

## CHAPTER - 6

### VILLAGE PANCHAYATS

2.6.1. The following are the resources by way of taxes to the Village Panchayats:

- (a) House Tax
- (b) Profession Tax
- (c) Vehicle Tax
- (d) Tax on Agricultural Land for specific purpose
- (e) Pilgrim Tax
- (f) Water Tax

2.6.2. The composition of Own Tax Revenues for a period of five years from 1989-90 to 1993-94 is furnished hereunder.

**Table 2.53. Village Panchayats - Composition of Own Tax Revenues**

(Rs. in crores)

	1989-90	1990-91	1991-92	1992-93	1993-94	AVG.
House Tax	6.35 (74.08)	7.11 (75.55)	7.15 (76.53)	7.82 (74.59)	8.62 (50.89)	7.42 (67.67)
Library Cess	0.58 (6.82)	0.33 (3.48)	0.33 (3.50)	0.58 (5.54)	0.68 (4.02)	0.50 (4.57)
Water Tax	0.32 (3.72)	0.67 (7.09)	0.63 (6.77)	0.60 (5.74)	0.74 (4.38)	0.59 (5.41)
Profession Tax	0.82 (9.55)	0.90 (9.54)	0.83 (8.94)	1.03 (9.83)	6.54 (38.62)	2.02 (18.49)
Vehicle Tax	0.39 (4.50)	0.36 (3.87)	0.34 (3.67)	0.39 (3.67)	0.28 (1.64)	0.35 (3.21)
Tax on Agri. Land	0.09 (1.04)	0.02 (0.25)	0.02 (0.19)	0.03 (0.28)	0.03 (0.19)	0.04 (0.35)
Pilgrims Tax	0.03 (0.29)	0.02 (0.22)	0.04 (0.41)	0.04 (0.35)	0.04 (0.26)	0.03 (0.30)
<b>Total</b>	<b>8.57</b> <b>(100.00)</b>	<b>9.42</b> <b>(100.00)</b>	<b>9.34</b> <b>(100.00)</b>	<b>10.49</b> <b>(100.00)</b>	<b>16.94</b> <b>(100.00)</b>	<b>10.95</b> <b>(100.00)</b>

(Figures in the parantheses indicate percentage in totals.) Figures rounded to Crores.

2.6.3. The mean per capita income from Own Resource (including non tax) is Rs.6.68. There are 9176 panchayats below the mean and 3407 above the mean.

2.6.4. The mean on per capita income on Own Taxes varies from 2.70 to 4.35 for the category of Panchayats based on population ranges. Panchayats having more than 5000 population have more average per capita income with lesser standard deviation as may be seen hereunder:

**Table 2.54 Village Panchayats - Own Tax Revenue - Per Capita Variations on Population Ranges (Per Capita in Rs.)**

Population	Mean standard Deviation	Minimum	Maximum	Coef.of variation	VPS>= AVG	No.of VPS	Popula- tion
<b>Own Tax Revenue:</b>							
Upto 1000	3.29	10.42	0.00	240.38	315.80	272	1400
1001 - 2000	2.76	10.01	0.00	590.45	362.81	1297	4782
2001 - 3000	2.70	4.44	0.00	113.58	164.43	830	2781
3000 - 4000	3.09	4.88	0.00	90.02	157.82	335	1566
4000 - 5000	3.33	5.57	0.00	105.10	167.21	221	876
ABOVE 5000	4.35	7.25	0.00	133.36	166.42	285	1178

**House Tax:**

2.6.5. House Tax in Panchayat is levied under Section 172 of the Tamil Nadu Panchayats Act, 1994. The tax is levied on the owners of the houses. The distinction between the property tax levied in urban local bodies and the house tax levied in rural local bodies has already been explained while dealing with the tax resources of the Town Panchayats. In Village Panchayats, house tax is levied only on the building. The Tamil Nadu Panchayats Act, 1994 indicates that the house tax can be levied at the rates and on the basis which were in force prior to the commencement of 1994 Act or on the classified plinth area at the rates specified in Schedule I to the Act. Prior to the commencement of 1994 Act, the Panchayats were given the option to levy on the basis of (i) capital value (ii) ARV or (iii) plinth area basis at the minimum and maximum rates suggested by the 1958 Act. The provision now made indicates that the Village Panchayats would have the option to continue the basis adopted at the commencement of the Act or switch over to the rate fixed for plinth area in Schedule I to the new Act. The tax based on the capital or rental value will have buoyancy since there is provision for quinquennial revision of the value by the Executive Authority. Plinth area basis indicated in Schedule I to the Act prescribes the rate of tax for the different types of buildings with a minimum and maximum and a surcharge for usage of the building as indicated therein. The fixation of the rate of tax for the plinth area will make the tax yield static, unless the tax rate is revised between the minimum and the maximum or additions or new constructions of buildings take place. There will be no buoyancy as in the cases related to capital or ARV basis.

2.6.6. The number of assessees as on 31.3.94 are as below:

**Table 2.55 - Village Panchayat House Tax - Details of Assessees**

Residential	77,34,200
Non-residential	4,28,900
<b>Total</b>	<b>81,63,100</b>
Exempted properties	2,16,260
Total Average demand per Assessee	Rs. 8.65

2.6.7. The collection performance including arrear demands ranges from 41 to 46% as against 60% in 1990 indicated by Damodaran Committee.

2.6.8. Tax exemptions in village panchayats, accounts for Rs.1.25 crores.

2.6.9. The incremental benefit due to the increase in valuation will not be available to the Village Panchayat if it resorted to tax related to Plinth area as per existing schedule and it will affect adversely the income generation from this taxation which is the only major tax resource available for the Village Panchayats. As in the case of other local bodies, plinth area rental value can be prescribed instead of the tax directly to plinth area indicated in the schedule to the Act. This will give flexibility in revising the value and earning more yield by way of general revision. As per information available 12321 Panchayats are adopting Capital value basis while 58 Panchayats adopt ARV basis and 114 Panchayats adopt Plinth area basis. The revised tax structure related to plinth area ARV with minimum and maximum for different types of buildings are indicated and recommended by the SFC in Appendix No.20. It was brought to the notice of the SFC by DRD that the Village Panchayats found it difficult to meet the cost of maintenance of the Radio/Television sets supplied to them from out of their slender resources. DRD suggested that a surcharge on House Tax might be levied for the purpose of meeting the said cost. Though it is doubtful whether such an additional surcharge will yield any substantial income to the Village Panchayats, SFC recommends that like library cess an additional surcharge on House tax may be levied at the rate to be decided by the Government, for the purpose of meeting the cost of provision and maintenance of Radio/Television sets supplied to the Village Panchayats and has included this in the revised structure furnished in the above Appendix.

