

**Chapter – 2****OVERALL BUDGETARY POSITION OF VILLAGE  
PANCHAYATS IN PANHALA TEHSIL OF  
KOLHAPUR DISTRICT**

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## Chapter – 2

# OVERALL BUDGETARY POSITION OF VILLAGE PANCHAYATS IN PANHALA TEHSIL OF KOLHAPUR DISTRICT

### 2.1 Introduction

India is a country of villages because a major section of population stays in the villages. Therefore, village is one of the most important parts of Rural Local Governments in India. Local Government is most important. There are two types of Local Governments – 1) Rural Local Governments and 2) Urban Local Governments.

The village was smallest unit of the administration. However, Village Panchayats are playing an important role in rural development. Village Council (Panchayats) runs the Village Panchayat administration. The Panchayat is endowed with executive as well as judicial power.

The present study attempts to analyse the finances of six Village Panchayats of Panhala taluka in Kolhapur district of Maharashtra.

### 2.2 Meaning of Local Government

The role of the local government today is much important in the daily life of citizens. In the real sense, citizens are closely connected with the local governments. They have been playing a vital role in the overall development of the local areas. Therefore, it becomes essential to take into account the meaning of the term local government.

The term 'Local Government' means the government by freely elected local bodies, which are endowed with power discretion and responsibility to be expressed and discharged by them, without control over these decisions by any other higher authority. The actions are however subject to the supremacy of the national government. <sup>1</sup>

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." <sup>2</sup>

G. M. Harris in his "Comparative Local Government" has defined Local Government as "The Government by the people themselves through freely elected representatives." <sup>3</sup>

B. K. Gokhale in the "The Constitution of India" has defined Local Government as "The government of a specified locality by the local people through the representatives elected by them." <sup>4</sup>

According to Jackson, the term 'Local Government' has certain limitations. It is concerned with localities and not with the country as a whole, it must for this reason be subordinate to the national government. The term further implies (as does any other form of government) some jurisdiction of activity of public nature. It implies also the existence of authorities empowered to exercise that jurisdiction and activity." <sup>5</sup>

### **2.3 Classification of Local Governments**

India has not uniform type of Local Government like France. However, India has adopted a different structure of local governments for rural and urban areas. India has taken the structure of local government from England.

There are two main types of local government in India. 1) Local Governments for Rural Areas and 2) Local Governments for Urban Areas.

#### **Local Governments for Rural Areas**

The government for rural areas in India is called Rural Local Governments. Rural Local Government has three constituents. These are –

- 1) Village Panchayats at the Village level,
- 2) Panchayat Samitis at the Block or Tehsil level and

- 3) Zilla Parishads at the District level.

It is a three-tier structure of Rural Local Governments.

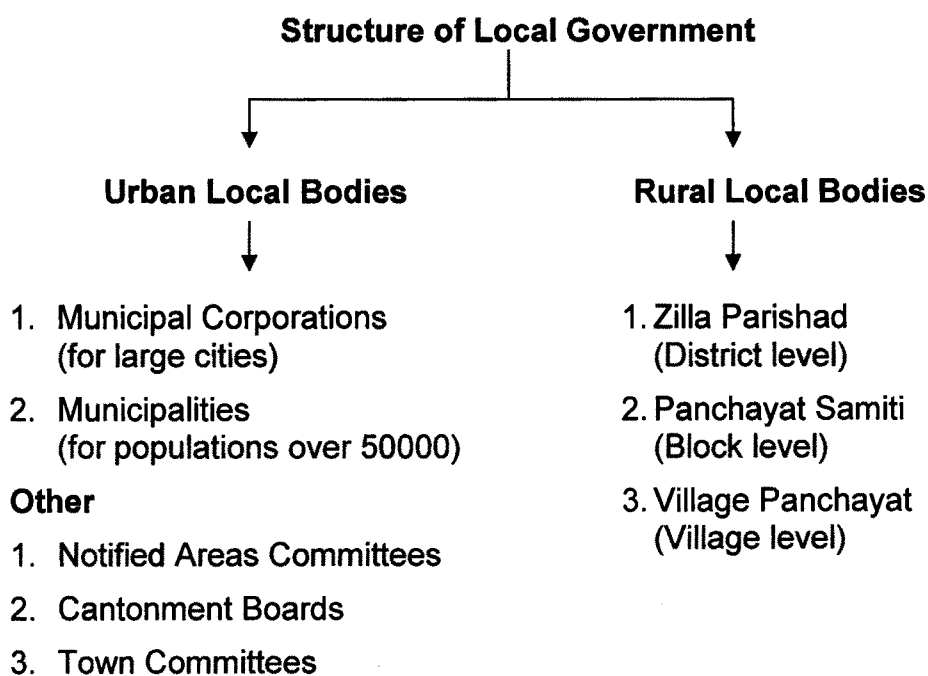
### Local Governments for Urban Areas

The government for the urban areas in India is called Urban Local Government. Urban local government in India has five constituents. These are –

- 1) Municipal Councils
- 2) Municipal Corporations
- 3) Notified Area Committees
- 4) Cantonment Boards
- 5) Town Committees

However, among these five types only first two bodies are full-fledged representatives of urban local government in India. Out of them large cities have municipal corporations for large cities. Middle and small size towns have municipalities and developing towns have notified area committees.

The structure of Local Government in India is as follows :



## **2.4 History of Local Governments in India**

In India, Local Government is widely known as Local Self Government. Two terms local government and local self-government are used interchangeably. However, the appropriate usage in the context of independent India is Local Government. The term local government and not the term local self-government are used in entry 5<sup>th</sup> of List II of the Seventh Schedule of Indian Constitution. Indian Constitution defines Local Government as Local Government that is to say the constitution and powers of Municipal Corporations, improvement trusts, district boards, mining settlement authorities and other local government or village administration.<sup>6</sup> The term local government originated when the country was under British administration.

