

**Chapter – 4****ANALYSIS OF GROWTH AND PATTERN OF  
EXPENDITURE OF VILLAGE PANCHAYAT**

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## Chapter – 4

# ANALYSIS OF GROWTH AND PATTERN OF EXPENDITURE OF VILLAGE PANCHAYAT

### 4.1 Introduction

Public expenditure is the most important aspect of Public Finance. It is a tool in the hands of the government, through which the satisfaction of social wants is possible. The performance of rural local bodies in discharging of its various functions is generally judged by its volume and benefits of expenditure occurring to the citizens.

Public expenditure is the expenditure that is incurred by the public authorities i. e. Central, State and Local Government to satisfy those common wants, which the people in individual capacity are unable to satisfy efficiently. Public expenditure thus tends to satisfy collective social wants. In the case of Village Panchayats, public expenditure is undertaken in a limited area. There are certain schemes of development, which can be very usefully implemented by the local bodies, because either their geographical coverage is small or they need local initiative and resources. Such schemes may include the development of water supply, sanitation, public health, education as well as development of roads and gutters, medical arrangements etc. thus, if the public expenditure policy of local government is sufficiently and effectively geared to the promotion of economic growth, it can play an important role in the expansion of infrastructural investment, which has been very aptly characterized as 'Foundation Investment.'

### 4.2 Meaning of Public Expenditure

Public expenditure is the expenditure incurred by public authorities – Central, State or Local Governments either for the satisfaction of collective needs of the citizens or for promoting their

economic and social welfare or for protecting the citizens and the country. <sup>1</sup> Just as consumption is the end of all economic activities so also public expenditure is the end of all financial activities of the state. It is aimed to provide maximum socio-economic welfare of the society. It is considered to be the backbone of economic development of country. Public expenditure is an important part of public finance. <sup>2</sup>

"An expenditure of the government is called public expenditure."

Following definitions will be useful to understand meaning of the concept Public Expenditure.

1. "The expenditure done by public authority on various works is called Public Expenditure."
2. "In the term 'Public Authority' Central Government, State Government, Municipality, Gram Panchayat, Corporation etc. are included. The expenditure done by such authorities is called Public Expenditure."
3. "Public expenditure refers to all types of expenditure incurred by the government." <sup>3</sup>

Public expenditure refers to the expenses, which a government incurs for 1) its own maintenance, 2) the society and the economy, 3) helping other countries. In practice however, with expanding state activities, it is becoming increasingly difficult to separate the portion of public expenditure meant for the maintenance of the government itself from the total. <sup>4</sup>

"Public expenditure (government spending) is the spending by the government or government owned bodies."

"Public expenditure is spending by the government of a country on things such as pension provision and infrastructure enhancement."

Public expenditure is the expenditure incurred by public authorities central, state or local governments either for the satisfaction of collective needs of the citizens or for promoting their economic and

social welfare end of all economic financial activities of the state. It is aimed to provide the backbone of economic development of country. Public expenditure is an important part of Public Finance. <sup>5</sup>

Expenditure should be pushed in all directions upto the point at which satisfaction obtained from the last shilling expended is equal to the satisfaction lost in respect of the last shilling called upon government service. <sup>6</sup>

However, in spite of fact that public expenditure has increased rapidly during the last two centuries or so in almost every state and in spite of its growing role in important national economic areas of public expenditure remains relatively unexplored. As Lowell Harris says the economists have generally concentrated their attention on the theory of taxation. The theory of expenditure has been more or less confined to that of generalities in items of the effects of public expenditure on employment and prices etc. <sup>7</sup>

### **4.3 Meaning of Expenditure of Village Panchayats**

Following definitions will be useful to understand meaning of the concept expenditure of Village Panchayats.

- a) "The expenditure of the Village Panchayats is called expenditure of Village Panchayats."
- b) "The expenditure that the Village Panchayats incur on various items of socio-economic development called expenditure of Village Panchayats."
- c) "The expenditure refers to all types of expenditure incurred by the Village Panchayats."
- d) "The expenditure of Village Panchayats is spending by the Village Panchayats for rural development."

#### **4.4 Items (Heads) of Expenditure of Village Panchayats**

The Village Panchayats of Panhala taluka have undertaken expenditure on the following activities or items during the period under study.

##### **A) Expenditure on Administration**

Under this item, the Village Panchayats incur expenditure to undertake administrative activities. The expenditure is necessary to provide administrative services at present. This expenditure of Village Panchayats includes expenditure on office management, expenditure on salary and allowances of clerks, peon as well as expenditure on stationary etc.

##### **B) Expenditure on Water Supply**

Water is the necessity of life without which human beings cannot live. Expenditure on water supply is a very important and major head of expenditure of Village Panchayats. This expenditure of Village Panchayats includes expenditure on the minor head such as water supply, TCL, salary of workers and electricity bills, as well as expenditure on instruments of water supply etc.

##### **C) Expenditure on Street Light**

Expenditure on street light and rural electrification is also very important functions Village Panchayats. This includes expenditure on salary of workers, electricity bills, office electricity bill, as well as instruments of lighting.

##### **D) Expenditure on Public Health**

Under this item of expenditure of the Village Panchayats the items that included are various heads such as gutters and urinals maintenance, road maintenance, cleaning of roads and streets etc.

**E) Expenditure on Welfare of Backward Classes People**

Under this item expenditure of the Village Panchayats, they undertake expenditure on various schemes like subsidy for house construction, subsidy for biogas as well as subsidy for cottage industries.

**F) Expenditure on District Rural Development Funds**

The Village Panchayats contribute in a certain percent to the total donations and contributions received by them to the district rural development fund. The Village Panchayats get loan out of this fund and for which they have to apply to the Zilla Parishad. They get loans at 5% interest rate per annum.

**G) Expenditure on Social Programmes**

The Village Panchayats incurs some expenditure on social welfare. Under this item Village Panchayats undertake following works.

1. Give subsidy for purposes of biogas plant construction, housing etc.
2. Give some subsidy for the various clubs (mandals) to village level and some sports materials for the boys under the area of Village Panchayats
3. The sports and cultural development
4. The expenditure of Village Panchayats provide educational facilities like primary education, running and maintenance of public libraries, nutritious food for children as well as pregnant women, various preventive immunization programmes, various medical and health facilities for women and children.

**H) Expenditure on Other Items**

Under this head of expenditure the Village Panchayats undertake expenditure to provide various facilities by performing various duties like –

1. Expenditure on Agriculture and Road
2. Expenditure on celebration of national festivals

3. Expenditure on dead stock, court expenses as well as interest payment etc.
4. Expenditure on various schemes like JRY, Indira Aawas Yojana.

Expenditure of the Government is classified into Revenue Expenditure and Capital Expenditure. Revenue expenditure is that part of total expenditure, which is spent on providing services at present. The items of revenue expenditure of Village Panchayats are expenditure on administration, street light, district rural development, welfare of backward classes, public health, social welfare programmes, others.

Capital expenditure is expenditure on purchase or production of capital goods. Capital expenditure of Village Panchayats includes expenditure on repayment of loans, repayment of deposits, others.

#### **4.5 Growth and Composition of Total Expenditure of Village Panchayats**

This section of the chapter four examines growth and composition of public expenditure of the Village Panchayats of Panhala taluka in Kolhapur district for the period 2000-01 to 2008-09. The data presented in the table covers the period of nine years.