2.6.10. The house tax in the villages is now levied yearly. There are deficiencies in the levy and collection due to non-availability of personnel to take such responsibilities in the Panchayats. The President was the Executive Authority of the Village Panchayat and he has to levy the tax and collect it through the Group clerks. The Village Panchayats are ill-equipped in the machinery needed for collection and for looking after the civic services. The collection is very low. Action is needed for strengthening the machinery at

the village level to enable proper collection of resources and maintenance of civic services. It is hoped that with the appointment of a suitable machinery to look after the affairs of the Village Panchayats, tax collection can be streamlined to increase the yield from this source.

**2.6.11.** By revising the tax based on plinth area rental basis, Executive Authority will be able to assess and fix the levy on the houses in the Village Panchayats immediately. Due to fluctuations in prices and inflation in the economy, the period of general revision fixed as once in 5 years appears to be too long and it is recommended that the revision can be done once in three years as recommended for urban bodies, so that there will not be any steep increase to the tax payers and at the same time, the Local Body will also have the incremental benefit of prices for the purpose of taxation, without waiting for a long period of 5 years.

**2.6.12.** The collection of tax is a major issue in the Village Panchayats and it is noted that the collection is far below the expectations due to want of efficient collection machinery in the villages as already pointed out. It has been even represented by non officials during the District Sittings that the collection percentage was high during the period when the V.A.Os. were collecting the house tax and it has fallen down due to want of supervision and effective machinery for collection. In this context it may be pointed out that the per capita income from house tax worked out by Damodaran Committee (1990) was Rs.1.77 in 1988-89. The per capita income from house tax now worked out to Rs.2 in all the years from 1989-90 to 1992-93 and it was Rs.3 in the year 1993-94. There has only been a marginal increase in the per capita income from house tax. This evidently indicates that the tax collection machinery has to be strengthened.

**2.6.13.** It has been suggested under urban local bodies that a system of passbooks can be introduced to avoid the issue of demand notice every time. Similar attempt can be made in the case of Village Panchayats also so that the scriptory work and the deployment of personnel for that purpose can be avoided. The Passbooks will contain information about the tax fixed for the period up to the time of next revision and any further changes in course of time. This could be done through computers proposed for Panchayat Unions. As pointed out earlier in Urban Bodies, the information about due date for payment, concession for prompt payment, rebate for advance payment, penalty for late or non-payment etc. can also be recorded in the passbook. In the case of Village Panchayats, it is easier to fix the dates for particular wards for collection and issue of receipts on the spot of collection. This will reduce the number of employees needed for the purpose of collection. In the case of defaulters, the Executive Authority who will be a local man may contact the defaulters and arrange for early collection. This procedure may perhaps help those who are ready to volunteer payment. The number of persons to be directly contacted is likely to be considerably reduced. The publication of the assessment list can also be resorted to so that the appeal and revision cases can be reduced to the minimum.

**2.6.14.** The people in the Panchayats villages should also be educated about the

**2.6.14.** The people in the Panchayats villages should also be educated about the need for prompt payment of taxes and the benefits derived out of such taxation to the local body. With the regular devolution of funds from Government under the new distribution system proposed, the Village Panchayats can also instill confidence in the local people on the betterment of the civic services. If provisions for distraint proceedings against immovable properties and recovery through Revenue Recovery Act are made available, it will help the realisation of tax arrears from cantankerous persons who are prone to resort to legal remedies often.

**2.6.15.** The existing procedure for revision and appeal can continue in respect of house tax in Village Panchayats. There is scope for improvement if the collection machinery is strengthened. The higher incidence of tax collection will itself double the existing income, with corresponding matching grant.

#### **2.6.16. Recommendations**

**The SFC recommends the following:**

1. A revised rate based on the plinth area rental value may be adopted since the existing tax structure directly related to plinth area will be static and no future revisions based on value could be done. The revised rates are indicated in the scheduled in Appendix No.20. In addition, as in the case of Library Cess, an additional surcharge at the rate to be decided by Government may be levied for meeting the cost of provision and maintenance of Radio/Television sets of the Village Panchayats.
2. The general revision once in five years now adopted may be revised as once in three years, so that there will not be any steep increase of taxation on the tax payers in villages and at the same time the Village Panchayats will also have the benefit of incremental increase in prices for the purpose of taxation.
3. The House Tax payer in Village Panchayats may be given the same types of concession allowed to tax payers in urban local bodies for prompt/advance payment of taxes.
4. The system of Passbook proposed to be introduced to urban Local Bodies to avoid the issue of demand notice every time may be adopted in Village Panchayats. The Local Public may be educated about the change of system and also the benefits of rebate for prompt and advance payments. This will reduce scriptory work and avoid the deployment of additional personnel for that purpose. If necessary, the system may be implemented after a pilot study in select panchayats.

5. In Village Panchayats it will not be difficult to fix the dates for collection centres consisting of specific wards and issue of receipts on the spot of collection. This will reduce the number of employees needed for the purpose of collection.
6. Only in the case of defaulters, the Officers of Village Panchayats will have to contact assesseees and arrange for early collection.
7. All the procedures indicated under Municipal Corporations and also the publication of the assessment list in the Village Panchayat may be resorted to, so that appeal and revision cases can be reduced to the minimum.
8. An enabling provision for distraint proceedings against immovable properties and recovery through Revenue Recovery Act may help clearance of arrears in VPs also.
9. The existing procedure for revision and appeal of House Tax may continue in Village Panchayats.

#### **Profession Tax:**

**2.6.17.** This tax is being levied under the new Profession Tax Act about which a detailed discussion has been made under the Urban Local Bodies. This tax which was yielding Rs.0.82 crores in a 1989-90 has steeply increased to Rs.6.54 crores in 1993-94 due to enforcement of new enactment of 1992. The income in subsequent years would have increased due to the new enactment. The recommendations made under Madras Corporation will apply to the Village Panchayats also.

#### **2.6.18. Recommendation**

**The SFC recommends the following:**

The recommendations made in respect of Municipal Corporations and Town Panchayats will apply to VPs also.

#### **Vehicles Tax:**

**2.6.19.** The Village Panchayats had been levying tax on carts, bicycles etc. so far. The Government have abolished the Vehicles Tax recently. In view of the difficulties experienced in the levy and collection and also the high cost of collection involved, this tax was recommended to be abolished even by Damodaran Committee (1990) and also by various earlier Committees. The quantum of collection under this tax was very minimal and it contributed only 0.2 to 0.4 per cent of the total income. This tax has since been

abolished by Government. But the total abolition of Vehicles Tax will affect the source and the revenue of the local body and hence suggestions have been made for converting the levy as one against automobile vehicles which are not now attracting the provisions of the Motor Vehicles Taxation Act under Municipal Corporations. Recommendations made thereunder will apply to village Panchayats also.