Local government in India has its roots in pre historic times. Ancient literature reveals that the conception of local government was not foreign but originated in India. Shaba or village assemblies were evolved in the Vedic period also. We find many references regarding the existence of Gram Sabhas in Manusmriti. Takas and Shanti Party of Maharathra, Arthashastra of Kautaliya also refers to Village Councils responsible for village administration.

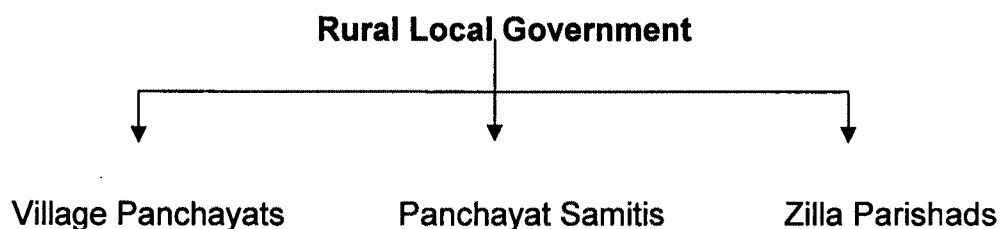
The beginning of a modern system of local government had been made in 1687 when for the first time a local governing body was created.

Under British Rule in India, the 1870s resolution of Lord Mayo on financial decentralization visualized as an effort in development of local government institutions. In 1882, Lord Ripen issued a new resolution on local self-government is considered as an important last mark in the evolution of local self-government in modern India. According to him, it is an instrument of political and popular education.

After getting independence also for further development of local government various committees have been set up in India. Local Government Ministers Conference (1947), Local Finance Enquiry Committees (1955), Rural Urban Relationship Committees (1963), Balwantraji Mehta Committee (1952) etc. An effort was made in the Government of India Act of 1952 to develop Local Self Government in India.

## 2.5 Meaning of Rural Local Government

There are two types of local governments in India. They are 1) Local Government for Rural Areas, 2) Local Government for Urban Areas. In the rural areas, government also is called Rural Local Government. Structure of Rural Local Government in India is as follows:



## 2.6 Types or Categories of Rural Local Governments

### 1. Village Panchayats

Village Panchayats is the first tier in the Panchayat Raj system. The size of membership of the Village Panchayat varies from seven to thirty-one. The Village Panchayat is an executive organ of the village government. Its main functions are managing the local affairs and promoting village development with the help of variable local resources and with the government assistance.

### 2. Panchayat Samiti

The Panchayat Samiti is the intermediate tier in the Panchayat Raj system of rural local government in India. It is the pivot as the area of Panchayat is neither too large as of a district nor too small as that

of Panchayat. All the programmes of development can be executed efficiently and economically with of officials and non-officials.

### **3. Zilla Parishad**

The Zilla Parishad has come to occupy a very prominent and honoured place in the Panchayat Raj system, as it is the apex institution of PRI system. The Zilla Parishad is in a position to communicate effectively with the state administration above and Village Panchayat level. Hence, leadership of Zilla Parishad can transform of the PRI system and make the life of people in village happier, healthier and economically resurgent.

#### **2.7 Village Panchayats as a Rural Local Government**

The primary unit of local self-government, a Village Panchayats is generally for one village but may cover more than one villages of smaller population. The body is usually is elected one, and it therefore, responsible to the local population. Its main task is meet the local economic, social and welfare needs of the rural households.

Its functions include judicial services, social and community services, and economic services. The list of goods and services can be quite a long one. For example, community and social services included general vigilance provision of watchman, registration of births and deaths, being a general source of information, provision of education and health services and so on. Similarly economic services include street lighting, scavenging, provision of drinking water and agricultural inputs, building and maintenance of minor irrigation works, drainage, building and terracing of lands, local roads and so on. They may also take up activities in the fields of marketing, cooperative finance godowns and warehousing etc.

## 2.8 Duties and Functions of Village Panchayats

Village Panchayat is the first tier in the Panchayat Raj system. The size of membership of Village Panchayat varies from seven to thirty-one.

The powers and functions of Village Panchayats are more or less similar in all the states. They are made responsible for their formulation and implementation of development programmes at the village level. They have also to execute schemes entrusted by Panchayat Samiti and Zilla Parishad formulation of village production plans by Panchayats have been made obligatory in various states.

The functions of Gram Panchayat cover a wide range of activities. They can broadly be divided into obligatory and discretionary functions included civic, social, agricultural and development activities.

The First Five Year Plan specified the role of the Panchayats in the rural areas. The Balwantrai Mehta study recommended that the compulsory duties of Village Panchayat should be –

1. Provision of water supply for domestic etc.
2. Sanitation
3. Maintenance of public streets, drain tanks etc.
4. Lighting of the village streets
5. Land management
6. Maintenance of Panchayat roads, culverts, bridges, drains etc.
7. Relief of disasters
8. Maintenance of records relating to cattle
9. Supervision of primary schools
10. Welfare of backward classes

There are of course some variations in the powers and functions of the Gram Panchayats as prescribed by the Panchayat Raj Act passed by different states. However, it is widely accepted that the Panchayats in addition to carrying out civic functions should actively be involved in the process of socio-economic development of villages. In this regard, they are intended to function not merely as agencies of Panchayat Samiti or Zilla Parishad but to plan and implement on their own certain development programmes, particularly these related to agriculture.