The Village Panchayats have been playing a vital role at village level in improving living conditions and standard of the people. Similarly, Village Panchayats at village level have been playing expected and vital role for the people. The functions of Village Panchayats have increased which has resulted in increased expenditure. In other words, expenditure of the Village Panchayats has been increasing due to increasing functions.

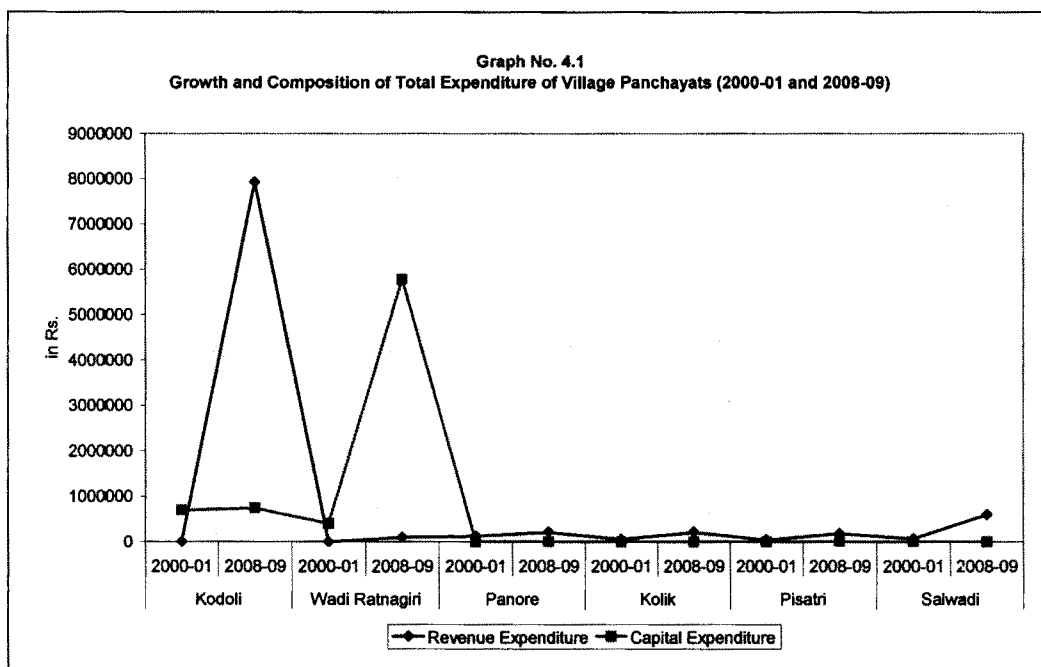
**Table No. 4.1**  
**Growth and Composition of Total Expenditure of Village Panchayats**

Year	1) Kodoli			2) Wadi Ratnagiri			3) Panore		
	Revenue Expenditure	Capital Expenditure	Total Expenditure	Revenue Expenditure	Capital Expenditure	Total Expenditure	Revenue Expenditure	Capital Expenditure	Total Expenditure
2000-01	--	700000 (100)	700000 (100)	403000 (100)	--	403000 (100)	134180 (100)	--	134180 (100)
2001-02	3259000 (92.87)	250000 (7.13)	3509000 (100)	433633 (100)	--	433633 (100)	99194 (95.38)	4800 (4.62)	103994 (100)
2002-03	6307840 (88.04)	857000 (11.96)	7164840 (100)	628375 (100)	--	628375 (100)	98455 (94.52)	5710 (5.48)	104165 (100)
2003-04	4521000 (88.72)	575000 (11.28)	5096000 (100)	1210500 (95.28)	60000 (4.72)	1270500 (100)	296700 (96.74)	10000 (3.26)	306700 (100)
2004-05	7237400 (93.90)	470000 (6.10)	7707400 (100)	1228000 (96.09)	50000 (3.91)	1278000 (100)	323500 (97.00)	1000 (3.00)	333500 (100)
2005-06	7135330 (92.66)	565000 (7.34)	7700330 (100)	1720000 (99.42)	10000 (0.58)	1730000 (100)	401000 (99.75)	1000 (0.25)	402000 (100)
2006-07	7351830 (92.22)	620000 (7.78)	7971830 (100)	1690000 (97.01)	52000 (2.99)	1742000 (100)	438049 (98.43)	7000 (1.57)	445049 (100)
2007-08	7963330 (91.39)	750000 (8.61)	8713330 (100)	3659227 (98.39)	60000 (1.61)	3719227 (100)	780700 (98.73)	1000 (1.27)	790700 (100)
2008-09	7923330 (91.35)	750000 (8.65)	8673330 (100)	5673723 (98.27)	100000 (1.73)	5773723 (100)	219080 (97.77)	5000 (2.23)	224080 (100)
CGR	24.44	4.96	25.07	38.61	10.72	38.27	20.99	-0.33	20.74

Year	4) Kolik			5) Pisatri			6) Salwadi		
	Revenue Expenditure	Capital Expenditure	Total Expenditure	Revenue Expenditure	Capital Expenditure	Total Expenditure	Revenue Expenditure	Capital Expenditure	Total Expenditure
2000-01	58651 (100)	--	58651 (100)	46387 (99.74)	120 (0.26)	46507 (100)	72600 (93.56)	5000 (6.44)	77600 (100)
2001-02	31387 (100)	--	31387 (100)	33753 (100)	--	33753 (100)	49900 (83.31)	10000 (16.69)	59900 (100)
2002-03	62882 (100)	--	62882 (100)	20452 (100)	--	20452 (100)	26273 (100)	--	26273 (100)
2003-04	95140 (100)	--	95140 (100)	70240 (100)	--	70240 (100)	127492 (98.45)	2000 (1.55)	129492 (100)
2004-05	176240 (100)	--	176240 (100)	111540 (100)	--	111540 (100)	77550 (97.49)	2000 (2.51)	79550 (100)
2005-06	171240 (100)	--	176240 (100)	115740 (100)	--	115740 (100)	107900 (98.18)	2000 (1.82)	109908 (100)
2006-07	205293 (100)	--	205293 (100)	114949 (100)	--	114949 (100)	214700 (100)	--	214700 (100)
2007-08	214830 (100)	--	214830 (100)	173400 (100)	--	173400 (100)	533300 (100)	--	533300 (100)
2008-09	217030 (100)	--	217030 (100)	190400 (95.01)	10000 (4.99)	200400 (100)	602000 (99.83)	1000 (0.17)	603000 (100)
CGR	26.19	--	26.19	17.96	--	18.36	38.64	-30.77	36.79

Source : Official Records of Village Panchayats

Note : Figures in round brackets shows percentage to total expenditure.



### 1. Kodoli Village Panchayat

The revenue expenditure of Kodoli Village Panchayat increased from Rs. 3259000 (92.37%) in 2001-02 to Rs. 7963330 (91.39%) in 2007-08. The growth rate of revenue expenditure was higher than capital expenditure. It was 24.44%. Its capital expenditure was Rs. 700000 (100%) in 2000-01. In 2005-06, it increased to Rs. 565000 (7.34%) to Rs. 750000 (8.65%) in 2008-09. It increased by 4.96%.