#### **2.6.20. Recommendation**

##### **The SFC recommends the following:**

The Vehicle tax has already been discontinued. All power driven vehicles like tractors, and two wheelers may be made liable for vehicles tax at different ranges of rates proposed, under Municipal Corporations.

##### **Pilgrim/Tourist Tax:**

**2.6.21.** This has been dealt with under Urban Local Bodies and all the recommendations made therein may be applicable to the rural local bodies also.

##### **Tax on Agricultural Land for Specific Purposes:**

**2.6.22.** This tax is leviable under Section 171(3) of the Act which is optional and is linked with specific purpose. This may be considered as a tax for betterment of the area with any specific item and this levy could be made only for a specific period with the sanction of the Inspector. The agriculturists in the area are subjected to land revenue, local cess, local cess surcharge and all these are based on the agricultural lands. The provisions to levy an additional tax for specific purpose on agricultural land has not created any impact all these years. This provision in the Statute has not at all been utilised. The development of the village is not related only to the agriculturists alone, but it also covers non-agricultural section of the people in the village. Except the house tax, the property holders do not contribute anything for the development purposes though few may own both lands houses. In fact the levy for the development of civic services should comprise the property holders also and not the agriculturists alone. Damodharan Committee (1990) which has also examined this aspect has recommended for suitable modification of the provision to enable levy of betterment charges on the property holders for provision or extension of any civic services in the area. This will supplement a portion of the cost involved in the provision of the schemes like water supply/ street lighting/ sanitation etc. The levy on agriculturists will involve dependency on the revenue authorities and also subjected to complicated procedures. On the other hand, the levy of betterment charges on all the properties can be done by the Panchayat, since the Panchayat is the authority to levy and collect wherever necessary. The owners of vacant lands also should be liable for this levy of betterment charges. This provision in the Act may be suitably amended.

### **2.6.23. Reommendation**

#### **The SFC recommends the following:**

Instead of this tax, an enabling provision for levy of betterment charges can be made on all the properties in the area. The Panchayats can levy and collect whenever funds are needed. The owners of vacant lands also may be made liable for this levy of betterment charges. The Tamil Nadu Panchayats Act, 1994 may be suitably amended..

#### **Water Tax:**

**2.6.24.** In Urban Bodies, water tax is a component of the property tax and in Village Panchayats, water tax is levied only in places where piped water supply is made available. Under the Tamil Nadu Panchayats Act, 1994, the responsibility for provision of drinking water has not been vested with the Village Panchayat. However, the supply of water has been one of the major civic functions of the Panchayat and the omission in the Act has to be rectified. The amendments made to Tamil Nadu Panchayat Act, while enacting the formation of TWAD Board, has deleted therelevant provision in the Tamil Nadu Panchayats Act. In practice, the TWAD Board creates the assets and passes them on to the local bodies for maintenance and supply. The local bodies also create drinking water wells, overhead tanks, ground level reservoirs, etc and also provide stand pipes out of their own sources. The maintenance and provision of piped water supply costs very heavily. The system of user charges for full recovery of the cost could not be applied to Village Panchayats. The water supply which costs very heavily cannot also be made entirely free of cost.

**2.6.25.** A suitable provision may be made in the Tamil Nadu Panchayats Act 1994 enabling the levy of water tax as an addition to the house tax compulsorily in all village panchayats where water supply has been made available either through protected water supply scheme or through overhead tanks and pipe lines, or by provision of hand pumps and power pumps. In the case of house connections, user charges can be claimed at a flat rate as applicable to the neighbouring urban or rural local body.

**2.6.26.** It has been represented during the District Sittings that house connections in village panchayats have been prohibited by the higher authorities even in places where house connections will yield revenue to the village panchayats. The Government may permit the house connections wherever adequate water is available for supply.



## 2.6.27. Recommendations

The SFC recommends the following:

1. A suitable provision may be made in the Tamil Nadu Panchayats Act, 1994 enabling the compulsory levy of water tax as an addition to house tax in village panchayats.
2. In the case of house connections, user charges can be claimed at a flat rate as applicable to the neighbouring urban or rural local body.
3. The Government may permit the house connections in village panchayats where adequate water is available for supply, so that there will be more yield in revenue.

Assigned/Shared Revenues:

2.6.28. The following are the Assigned/Shared revenues:

1. Local Cess
2. Surcharge on Stamp Duty
3. Entertainments Tax
4. Mines and Minerals.

The income of Village Panchayats from the above sources is furnished below:

**Table 2.56 Village Panchayats - Details of Income from Assigned/Shared Revenues**  
(Rs. in crores)

Details	1989/90	1990/91	1991/92	1992/93	1993/94	Average
Surcharge on Stamp duty	32.06 (93.60)	35.00 (93.14)	36.35 (95.38)	47.11 (95.35)	49.46 (95.28)	40.00 (94.66)
Local Cess	0.89 (2.63)	0.68 (1.80)	0.40 (1.05)	0.53 (1.07)	0.71 (1.36)	0.64 (1.52)
Entertainment Tax	1.25 (3.65)	1.68 (4.49)	1.22 (3.20)	1.43 (2.89)	1.45 (2.79)	1.41 (3.33)
Mines & Minerals	0.04 (0.12)	0.22 (0.58)	0.14 (0.36)	0.34 (0.69)	0.30 (0.57)	0.21 (0.49)
<b>Total : Assigned/Shared Revenues</b>	<b>34.25</b> <b>(100.00)</b>	<b>37.58</b> <b>(100.00)</b>	<b>38.11</b> <b>(100.00)</b>	<b>49.41</b> <b>(100.00)</b>	<b>51.91</b> <b>(100.00)</b>	<b>42.26</b> <b>(100.00)</b>

(Figures in the brackets indicate the percentages to total)

**2.6.29.** Items 2, 3 and 4 have been examined in detail, including the sharing between Panchayat Union and Village Panchayats under chapter V “Panchayat Unions” with suitable recommendations. Hence they are not examined again under this head. Item 1 has also been discussed under “Municipal Corporations”. However distribution of item 1 to Village Panchayat has been discussed in para 2.6.31.

