Rs. 18.41 crore in 1990-91 to Rs. 12.53 crore in 1995-96, Rs. 32.02 crore in 2000-01 and Rs. 29.21 crore in 2006-07 registering a growth about 1.58 times over 2006-07.

The CGR of capital receipts for 1990-91 to 2006-07 was 8.84 percent for 1990-91 to 1999-2000 it was 9.04 percent and during 2000-01 to 2006-07 it was 31.1 percent. The CGR of capital expenditure for 1990-91 to 2006-07 was 4.74 percent, 1990-91 to 1999-2000 was 12.64 percent and during 2000-01 to 2006-07 it was 4.78 percent.

This table indicates that on capital account Kolhapur Zilla Parishad had been suffered deficit for many times. It had suffered deficit of Rs. 1.22 crore in 1991-92, Rs. 1.10 crore in 1993-94, Rs. 6.18 crore in 1996-97, Rs. 3.78 crore in 1998-99, Rs. 3.78 crore in 1999-2000, Rs. 23.43 crore in 2000-01, Rs. 14.53 crore in 2002-03. It had suffered deficit continuously for three years from 1999-2000 to 2001-02.

The data in table presents that the growth of capital expenditure had been decreasing continuously from three years (2002-03 to 2005-06).

Capital expenditure of Kolhapur Zilla Parishad grew always lower than growth in Capital receipts during 1990-91 to 2007-08. This means that the present Zilla Parishad has not paid much attention towards the promoting development potentialities of the Kolhapur district economy. But in the first decade (1990-91 to 1999-2000) of our study, this Zilla Parishad has undertaken development activities significantly than the second decade (2000-01 to 2006-07) under study. Hence growth of Capital receipts was higher during the second decade than the first decade under our study. But overall, Kolhapur Zilla Parishad has not undertaken much Capital or development activities during the period into our consideration.

The overall budgetary position of Kolhapur Zilla Parishad was good except a few years in which it faced the overall budgetary deficit. However, on capital account and revenue account, the fiscal practices of Kolhapur Zilla Parishad are not good.

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