

**Chapter - 6****CONCLUSIONS AND SUGGESTIONS**

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## Chapter - 6

# CONCLUSIONS AND SUGGESTIONS

### 6.1 Introduction

Government at different levels plays a very significant role in promoting level of socio-economic development by undertaking the number of duties, functions and responsibilities. To discharge these responsibilities, the government requires spending for which revenue mobilization is a must. Zilla Parishad is a apex rural local body that plays a vital role in enhancing rural socio-economic development. Hence, the present study attempts to assess the finances of Kolhapur Zilla Parishad in the post reform era, with special emphasis on role of Zilla Parishad in the development of Kolhapur district primary sector. And the contribution of primary sector in the revenue mobilization for the period from 1990-91 to 2007-08.

### 6.2 Major Conclusions

The present study reveals the following major and important conclusions about the trends in finances of Kolhapur Zilla Parishad, role of Kolhapur Zilla Parishad in the development of primary sector, and more importantly contribution of primary sector of Kolhapur district in revenue mobilization of Kolhapur Zilla Parishad.

1. Local bodies in general and rural local governments in particular are not allowed to undertake deficit fiscal operations as per their Act of 1962. Kolhapur Zilla Parishad faced budgetary deficit (33% of period) and revenue deficit (44% of period) during the period under study from 1990-91 to 2007-08. Hence fiscal operations as well as fiscal health of Kolhapur Zilla Parishad is bad.

2. The problem of deficit being faced by the Kolhapur Zilla Parishad is an indicator of failure of the Zilla Parishad in mobilizing required revenue as well as controlling growing expenditure. It is necessary to strike balance between its revenue and expenditure that could be a good fiscal practice as far as local finances are concerned. It is noteworthy that deficits of Kolhapur Zilla Parishad are significant.
3. The fiscal operations of the Kolhapur Zilla Parishad on Capital account are bad. Capital receipts and Capital expenditure have a special importance in promoting abilities and potentialities of socio-economic development of the concerned economy. Kolhapur Zilla Parishad did not spend whole Capital receipts. It has surplus on Capital account for 56% of years under study.
4. Both the Revenue receipts as well as Capital receipts as components of Total Revenue of Kolhapur Zilla Parishad have grown significantly during the period into consideration. But growth in Revenue receipts (12.75% CGR) was higher than the Capital receipts ((8.84% CGR). This reveals the fact that Kolhapur Zilla Parishad has paid increased attention towards the Revenue receipts mobilization.
5. Likewise, Kolhapur Zilla Parishad has mainly and heavily (80%) relied on Revenue receipts for mobilizing its Total revenue due to allocation of a major share of Total expenditure (79%) towards the Revenue expenditure.
6. Capital receipts play a vital role in the socio-economic development of the economy under the jurisdiction of the government. The over dependence of Kolhapur Zilla Parishad on Revenue receipts (80%) indicates its meagre

efforts towards the development of its area under jurisdiction.

7. Fiscal autonomy is a major problem of Kolhapur Zilla Parishad. It does not enjoy fiscal autonomy, which has a special importance in decision making by the government necessary to speed up the development. Its own revenue was significantly lower (Tax and Non-tax revenue only 5% of Revenue receipts) than the devolved revenue (Grants 95% of Revenue receipts).
8. Kolhapur Zilla Parishad has undertaken a very meagre efforts to collect its Tax as well as Non tax revenue for its Revenue receipts mobilization, when we consider growth rate as well as their relative shares in Revenue receipts. They remained at only 14% CGR and less than 5% respectively.
9. Grants are a main and major source of Revenue receipts for Kolhapur Zilla Parishad, when we consider both the growth rate as well as relative share. They stood at 17% CGR and 95% percentage share. But the growth during the second decade under study has shown a mild growth of just 4% CGR, which reflects the impact of economic reforms in general and fiscal reforms in the state in particular. But its dependence on grants for Revenue receipts mobilization is very much excessive.
10. Tax revenue and Non tax revenue (5% of Revenue receipts) sources of Revenue receipts of Kolhapur Zilla Parishad are a meagre, under exploited and utilized sources of revenue, which demands to pay increased attention towards them for promoting revenue receipts collection as well as its fiscal autonomy.

11. The study of growth and composition of Tax Revenue of Kolhapur Zilla Parishad during the period under study reveals that local cess is an important, major and assured source (8.67% CGR, 95% share in Tax revenue) of Tax revenue.
12. Taxes and Fees, Local Cess are a very insignificant (5% of Tax revenue) sources of Tax Revenue for Kolhapur Zilla Parishad. They are under exploited and under utilized, which demands to undertake rigorous attempts for their exploitation and collection.
13. Not-tax revenue is a very meagre source of Revenue receipts for the Kolhapur Zilla Parishad. It contributed only 3% share in its revenue receipts. Hence, it is an under utilized source of Zilla Parishad revenue.
14. Non-tax revenue of Kolhapur Zilla Parishad consists of the sources such as receipts from interest, police, education, medicine, public health, agriculture, animal husbandry, public construction, pensions, miscellaneous items, others. Of which, others, miscellaneous items and interest payments only played a considerable role in Non-tax revenue collection of Kolhapur Zilla Parishad. This demands the need for exploitation and utilization of all sources of Non-tax revenue.
15. Grant is a prominent source of Revenue receipts for Zilla Parishads in Maharashtra in general, and Kolhapur Zilla Parishad in particular. They have contributed by about 95% on an average share in Revenue receipts of Kolhapur Zilla Parishad. It is an indicator of Zilla Parishads over dependence on the higher level governments for Revenue collection.