**2.6.30.** The percapita Assigned /Shared Taxes in Village Panchayats ranges between Rs.3.49 - 4.50. Higher per capita was found in the lowest population group i.e. Village Panchayats with population up to 1000. Standard deviation was very high which showed wide variation among the Panchayats in this group as may be seen in the statement below:

**Table 2.57 Village Panchayats - Shared Revenue - Variations with reference to Population (Per Capita in Rs.)**

Population	Mean	standard Deviation	Minimum	Maximum	Coef.of variation	VPS>= AVG	No.of VPS	Popula- tion
Upto 1000	4.50	24.08	0.00	849.69	534.72	285	1391	1213921
1001 - 2000	3.44	6.66	0.00	105.10	193.18	1212	4786	7193364
2001 - 3000	3.61	6.65	0.00	98.03	184.19	733	2783	6835881
3000 - 4000	3.60	6.56	0.00	120.67	181.98	446	1569	5415596
4000 - 5000	3.49	5.45	0.00	55.25	156.14	253	876	3906021
ABOVE 5000	3.56	4.72	0.00	52.82	132.53	360	1178	7934883

**Surcharge on Stamp Duty:**

**2.6.31.** The Surcharge on Stamp Duty is levied at 5 % of the value of the property. The recommendations made for Urban Local Bodies are applicable to Village Panchayats also. However, the Tamil Nadu Panchayats Act indicates that the amount collected in the Panchayat Development Block shall be pooled every year for the entire Block and then distributed among all the village panchayats in the Block in proportion to the land revenue collection of the panchayat. This provision has been made to ensure that all the Panchayats in the Panchayat Development area get a portion of the income under this surcharge. In the case of other local bodies, the surcharge collected in their area is passed on to the respective local body after deduction of collection charges.

**2.6.32.** Suggestions were made for distribution at 30% on origin basis and 70% on population basis for Village Panchayats. Damodaran Committee (1990) also examined the change of method of distribution in view of the difficulties experienced in ascertaining the land revenue collections from the revenue department and consequent delay in adjustment to the panchayats. The distribution based on population of the village panchayats was examined and it was found that it affected panchayats which were in receipt of sizable amounts under the present system (on land revenue basis.) Even now

the position is found to be the same on examining some cases in a division. The land revenue based system has perhaps been adopted considering the fact that the transactions in the villages will be mostly based on the agricultural lands unlike in urban areas where the predominant transactions will be based on properties, other than agricultural lands. Any change in the existing procedure will require amendment of the Act and it is also likely to affect adversely the amount realised by the various Panchayats. There will be difficulty in working out the payment origin wise in Village Panchayats.

**2.6.33.** To avoid the delay, Damodaran Committee (1990) recommended that the distribution can be made based on the average demand of settled land revenue now adopted for levy of local cess and local cess surcharge, instead of waiting for the receipt of collection figures every year. The average demand can be modified once in five years when the classification of blocks is made on the basis of average land revenue. This will eliminate the delay in adjustment. This can be linked to Land holdings if a system of levy of Local cess/Local Cess surcharge is to be linked to Land holdings, which has been suggested in paragraph 2.5.15. and 2.5.16.

**2.6.34.** The amount sanctioned is now initially credited to the Panchayat Union Funds and then the Panchayat Union Commissioner transfers the amount to the Village Panchayat account, after working out the amount due to the various Panchayats. In this process there has been considerable delay and in certain cases Panchayat Unions which are not financially sound have diverted the funds for their use. Ultimately the amount due to Panchayats has not been adjusted for years. This may, therefore be directly credited to the Village Panchayat Account in the Panchayat Union by the District Registrar of Assurances and the Panchayat Union Commissioner can give credit for the amount due to the various Village Panchayats on the basis indicated above. The procedure for adjustment has already been dealt with in chapter 2 "Municipal Corporations

**2.6.35. Recommendations:**

**The SFC recommends the following:**

1. Assignment of Local Cess, Surcharge on Stamp Duty, Entertainment Tax and Mines and Minerals have been discussed in detail under "Panchayat Unions" and recommendations made there under will apply to VPs.
2. Any change in the procedure for distribution of surcharge on stamp duty to VPs will require amendment of the Tamil Nadu Panchayats Act 1994. It is also likely to affect adversely the amount realised by the various Panchayats at present, if distribution is based on population. Hence the existing procedure based on LR may be continued.

3. To avoid delay, Damodaran Committee recommended that the distribution can be made based on the average demand of settled land revenue now adopted for levy of local cess and local cess surcharge instead of waiting for the receipt of collection figures every year. These figures may be collected Panchayatwise and kept at Panchayat Union level. This can be linked to Land holdings if a system of levy of Local cess/Local Cess surcharge is to be linked to Land holdings, which has been suggested in paragraph 2.5.15. and 2.5.16.
4. The amount sanctioned is now initially credited to Panchayat Union funds and then the Panchayat Union Commissioner transfers the amount to Village Panchayat account after working out the amount due to various Village Panchayats. This revenue may be directly adjusted to the account of VPs and the Panchayat Union Council can work out the amounts due to each VP and give credit to individual Panchayats.

#### **Income from Fees and Charges:**

2.6.36. The source of income under this category is similar to those available under the Urban Local Bodies, like D & O Trade Licence, Building Licence, Encroachment fees, income from markets and shandies etc. The specific items which need separate examination under the village panchayats are discussed below:

#### **Income from Social Forestry:**

2.6.37. This is a source by which the Village Panchayats can improve their income substantially. The income has gradually increased from Rs.1.99 crores in 1989-90 to Rs.3.27 Crores in 1992-93. The income represents 18 to 28% of Non Tax which is really substantial. During the District Sittings, in Districts like Ramanathapuram, and Chidambaranar where the income from other sources is very negligible, representations were made that there is much scope for realising substantial income from social forestry. It was also represented that the Panchayats may be permitted to raise forestry in all poramboke lands and the tank bunds irrespective of ownership. The right for auctioning should be left to the local bodies and regular system of tender cum action should be prescribed to enable realisation of maximum possible income. It was pointed out that the present system of auctioning is not transparent and it leads to the depression of the bid amount by vested interests and enables a second lease by those lessees for a sizable higher amount. The procedure of auctioning should be suitably revised with provision for participation by the local panchayats. The amount realised should be straightway credited to the Village Panchayats instead of taking it to the Government account and then transferring it to Village Panchayats through Panchayat Unions.

**2.6.38.** A special study on the planting and rearing of the trees under this scheme is needed to ensure simplification of procedure and reasonable freedom to the local body in the matter of incurring expenditure for rearing with purpose of having better survival ratios. The expert opinion could be obtained from the Departmental Officers available at District Level instead of seeking sanction and permission from outside Departments.