### 2. Wadi Ratnagiri Village Panchayat

In the case of Wadi Ratnagiri Village Panchayat revenue expenditure was Rs. 403000 (100%) in 2000-01. In 2006-07 it increased to Rs. 1690000 (97.01%). The growth rate of revenue expenditure was 38.61%. The capital expenditure of this Panchayat increased to Rs. 60000 (4.72%) in 2003-04 to Rs. 100000 (1.73%) in 2008-09. It increased by 10.72% growth rate during the study period.

### 3. Panore Village Panchayat

For Panore Village Panchayat the data reveals that revenue expenditure was Rs. 134180 (100%) in 2000-01. It rose to Rs. 219080 (97.77%) in 2008-09. The growth rate of revenue expenditure was

higher than capital expenditure. It was 20.99%. Its capital expenditure increased from Rs. 4800 (4.62%) in 2001-02 to Rs. 10000 (1.27%) in 2007-08. However, it declined to Rs. 5000 (2.23%) in 2008-09. It fell by – 0.33% during the period into consideration.

#### **4. Kolik Village Panchayat**

The Village Panchayat of Kolik had revenue expenditure of Rs. 58651 (100%) in 2000-01 which increased to Rs. 217030 (100%) in 2008-09. It increased by at the rate of 26.19%.

#### **5. Pisatri Village Panchayat**

In the case of Pisatri Village Panchayat revenue expenditure was Rs. 46387 (99.74%) in 2000-01. It rose to Rs. 190400 (95.01%) in 2008-09. The growth rate of revenue expenditure was 17.96%. Capital expenditure was Rs. 120 (0.26%) in 2000-01. It rose rapidly to Rs. 10000 (4.99%) in 2008-09.

#### **6. Salwadi Village Panchayat**

As far as Salwadi Village Panchayat is concerned, its revenue expenditure was Rs. 72600 (93.56%) in 2000-01. It rose to Rs. 602000 (99.83%) in 2008-09. It increased by 38.64%. Capital expenditure increased from Rs. 5000 (6.44%) in 2000-01 to Rs. 10000 (16.69%) in 2001-02. However, it declined to Rs. 1000 (0.17%) in 2008-09. Its capital expenditure declined by – 30.77%.

A technique of standard deviation (SD) reveals that capital expenditure (SD = 180490.15) registered greater variations than revenue expenditure. Revenue expenditure showed a strong and positive relationship with total expenditure. Likewise, capital expenditure of Kodoli Village Panchayat indicated moderate and positive association with total expenditure ( $r = 0.33$ )

For Wadi Ratnagiri Village Panchayat its revenue expenditure had greater variations (SD = 1747748.83) than its capital expenditure. The correlation analysis indicated revenue expenditure had a higher

degree and positive ( $r = 0.90$ ) correlation with total expenditure. And capital expenditure was strong and positively correlated with total expenditure ( $r = 0.76$ ).

In the case of Panore Village Panchayat revenue expenditure had greater variations ( $SD = 216496.15$ ) than capital expenditure. The correlation analysis indicated that revenue expenditure had a high degree and positive correlation with total expenditure ( $r = 0.89$ ). Moreover, capital expenditure had moderate and positive correlation with total expenditure ( $r = 0.47$ ).

For the Pisatri Village Panchayat its revenue expenditure had higher variations ( $SD = 59771.63$ ) than capital expenditure. The correlation analysis indicated that revenue expenditure had positive and high degree correlation with total expenditure ( $r = 0.80$ ). Likewise, capital expenditure had a high degree and positive association with total expenditure ( $r = 0.70$ ).

The Salwadi Village Panchayat's revenue expenditure had higher variations than capital expenditure and total expenditure. The correlation analysis indicated that revenue expenditure had a higher degree and positive correlation with total expenditure ( $r = 0.80$ ). However, capital expenditure had negative and low degree. Correlation with total expenditure ( $r = - 0.46$ ).

Kodoli Village Panchayat has mainly attempted for providing services to the citizens at present. Here its revenue expenditure was prominent in total expenditure and also increased rapidly. However, this Village Panchayat has neglected capital expenditure, which plays important role in rural development. Its capital expenditure was meagre and also has registered wild growth. Wadi Ratnagiri Village Panchayat has very significantly neglected to capital expenditure. Its capital expenditure was very meagre with very mild growth. It is clear that this Village Panchayat gives priority to provide services to its citizens at present than future rural development. More or less same is true

in the case of Panore Village Panchayat. It has spent a smaller share of total expenditure of capital expenditure and its growth was negative.

Kolik and Pisatri are small Village Panchayats in Panhala tehsil of Kolhapur district. They have not spent capital expenditure. This has a bad repercussions on their rural development. Salwadi Village Panchayat has increased capital expenditure having inconsistency. It is the result of financial stringency of the Village Panchayats.

#### **4.6 Growth and Composition of Revenue Expenditure of Village Panchayats**

**Table No. 4.2**  
**Growth and Composition of Revenue Expenditure of Village Panchayats**

Year	Administration	Water Supply	Street Light	District Rural Development Fund	Backward Class People Welfare	Public Health	Social Programme	Others	Revenue Expenditure
1) Kodoli									
2000-01	--	--	--	--	--	--	--	--	--
2001-02	595000 (18.26)	50000 (1.53)	100000 (3.07)	80000 (2.46)	--	4000 (0.12)	183000 (5.61)	2247000 (68.95)	3259000 (100)
2002-03	64000 (10.15)	--	150000 (2.38)	150000 (2.38)	50000 (0.79)	2000 (0.03)	262000 (4.15)	5053840 (80.12)	6307840 (100)
2003-04	935000 (20.68)	--	150000 (3.32)	125000 (2.77)	--	10000 (0.22)	215000 (4.75)	3086000 (68.26)	4521000 (100)
2004-05	840000 (11.60)	100000 (1.38)	175000 (2.42)	125000 (1.73)	--	10000 (0.14)	220000 (3.04)	5767400 (79.69)	7237400 (100)
2005-06	951930 (13.34)	120000 (1.68)	75000 (1.05)	200000 (2.80)	500000 (7.01)	460000 (6.45)	25000 (0.35)	4803400 (67.32)	7135330 (100)
2006-07	1027430 (13.97)	120000 (1.63)	75000 (1.02)	200000 (2.72)	100000 (1.36)	460000 (6.26)	25000 (0.34)	5344400 (72.70)	7351830 (100)
2007-08	1250030 (15.70)	120000 (1.51)	425000 (5.34)	250000 (3.14)	250000 (3.14)	465000 (5.84)	45000 (0.56)	5158300 (64.77)	7923330 (100)
2008-09	1250030 (15.78)	--	425000 (5.36)	25000 (0.31)	450000 (5.68)	465000 (5.87)	45000 (0.57)	5263300 (66.43)	7923336 (100)
CGR	11.24	21.32	15.91	- 4.31	44.79	146.69	- 27.71	9.36	24.44