16. Grants of Zilla Parishad consist of the items namely purposive grants, establishment grants, local cess matching grants, grants for plan scheme, deduct refund, total agency schemes, other grants. Regression analysis revealed that purposive grants, establishment grants, plan scheme grants and grants for agency functions paid a very significant role in collecting income from grants.
17. Role of any government in speeding up economic development of the economy is visualized by Capital receipts mobilized by it, and its Capital expenditure. The study of Capital receipts of Kolhapur Zilla Parishad reveals that loans was not an important source of Capital receipts. Their relative share in Total Capital receipts was comparatively insignificant. They also showed a very mild growth except 2003-04 to 2006-07. Deposits and Advances was the prominent source of Capital receipts even they showed fluctuations and mild growth over the period.
18. Public expenditure has a special importance in fiscal operations of the government. It enables discharging of duties, functions and responsibilities by the government and providing various services and facilities to its people. It is revealed that Total expenditure of Kolhapur Zilla Parishad rose significantly during the whole period of study (14% CGR). But it rose more significantly during the first decade (20.94% CGR) than the second decade under study (6.5% CGR). This indicates efforts of the Kolhapur Zilla Parishad to promote socio-economic development as well as the impact of economic reforms.

19. Both the Revenue expenditure as well as Capital expenditure are important, but Capital expenditure is more important for promoting socio-economic development for the longer period. Hence their rational proportion is required. But it was found that Revenue expenditure of Kolhapur Zilla Parishad rose (17% CGR) rapidly than the Capital expenditure having a prominent (79%) relative position. It is necessary to pay due attention towards the Capital expenditure for promoting socio-economic development of the Kolhapur district economy.
20. Pattern of revenue expenditure reveals the priorities given by the Government to provide socio-economic services in the present. It is observed that Kolhapur Zilla Parishad has kept revenue expenditure on Administration at moderate. It has given priorities to provide the services namely education, but less attention towards miscellaneous items, sanitation and public health and public works as indicated by regression analysis.
21. Kolhapur Zilla Parishad has given a very less attention towards promoting socio-economic development of the district economy by spending a smaller share of its Total expenditure. Further its Capital expenditure pattern was un conducive for the development. It spent very less on loans, and paid more importance to deposits and advances as items of Capital expenditure, which have very less connections with the development.
22. Zilla Parishad of Kolhapur is an apex rural local body. Hence, it is expected to pay due attention by the Zilla Parishad towards the development of primary sector in general and agriculture in particular. But it is a fact that Kolhapur Zilla Parishad has paid a very less attention

towards the development of primary sector. This Zilla Parishad has not at all spent any Capital expenditure on the primary sector. And it has spent a very meagre amount, especially Revenue expenditure. But only satisfactory thing is that Agriculture has got a major share of Revenue expenditure.

23. National income or Gross Domestic Product (GDP) is an indicator of economic development of the economy. Likewise, district income is an indicator of economic growth of the district. Our study reveals that Kolhapur district economy is a fastly growing (CGR 9.48%) economy. But it is a service sector growth oriented economy than the secondary sector and primary sector. The relative contribution of primary sector is lower (20%) than the secondary sector (24%) in the district income of Kolhapur. This demands increased attention towards the development of primary sector.
24. Primary sector of the economy comprises of the sub sectors like Agriculture, Forestry, Fishing and Mining. It is revealed that Kolhapur district primary sector mainly relies on the Agriculture (93%) for the development as shown by Ratio analysis as well as Regression analysis (84%).
25. Zilla Parishad is a apex rural local body. Hence, it is expected that Zilla Parishad should collect a major and significant share of revenue from primary sector. Our study reveals that primary sector has collected revenue for Kolhapur Zilla Parishad at the lower rate of 9.94% CGR. But compared to Non-tax revenue, Tax revenue from primary sector was prominent (83%). Likewise, contribution of Agriculture was significant



in revenue mobilization of Kolhapur Zilla Parishad from the primary sector.

26. Our study reveals that the revenue of primary sector in revenue of Kolhapur Zilla Parishad was insignificant (2% of Revenue receipts) in 2005-06, but expenditure of Kolhapur Zilla Parishad on primary sector development was significant (7% of Revenue expenditure in 2005-06). This has led to face deficit concerning primary sector by Kolhapur Zilla Parishad (Rs. 29.97 crore in 2000-01 and Rs. 14.65 crore in 2005-06). Thus, growing primary sector Kolhapur district economy did not contribute significantly to the revenue mobilization of Kolhapur Zilla Parishad. Hence, our hypothesis of study is not tested.
27. The comparative analysis of Kolhapur district income, primary sector income, expenditure of Kolhapur Zilla Parishad on primary sector and revenue contributed by primary sector reveals that expenditure was higher (.92% of primary sector income) than the revenue collected (.29% of primary sector income). Hence, primary sector is a under exploited and utilized sector in the context of revenue mobilization by Kolhapur Zilla Parishad from primary sector.