## **2.9 73<sup>rd</sup> Constitutional Amendment and Rural Local Bodies**

Historically, the financial experience of local bodies has not been a happy one and has registered a deteriorating position since independence.

The Government of India Act 1935 put every local tax into the basket of the tax resources of the Provincial Government. The same scheme was incorporated in our constitution also whereby the tax resources are shared between the centre and states and it is for the state to hand over tax resources to the local bodies out of their own list.

The 73<sup>rd</sup> Amendment Act gives constitutional status to the Gram Sabha. The provisions of Panchayats under that act Gram Sabha has been vested with power for ownership of minor forest produce, development plans approvals programmes, consultation on land acquisition, manage minor water bodies, control mineral leases, regulated prohibit sale of intoxicants, prevent alienation of land and restore unlawfully alienated land for STs, manage village markets, control institutions and functionaries in all social sectors.<sup>7</sup>

The tax resources of the local bodies vary from states to states and one body to other. There is no standardised list in this connection. In addition, almost every tax, which the local body can impose has a corresponding tax, which the state government can also impose, and local bodies cannot protest if a state government encroaches upon the

field where the local bodies are levying taxes or that is generally expected to be their village

The Taxation Enquiry Commission noted this state of affairs and thought that it needed remedying by assigning a definite tax field consisting of six areas to the local bodies.

### **Tax Revenue**

1. Taxes on advertisements
2. Octroi and terminal tax
3. Taxes on land and buildings
4. Taxes on vehicles
5. Taxes on animals and goat
6. Professional tax

### **Non-Tax Revenue**

Non-tax income of local bodies consists of fees, charges, fines, loans and advances. A local body may borrow from the state government such loans are taken when in normal course grants are inadequate to meet the expenditure requirements of a local body. These loans are –

1. They may be in the form of ways and means advances the local authority like any other institutions is likely to find that at time the inflow of revenue receipts do not match the outflow of payments and there are temporary deficit ways and means advances are expected to help the local body meet this temporary gap.
2. The local body might be interested to taking up a project with a huge capital cost; such a project may be of a type, which would generate an income for the local body. Depending upon the amount of the revenue that this project expected to generate the state and central

government may advance loan to meet full cost of the project or part of the cost may be advanced as grant and a part as a loan.

## 2.10 Rural Local Bodies in Maharashtra

Table No. 2.1

### Rural Local Bodies in Maharashtra

Year	Zilla Parishad	Panchayat Samities	Village Panchayat
1960-61	25	295	21636
1970-71	25	296	22300
1980-81	25	296	24281
1990-91	29	298	25827
2000-01	33	351	27738
2001-02	33	349	27738
2002-03	33	347	27805
2003-04	33	349	27946
2004-05	33	350	27946
2005-06	33	350	27920
2006-07	33	351	27968
SGR	2.90	1.72	2.66

Source : Economic Survey of Maharashtra

SGR = Simple Growth Rate

The table shows the rural local bodies in Maharashtra during 1960-61 to 2006-07.

Firstly there were 25 Zilla Parishads in Maharashtra in 1960-61. The number of Zilla Parishads did not change upto 1980-81. However, there is an increase in number of Zilla Parishads upto 1990-91. In the year 2000-01 there were 33 Zilla Parishads. Thereafter the number of Zilla Parishads was 33 similarly upto 2006-07.

In the year 1960-61, there were 295 Panchayat Samities in Maharashtra. Again the number of Panchayat Samities was continuously increased upto 2006-07. There were 351 Panchayat Samities working in the year 2006-07.

In the case of Village Panchayats, there were 21636 Village Panchayats in 1960-61. After 2006-07 Village Panchayats continuously increased. In 2006-07, there were 27968 Village Panchayats in Maharashtra.

## 2.11 Rural Local Bodies in Kolhapur District

**Table No. 2.2**  
**Rural Local Bodies in Kolhapur District**

Year	Panchayat Samities	Village Panchayat
1960-61	8	608
1970-71	12	807
1980-81	12	932
1990-91	12	952
2000-01	12	1030
2001-02	12	1030
2002-03	12	1030
2003-04	12	1026
2004-05	12	1026
2005-06	12	1026
2006-07	12	1026
2007-08	12	1027
2008-09	12	1027
SGR	3.57	64.07

Source : Economic Survey and District Census Handbook

The table indicates that rural local bodies in the Kolhapur district during 1950-51 to 2008-09.

In 1960-61, there were 8 Panchayat Samities. In 1970-71, there were 12 Panchayat Samities. Then there is no change in number of Panchayat Samities until 2008-09. In the case of Village Panchayats in Kolhapur district, there were 608 Village Panchayats in the year 1960-61. They continuously increased in 2008-09. In 2008-09, the number of working Village Panchayats was 1027 in the Kolhapur district.

## 2.12 Village Panchayats in Panhala Taluka

**Table No. 2.3**  
**Village Panchayats in Panhala Taluka**

Year	Village Panchayat
2000-01	111
2001-02	111
2002-03	111
2003-04	111
2004-05	111
2005-06	111
2006-07	111
2007-08	111
2008-09	111

Source : Official Records of Village Panchayats

The table presents data about the Village Panchayats in the Panhala taluka of Kolhapur district during 2000 to 2009. There were 111 Village Panchayats in the year 2000-01. The number of Village Panchayats does not change until 2008-09.

The data about rural local bodies in Maharashtra, Kolhapur district and Panhala taluka reveals that in the case of Maharashtra growth stood at 2.90% for Zilla Parishads, 1.72% for Panchayat Samities and 2.60% for Village Panchayat during 1960-61 to 2006-07. The increase in the number of Village Panchayats in Kolhapur district was rapid i. e. 64.14% per annum than the Panchayat Samities (3.5%). The number of Panchayats in Panhala tehsil has remained stable during 2000-01 to 2008-09.