**2.6.39. Recommendations:**

**The SFC recommends the following:**

1. Social Forestry is a rich potential to Village Panchayats. The Panchayats may be permitted to raise forestry in all poramboke lands and tank bunds irrespective of ownership. The right of auctioning should be left to the local bodies and a regular system of tender cum auction should be prescribed to enable realisation of real income.
2. The procedure of auctioning should be suitably revised with provision for participation by the local panchayats. The amount realised should be straightaway credited to the Village Panchayats instead of taking it to the Government account and then transferring it to Village Panchayats through Panchayat Unions.
3. This Scheme needs study on simplification of procedure with reasonable freedom to Local body on expenditure relating to planting and rearing. Expert opinion may be confined to Officers in the District.

**Fishery Rental:**

**2.6.40.** The right for auctioning fisheries in respect of panchayat union vested tanks is exercised by the Revenue department. Similarly in tanks owned by PWD and in system canals the auctions are done by Fisheries Department or by the Fishery Development Corporation. The auction amount relating to panchayat union vested tanks is due to the village panchayats concerned. The Government favoured the lease in favour of Fish Farmers' Cooperative Societies in the area. The local bodies actually do not have any role in realising the income by their own methods. It was pointed out even during the Damodaran Committee (1990) that fake societies are formed and in collusion, the auction amount is kept at low level while higher profits are realised by the lessee and out of that, a certain portion is paid to the local community for their public purposes and the balance is appropriated by the people connected with those fake societies. Even the paltry sum collected is not regularly passed on to the village panchayats concerned. The power of auction is required by the local body so that there will be a possibility of augmenting the resources of the local body. SFC considers that the societies also can compete along with the other bidders and but there should be no monopoly condition to lease it to the society alone. The SFC would like to stress that the power of auctioning

such local body assets should be only with the concerned local body and if necessary a committee consisting of representatives of panchayats and officials can be formed for ensuring proper implementation and with powers to Collectors to interfere where the implementation is not properly done.

**2.6.41.** Regarding the PWD tanks also the share of proceeds should be made available to the local panchayats and the local bodies should be permitted to supervise the lease, so that the exploitation over and above lease amount, could be watched and brought to notice, at least for future leases. In respect of bigger tanks covering more than one panchayat or panchayat union, auction may be done through a committee consisting of the representatives of the local bodies involved and the proceeds shared between those local bodies at the rates to be prescribed by the Inspector/Collector.

#### **2.6.42. Recommendations**

The SFC recommends the following:

1. The power of auctioning local body assets should be only with the concerned local body. If necessary a committee consisting of representatives of panchayats and officials can be formed for ensuring proper implementation. Collectors may be given powers to interfere where the implementation is not properly done. Fish Farmers' Development Co-operative Agencies should also be a bidder along with others and no monopoly should be given to them.
2. Regarding PWD tanks also, a share of proceeds should be made available to the local panchayats and the local bodies should be permitted to supervise the lease so that over exploitation could be watched and brought to notice to avoid future leases.
3. In respect of bigger tanks covering more than one panchayat or panchayat union, auction may be done through a Committee consisting of the representatives of the local bodies involved and the proceeds shared between those local bodies at the rates to be prescribed by the Inspector/Collector.

#### **2C.Patta Trees.**

**2.6.43.** The Chief Engineer, Highways has stated that in respect of avenue trees, the income from usufructs is given to the local body and the income for each of the trees is fixed after ascertaining the market price likely to fetch for the usufructs for a period of three years. The Panchayats will have to remit the lease amount to the Government and then enjoy the usufruct by auctioning it to any lessee by adopting usual procedure. No lease of the avenue trees should be granted for more than three years at a time. The

Panchayat Unions are eligible to auction the trees standing on the tanks transferred to the control of the Panchayat Unions. In respect of trees standing on the tank bunds vested with the Panchayat Unions and in respect of Public Works Department tanks which are not covered by system area, auction is done by Revenue Department and the proceeds are adjusted to the Panchayats concerned. There were representations that such auctioning is not done properly and the local Presidents do not have any knowledge of the auction and in the result, the auction is finalised for a very low amount. People who have vested interest join together and depress the auction price. It was therefore suggested that such auctions relating to the trees should be done by a Committee consisting of representatives of the Panchayat Union Council, representative of the Panchayat, the Panchayat Union Commissioner and the Revenue Officials concerned. The auction should be decided by the Committee and this will ensure better price in the auctioning.

**2.6.44.** The auction amount could also be remitted to the Panchayat Union Council concerned for credit in the Village Panchayat funds. In respect of Town Panchayats the amount can be directly credited to the Town Panchayat funds. There were also representations that there should be control over the dead trees that fall down and if it is not given, the removal by the people in scandalous methods, cannot be avoided. If the Panchayats are given powers to report the dead trees and initiate action to remove them from the roads and sell them, it may be possible to dispose of the trees quickly and realise better revenues.

#### **2.6.45. Recommendations**

The SFC recommends the following:

1. Wind fallen trees should be auctioned by a committee consisting of representatives of PU Council, Panchayat, PU Commissioner and Revenue official concerned. The auction should be decided by the Committee, to ensure better price.
2. The auction amount may be remitted to the PU Council Treasury for credit to the Village Panchayat funds.
3. In respect of Town Panchayats, the amount may be directly credited to Town Panchayat Funds.
4. In case of dead trees, the Panchayats should be given powers to report the fact and initiate action to remove them from the roads and sell them, ensuring quick disposal of the trees and realisation of better revenues.

## **Fairs and Festivals:**

**2.6.46.** The Panchayats have been given powers under Section 111 of the Tamil Nadu Panchayats Act 1994 to control the fairs and festivals declared as Panchayat Festivals. In case of such festivals the Panchayat are obliged to make provision of sanitary arrangements and water supply to public who attend such fairs and festivals which are normally notified by the Collector. They attract more number of pilgrims and others from the nearby areas. There is provision for fixing the share of expenditure to be made by the Temple authority by the Collector after consultation with them. It is now understood that the Temple Authorities have been exempted from paying their shares. Most of the Temples have represented that they do not have adequate resources and that the expenditure has been incurred by the Panchayat without prior consultation with the Temple Authorities. There are many temples which attract the pilgrims throughout the year in large numbers which naturally involve additional expenditure to the local body concerned. In this context the levy of Pilgrim or Tourist Tax on such floating population has been discussed under "Urban Bodies".

**2.6.47.** In view of the difficulties experienced in getting a share from the temples, it may be considered as an alternative, whether the temples having sizable income throughout the year through pilgrims may be required to share or contribute to the expenditure on civic amenities to be provided by the local bodies concerned. For instance, the temple at Thiruchendur has been contributing from its own fund for laying of roads etc. A Similar attempt can be made in respect of other big temples in Tamil Nadu. The Temples may collect addition fee along with entrance fee and pass on to Local body.