### 6.3 Important Suggestions

The foregoing analysis in all the chapters of the present study clearly and adequately reveals that Zilla Parishads in general, and Kolhapur Zilla Parishad in particular as a representative of rural local bodies have been facing a number of fiscal problems. Their fiscal practices are not good. This demands to overcome them as well as correct fiscal operations. The following are some important suggestions that will enable in tackling the problems as well as correcting fiscal

practices for Zilla Parishad in general and Kolhapur Zilla Parishad in particular.

1. Rural local bodies in general and Zilla Parishad in particular should not be allowed strictly to undertake deficit spending. Because it is a violation of Act 1962.
2. The state government should create a separate authority or agency at district level to supervise deficit fiscal practices of rural local bodies with focus on Zilla Parishads year to year basis.
3. The number of duties, functions and responsibilities to be discharged by Zilla Parishads is greater and expanding extensively as well as intensively. But they have got a very meagre sources of revenue, especially own revenue. This is also the case of Kolhapur Zilla Parishad. Hence, additional powers and rights should be given to Zilla Parishads to collect both the Tax as well as Non-tax revenue.
4. The 73<sup>rd</sup> Constitutional Amendment to the Indian Constitution has significantly increased the additional duties and responsibilities to be shouldered by the rural local bodies in general and Zilla Parishads in particular. The State Finance Commissions should look into the matter especially mismatch of revenue and expenditure and recommend correct and necessary policy measures to the state government.
5. Zilla Parishads do not enjoy fiscal autonomy at all. Their own revenue receipts is very low (5% for Kolhapur Zilla Parishad). Their dependence on grants for revenue mobilization is excessive one. Hence, part of the grants should be converted into own revenue sources.

6. The State government should devolve some revenue sources to Zilla Parishads as a apex rural body, which will help in increasing revenue mobilization especially own revenue.
7. Zilla Parishads should be permitted to find out and utilize new revenue sources of local level so as to strengthen their financial position.
8. Zilla Parishads in general and Kolhapur Zilla Parishad in particular should be allowed to impose and collect tax as well as non-tax revenue from the primary sector, which contributes a very meagre revenue.
9. Zilla Parishads should be made obligatory to spend at least 35% of its Total expenditure as a Capital expenditure to promote socio-economic development potentialities and abilities of the economy they represent.
10. Rural local bodies in general and Zilla Parishads like Kolhapur Zilla Parishad in particular should undertake economic activities that will promote development of primary sector with emphasis on development of Agriculture, which is the need of the hour for the development of rural economy as well as Indian economy as a whole.
11. Kolhapur Zilla Parishad has not paid much attention towards the collection of its Non-tax revenue (2% of Revenue Receipts). It should attempt to promote its Non-tax revenue honestly and rigorously.
12. Zilla Parishads in general and Kolhapur Zilla Parishad in particular should spend some share of Capital expenditure on primary sector especially Agriculture that will help in the development of Agriculture, primary sector and more importantly rural economy.

13. It is necessary to cut down in Revenue expenditure by Kolhapur Zilla Parishad. This will help in saving of revenue for capital expenditure necessary for socio-economic development of the district economy.
14. State Finance Commissions in Maharashtra have not attempted much to devolve revenue from state government to rural local bodies in general, and Zilla Parishads in particular. Hence, they should recommend to transfer some revenue from state government to this layer government so as to strengthen their financial position.
15. Zilla Parishads are financially weak. But, their role in socio-economic development of the district economy is so much vital. Hence, they should collect donations, financial assistance from the generous people, industrialists, businessmen, trusts, NGOs, social groups and organizations.

#### **6.4 Concluding Remarks**

Local finance in general and rural local body finance in particular is a neglected issue in Public Economics research. It is due to wider scope of study and more importantly lack of adequate data base. But a satisfactory thing is that attention is being paid in that direction. Zilla Parishad is a apex government in the rural economy of district. There are so much expectations from this government of promoting socio-economic development of the district economy. It is a rural local body; hence, it should endeavour to promote the development of primary sector with emphasis on Agricultural development. But it is financially very weak with lack of appropriate expenditure pattern. It is against this overall backdrop, the present study examines the finances of Kolhapur Zilla Parishad in the post reform period with special importance to its revenue aspect.

The hypothesis of the present study is not tested. It is true that growing duties and responsibilities have increased expenditure of Kolhapur Zilla Parishad. But this Zilla Parishad did not succeed in collecting additional revenue as per its needs and requirements. Its expenditure pattern is faulty. More importantly, growing primary sector has not added increased revenue to the Revenue receipts of Kolhapur Zilla Parishad. Thus, primary sector of the Kolhapur district economy is a under exploited and utilized productive sector as far as revenue mobilization by this Zilla Parishad is concerned. This demands to pay due attention towards that.