### **2.13 Village Panchayats selected for Study**

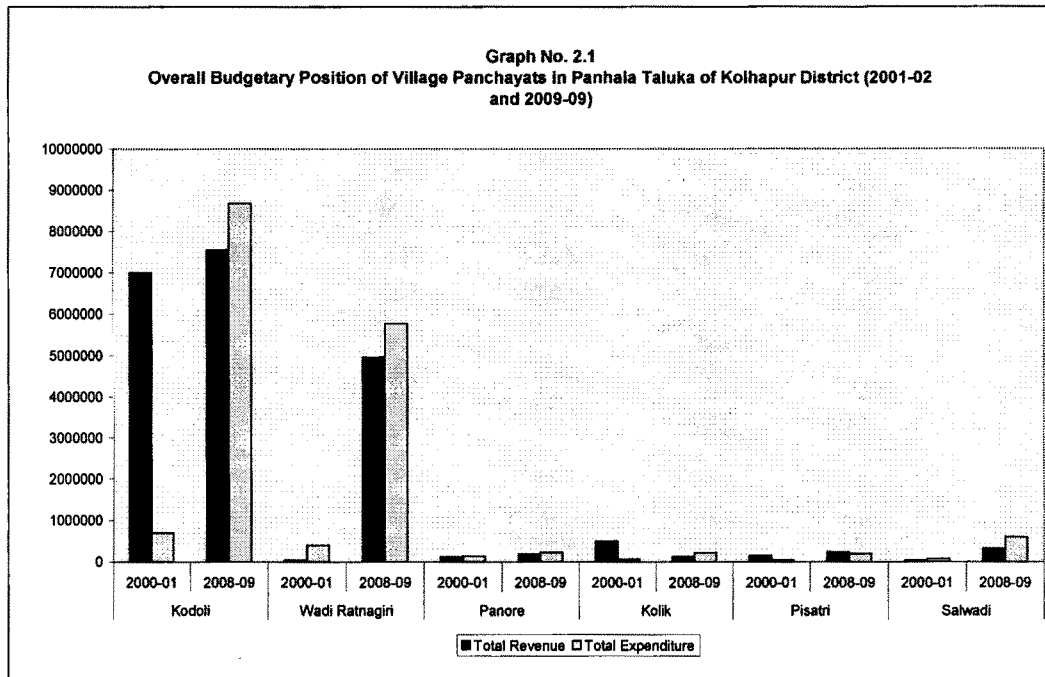
The present study attempts to analyse the finances of six Village Panchayats of Panhala taluka in Kolhapur district in Maharashtra. To begin with, an attempt has made to study the overall finance of Village Panchayat by examining the total revenue and total expenditure of the Panchayat under study. For this, the data for nine years (2000 to 2009) has been used.

### **2.14 Overall Budgetary Position of Village Panchayats in Panhala Taluka of Kolhapur District**

**Table No. 2.4**  
**Overall Budgetary Position of Village Panchayats in Panhala Taluka of Kolhapur District**

Year	1) Kodoli			2) Wadi Ratmagiri			3) Panore			Surplus(+)/ Deficit (-)
	Total Revenue	Total Expenditure	Surplus(+)/ Deficit (-)	Total Revenue	Total Expenditure	Surplus(+)/ Deficit (-)	Total Revenue	Total Expenditure	Surplus(+)/ Deficit (-)	
2000-01	700000	700000	--	46391	403000	- 356609	130062	134180	- 4118	
2001-02	4550750	3509000	+ 1041750	563839	433633	+ 130206	111685	103994	+ 7691	
2002-03	7096250	7164840	- 68590	726012	628375	+ 97637	113873	104165	+ 9708	
2003-04	4171650	5096000	- 924350	1306000	1270500	+ 35500	255006	306700	- 51694	
2004-05	7562650	7707400	- 144750	1422750	1278000	+ 144750	262350	333500	- 71150	
2005-06	13736050	7700330	+ 6035720	2203000	1730000	+ 473000	320500	402000	- 81500	
2006-07	10134795	7971830	+ 2162965	1861250	1742000	+ 119250	164702	445049	- 280347	
2007-08	8261565	8713330	- 451765	2444950	3719227	- 1274277	202200	790700	- 588500	
2008-09	7559950	8673330	- 1113380	4958800	5773723	- 814923	186700	224080	- 37380	
CGR	24.75	25.07	-	31.18	38.27	-	7.23	20.74	-	
	4) Kolik			5) Pisatri			6) Salwadi			
2000-01	503429	58651	+ 444778	143385	46507	+ 96878	39250	77600	- 38350	
2001-02	46119	31387	+ 14732	28451	33753	- 5302	44350	59900	- 15550	
2002-03	113430	62882	+ 50598	57975	20452	+ 37523	22727	26273	- 3546	
2003-04	102849	95140	+ 7709	144214	70240	+ 73974	81049	129492	- 48443	
2004-05	183799	176240	+ 7559	148330	111540	+ 36790	77900	79550	- 1650	
2005-06	281790	171240	+ 110550	152930	115740	+ 37190	110125	109900	+ 225	
2006-07	216740	205293	+ 11447	1118121	114949	+ 3172	218525	214700	+ 3825	
2007-08	223790	214830	+ 8960	211400	173400	+ 38000	304625	533300	- 228675	
2008-09	123640	217030	- 93490	240400	200400	+ 40000	323050	603000	- 279950	
CGR	2.40	26.19	-	17.28	18.36	-	37.35	36.79	-	

Source : Official Records of Village Panchayats



The overall financial position of Village Panchayats reveals fiscal operation of the Panchayats under study. It is useful in understanding the extent of attempts undertaken by the Panchayats into consideration to provide socio-economic services for its citizens. It is also indicator of the extent of duties and responsibilities discharged by the government into consideration.