## **2.6.48. Recommendations**

**The SFC recommends the following:**

- 1.** Levy of Pilgrim/Tourist Tax has been discussed under Urban Local Bodies. They may be applied to Village Panchayats also.
- 2.** In view of the difficulty in getting a share on Expenditure on festivals from the temples, as an alternative, the temples having a sizable income throughout the year through pilgrims may be required to share or contribute to the expenditure on civic amenities to be provided by the local bodies concerned. The Temple at Tiruchendur has been contributing from its own funds for laying of roads etc. and a similar attempt can be made in respect of other big temples in Tamil Nadu. OR The temple may collect an additional fees along with the entrance tickets and pass on that money to concerned Local Body.



## **Penalties and Fines:**

**2.6.49.** Sections 243 to 247 of the Tamil Nadu Panchayats Act 1994 deal with Penalties and fines that can be made for violations of the provisions of the Tamil Nadu Panchayats Act. The Penalties and fines indicated in schedules II & III of the 1994 Act are the same as those indicated in the 1958 Act. Damodaran Committee (1990) suggested revised rates of penalties and fines since they were fixed a long time back and needed revision. It is necessary that the rates should be revised to suit the present day conditions and be deterrent to curb the tendency to violate the provisions. Higher punishment is likely to have a deterrent effect on the commission of such violations and offences.

**2.6.50.** SFC recommends that the rates now proposed taking into account the rates indicated by Damodaran Committee (1990) for schedules II & III of the Tamil Nadu Panchayats Act furnished in Appendix Nos.(18 & 19 ) may be adopted with suitable amendment to Act.

### **2.6.51. Recommendation**

**The SFC recommends the following:**

The revised rates proposed by Damodaran Committee (1990) in lieu of rates indicated in Schedules II and III of the Tamil Nadu Panchayats Act, 1994 and suitably revised by SFC may be adopted and the Act amended suitably. (vide Appendix Nos. 18 & 19)

## **Grants:**

**2.6.52.** The income from the Grants-in-aid to Village Panchayats may be seen from the statement below:

**Table 2.58 - Village Panchayat DETAILS OF GRANTS-IN-AID FROM HIGHER LEVEL GOVERNMENTS (Rs. in Lakhs)**

DETAILS	1989/90		1990/91		1991/92		1992/93		1993/94		5 Yr.Avg.	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
<b>Statutory Grants:</b>												
House Tax Matching Grant	485.00	9.70	659.03	14.39	815.40	19.72	855.23	18.58	867.48	14.15	736.43	15.06
Small Savings Grant	25.63	0.51	33.42	0.73	14.29	0.35	28.65	0.62	196.08	3.20	59.61	1.22
Statutory Grants	510.63	10.21	692.45	15.12	829.69	20.06	883.88	19.20	1063.56	17.35	796.04	16.28
<b>Non Statutory Grants:</b>												
Water Supply Grant	82.03	1.64	73.34	1.60	33.59	0.81	36.56	0.79	112.99	1.84	67.70	1.38
Street Light Grant	12.68	0.25	11.41	0.25	80.72	1.95	53.28	1.16	202.06	3.30	72.03	1.47
Funeral rites Grant	55.10	1.10	47.70	1.04	51.68	1.25	57.43	1.25	108.32	1.77	64.05	1.31
<b>Development Grants</b>												
Jawahar Velai vaippu	4085.51	81.72	3539.13	77.27	2950.49	71.34	3329.66	72.33	4280.37	69.84	3637.03	74.38
Intensified J.V.V.T.	135.66	2.71	118.47	2.59	129.99	3.14	169.93	3.69	230.57	3.76	156.92	3.21
Employment Assurance	44.13	0.88	47.22	1.03	30.38	0.73	39.53	0.86	64.00	1.04	45.05	0.92
Prog. of Assured Empl.	8.66	0.17	15.67	0.34	12.70	0.31	8.51	0.18	23.94	0.39	13.90	0.28
Others	65.30	1.31	34.90	0.76	16.58	0.40	24.35	0.53	42.90	0.70	36.81	0.75
Development Grant: Total	4339.26	86.79	3755.39	81.99	3140.14	75.93	3571.98	77.60	4641.78	75.74	3889.71	79.55
Non-Stat.Grants: Total	4489.07	89.79	3887.84	84.88	3306.13	79.94	3719.25	80.80	5065.15	82.65	4094.39	83.72
<b>Total Grants</b>	<b>4999.70</b>	<b>100.00</b>	<b>4580.29</b>	<b>100.00</b>	<b>4135.82</b>	<b>100.00</b>	<b>4603.13</b>	<b>100.00</b>	<b>6128.71</b>	<b>100.00</b>	<b>4889.53</b>	<b>100.00</b>

**Table 2.59. - Village Panchayat - In come from Grants - Percapita According to Population Ranges and Variations**

Population	Mean	Standard deviation	Minimum	Maximum	Coef.of Variation	VPS>= Avg.	No.of VPS.	Popula- tion
<b>GRANT REVENUE:</b>								
UPTO 1000	28.18	43.13	0.00	509.80	153.06	382	1396	1221908
1001 - 2000	21.68	28.22	0.00	398.17	130.14	1473	4783	7190164
2001 - 3000	17.89	21.21	0.00	208.98	118.57	863	2782	6833172
3000 - 4000	15.37	17.75	0.00	145.85	115.45	510	1566	5404112
4000 - 5000	15.50	18.01	0.00	151.51	116.18	292	877	3910224
<b>ABOVE 5000</b>	<b>14.79</b>	<b>15.87</b>	<b>0.00</b>	<b>122.07</b>	<b>107.25</b>	<b>398</b>	<b>1179</b>	<b>7940081</b>

the Village Panchayat, an equal amount is payable by the Government which is called House Tax Matching Grant. This grant is an incentive for the Village Panchayats to realise more collections so that they will have an equal amount of contribution from the Government. However, it has been observed during the last 30 years that this grant has not actually created enthusiasm for increasing the rate or for improving the performance of collections. The Village Panchayats have very meagre income under House Tax, though it is considered to be a major revenue (The per capita income is only Rs.2/- and the percentage to total revenue is only between 5 & 6 ). The matching grant can be modified to infuse involvement for realising more income from House Tax by linking it to the rate of levy and percentage of collection. But the system will need care in working out the entitlement. The new system of distribution of funds allocated by the Government will take into account the tax performance as one of criteria for devolution of funds. This may perhaps serve as an incentive for Village Panchayats to have a better tax performance. The existing system of matching grant can also be linked to collection performance.

