

**Chapter – 6****CONCLUSIONS AND SUGGESTIONS**

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## Chapter – 6

# CONCLUSIONS AND SUGGESTIONS

### 6.1 Introduction

Government plays a very important role in socio-economic development of the economy as a whole. The role of the government in any type of economic system is well recognized in the world economy as a whole. The importance of the government's role has been increased significantly in the era of economic reforms all over the world. Likewise, the expectations of the people from the government for social welfare maximization have been increasing continuously especially in the economic reforms regime. This demands to examine the role of the government in economic development of the economy.

Government works at three levels in the country like India, i. e. Union, State and Local. All the level governments are expected to play a vital role in the development of areas under their jurisdictions. India is dominated by the rural economy on various grounds. Hence, rural development is the development of India economy. This necessitates to assess role of the government in rural development. Local governments are of two types namely Rural and Urban. The Rural Local governments are expected to play an important role in the rural development in India. Village Panchayats is an important constituent of Rural Local Bodies. The research in Public Economics reveals that local finance in general, and rural local finance in particular is a neglected aspect. Village Panchayats is a grassroot level government, which is most closely connected with the people. It is against this overall background the present research study attempts to examine role of Village Panchayats in Panhala tehsil of Kolhapur district in rural development during the latest period of 9 years from 2000-01 to 2008-09.

## 6.2 Major Conclusions

The through study of finances in the context of rural development of selected six Village Panchayats, namely Kodoli, Wadi Ratnagiri, Panore, Kolik, Pisatri and Salwadi in Panhala tehsil of Kolhapur district during 2000-01 to 2008-09 reveals a number of conclusions. The major and noteworthy conclusions concerning Village Panchayats and rural development are as follows :

1. The present research study reveals that deficits is an important problem before the Village Panchayats as a constituent of rural local bodies in India in general and Maharashtra in particular. All the six Panchayats in Panhala tehsil under our study have faced the problem of deficit during the period under study. We did not find a single Panchayat, which was not in deficit. It is an indicator of inadequate financial resources of the Panchayats.
2. The breakup of deficit problem of Village Panchayats under study reveals that Revenue deficit was an important problem than Capital deficit before them. This is an indicator of attempts of Panchayats towards providing current services, and not much attention towards the long term development. It is not a good fiscal practice of Village Panchayats.
3. The analysis of growth and composition of Total Revenue of Village Panchayats reveals that they have mainly attempted for mobilisation of Revenue Receipts compared to Capital Receipts. This can have adverse effect on the long term rural development, because Capital Receipts promote abilities and potentialities of long term rural development. Further it is found that the high income Panchayats have endeavoured considerably

to raise Capital Receipts than the low income Panchayats under study. This can lead to further under development of the low income Panchayats.

4. The study of Growth and Composition of Revenue Receipts of Village Panchayats indicates that Tax Revenue and Grants are major sources of Revenue Receipts. No tax revenue was a meagre source of Revenue Receipts for them. It contributed only by 15% an average share in their revenue receipts. The share of grants was about 15% and about 70% of Tax Revenue in Total Revenue Receipts in general. This offers fiscal autonomy for them. The low income and high income categorywise study of Panchayats adequately reveals that only high income Panchayats enjoyed fiscal autonomy. Their dependence on grants was about 15% of Revenue Receipts. Such as Kodoli, Wadi Ratnagiri and Panore. However, low income Panchayats namely Kolik, Pisatri and Salwadi prominently relied on grants (about 75%) so as to collect their Revenue Receipts. Hence, they did not enjoy fiscal autonomy.
5. Tax revenue analysis of Village Panchayats under study reveals that House tax was a prominent (more than 65%) source of tax revenue for them. The revenue contributions of the taxes like Business tax, Sanitary tax, Water tax, Light tax were meagre. This demands to seriously think about these taxes. This analysis is applicable to both the high income as well as low income category Panchayats under study.
6. A study of growth and composition of Non-tax revenue of Panchayats reveals that it was a under exploited and under utilised source of revenue in general. Moreover, it is totally neglected revenue source for the low income

Panchayats. The efforts of high income Panchayats towards mobilising non-tax revenue were considerable but not sufficient. Building rent was an important source of Non-tax revenue for especially high income Panchayats. This poses an urgent need towards exploitation and utilisation of non-tax revenue sources.

7. Grants have been playing an important role in Revenue Receipts collection especially for the low income Panchayats. They heavily depend upon grants for their Revenue receipts collection. The grants for the development (welfare) of backward classes people and lump sum grants are only major sources of grant revenue for the Panchayats.
8. Village Panchayats under study have made inadequate attempts to collect Capital receipts. The efforts of high income Panchayats were considerable. Deposits and Advances were the major sources of Capital receipts, which were less significant into the rural development. Loans was a under utilised source of Capital receipts for Panchayats.
9. A study of growth and composition of Expenditure of Village Panchayats shows that they have concentrated on providing current services and facilities to their citizens. They have paid less attention towards the long term rural development of the areas under their jurisdictions. Hence, their Revenue expenditure was prominent (about 90%), which also registered rapid growth during the period into our consideration. Our study further observed that only high income Panchayats have incurred Capital expenditure regularly. However, it did not become possible for the low income Panchayats to incur Capital expenditure regularly.