The surplus or overall account of Village Panchayats shows their attempts in utilisation of revenue rigorously to meet expenditure of performing duties and functions. It is a good fiscal practice. Likewise, the Village Panchayats act also does not allow undertaking deficit expenditure activities. On the country, deficit or overall account is an indicator of failure of the government under study to collect adequate revenue. Even though deficit spending is not allowed Panchayats deficit undertake deficit spending and that deficit is met through reserves to be maintained which is obligatory as per act.

The total revenue of Kodoli Village Panchayat during the period under study shows that it was Rs. 700000 in the year 2000-01. It increased to Rs. 7096250 in the year 2002-03. However, it declined to Rs. 4171650 in the year 2003-04 and again it increased

to Rs. 8261565 in the year 2007-08. However, it declined to Rs. 7559950 in the year 2008-09.

The expenditure of Kodoli Village Panchayat was Rs. 700000 in the year 2000-01. In the year 2003-04, it was Rs. 5096000. In this year expenditure declined. But total expenditure has gradually increased to Rs. 8673330 in the year 2008-09.

Out of nine years, the Village Panchayat had surplus only for three years and deficit for five years.

Wadi Ratnagiri is a historical and religious Village Panchayat in Panhala taluka of Kolhapur district. Its total revenue increased from Rs. 46391 in the year 2000-01 to Rs. 4958800 in the year 2008-09. The total expenditure of Wadi Ratnagiri Village Panchayat shows an increasing trend during the period under study. In the year, 2000-01 total expenditure was Rs. 403000 that increased to Rs. 5773723 in the year 2008-09. Out of nine years, Wadi Ratnagiri Village Panchayat had surplus for six years and deficit for two years.

In the case of Panore Village Panchayat, total revenue was of Rs. 130062 in the year 2000-01, which increased to Rs. 202200 in the year 2007-08, then it declined in the year 2008-09. The total expenditure was Rs. 134180 in the year 2000-01 that declined in the year 2002-03. Its total expenditure increased from Rs. 306700 in the year 2003-04 to Rs. 790700 in the year 2007-08. However, in 2008-09 its expenditure declined. Out of nine years, the Panore Village Panchayat had surplus for only two years and deficit for seven years.

The total revenue of Kolik Village Panchayat was Rs. 503429 in the year 2000-01. It was Rs. 123640 in the year 2008-09. Total expenditure of Kolik Village Panchayat increased during 2000-01 to 2008-09. Out of nine years, the Kolik Village Panchayat had deficit for one year and surplus for eight years.

Pisatri is a low income Village Panchayat in Panhala taluka of Kolhapur district. Its total revenue increased from Rs. 143385 in the year 2000-01 to Rs. 240400 in the year 2008-09. The same situation found for total expenditure during 2000-01 to 2008-09. Out of period of nine years, the Pisatri Village Panchayat had surplus for eight years and deficit for one year.

Salwadi is an another low income Village Panchayat in Panhala taluka of Kolhapur district. In the year, 2000-01, its total revenue was Rs. 77600 that increased to Rs. 603000 in the year 2008-09. Rs. 77600 was total expenditure of Village Panchayat in the year 2000-01, which increased to Rs. 603000 in the year 2008-09. Out of the period of nine years, Salwadi Village Panchayat had surplus for two years.

A technique of standard deviation (SD) reveals that total revenue (Rs .27544833.33) registered greater variations. Total expenditure and total revenue showed a positive but insignificant ( $r=0.14$ ) association with surplus. Likewise, total expenditure indicated negative but low degree ( $r = -0.04$ ) correlation with deficit of Kodoli Village Panchayat. Regression analysis showed same influence of surplus/deficit by total revenue (Std. Beta 5.39) and total expenditure (std Beta – 5.28).

For Wadi Ratnagiri Village Panchayat its total revenue had greater variations (SD 1799317) than its total expenditure correlation analysis indicated that total revenue was highly and positively ( $r = 0.99$ ) correlated with surplus. Regression analysis showed greater influence of total expenditure on its deficit (std Beta : 1.00).

In the case of Panore Village Panchayat, total expenditure had greater variations (SD 218263) than total revenue. The correlation analysis indicted that total expenditure has a negative and high degree correlation with ( $r = -0.89$ ) deficit than total expenditure ( $r = -0.26$ ).