Year	Administration	Water Supply	Street Light	District Rural Development Fund	Backward Class People Welfare	Public Health	Social Programme	Others	Revenue Expenditure
2) Wadi Ratnagiri									
2000-01	--	2500 (0.62)	--	--	--	--	--	400500 (99.38)	403000 (100)
2001-02	127045 (29.30)	25880 (5.97)	12727 (2.93)	--	--	--	13500 (3.11)	254481 (58.69)	433633 (100)
2002-03	160428 (25.53)	--	16079 (2.56)	--	--	--	--	451868 (71.91)	628375 (100)
2003-04	204000 (16.85)	--	30000 (2.48)	30000 (2.48)	--	110000 (9.09)	20000 (1.65)	816500 (67.45)	1210500 (100)
2004-05	636000 (51.79)	--	40000 (3.26)	18000 (1.47)	40000 (3.26)	50000 (4.07)	30000 (2.44)	414000 (33.71)	1228000 (100)
2005-06	545000 (31.69)	400000 (23.25)	40000 (2.33)	80000 (4.65)	40000 (2.33)	50000 (2.91)	30000 (1.74)	535000 (31.10)	1720000 (100)
2006-07	285000 (16.86)	--	100000 (5.92)	30000 (1.77)	--	60000 (3.56)	3000 (1.77)	1185000 (70.12)	1690000 (100)
2007-08	380000 (10.38)	--	150000 (4.10)	13430 (0.37)	--	54297 (1.48)	15000 (0.41)	3046500 (83.26)	3659227 (100)
2008-09	440000 (7.75)	800000 (14.10)	200000 (3.52)	--	--	110000 (1.94)	10000 (0.18)	4113723 (72.51)	5673723 (100)
CGR	17.93	642.08	50.00	- 10.38	--	1.23	- 5.13	28.73	38.61

Year	Administration	Water Supply	Street Light	District Rural Development Fund	Backward Class People Welfare	Public Health	Social Programme	Others	Revenue Expenditure
3) Panore									
2000-01	9337 (6.96)	17800 (13.27)	8346 (6.22)	2519 (1.88)	--	785 (0.58)	1735 (1.29)	93658 (69.80)	134180 (100)
2001-02	9225 (9.3)	134950 (35.23)	6613 (6.67)	3704 (3.73)	12405 (12.51)	2718 (2.74)	529 (0.53)	29050 (29.29)	99194 (100)
2002-03	10190 (10.35)	17805 (18.08)	14510 (14.74)	4558 (4.63)	13995 (14.22)	3898 (3.96)	2170 (2.20)	31329 (31.82)	98455 (100)
2003-04	13200 (4.45)	30000 (10.11)	15000 (5.06)	5000 (1.68)	15000 (5.06)	7000 (2.36)	2000 (0.67)	209500 (70.61)	296700 (100)
2004-05	14500 (4.48)	30000 (9.27)	20000 (6.18)	3000 (1.86)	18000 (5.56)	11000 (3.40)	4000 (1.24)	220000 (68.01)	323500 (100)
2005-06	14500 (3.61)	35000 (8.73)	20000 (4.99)	7000 (1.75)	20000 (4.99)	11000 (2.74)	3000 (0.75)	290500 (72.44)	401000 (100)
2006-07	34976 (7.99)	33900 (7.74)	22900 (5.23)	3076 (0.70)	27600 (6.30)	--	1200 (0.27)	314397 (71.77)	438049 (100)
2007-08	40500 (5.19)	40000 (5.12)	20000 (2.56)	2600 (0.34)	20000 (2.56)	--	2800 (0.36)	654800 (83.87)	780700 (100)
2008-09	32400 (14.79)	40000 (18.26)	22000 (10.04)	500 (0.23)	20000 (9.13)	--	2700 (1.23)	101480 (46.32)	219080 (100)
CGR	32.08	8.84	15.02	-12.45	8.77	67.15	10.49	- 0.37	20.99

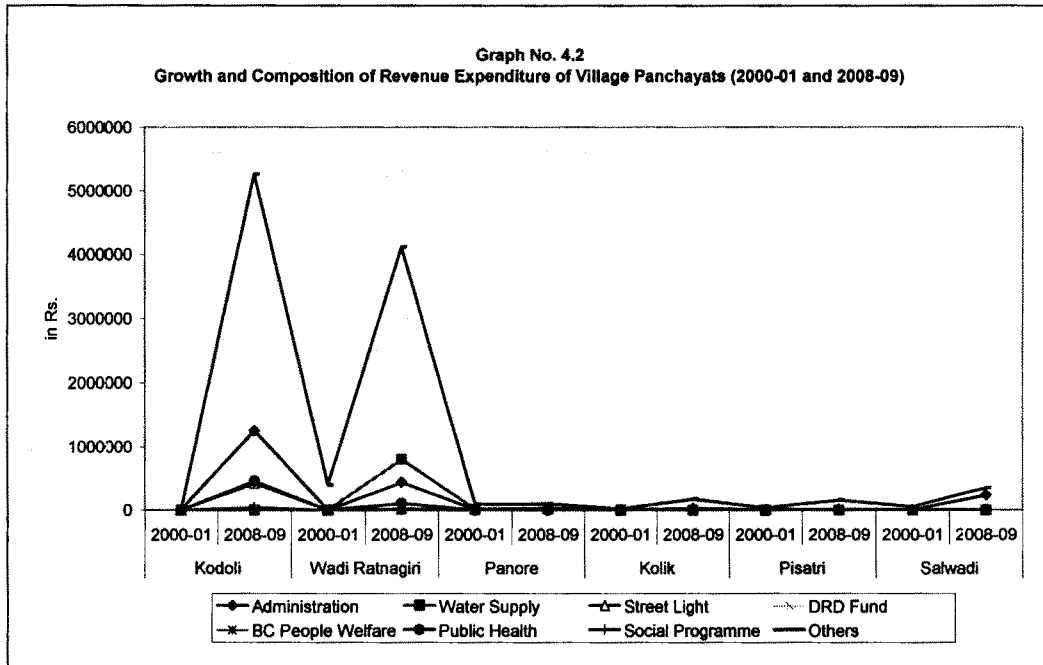
Year	Administration	Water Supply	Street Light	District Rural Development Fund	Backward Class People Welfare	Public Health	Social Programme	Others	Revenue Expenditure
4) Kolik									
2000-01	9085 (15.49)	3225 (5.50)	3084 (5.26)	605 (1.03)	15166 (25.86)	940 (1.60)	3705 (6.32)	22841 (38.94)	58651 (100)
2001-02	12000 (38.23)	--	1600 (5.10)	1062 (3.38)	3599 (11.47)	2775 (8.84)	182 (0.58)	10169 (32.40)	31387 (100)
2002-03	11219 (17.84)	--	1188 (1.89)	1873 (2.98)	4550 (7.23)	1300 (2.07)	--	42752 (67.99)	62882 (100)
2003-04	17200 (18.08)	--	5000 (5.25)	1900 (2.00)	4500 (4.73)	3000 (3.15)	600 (0.63)	62940 (66.16)	95140 (100)
2004-05	16200 (9.19)	--	6500 (3.69)	2000 (1.14)	4500 (2.55)	3000 (1.70)	1100 (0.62)	142940 (81.11)	176240 (100)
2005-06	14800 (8.64)	--	6000 (3.50)	2500 (1.46)	4500 (2.63)	3000 (1.75)	1100 (0.64)	139340 (81.38)	171240 (100)
2006-07	15300 (7.45)	--	6500 (3.17)	--	4500 (2.19)	3000 (1.46)	1100 (0.54)	174893 (85.19)	205293 (100)
2007-08	16800 (7.82)	--	12000 (5.59)	--	4500 (2.09)	3500 (1.63)	1100 (0.51)	176930 (82.36)	214830 (100)
2008-09	25600 (11.80)	--	7000 (3.23)	--	4500 (2.07)	3500 (1.61)	350 (0.16)	176080 (81.13)	217030 (100)
CGR	9.82	--	23.99	29.35	-6.77	13.55	-6.56	38.99	26.19

