



## PERFORMANCE EVALUATION OF TOWN PANCHAYAT IN VIRUDHUNAGAR DISTRICT

### COMMERCE

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### ABSTRACT

Town Panchayat is one of the forms of local self-government in Tamil Nadu, India. The aim of the town Panchayat is to satisfy local needs of the residents in a balanced and coordinated manner. Increased responsibilities coupled by environmental, economic, administrative, technological and sociopolitical factors have brought out the gap in the income and expenditure ratio. Nevertheless, factors such as decline in fiscal dependence on higher levels, increase in own tax sources of town panchayats in general, are indicators of improves fiscal health. This study opens up further avenues of research in the context of an interstate comparison of performance of town panchayats so as to understand the policy implications of other state governments. Another matter of concern is mounting tax arrears. Therefore town panchayat must have a special drive to collect arrear tax that would make several public services adequate.

### KEYWORDS

Performance evaluation, Town Panchayat, Virudhunagar District.

A local body is an agency organized to provide and supervise administrative, fiscal and other services to the people who reside within its territorial boundaries. It is the level of Government most directly accountable to the public. India is a union comprising 29 States and Seven union territories. The basic territorial unit of administration in the states is the district. As per 2011 census, India had 640 districts. Within the districts the unit called tahsils or taluks for departments such as revenue and education, and "Blocks", which are the base units for agrarian development. The constitution of India visualizes panchayats as institutions of self-governance. However, giving due consideration to the federal structure of Indian polity, most of the Financial powers and authorities to be endowed on panchayats have been left at the discretion of concerned state legislatures. Most of the town panchayats struggle to bridge this imbalance. In this context, it is proposed to undertake on town panchayats mainly to identify the causes for such imbalance in individual town panchayats and of various divisions and grades and to offer suggestions. The researcher also studies the role of grants-in-aid, assigned revenue and their relationship with revenue and expenditure. The term panchayat is an oxymoron, combining town, which refers to an urban settlement bigger than a village and panchayat which is a local government institution traditionally established in an area having rural characteristics. Places were engaged in non-agricultural and allied activities. The areas not recognized as urban fall under the rural category.

This is an empirical study in a selected area namely Virudhunagar district, based on both primary and secondary data. This study is confined to the finances of all town panchayats in Virudhunagar district, which includes revenue and expenditure and the general services rendered to the people by them. Analyses of secondary data show the financial performance of town panchayats over the years. More specifically, the primary data shows the evaluation of panchayat services by the residents. Virudhunagar district in Tamil Nadu was purposively selected as the universe for this study. Through simple convenient random sampling technique, 540 respondents from all the 9 town panchayats were selected. Primary data was collected from the sample respondents with the help of a comprehensive pre-tested enquiry schedule through personal interview method.

### REVIEW OF LITERATURE

Kerala Taxation Enquiry Committee has analysed the problem of local finance in Kerala while pointing out the inadequacy of revenue of panchayats. The Committee discovered that the local bodies had not used their tax powers. The Committee recommended setting up of a local finance corporation in Kerala for advancing loans to all local bodies seeking long-term capital resources for financing remunerative project like transport, market, cinema houses hotels etc. A study of State Legislations indicates that the Village Panchayat finances include more than 60 taxes & fees including octroi, property and house tax, profession tax, land tax, taxes/tolls on vehicles,

entertainment tax/fee, license fee, tax on non-agricultural land, fee on registration of cattle, sanitation/drainage/conservancy tax, water tax, lighting tax, education cess and tax on fairs and festivals. Panchayat resources could also be augmented through innovative tax/non-tax measures e.g. fee on tourist vehicles, special amenities, restaurants, theatres, cyber cafes, etc. as some Panchayats are doing.

### OBJECTIVES OF THE STUDY

The following objectives of our research work

- To study the sources of revenue of the town panchayats and their trend.
- To study the various components of expenditure of town panchayats and their trend.
- To study the financial performance of individual town panchayats in the district.
- To evaluate the services of town panchayats by the public.
- To offer viable suggestions for the effective functioning of town panchayats.

### RESEARCH METHODOLOGY

- In this study the following research methodologies were used
- Specific objectives of the study as stated earlier require the use of both primary and secondary data.
- Specific tools of analysis and empirical models are also presented.
- Methods used for the collection and analysis of data are described in this section.

### MAJOR FINDINGS

#### Revenue

- The total revenue of all town panchayats in Virudhunagar district has recorded a two fold increase i.e. from Rs.33,085 thousands in 2004 – 05 to Rs.1,63,281 thousands in the year 2013 – 14. The per capita total revenue registered a growth of 393.52 per cent revealing the fact that the revenue collection (per head) has improved.
- Watrap town panchayat has secured the higher average annual growth rate of total revenue 15.27 followed by Chettiarpatti town panchayat with 14.12. V.Pudupatti Town panchayat has the lowest average annual growth rate of 5.67.
- Regarding the total revenue Sivakasi division excelled by securing the highest average annual growth rate of 129015 followed by Aruppukkottai division with 36026. In all revenue divisions, the growth percentage of total revenue has been erratic.
- The Grade I town panchayats in the district has secured the highest average annual growth rate of total revenue with 49.15 followed by the Selection Grade town panchayat with 28.10 per cent. In the Grade II town panchayats, the total revenue had achieved the highest growth percentage of 22.75 respectively.
- The share of own revenue has been more than half of total revenue in most of the years except in the years 2012 – 13, 2013 – 14.