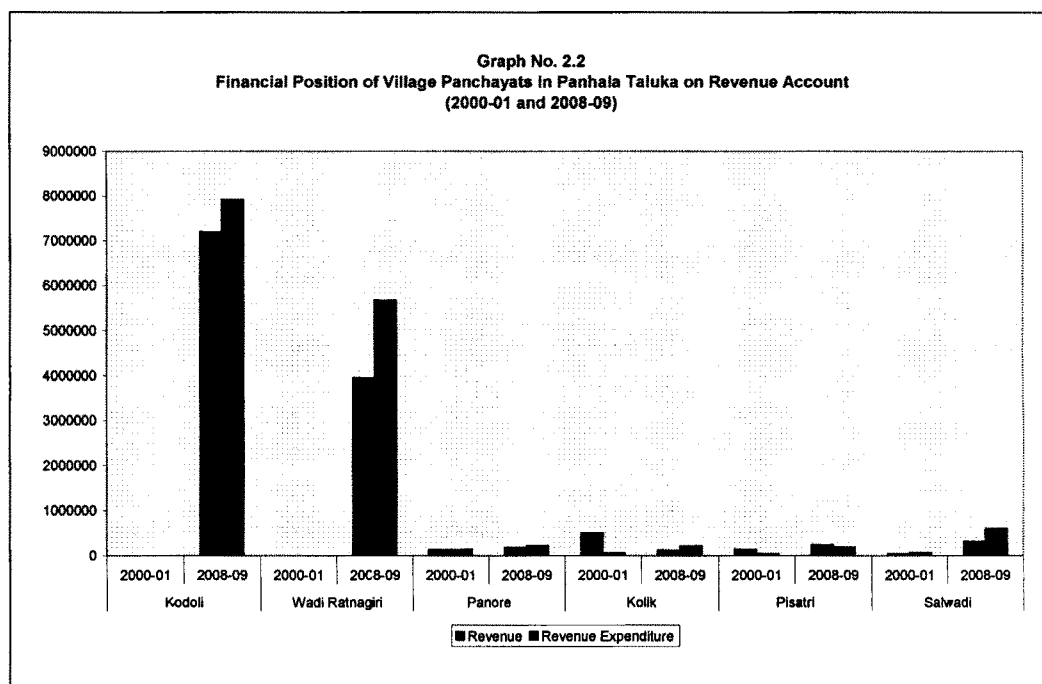
More or less the same results that we received, of standard deviation, correlation, regression techniques for all other Village Panchayats under study.

#### **2.15 Financial Position of Village Panchayats on Revenue Account**

**Table No. 2.5**  
**Financial Position of Village Panchayats in Panhala Taluka on Revenue Account**

Year	1) Kodoli			2) Wadi Ratnagiri			3) Panore			Surplus (+)/ Deficit (-)
	Revenue	Revenue Expenditure	Surplus (+)/ Deficit (-)	Revenue	Revenue Expenditure	Surplus (+)/ Deficit (-)	Revenue	Revenue Expenditure	Surplus (+)/ Deficit (-)	
2000-01	--	--	--	--	--	--	129862	134180	- 4318	
2001-02	3753500	3259000	+ 494500	494081	394483	+ 99698	109885	99194	+ 10691	
2002-03	4726000	6307840	- 1581840	461112	628375	- 167263	111373	98455	+ 12918	
2003-04	3921400	4521000	- 599600	900750	1210500	- 309750	244756	296700	- 51944	
2004-05	7262400	7237400	+ 25000	1217500	122800	+ 1094700	251850	323500	- 71650	
2005-06	12630800	7135330	+ 5495470	1797750	172000	+ 77750	310000	401000	- 91000	
2006-07	7566295	7351830	+ 214465	1456000	1690000	- 234000	164202	438049	- 273847	
2007-08	7901065	7963330	- 62265	2104700	3659227	- 1554527	186700	780700	- 594000	
2008-09	7199450	7923330	- 723880	3953300	5673723	- 1720423	181700	219080	- 37380	
CGR	12.17	24.44	-	22.72	38.61	-	6.55	11.32	-	
	4) Kolik			5) Pisatri			6) Salwadi			
2000-01	503179	58651	+ 444528	143265	46387	+ 96878	33750	72600	- 38850	
2001-02	45869	31387	+ 14482	24426	33753	- 9327	33850	49900	- 16050	
2002-03	113180	62882	+ 50298	57975	20452	+ 37523	22527	26273	- 3746	
2003-04	102599	95140	+ 7459	143714	70240	+ 73474	80799	127492	- 46693	
2004-05	183599	176240	+ 7359	147830	111540	+ 36290	71400	77550	- 6150	
2005-06	281540	171240	+ 110300	152430	115740	+ 36690	103125	107900	- 4775	
2006-07	216490	205293	+ 11197	109969	114949	+ 4980	117025	214700	- 97675	
2007-08	223540	214830	+ 8710	210900	173400	+ 37500	303125	533300	- 230175	
2008-09	123140	217030	- 93890	239900	190400	+ 49500	322550	602000	- 279480	
CGR	2.62	26.19	-	17.87	17.96	-	37.58	38.64	-	

Source : Official Records of Village Panchayats



The revenue account should bear all subsequent charges for maintenance and all working expenses. These embrace all expenditure on the working and upkeep of the project and also on such renewals and replacements and such additions, improvements extensions as prescribed by Government. <sup>8</sup>

Revenue account of fiscal operations of the government relating to current revenue and current expenditure. Revenue receipts consist of tax and non-tax revenue of the government on the contrary; revenue expenditure is the spending for providing various services and facilities to the citizens at present by the government. The extent and quality of services and facilities provided for its citizens depends on revenue receipts and expenditure. The surplus of revenue account indicates rigorous effects of the concerned government to exploit and utilize revenue receipts potentialities and collection. However, deficit of revenue account is called revenue deficit. It is an indicator of failure of the government to collect necessary revenue receipts to undertake the duties and responsibilities assigned.

Financial position of Village Panchayats in Panhala taluka in Kolhapur district on revenue account shows that Kodoli is a high income Village Panchayat in Panhala taluka. Its revenue receipts were in the year 2001-02 of worth Rs. 3753500, which increased in the year 2002-03 to Rs. 4726000. However, revenue had declined in the year 2003-04 than revenue increased. In the year 2008-09, revenue was of Rs. 7199450. The revenue increased by 12.17%.

Revenue expenditure was Rs. 3252000 in the year 2001-02 and in the year 2002-03, it was Rs. 6307840. However, revenue expenditure declined in the year 2003-04 to Rs. 4521000. Thereafter, revenue expenditure increased during 2004-05 to 2008-09. Out of nine years, the Village Panchayat had surplus for four years and deficit for five years.