Year	Administration	Water Supply	Street Light	District Rural Development Fund	Backward Class People Welfare	Public Health	Social Programme	Others	Revenue Expenditure
5) Pisatri									
2000-01	6133 (13.22)	--	1614 (3.48)	527 (1.14)	1500 (3.23)	400 (0.86)	120 (0.26)	36093 (77.81)	46387 (100)
2001-02	11986 (35.51)	300 (0.89)	564 (1.67)	676 (2.00)	3000 (8.89)	450 (1.33)	--	16777 (49.71)	33753 (100)
2002-03	5887 (28.78)	--	690 (3.37)	-	2040 (9.98)	--	--	11835 (57.87)	20452 (100)
2003-04	12000 (17.08)	--	2500 (3.56)	820 (1.17)	2500 (3.56)	2000 (2.85)	600 (0.85)	49820 (70.93)	70240 (100)
2004-05	9300 (8.34)	--	5500 (4.93)	1000 (0.90)	2500 (2.24)	2000 (1.79)	600 (0.54)	90640 (81.26)	111540 (100)
2005-06	9800 (8.47)	--	7000 (6.05)	1000 (0.86)	3000 (2.59)	2000 (2.73)	600 (0.52)	92340 (79.78)	115740 (100)
2006-07	5230 (4.55)	--	1955 (1.70)	131 (0.11)	3000 (2.61)	2000 (1.74)	850 (0.74)	101783 (88.55)	114949 (100)
2007-08	10800 (6.23)	--	7000 (4.04)	1000 (0.58)	3000 (1.73)	3000 (1.73)	1500 (0.86)	147100 (84.83)	173400 (100)
2008-09	10800 (5.67)	--	9000 (4.73)	1000 (0.52)	3000 (1.58)	3500 (1.84)	2000 (1.05)	161100 (84.61)	190400 (100)
CGR	2.55	--	33.96	1.12	6.4	34.13	46.12	33.09	17.96

Year	Administration	Water Supply	Street Light	District Rural Development Fund	Backward Class People Welfare	Public Health	Social Programme	Others	Revenue Expenditure
6) Salwadi									
2000-01	4300 (5.92)	--	2000 (2.75)	5000 (6.89)	--	--	2300 (3.17)	59000 (81.27)	72600 (100)
2001-02	8700 (17.44)	--	7000 (14.03)	1000 (2.00)	--	--	5000 (10.02)	28200 (56.51)	49900 (100)
2002-03	7208 (27.44)	--	3110 (11.84)	1255 (4.78)	--	1262 (4.80)	700 (2.66)	12738 (48.48)	26273 (100)
2003-04	8442 (6.62)	--	1700 (1.33)	1127 (0.88)	--	--	322 (0.25)	115901 (90.92)	127492 (100)
2004-05	11600 (14.96)	--	9000 (11.60)	2990 (3.86)	--	1000 (1.29)	4000 (5.16)	48960 (63.13)	77550 (100)
2005-06	11600 (10.75)	--	9000 (8.34)	3990 (3.70)	--	1000 (0.93)	3000 (2.78)	79310 (73.50)	107900 (100)
2006-07	11500 (5.36)	--	11000 (5.12)	--	--	3000 (1.40)	1800 (0.46)	188200 (87.66)	214700 (100)
2007-08	11500 (2.16)	--	11000 (2.06)	--	--	3000 (0.56)	1000 (0.19)	506800 (95.03)	533300 (100)
2008-09	237000 (39.37)	--	7000 (1.16)	400 (0.07)	--	2500 (0.41)	5000 (0.83)	350100 (58.16)	602000 (100)
CGR	35.27	--	19.24	- 13.13	--	25.00	2.05	41.07	38.64

Source : Official Records of Village Panchayats

Note : Figures in round brackets shows percentages to total revenue expenditure.



The table represents the growth and composition of revenue expenditure of Village Panchayats during the period under study.

### 1. Kodoli Village Panchayat

Expenditure on administration increased from Rs. 595000 (18.26%) in 2000-01 to Rs. 1250030 (15.78%) in 2008-09. However, it declined to Rs. 840000 (11.60%) in 2004-05. It increased by 11.24% during the period under study. The expenditure on water supply increased from Rs. 50000 (1.63%) in 2001-02 to Rs. 120000 (1.51%) in 2007-08. Its growth rate was 21.32% during the period into consideration. As well as expenditure on street light was Rs. 100000 (3.07%) in 2001-02. It increased to Rs. 425000 (5.36%) in 2008-09. Its growth rate was 15.19% during the study period. The expenditure on District Rural Development Fund increased from Rs. 80000 (2.46%) in 2001-02 to Rs. 25000 (3.14%) in 2007-08. In the year 2008-09, it was Rs. 25000 (0.31%). It fell by - 4.31% during the period into our consideration.

Expenditure on backward classes increased from Rs. 50000 (0.79%) in 2002-03 to Rs. 500000 (7.01%) in 2005-06. Thereafter it increased to Rs. 250000 (3.14%) in 2007-08, Rs. 450000 (5.68%) in 2008-09. The growth rate of this item of expenditure was very high. It was 44.97%. The expenditure on public health was Rs. 4000 (0.12%) in 2000-01. It declined to Rs. 10000 (0.14%) in 2004-05. Thereafter it increased to Rs. 465000 (5.87%) in 2008-09. It increased by 146.69% during the study period. The expenditure on social programmes increased from Rs. 183000 (5.61%) in 2001-02 to Rs. 45000 (0.57%) in 2008-09. The growth rate of this head of expenditure was - 27.71%. Other expenditure was Rs. 2247000 (68.95%) in 2001-02. It increased to Rs. 5344400 (72.70%) in 2006-07, Rs. 5263300 (66.43%) in 2008-09. The growth rate of this item of expenditure was 9.36%.

Expenditure on other items had greater variations (SD = 1237337.52) than other expenditure items. The correlation analysis indicated that expenditure on administration had a positive and high degree association with total revenue expenditure. Expenditure on water supply had a positive and high degree ( $r = 0.96$ ) correlation with revenue expenditure. Expenditure on social programmes had a negative and high degree relationship with total revenue expenditure. Expenditure on street light was positive and high degree ( $r = 0.50$ ) association with revenue expenditure. Moreover, the expenditure on District Rural Development Fund has a positive and high degree ( $r = 0.34$ ) association with revenue expenditure. There was positive but low degree correlation between expenditure on backward people and total revenue expenditure ( $r = 0.49$ ). The expenditure on public health had positive and high degree ( $r = 0.71$ ) association with total revenue expenditure.

Administration was the main item of revenue expenditure of Kodoli Village Panchayat. However, it has given considerable attention towards public health, welfare of backward class people, water supply. The correlation analysis has identified water supply, others administration, public health as important heads of revenue expenditure of this Village Panchayat. Regression analysis reveals that social welfare programmes and others have influenced revenue expenditure of the Panchayat greatly.