10. An analysis of growth and composition of Revenue expenditure of Panchayats reveals that Administration, Welfare of Backward Classes, Public Health, Social Welfare and Others were the important items of their Revenue Expenditure. With regard to this, the attempts of high income Panchayats were considerable than the low income Panchayats.
11. A study of growth and pattern of Capital expenditure of Village Panchayats under study indicates that they have not much endeavoured to spend Capital expenditure. More importantly they have spent a major share of Capital expenditure on other items, which covered the activities of roads, buildings, water supply construction. Only high income Panchayats have spent and not by low income Panchayats under study.
12. Role of Village Panchayats in rural development is the soul (Central idea) of the present study. It is found that Panchayats have been playing a pivotal role in speeding up rural development. Because they have spent on rural development between 25% to 60% of Total expenditure with significant growth. Hence, it is adequately proved than they are engaged in rural development.
13. Rural development has two components namely social development and economic development. Our study reveals that Village Panchayats have concentrated on social development (about 75% expenditure of rural development) than the economic development. Hence, Panchayats have become engines of social development and thereby social welfare in the rural areas under study. Therefore, they have paid less attention towards economic development of rural areas under their

jurisdictions. It is true in the case of both the high income as well as low income Panchayats into our consideration.

14. A breakup of rural development attempted by Village Panchayats reveals that in social development as a component of rural development, welfare of backward classes and women, street lighting, health and sanitation were the major items of expenditure (90% expenditure) and services under social development. Comparatively, water supply, education were neglected social services. More importantly, low income Panchayats have totally neglected water supply an important social service.
15. Attempts of Village Panchayats towards materializing economic development as a component of rural development adequately reveals that they have attempted for mainly construction of roads so as to provide transport facilities (about 95% expenditure). Then they have touched upon only to agriculture, forestry very meagerly and negligibly. Besides this, low income Village Panchayats have only attempted for road facilities by neglecting all other items of economic development.
16. An important conclusion with regard to Village Panchayats and rural development is that they have endeavoured only to provide rural development services or facilities for their citizens at present and in the short run only. They have allocated about 90% share of Total expenditure towards Revenue expenditure and only 10% for Capital expenditure. It is the Capital expenditure that facilitates promotion of potentialities and abilities of long term rural development. It is a serious thing of concern.

### 6.3 Important Suggestions

A thorough study of Village Panchayat finances and their role in rural development during the latest period of nine years from 2000-01 to 2008-09 has definitely identified some of the important problems and difficulties relating to finances and rural development they have been facing. It is the urgent need of the hour to tackle these problems to speed up rural development of India especially with the help of Panchayats. This will enable in rapid and all round development of rural India necessary for materializing goal of developed India and its economic supremacy in the world by 2020. Following are important suggestions useful for strengthening and promoting their role in rural development.

1. The fiscal operations of rural local bodies in general and Village Panchayats in particular should be under a continuous watch. They should not be allowed for deficit spending, which is against their Act.
2. Village Panchayats should be given freedom to identify and exploit new sources of revenue at local level, because they are financially so much weak.
3. Panchayats should be given autonomy to fix or increase rates of different taxes that will help in promoting their tax revenues.
4. Panchayats should try to exploit and use all taxes with full potentialities and abilities. They should pay due attention towards collection of taxes by eliminating dues.
5. Non-tax revenue sources should be exploited and utilised fully. They should bring about suitable revisions in the rates of non-tax revenue sources. Non-tax revenue has contributed very meagerly to Revenue receipts of Panchayats.



6. It should be made obligatory to spend Capital expenditure, and the State government should provide for loans or Capital finance for Panchayats, because that plays a vital role in rural development.
7. Panchayats should be made compulsory to achieve fiscal autonomy necessary for proper decision making relating to rural development. For this, they should be given autonomy of augmentation of new avenues of revenue, both tax as well as non-tax.
8. Rural development should be given priority on the agenda of Village Panchayats. More importantly, they should be made compulsory to incur Capital expenditure on rural development.
9. Grants by the Union as well State government should be released taking into consideration financial needs of the Village Panchayats. It should be obligatory for Panchayats to spend at least 50% share of grants for Capital expenditure.
10. Low income Village Panchayats should be released additional financial assistance by both the State and Union government, because they are financially so much weak.
11. Decision making about rural development by Village Panchayats should not be politically motivated.
12. Village Panchayats should pay due attention towards water supply, education, environment protection, agriculture and agro based industries, which are important components of rural development.

13. Representatives of the people, Non Governmental Organizations (NGOs), Youth Clubs, Social Organizations should participate and cooperate to the Panchayats in speeding up their rural development.
14. State Finance Commissions have not paid due attention towards strengthening rural local bodies in general, and Village Panchayats in particular. State Government as well as Union Government should take help of researches on rural development by rural local bodies in the universities and research institutes in the formulation of a comprehensive policy for rapid and overall rural development in Maharashtra and India as well.

#### **6.4 Concluding Remarks**

Role of Village Panchayats in rural development is an important but a missing aspect of research in general in Economics and in particular in Public Economics. Hence, the present research study is a definite and significant contribution in research concerning this topic. The present study is a honest and rigorous attempts to examine role of Village Panchayats in rural development. A hypothesis of the present study is adequately tested. It is a fact that Village Panchayats have been playing an important role in rural development, but it is not adequate. Inadequate revenue as indicated by deficit, short fall of Capital receipts and Capital expenditure are important obstacle in rural development by Village Panchayats. Hence, they have neglected economic development as well as Capital expenditure on rural development. It is necessary to pay due attention by Panchayats on adequate revenue mobilization as well as on spending for water supply, education, agriculture and allied activities development, environment protection etc.