Revenue of Wadi Ratnagiri was Rs. 494081 in the year 2001-02 that declined to Rs. 461112 in the year 2002-03. It increased to Rs. 900750 in the year 2003-04. However, it declined to Rs. 127500 in the year 2004-05. Revenue of Wadi Ratnagiri increased in the year 2004-05 to 2008-09. The growth rate of revenue was 22.72%. Revenue expenditure in the year 2001-02 was Rs. 394483, which increased to Rs. 5673723 in the year 2008-09. However, in the year 2006-07 it declined to Rs. 1690000. It increased by 38.61% of the total years under study. The Village Panchayat had surplus for three years and deficit for six years.

Panore Village Panchayats revenue in the year 2000-01 was Rs. 129862 that declined to Rs. 109885 in the year 2001-02. Then in the year 2002-03, it increased to Rs. 111373, Rs. 270000 in the year 2005-06. It declined in the year 2006-07 and came down to Rs. 164202. Thereafter, it increased during 2007-08 and 2008-09. The revenue increased by only 6.55%. During the period, revenue expenditure was showing a rising trend. However, in the year 2008-09 it declined. The growth rate of revenue expenditure was 11.32%. Out of nine years, the Village Panchayat had deficit for seven years

and surplus for only two years. It had an acute shortage of revenue receipts.

Revenue receipts of Kolik Village Panchayat were Rs. 503179 in the year 2000-01 that declined to Rs. 45869 in the year 2001-02. It increased to Rs. 113180 in the year 2002-03. Again, it declined in the year 2003-04. It increased to Rs. 183599 in the year 2004-05 to Rs. 223440 in the year 2007-08. Again, it declined in the year 2008-09. The growth rate of revenue is only 2.62%. Revenue expenditure in the year 2000-01 was Rs. 58761, which increased to Rs. 217030 in the year 2008-09. However, in the year 2005-06 it declined. Revenue expenditure increased by 26.19%. Out of nine years, the Village Panchayat had deficit for only one year and surplus for eight years.

Pisatri Village Panchayat in the year 2000-01 had revenue of Rs. 143265, which increased to Rs. 239900 in the year 2008-09. However, during 2001-02 to 2002-03 it declined. The growth rate of revenue was 17.87%. During 2000-01 to 2007-08 revenue expenditure was showing increasing trend. Revenue expenditure increased by 17.96%. Out of nine years, the Panchayat had surplus for seven years and deficit for only two years.

Revenue receipts of Salwadi Village Panchayat was Rs. 33750 in the year 2000-01 that increased to Rs. 322550 in the year 2008-09. However, it declined in 2002-03. Similarly, revenue expenditure was showing increase during 2000-01 to 2008-09. The growth rate of revenue receipts was lower than revenue expenditure. Out of nine years, it had deficit for all the years.

The study of overall budgetary position of Village Panchayats under study reveals that they have mixed experience of surplus or deficit on their revenue account. However, it is observed that they had deficit of revenue account for more times than surplus. It is a clear indicator of the intensive problem of inadequate revenue utilisation.

For Kodoli Village Panchayat revenue expenditure had greater variations than its revenue receipts as shown by the standard deviation (SD 2600715). Its correlation analysis revealed that revenue expenditure has a negative but lower degree correlation ( $r = 0.19$ ) than its revenue receipts ( $r = 0.008$ ). Regression analysis revealed that revenue expenditure greatly influenced its revenue deficit (Std Beta  $- 5.31$ ) but revenue receipts had positive influence (Std Beta 5.21) on revenue surplus.

Thus, the study of financial position on revenue account of all Village Panchayats by using tools like standard deviation, correlation, regression reveals that revenue expenditure had greater variations than revenue receipts. Revenue expenditure showed a high degree association and influence of revenue deficit. Likewise, growth in revenue expenditure was greater than revenue receipts for revenue deficit facing Panchayats. However, it was revenue for the Panchayats having surplus of their revenue account also.

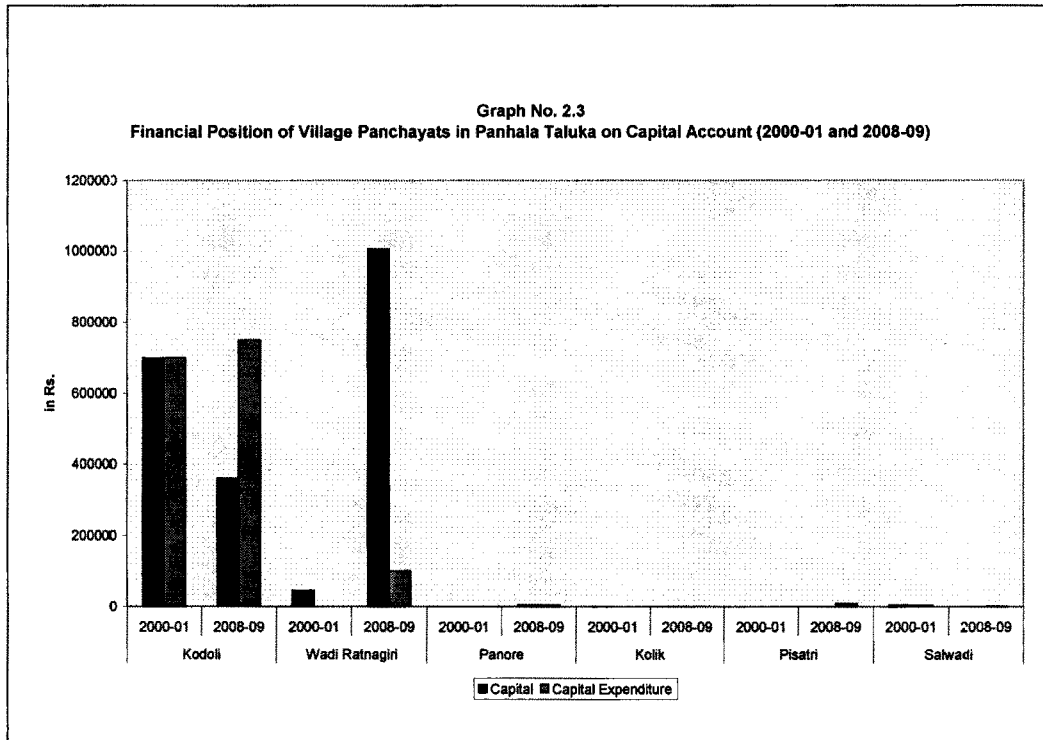
#### **2.16 Financial Position of Village Panchayats in Panhala Taluka on Capital Account**