## **2. Wadi Ratnagiri Village Panchayat**

Expenditure on administration increased from Rs. 127045 (29.30%) in 2001-02 to Rs. 380000 (10.38%) in the year 2007-08 to Rs. 440000 (7.75%) in 2008-09. It increased by 17.93% during the period under study. Expenditure on water supply increased from Rs. 2500 (0.62%) in 2000-01 to Rs. 800000 (14.10%) in 2008-09. The growth rate of this item was very high (17.93%). The expenditure on street light increased from Rs. 12727 (2.93%) in 2001-02 to Rs. 200000 (3.52%) in 2008-09. It increased by 50% per annum during the study period. Expenditure on district rural development fund was Rs. 30000 (2.48%) in 2003-04. It declined to Rs. 13430 (0.37%) in the year 2007-08. It declined by – 10.38%. The expenditure on public health was Rs. 110000 (9.09%) in the year 2003-04. In the year 2008-09, it declined to Rs. 110000 (1.94%). It increased by 1.23% during the total period into our consideration. As well as the expenditure on social programmes increased from Rs. 13500 (3.11%) in 2001-02 to Rs. 30000 (1.77%) in 2006-07. It declined in the year 2008-09 and come down to Rs. 10000 (0.18%). It fell by – 5.13% during the period under study. The expenditure on other items was Rs. 400500 (99.38%) in 2000-01. It increased to Rs. 4113723 (72.51%) in 2008-09. The growth rate of other item was very high. It was 28.73%.

For the Wadi Ratnagiri Village Panchayat its expenditure on other items had greater variations (SD = 1373734.37). Correlation analysis indicated that expenditure on administration was positively associated with revenue expenditure. As well as expenditure on water supply had high and positive relationship with revenue expenditure ( $r = 0.96$ ). However, the expenditure on district rural development fund was negatively associated with revenue expenditure ( $r = - 0.27$ ). Again the expenditure on public health was negatively related with revenue expenditure ( $r = - 0.40$ ). Moreover, expenditure on other items had high degree and positive association with revenue expenditure.

For Wadi Ratnagiri Village Panchayat street light, others, social welfare programmes, public health were the major items of expenditure of its revenue account. A technique of correlation has revealed others, street light, water supply were the important items of its revenue expenditure. This is a clear cut indicator of attempts of Wadi Ratnagiri Village Panchayat for rural development of the area under its jurisdiction especially at present.

### **3. Panore Village Panchayat**

The expenditure on administration was Rs. 9337 (5.96%) in 2000-01. It declined to Rs. 9225 (9.30%) in 2001-02. However, it increased to Rs. 10190 (10.35%) in 2002-03 to Rs. 13200 (4.45%) in 2003-04. However, it declined to Rs. 32400 (14.79%) in the year 2008-09. The growth rate of expenditure on administration was 32.08% during the period under study. The expenditure on water supply increased to Rs. 17800 (13.27%) in 2000-01 to Rs. 34950 (35.23%) in 2001-02. However, it declined in 2002-03 and come down to Rs. 17805 (18.08%). Again it increased to Rs. 35000 (8.73%) in 2005-06. However, in 2006-07 it declined to Rs. 33900 (7.74%). Again it increased to Rs. 40000 (18.26%) in the year 2008-09. It was increased by 8.84% during the period into consideration. The expenditure on street light increased from Rs. 8346 (6.22%) in 2000-01 to Rs. 22000 (10.04%) in 2008-09. However, in the year

2005-06 it declined to Rs. 20000 (4.99%). The growth rate of this item was 15.02% during the period under study. The expenditure on district rural development fund increased from Rs. 2519 (1.88%) in 2000-01 to Rs. 7000 (1.75%) in 2005-06. It declined during the period 2006-07 to 2008-09. It fell by – 12.45% for the period under study. The expenditure on welfare of backward class people increased from Rs. 12405 (12.51%) in 2001-02 to Rs. 27600 (6.30%) in 2006-07. It declined to Rs. 20000 (9.13%) in the year 2008-09. Its growth rate was 8.77% during the period under study. As well as the expenditure on public health increased from Rs. 785 (0.58%) in 2000-01 to Rs. 11000 (2.74%) in 2005-06. It increased by 67.15% per annum during the period under study. This expenditure on social welfare programmes was Rs. 1735 (1.29%) in 2000-01. It increased to Rs. 2800 (0.36%) in 2007-08. Again it declined to Rs. 2700 (1.23%) in the year 2008-09. Expenditure on other items was Rs. 93658 (69.80%) in 2000-01. However, in the year 2008-09 it declined to Rs. 101480 (46.32%). It declined by – 0.37% per annum during the period under study.

In the case of Panore Village Panchayat expenditure on other items had greater variations (SD = 207277) than others. The correlation analysis indicated expenditure on administration had positive association ( $r = 0.66$ ) with revenue expenditure. The expenditure on water supply had moderate and positive correlation with revenue expenditure ( $r = 0.30$ ). As well as the expenditure on street light had a low degree and positive correlation with revenue expenditure ( $r = 0.10$ ). In addition, the expenditure on backward people's welfare had a positive association with revenue expenditure ( $r = 0.31$ ). As well as the expenditure on public health had a high degree and positive relationship with revenue expenditure ( $r = 0.92$ ). The expenditure on other items had high degree and positive correlation with revenue expenditure ( $r = 0.91$ ).

Panore Village Panchayat has spent on a few items of revenue expenditure. Its revenue expenditure on administration, street light, public health have increased rapidly during the period under study. According to correlation analysis others, public health, administration, street light have shown positive and high degree association with revenue expenditure.

#### **4. Kolik Village Panchayat**

The expenditure on administration increased from Rs. 9085 (15.49%) in 2000-1 to Rs. 15300 (7.45%) in 2006-07, Rs. 25600 (11.80%) in 2008-09. The growth rate of expenditure on administration was 9.82% during the period under study. The expenditure on street light was Rs. 3084 (5.26%) in the year 2000-01. It increased to Rs. 6500 (3.17%) in 2006-07, Rs. 12000 (3.59%) in 2007-08. However, in the year 2008-09 it again declined to Rs. 7000 (3.23%). It increased by 23.99% during the period under study. The expenditure on district rural development fund increased from Rs. 605 (1.03%) in 2000-01 to Rs. 2500 (1.46%) in 2005-06. The growth rate of expenditure on this item was 29.35% per annum. The expenditure on welfare of backward people was Rs. 15166 (25.86%) in 2000-01. It declined in 2001-02 and come down to Rs. 3599 (11.47%). Again it increased to Rs. 4550 (7.23%) in 2002-03. However, it declined to Rs. 4500 (2.55%) in the year 2004-05. It fell by – 6.77% per annum during the period into consideration. The expenditure on public health increased from Rs. 940 (1.60%) in 2000-01 to Rs. 2775 (8.84%) in 2001-02. It declined in 2002-03 and came down to Rs. 1300 (2.01%). Again it increased to Rs. 3000 (3.15%) in 2003-04, Rs. 3500 (1.61%) in 2008-09. The growth rate of expenditure on public health was 13.35% per annum during the period under study. The expenditure on social welfare programme was Rs. 3705 (6.32%) in 2000-01. It declined to Rs. 182 (0.58%) in 2001-02. Thereafter it increased to Rs. 600 (0.63%) in 2003-04, Rs. 1100 (0.51%) in 2007-08. However, in the year 2008-09 it declined

to Rs. 350 (0.16%). Its growth rate was – 6.56% per annum during the period under study. The growth rate of other items was 38.99% per annum under study.