**2.6.54.** During the District Sittings and also in the memoranda received from the officials there is a demand for increasing the matching grant from 100% to 300%. Now the Panchayats are also sought to be categorised with reference to their income . The grant is now given on equal basis to all Panchayats irrespective of their financial viability. Based on the categories evolved the question of considering higher percentage to the lowest categories can be thought of by keeping the present level of matching grant as the base for the higher categories. SFC recommends that the rates indicated in Appendix No.20 may be adopted.

#### **2.6.55. Recommendations**

**The SFC recommends the following:**

1. The new system of devolution of funds other than statutory grants takes into account the tax performance as one of the criteria for devolution of funds.
2. The existing system of House Tax matching grant can also be linked to collection performance instead of providing equal amount.
3. Based on the categories of village panchayats now suggested, the question of considering higher percentage to the lowest categories can be thought of by keeping the present level of matching grant as the base for the higher categories. Specific recommendations given in Appendix No. 20 may be adopted.

## **Grants for Water Supply and Street Lighting: (Discretionary)**

**2.6.56.** The Village Panchayats are now given assistance by the Government to enable them to meet the electricity consumption charges on public lighting and for meeting the repairs on hand pumps and power pumps under the Water Supply Schemes. These grants are made on an ad hoc basis and not based on any regular formula. The question of creation of divisible pool for the devolution from State Taxes and principles for horizontal distribution to Village Panchayats have been dealt with in detail in Part V of the Report. In such a case, there may not be any need for special grants for the above purposes. However till the Government takes a decision on devolution of funds the present method of assistance by way of grant for street lighting and for water supply will have to be continued by the Government on a regular basis. The consumption charges in Public lighting and the repair of water sources may be met in full by Government.

### **2.6.57. Recommendation:**

**The SFC recommended the following:**

Till a decision is taken on the recommendation on divisible pool, the present method of assistance by way of grant for street lighting and for water supply will have to continue on a regular basis. The consumption charges in public lighting and also the repair charges for water sources, may be met by Government in full.

### **Development Grants:**

**2.6.58.** All Development grants like JVVT, are routed through the Panchayat Unions based on the criteria and guidelines fixed by the Government of India for distribution of funds to the Panchayats on Population basis. These grants will continue as long as the Central and State assistance are made available. Hence no specific suggestions or recommendations are required, except that the grants intended for Village Panchayats may be directly adjusted to the Panchayat funds by the District authorities to avoid delay in routing it through the Panchayat Unions. The guidelines indicate the purpose for which the moneys can be spent. If freedom is given to the local bodies, they may utilise the funds for priority items in the area rather than the purpose indicated for the grant. This is a policy decision to be taken at the higher levels of government financing.

### **2.6.59. Recommendations**

**The SFC recommends the following:**

- 1.** The grants intended for Village Panchayats may be directly adjusted to the Panchayat Funds by the District authorities to avoid delay in routing through the Panchayat Unions.

2. If freedom is given to the local bodies, they may utilise the funds under Employment schemes for priority items in the area rather than sticking to the purpose indicated for the grant. This will be a major policy decision to be taken at the higher levels of government.

#### **Remunerative Schemes:**

2.6.60. In Village Panchayats where higher population/income is now available the remunerative schemes like shops, markets, bus stands stalls and community centres can be encouraged with assistance from Government. The assistance from Government cannot be entirely Loan as in the case of urban local bodies. A percentage Grant-cum-loan system can be adopted. The freedom to implement these schemes should be left to the Panchayats except for technical guidelines and supervision. These aspects have been dealt with under urban local bodies. They may be extended to Village Panchayats also, However, the Panchayat Union Commissioner may be the liaison as well as supervisory authority for implementation, auction and other related matters.

#### **2.6.61. Recommendations**

The SFC recommends the following:

1. In village panchayats with higher population/income, remunerative schemes like shops, markets, bus stands and stalls and community centres may be encouraged with assistance from Government.
2. The assistance should not be entirely on loan basis as in Urban Bodies but should be on the basis of Grant-cum-Loan.
3. The freedom to implement the schemes should be left to the Panchayats except for technical guidelines and supervision. These aspects have been dealt with under "Municipal Corporations". They may be extended to Village Panchayats also. The Panchayat Union Commissioner may be the liaison as well as supervisory authority for implementation, auction and other related matters in respect of "Remunerative Enterprises".

#### **Projection of Resource Generation:**

2.6.62. Projected position of the expected resource generation under Own Tax and non-tax sources of the different tiers of Local bodies during the periods from 1997-98 to 2001-02 are given in Tables 2.60 to 2.64 below. These figures do not however take into account the possible additional revenue generation from new tax domains, general sharing from State Taxes and the possible improvement of overall finances of Local bodies from non-tax resources, pending acceptance of the various recommendations for streamlining the methods and procedures made by the SFC.

Table. 2.60

## Municipal Corporation Detailed Projection of Own Revenues

(Rupees in Crores)

	1997 - 98	1998 - 99	1999-2000	2000 - 01	2001-02	Total
<b>A. Taxes</b>						
(a) Property Tax	135.05	145.10	190.35	209.56	230.69	910.75
(b) Profession Tax	16.14	16.95	19.49	21.43	23.58	97.59
Total	151.19	162.05	209.84	230.99	254.27	1008.34
<b>B. Non Tax:</b>						
(a) Fees, Fines etc.	10.69	11.98	14.37	15.81	17.39	70.24
(b) Income from Propety	40.41	48.49	58.19	69.82	83.79	300.70
(c) Income from Miscellaneous	7.81	8.00	8.21	8.42	8.62	41.06
(d) Income from Special services	3.88	4.11	4.36	4.63	4.91	21.89
Total	62.79	72.58	85.13	98.68	114.71	433.89
<b>Total (A+B)</b>	<b>213.98</b>	<b>234.63</b>	<b>294.97</b>	<b>329.67</b>	<b>368.98</b>	<b>1442.23</b>

Table 2.61

**Municipalities****Detailed Projection of Own Resources**

(Rupees in crores)