**Table No. 2.6**  
**Financial Position of Village Panchayats in Panhala Taluka on Capital Account**

(in Rs.)

Year	1) Kodoli			2) Wadi Ratmagiri			3) Panore			Surplus (+)/ Deficit (-)
	Capital	Capital Expenditure	Surplus (+)/ Deficit (-)	Capital	Capital Expenditure	Surplus (+)/ Deficit (-)	Capital	Capital Expenditure	Surplus (+)/ Deficit (-)	
2000-01	70000	70000	--	46391	--	+ 46391	200	--	+ 200	
2001-02	797250	250000	+ 547250	69758	--	+ 69758	1800	4800	- 3000	
2002-03	2370250	857000	+ 1513250	264900	--	+ 264900	2500	5710	- 3210	
2003-04	250250	575000	- 324750	4052250	60000	+ 3992250	10250	10000	+ 250	
2004-05	300250	470000	- 169750	205230	50000	+ 155250	10500	10000	+ 250	
2005-06	1105250	565000	+ 540250	405250	10000	+ 395250	10500	1000	+ 9500	
2006-07	2568500	620000	+ 1948500	405250	52000	+ 353250	250	7000	- 6750	
2007-08	360500	750000	- 389500	340250	60000	+ 280250	15500	10000	+ 5500	
2008-09	360500	750000	- 389500	1005500	100000	+ 905500	5000	5000	--	
CGR	- 5.49	23.86		29.70	10.72		27.87	- 0.33		
4) Kolik										
2000-01	250	-	+ 250	120	120	--	5500	5000	+ 500	
2001-02	250	--	+ 250	4025	--	4025	10500	10000	+ 500	
2002-03	250	--	+ 250	--	--	--	200	--	+ 200	
2003-04	250	--	+ 250	500	--	500	250	2000	- 1750	
2004-05	200	--	+ 200	500	--	200	6500	2000	+ 4500	
2005-06	250	--	+ 250	500	--	500	7000	2000	+ 5000	
2006-07	250	--	+ 250	8152	--	8152	101500	--	+ 101500	
2007-08	250	--	+ 250	500	--	500	1500	--	+ 1500	
2008-09	500	--	+ 500	500	10000	- 9500	500	1000	- 500	
CGR	4.72	--	--	9.90	--	--	- 0.50	- 30.77	--	
5) Pisatri										
6) Salwadi										

Source : Official Records of Village Panchayats



Financial position on capital account shows attempts of Village Panchayats towards capital receipts collecting and working capital expenditure spending activities. They have impact of socio-economic development of the areas of their jurisdictions.

The capital account should bear all charges for the first construction and equipment of a project as well as charges for intermediate maintenance of the work while not yet opened for services. It would also bear charges for such further additions and improvement as may be sanctioned under rules.<sup>9</sup>

Financial position of Village Panchayats on Panhala taluka of Kolhapur district on capital account shows that capital receipts of Kodoli was increased from Rs. 700000 in the year 2000-01 to Rs. 797250 in the year 2001-02, which declined during 2002-03 to 2003-04. Capital receipts declined by – 5.49%. In the case of capital expenditure, we see ups and downs during the study period. The growth rate of capital expenditure was 23.86%. Out of nine years,

Kodoli Village Panchayat had a surplus for four years and deficit for five years.

Capital receipts of Wadi Ratnagiri were Rs. 46391 in the year 2000-01 after that they declined in the year 2007-08. However, in the year 2008-09 capital receipts were Rs. 1005500. There are same features of capital expenditure. The growth rate of capital receipts was greater than capital expenditure. Out of nine years Panchayat had surplus for all the years.

Panore Village Panchayats capital receipts in the year 2000-01 were Rs. 200, which increased to Rs. 15500 in the year 2007-08. It declined in the year 2008-09. There are same features of capital expenditure. The growth rate of capital receipts was higher than capital expenditure. Out of nine years this Panchayat had deficit for three years and surplus for five years.

In the case of low income Village Panchayat there was not big amount on capital account. They have no transactions and not raised capital receipts and also they have not spent capital expenditure. The Panchayats with surplus of capital account have used for meeting deficit of revenue account.

## **2.17 Concluding Remarks**

It is interesting to study financial position of Village Panchayats as a grassroot level rural local body in general in India and in particular in Maharashtra. The study of financial position of Village Panchayats in Panhala taluka of Kolhapur district an overall account, revenue account and capital account reveals that they have not succeeded in collecting necessary revenue. All the Panchayats under our study had faced the problem of deficit except some surplus. It is an indicator of bad fiscal position of Village Panchayats. The problem of deficit of Panchayats is found on overall account and revenue account. These Panchayats have used capital receipts for meeting their deficit of revenue account. The Panchayats who have not collected capital receipts and spent for

capital expenditure activities and financial very much weak and they are passive in achieving their socio economic development.

### **2.18 References**

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