For Kolik Village Panchayat its expenditure on other items had greater variations (SD = 7059.71) than others. The correlation analysis indicated that expenditure on administration had moderate and positive correlation with revenue expenditure ( $r = 0.74$ ). As well as expenditure on street light had a strong and positive correlation with revenue expenditure ( $r = 0.86$ ). The expenditure on district rural development fund was highly and positively associated with revenue expenditure ( $r = 0.76$ ). There was a strong and positive correlation between other items expenditure and revenue expenditure ( $r = 0.99$ ).

Kolik Village Panchayat has allocated a significant share of revenue expenditure towards administration, street light, welfare of backward classes, public health. Its revenue expenditure on District Rural Development Fund, street light and public health. A correlation technique has revealed that others, water supply, administration and public health have registered positive and high degree association with revenue expenditure.

#### **5. Pisatri Village Panchayat**

The expenditure on administration increased from Rs. 6133 (13.22%) in 2000-01 to Rs. 10800 (5.67%) in the year 2008-0-9. The growth rate of expenditure on administration was 2.55%. The expenditure on street light was Rs. 1614 (3.48%) in 2000-01. It declined to Rs. 564 (1.67%) in 2001-02. However, it increased to Rs. 690 (3.37%) in 2002-03 to Rs. 1955 (1.70%) in 2006-07. It increased by 33.96% during the period under study. The expenditure on District Rural Development Fund increased from Rs. 527 (1.14%) in 2000-01 to Rs. 1000 (0.52) in 2008-09. The growth rate of expenditure on this item was only 1.12% during the period under study. The expenditure on backward people welfare increased from

Rs. 1500 (3.23%) in 2000-01 to Rs. 3000 (1.58%) in 2008-09. It increased by 6.4% per annum during the period under study. The expenditure on public health increased from Rs. 400 (0.86%) in 2000-01 to Rs. 3500 (1.84%) in 2008-09. The growth rate of expenditure on public health was 34.13%. The expenditure on social welfare programmes increased from Rs. 120 (0.26%) in 2000-01 to Rs. 2000 (1.05%) in 2008-09. The growth rate of expenditure on social welfare programmes was 46.12%. Expenditure on other items increased by 33.09%.

Pisatri Village Panchayat has allocated a major share of its revenue expenditure towards others, which was followed by administration, others, development of women and children, public health, street light are the major heads of revenue expenditure that have significant shares and rapid growth during the period under study. According to correlation technique others, development of women and children, social welfare, street light have shown a high degree and positive association with revenue expenditure.

## **6. Salwadi Village Panchayat**

The expenditure on administration increased from Rs. 4300 (5.92%) in 2000-01 to Rs. 237000 (39.37%) in 2008-09. The growth rate of expenditure on administration was 35.37% per annum. The expenditure on street light increased from Rs. 2000 (2.75%) in 2000-01 to Rs. 7000 (1.16%) in 2008-09. It increased at 19.26% growth rate during the period under our consideration. The expenditure on District Rural Development Fund was Rs. 5000 (6.89%) in 2000-01. It declined to Rs. 400 (0.67%) in the year 2008-09. The growth rate of expenditure on this item was – 13.13% during the period under study. As well as the expenditure on public health was Rs. 1262 (4.80%) in 2002-03. It rose to Rs. 2500 (0.41%) in the year 2008-09. It increased by 25% per annum. The expenditure on social welfare programmes increased from Rs. 2300 (3.17%) in 2000-01 to Rs. 5000 (0.83%) in 2008-09. The growth rate of expenditure on social welfare

programmes was 2.05%. The expenditure on other items was Rs. 59000 (81.27%) in 2000-01. It rose to Rs. 350100 (58.16%) in the year 2008-09. It increased by 41.07% per annum during the period into consideration.

Salwadi Village Panchayat has allotted major shares of its revenue expenditure to development of women and children. Expenditure on administration and street light has increased rapidly during the period under study. The correlation technique reveals that social welfare programmes, public health, welfare of backward people administration were prominent heads of its revenue expenditure.

#### 4.7 Growth and Composition of Capital Expenditure of Village Panchayats

**Table No. 4.3**  
**Growth and Composition of Capital Expenditure of Village Panchayats**

Year	Loans	Deposits	Other Items	Capital Expenditure
1) Kodoli				
2000-01	--	--	700000 100	700000 100
2001-02	50000 (20.00)	120000 (48.00)	80000 (32.00)	250000 (100)
2002-03	75000 (8.75)	--	782000 (91.25)	857000 (100)
2003-04	150000 (26.09)	--	425000 (73.91)	575000 (100)
2004-05	150000 (31.91)	--	320000 68.09)	470000 (100)
2005-06	165000 (29.20)	100000 (17.70)	300000 (53.10)	565000 (100)
2006-07	220000 (35.48)	100000 (16.13)	300000 (48.39)	620000 (100)
2007-08	250000 (33.33)	200000 (26.67)	300000 (40.00)	750000 (100)
2008-09	250000 (33.33)	2000000 (26.67)	300000 (40.00)	750000 (100)
CGR	24.68	18.7	- 2.77	40.61

Year	Loans	Deposits	Other Items	Capital Expenditure
<b>2) Wadi Ratnagiri</b>				
2000-01	--	--	--	--
2001-02	--	--	--	--
2002-03	--	--	--	--
2003-04	40000 (66.67)	20000 (33.33)	--	60000 (100)
2004-05	40000 (80.00)	10000 (20.00)	--	50000 (100)
2005-06	--	--	10000 (100)	10000 (100)
2006-07	42000 (80.77)	--	1000 (19.23)	52000 (100)
Year	Loans	Deposits	Other Items	Capital Expenditure
2007-08	60000 (100)	--	--	60000 (100)
2008-09	100000 (100)	--	--	100000 (100)
CGR	18.54	- 50.0	--	- 31.45
<b>3) Panore</b>				
2000-01	--	--	--	--
2001-02	--	3000 (62.5)	1800 (37.5)	4800 (100)
2002-03	--	210 (3.68)	5500 (96.32)	5710 (100)
2003-04	--	5000 (50.00)	5000 (50.00)	10000 (100)
2004-05	--	5000 (50.00)	5000 (50.00)	10000 (100)
2005-06	--	5000 (50.00)	5000 (50.00)	10000 (100)
2006-07	--	--	7000 (100)	7000 (100)
2007-08	--	5000 (50.00)	5000 (50.00)	10000 (100)
2008-09	--	5000 (100)	-	5000 (100)
CGR	--	32.46	33.79	- 0.33
<b>4) Kolik</b>				
2000-01	--	--	--	--
2001-02	--	--	--	--

Year	Loans	Deposits	Other Items	Capital Expenditure
2002-03	--	--	--	--
2003-04	--	--	--	--
2004-05	--	--	--	--
2005-06	--	--	--	--
2006-07	--	--	--	--
2007-08	--	--	--	--
2008-09	--	--	--	--
CGR	--	--	--	--
5) Pisatri				
2000-01	--	--	120 (100)	120 (100)
Year	Loans	Deposits	Other Items	Capital Expenditure
2001-02	--	--	--	--
2002-03	--	--	--	--
2003-04	--	--	--	--
2004-05	--	--	--	--
2005-06	--	--	--	--
2006-07	--	--	--	--
2007-08	--	--	--	--
2008-09	--	10000 (100)	--	10000 (100)
CGR	--	--	--	--
6) Salwadi				
2000-01	--	5000 (100)	--	5000 (100)
2001-02	--	10000 (100)	--	10000 (100)
2002-03	--	--	--	--
2003-04	--	2000 (100)	--	2000 (100)
2004-05	--	2000 (100)	--	2000 (100)
2005-06	--	2000 (100)	--	2000 (100)
2006-07	--	--	--	--
2007-08	--	--	--	--
2008-09	--	--	1000 (100)	1000 (100)
CGR	--	29.12	--	- 30.77

Source : Official Records of Village Panchayats

Note : Figures in round brackets show percentages to total Capital Expenditure.