	1997 - 98	1998 - 99	1999 - 2000	2000 - 01	2001 - 02	Total
<b>A. Taxes</b>						
(a) Property Tax	67.13	70.48	84.58	97.59	105.13	424.91
(b) Profession Tax	10.42	10.63	12.33	12.77	13.23	59.38
<b>Total</b>	<b>77.55</b>	<b>81.11</b>	<b>96.91</b>	<b>110.36</b>	<b>118.36</b>	<b>484.29</b>
<b>B. Non Taxes</b>						
(a) Income from fees, fines, charges	7.00	7.52	8.85	9.97	11.24	44.58
(b) Income from Properties	23.91	25.72	27.67	29.80	32.10	139.20
(c) Income from Special Services	28.08	32.02	36.53	41.68	47.57	185.88
(d) Income from Miscellaneous Receipts	8.77	8.99	9.21	9.44	9.68	46.09
<b>Total</b>	<b>67.76</b>	<b>74.25</b>	<b>82.26</b>	<b>90.89</b>	<b>100.59</b>	<b>415.75</b>
<b>Total (A+B)</b>	<b>145.31</b>	<b>155.36</b>	<b>179.17</b>	<b>201.25</b>	<b>218.95</b>	<b>900.04</b>

**Table 2.62****Town Panchayats - Detailed Projections of Own Revenues**

(Rs in crores)

	1997 - 98	1998 - 99	1999 - 2000	2000 - 01	2001 - 02	Total
A. House Tax	20.19	20.59	27.80	29.75	31.83	130.16
Profession Tax	15.73	16.52	18.17	19.98	21.98	92.38
Other Taxes	2.59	2.72	2.85	3.00	3.15	14.31
<b>Total</b>	<b>38.51</b>	<b>39.83</b>	<b>48.82</b>	<b>52.73</b>	<b>56.96</b>	<b>236.85</b>
B. Fees Fines charges	5.00	5.50	6.05	6.65	7.32	30.52
Income from Properties	13.98	15.38	16.92	18.61	20.47	85.36
Income from Special Services	8.73	9.34	10.00	10.70	11.45	50.22
Income from Miscellaneous Receipts	3.89	3.97	4.05	4.13	4.21	20.25
<b>Total</b>	<b>31.60</b>	<b>34.19</b>	<b>37.02</b>	<b>40.09</b>	<b>43.45</b>	<b>186.35</b>
<b>Total (A+B)</b>	<b>70.11</b>	<b>74.02</b>	<b>85.84</b>	<b>92.82</b>	<b>100.41</b>	<b>423.20</b>



**Table 2.63**

**Panchayat Unions Detailed Projections of Own Revenues**

( Rs in crores)

	1997 - 98	1998 - 99	1999 - 2000	2000 - 01	2001 - 02	Total
A. Own taxes (LCS)	37.00	37.00	37.00	37.00	37.00	185.00
B. Income from fees, fines and charges	5.95	6.54	7.19	7.91	8.70	36.29
Income from properties	5.94	6.53	7.18	7.90	8.69	36.24
Income from Special Services	1.93	2.12	2.34	2.57	2.83	11.79
Income from Miscellaneous Revenues	5.88	6.47	7.12	7.83	8.61	35.91
<b>Total - B</b>	<b>19.70</b>	<b>21.66</b>	<b>23.83</b>	<b>26.21</b>	<b>28.83</b>	<b>120.23</b>
<b>Total (A+B)</b>	<b>56.70</b>	<b>58.66</b>	<b>60.83</b>	<b>63.21</b>	<b>65.83</b>	<b>305.23</b>

**Table 2.64****Village Panchayats Detailed - Projections of Own Revenues**

(Rs. in Crores)

	1997 - 98	1998 - 99	1999 - 2000	2000 - 01	2001 - 02	Total
<b>A. Own Taxes</b>						
(a) House Tax	8.62	9.05	9.50	12.00	18.00	57.17
(b) Profession Tax	7.95	8.35	8.76	9.20	9.66	43.92
(c) Water Tax	0.90	0.94	0.99	1.04	1.09	4.96
(d) Vehicle Tax	0.50	0.50	0.50	0.50	0.50	2.50
Total (A)	17.97	18.84	19.75	22.74	29.25	108.55
<b>B. Fees Fines etc.</b>	13.98	14.68	15.41	16.18	17.00	77.25
<b>Total (A+B)</b>	31.95	33.52	35.16	38.92	46.25	185.80

**2.6.63.** The increase in revenue under taxes and non taxes of the various tiers of local bodies has been indicated in the earlier paragraphs. The projection for the Assigned revenue has not been made in this part since, instead of tax based devolutions, a general sharing pattern out of the total pool of revenue of the State is recommended in Part-V. The tax based devolutions will arise only when, for any reason, the general sharing pattern is not accepted by the Government.

**2.6.64.** The recommendations made in this part, mainly, were related to the Augmentation of Resources under different types of revenues either from local sources or from assignments from higher bodies. There are a few suggestions which could help augmenting the local resources for providing the infrastructure needs in the respective areas. They are indicated below for further detailed study:

1. Development, sponsored through institutions, who can either adopt a village or a portion of village or take up specific item of development in the area. This may need some concessions to such sponsors by way of tax benefits. A recent incident can be recalled in which a multi-national company venturing in Automobile manufacture in Marai Malai Nagar has come forward to construct a Health Centre for the benefit of the local people. Such events would multiply in good number, provided Government extends encouragement.
2. People's participation through 'Shramdan' (contributory labour) by agreeing to take up development in their area with allocation of funds by the Government. This will arise in places where people come forward to take up a particular project or a work, contributing either labour or matching money contribution, expecting aid from the State and Centre. It is suggested if people take the initiative for contributing 1/3rd of the cost of the project, the balance 2/3rd could come from State and the Centre on equal sharing basis. Such matching contributions from the State and the Centre are over and above the normal allocations, due from the higher Governments to the Local bodies. Such a programme, reflecting the spirit of ancient schemes like Kudimaramath, would help to inject considerable impetus to the spirit of self-help and self-respect among the people and their Local bodies. Such projects can cover the long felt needs in the field of education, health, irrigation and other common amenities. The Government can encourage such voluntary contributions and provide funds which will help creation of assets with the public participation and also ensure a proper maintenance later.

3. Consequent on the policies of economic liberalisation, corporate institutions are coming up in large number, besides existing institutions and business houses. There are many industrialists living abroad as NRIs. It may be possible to persuade such NRIs or the Industry or business houses to either donate liberally to a common development fund or take up specific schemes in the areas of their choice. This may need some incentive by way of exemption from or concession in tax benefits. Such a scheme was available for rural development some years earlier and this could help developing infrastructure in the local bodies. Consequently, the strain on the Government and local body finance could be reduced, and money thus saved could be utilized for maintenance.
  
4. The local bodies should be educated to take advantage of specific, purpose-oriented central schemes like non-conventional sources of energy, rain harvesting schemes etc. and promote development in their area in the respective fields. Efforts should be taken to ensure that allocation for such schemes are neither left under-utilised or unutilised.