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Chapter – I

INTRODUCTION AND RESEARCH METHODOLOGY

1.1 Introduction

Government plays an important role in speeding up economic development of the economy. Government works at three layers in the federal state like India, union government is a apex government at top or national level, state government at state level and at local level there is local government. The constitution of India has well defined the duties, functions and responsibilities to be shouldered by the government working at different levels. The different layer governments in India have assigned sources of Revenue in general and Tax Revenue in particular for more or less to all the governments and their constituents in India. But it is a fact that taxation of all governments has been facing the number of problems even its important role in revenue mobilization of the government is in danger. This demands to study the problems and prospect of taxation of the government in India in general.

Village Panchayats are grass root level constituent of rural local bodies in India. India is basically the rural economy in particular hence, the development of the Indian economy as a whole depends on rural development. It is a well known fact that like all other governments Village Panchayats also plays an important role in the development of the economy under the jurisdiction even within the constraint of revenue. Taxation is a certain, progressive, important, socially just and equitable

source of revenue. But Village Panchayat taxation also has been facing the problem like number of persons with tax dues, growing amount of tax arrears opposition to taxes as well as increasing their rates, demand for Panchayat services in the proportion of tax given, political interference, lack of freedom and autonomy, less productive taxes and so on. On the other, there is increasing number and scope of Village Panchayats functions duties and responsibilities. There is a rapidly increasing demand for additional tax revenue which is a definite and major source of public revenue. This poses an urgent need for examining problems and prospects of Village Panchayat taxation. The 73rd Constitutional Amendment in India has further increased their number of duties functions and responsibilities of the rural local government like Village Panchayats leading to increased demand for revenue. Likewise, Tax Reforms Programmes being implemented since 1991 in India has not incorporated local taxation in general and Village Panchayat taxation in particular.

Even though Maharashtra is one of the developed states in India its development has wide disparity across the districts as well as within the district. Sangli district is one of the famous district in general in Maharashtra and in particular in Western Maharashtra. It has a combination of both the developed and underdeveloped areas. Atpadi is a tehsil in Sangli district which is underdeveloped, drought prone, socio economically backward and others. It has a Village Panchayat. It is being an important rural local body plays a crucial role in the development of its economy. More importantly, it is a rural local government representing backward and drought prone areas. It is expected more from the Atpadi

Village Panchayat. But it is also facing the number of problems relating to taxation like that of other Panchayats. It is against this backdrop, the present research study endeavours to study the problems and prospects of Panchayat taxation with reference to Atpadi Village Panchayat.

1.2 Statement of the Research Problem

It is a fact that rural local finance in general and Village Panchayat finance in particular is in crisis. The growing duties and responsibilities of Village Panchayats increasing their expenditure continuously and rapidly. But their revenue has more dependency on others having lack of fiscal autonomy. Tax Revenue is a major component of Village Panchayat revenue. But it is facing the number of problems; a majority of taxes are unproductive. The amount of tax dues arrears to be paid by the tax payers is significant and growing rapidly. Likewise the number of tax payers also increasing considerably, taxes are more or less stagnant, and Village Panchayats have no freedom to change them in accordance with their needs and requirements. There is a politicization of taxation policy of the Village Panchayats. No efforts have been undertaken to bring about tax reforms in Panchayat taxation in the fiscal reforms being implemented since 1991 in India.

Tax Revenue of Atpadi Village Panchayat was Rs. 7,25,727 in 2000-01, which decreased to Rs. 4,55,472 in 2005-06 but rose to Rs. 18,42,393 in 2009-10 indicating wide fluctuations and uncertainty in Tax Revenue. Tax dues showed a continuous and significant growth, that rose from Rs. 10,25,100 to Rs. 14,05,200 and further to Rs. 37,94,952

during the same period. The number of tax payers in dues was 39% in 2000-10, which stood at 29% in 2005-06 and further to 20% in 2009-10. The study of tax rates of Atpadi Village Panchayat shows that during the period under study a few changes only have been taken place. Besides these there are number of problems the taxation of Atpadi Village Panchayat has been facing. Hence, it is inevitable to study the problems and prospects of taxation with reference to Atpadi Village Panchayat .

1.3 Objectives of the Study

The major objectives of the present research study are as follows :

- i) To study revenue significance of Atpadi Village Panchayat taxation;
- ii) To examine trends in rates of Village Panchayat taxation;
- iii) To identify problems of Panchayat taxation;
- iv) To assess role of taxation in providing civic services to the citizens;
- v) To give suggestions for the bright prospects of Village Panchayat taxation.

1.4 Hypothesis of the Study

The hypothesis of the present research study is as follows :

“Taxation is a backbone of Village Panchayat Finance.”

1.5 Database and Research Methodology

The present research study relies on the secondary data only. The study examines the various issues relating to taxation with reference to Atpadi Village Panchayat in Sangli district of Maharashtra state during the latest period from 2001-02 to 2012-13. The necessary secondary data also is collected from the sources such as Annual Budgets, Administrative Reports and Official Records of Atpadi Village Panchayat during the period under study. Besides this, the secondary data is also collected from the sources such as Socio Economic Survey of Maharashtra for the period into consideration. For this the libraries of Shivaji University, Kolhapur, Rajaram College, Kolhapur, SIBER, Kolhapur have been used.

The collected secondary data is classified and tabulated, processed and analysed by using tools like Compound growth Rate (CGR) to measure growth in Tax Revenue and Revenue from individual taxes, ratio analysis to identify relative position of Tax Revenue in Revenue Receipts, individual Tax Revenue in Tax Revenue and coefficient of variation by employing computer softwares such as Excel, SPSS.

1.6 Chapter Scheme

The chapter scheme of the present research study is as follows :

- Chapter – I : Introduction and Research Methodology
- Chapter – II : Review of Research Literature
- Chapter – III : Revenue Significance of Atpadi Village Panchayat Taxes

Chapter – IV : Problems and Prospects of Atpadi Village Panchayat Taxes

Chapter – V : Conclusions and Suggestions

1.7 Importance of the Study

The importance of the present research study is as follows :

- i) The present research study is a unique study exclusively relating to Village Panchayat taxation.
- ii) The study brings out the important problems which Village Panchayat is facing.
- iii) The study is of greater use in understanding revenue significance of Village Panchayat taxation.
- iv) This study is useful in identifying strengths and weaknesses of Village Panchayat taxation.
- v) This research study is significantly useful in solving the problems of Village Panchayat taxation.

1.8 Limitations of the Study

The present study has the following important limitations.

- i) The study exclusively studies only Village Panchayat taxation of Panchayat Finance.
- ii) The study is limited to only one Village Panchayat i. e. Atpadi, Dist. Sangli.
- iii) The present study is concerned with only the period from 2001-02 to 2012-13.