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 DEPARTMENT OF FINANCE

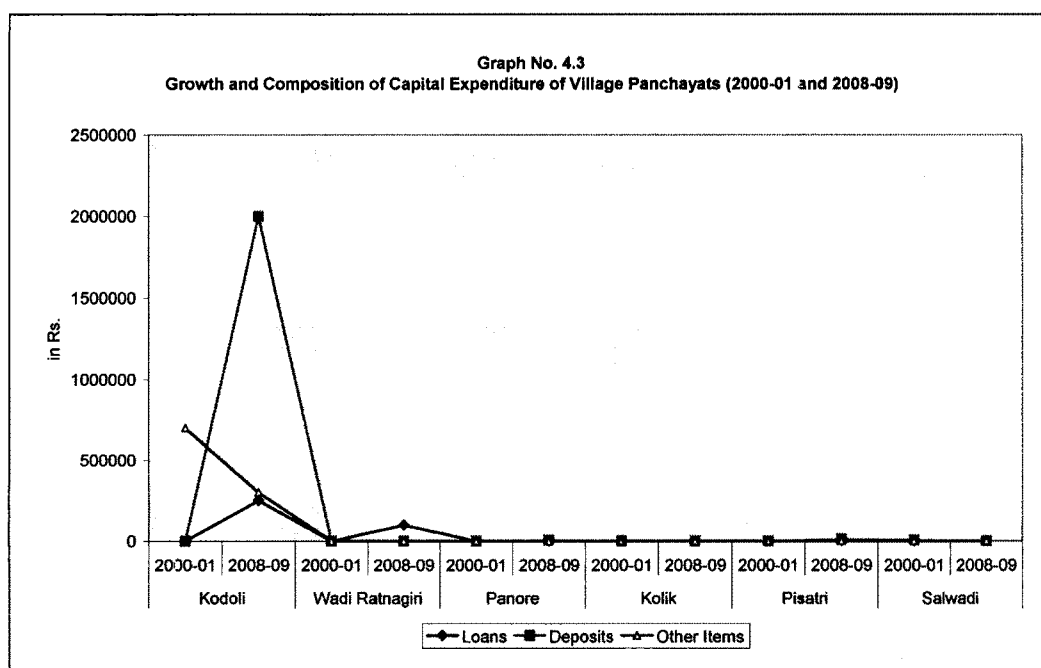


Table No. 4.3 represents the growth and composition of capital expenditure of Village Panchayats. "Capital expenditure is defined as one that involves the current outlay of cash in return for an anticipated flow of future benefits these benefits being available in the long run." <sup>8</sup>

### 1. Kodoli Village Panchayat

The expenditures on repayment of loan increased from Rs. 50000 (20%) in 2001-02 to Rs. 75000 (33.33%) in 2008-09. It increased by 24.68% per annum during the study period. The expenditure on repayment of deposits increased to Rs. 120000 (48%) in 2001-02 to Rs. 200000 (26.67%) in 2008-09. The growth rate of expenditure on repayment of deposits was 18.70%. Expenditure on other capital expenditure increased from Rs. 700000 (100%) in 2000-01 to Rs. 782000 (91.25%) in 2003-04. Thereafter it declined year by year. It declined by – 2.77% per annum during the period under study.

## **2. Wadi Ratnagiri Village Panchayat**

The expenditure of this Village Panchayat on repayment of loans increased from Rs. 39150 (100%) in 2001-02 to Rs. 100000 (100%) in 2008-09. It increased by 18.54% per annum during the period under study. The expenditure on repayment of deposits was Rs. 20000 (33.33%) in 2003-04. It declined to Rs. 10000 (20%) in 2004-05. The growth rate of expenditure of repayment of deposits was 50%.

## **3. Panore Village Panchayat**

The expenditure on repayment of deposits was Rs. 3000 (62.5%) in the year 2001-02. It declined to Rs. 210 (3.68%) in 2002-03. It increased by Rs. 5000 (100%) in the year 2008-09. The growth rate of expenditure on repayment of deposits was 32.46%. As well as other capital expenditure increased from Rs. 1800 (37.5%) in 2001-02 to Rs. 70000 (100%) in 2006-07. However, in the year 2007-08 it declined to Rs. 5000 (50%). It increased at (33.79%) during the period under consideration.

## **4. Salwadi Village Panchayat**

Expenditure on repayment of deposits increased from Rs. 5000 (100%) in 2000-01 to Rs. 10000 (100%) in 2001-02. It declined to Rs. 2000 (100%) in 2005-06. It increased by 29.12% per annum during the period under consideration.

For Kodoli Village Panchayat repayment of loans and other items have consumed major shares of capital expenditure. Loans and repayment of deposits have showed a rapid growth during the period under study. The correlation analysis revealed that others, repayment of deposits, repayment of loans have shown a positive and high degree correlation with capital expenditure. Regression analysis indicates that others and repayment of loans have greatly influenced capital expenditure of this Village Panchayat.

Wadi Ratnagiri Village Panchayat has spent mainly on repayment of loans in its capital expenditure. Moreover, occasionally on others, repayment of deposits only head of repayment of loans has shown a rapid growth during the period under study. According to regression technique repayment of loans has greatly influenced capital expenditure of this Village Panchayat.

Panore Village Panchayat has spent a significant share on repayment of deposits, others items. They have also shown significant growth. Its correlation analysis reveals a positive and high degree association between others and capital expenditure.

For Salwadi Village Panchayat repayment of deposits was unique item of capital expenditure. It has not spent of repayment of loans.

#### **4.8 Concluding Remarks**

Public expenditure has to play a vital role in economic development. It is required to create and maintain conditions essential for economic growth. It must improve climate for investment and provide incentives for savings. They provide entrepreneurs have to be assisted and inspired in every possible manner to venture forth and launch industrial and commercial undertakings. Public expenditure creates the necessary environment for the expansion of private enterprise and initiative.<sup>9</sup>

Expenditure decisions in the public sector are reached through the budgeting process. A budget contains the planned expenditures and revenue for fiscal year. The federal government follows a highly sophisticated budgeting process in which the detailed requests of spending agencies are weighed against the needs of overall fiscal policy.

Expenditure play an important role in development of Village Panchayats. I have studied six Village Panchayats of Panhala tehsil in Kolhapur district. In the case of small Village Panchayats there were no capital account activities during our study period.

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