- The share of assigned revenue in total revenue has been 35.28 per cent in the year 2007 – 2008 establishing the influence of assigned revenue. The percentage share of assigned revenue in total revenue has not been stable.
- The own revenue of all town panchayats in this district was at Rs.10,980 thousands in the year 2004 – 05 and Rs. 26,634 thousands in the year 2013 – 14 showing an increase of 142.57 per cent. The average annual growth rate of own revenue of all town panchayats in the district was around 13.99 per cent.

#### Grants-in-aid

- The per capita grants-in-aid of all the town panchayats in the district recorded 234.65 per cent rise during the study period. It has gone to a high of Rs. 558.3 in the year 2010 – 2011.
- The growth rate of grants-in-aid was not increasing steadily over the years. Though the district total of grants-in-aid has been progressing in the first four years, then it started fluctuating.
- As per the revenue division-wise analysis, during the year 2004 – 14, the grants-in-aid was significantly increasing to other years reinforcing the idea that the contribution of grants-in-aid by the Central and State Governments was increasing during the year. When the average annual growth rate of grants-in-aid of town panchayats in all revenue divisions was analysed, it was found that the growth rate actually varied. Therefore, the third hypothesis namely, 'there is no difference in the growth rates of grants-in-aid of town panchayats of various revenue divisions' was not correct.

#### Expenditure

- Total expenditure of the town panchayats in the district in the year 2013 – 14 has increased by 239.79 per cent when compared to the total expenditure in the year 2004 – 05. It has shown a steady upward trend after 2007 – 08, indicating that total expenditure has picked up in the town panchayats.
- Seithur town panchayats has spent the highest amount in the year 2004 – 05. Chettiaripatti town panchayat registered the highest average annual growth rate of total expenditure at 15.76 per cent followed by Watrap with 15.50 per cent. Five town panchayats in the district have shown a two digit average annual growth rate of total expenditure.
- The total expenditure has grown from 100 per cent in the year 2004 – 05 to 335 per cent in the year 2013 – 14 in the Sivakasi division, 361 per cent in Aruppukkottai divisions obtained the highest growth rates of 335 and 361 respectively during the study period.
- Regarding total expenditure the Grade I town panchayats were able to get the maximum average annual growth rate of 47.01 per cent. The average annual growth of total expenditure of all Grades of town panchayats in the district has been inconsistent.

#### POLICY IMPLICATIONS

The above inferences and conclusions have a few policy implications for the improvement of the finances and the services of town panchayats in future.

#### Revenue

- A new tax system should be envisaged so that a certain percentage of service tax has to be directed towards local bodies by the central government.
- As far as property tax is concerned, efforts must be taken to bring all unassessed and under-assessed properties under the tax net by conducting periodical surveys and by allotting individual assessment numbers to properties. Strict segregation of commercial and non-commercial use must be drawn so that appropriate tax slab can be fixed.
- The significance of profession tax as a source of revenue in town panchayat area is not seriously felt. Efforts must be made to identify all professional people residing within the town panchayats area to collect tax.
- Waste or spillage tax may be levied on business concerns, which are generating considerable quantity of waste or spillage in the course of their business.

#### Expenditure

- A 'Quality Control' team must be formed in the Assistant Commissionerate level to check the quality of civic works like construction of public or town panchayats buildings, roads, culverts, overhead tanks etc. Only empanelled contractors with good track records alone may be permitted to undertake contract works in the town panchayats so that cost escalation may be

averted.

- Scrupulous measures can be taken with a help of industry experts to ensure energy savings in town panchayats by conducting periodical energy audit
- The cost of public litigation may be considerably reduced by forming arbitration committees comprising responsible citizens, NGOs, retired municipal officers and officers from the town panchayats.

#### Grants-in-aid

- A basic general-purpose grant is advocated to assist the smaller local bodies in discharging their obligatory functions. The basis of this grant should be formulated taking into account a number of factors such as size, density of population, area, need and the available resources of the town panchayats.
- Specific grants-in-aid for the various projects of the town panchayats should be sanctioned on a priority basis. The norms and criteria for such grants should be fixed in advance instead of the present practice of examining each case on its merit, as it causes inordinate delay.
- A periodical review should be undertaken in order to adjust the system of grants with the changing conditions.

#### CONCLUSION

In fine, the performance evaluation of town panchayats in Virudhunagar district substantiates the fact that the lack of resources is a major constraint which hampers the performance of the town panchayats. Increased responsibilities coupled by environmental, economic, administrative, technological and socio-political factors have brought out the gap in the income and expenditure ratio. Nevertheless, factors such as decline in fiscal dependence on higher levels, increase in own tax sources of town panchayats in general, are indicators of improves fiscal health. However, when this is viewed in the context of growing population and increasing prices, the situation appears to be quite challenging. It therefore, calls for raising the required funds through better use of existing sources of revenue, through other innovative means and proper blend of policies.

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