



# An Evidence Of Expenditure Management In Panchayat Raj Institutions Of Karnataka

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## ABSTRACT

This paper envisages the role and impact of Expenditure Management in Panchayats Finance, funds management in Karnataka and it ensures the proper functioning of the third tier of the government. The research study reveals that there is significant relationship between expenditure management and development of panchayath raj institution. To empower the panchayat to deliver its financial and political mandate, the constitution transferred various funding and non-funding aspects to the local governments and set up the state finance commission to enhance the resources for local bodies.

**Key Words:** Expenditure Management, Impacts, PRI's, Development, Karnataka,

## INTRODUCTION

A major portion of Part IX of the constitution deals with the structural empowerment of the Panchayati Raj institutions. Still, the real strength in terms of both the autonomy and efficiency of this institution depends on their financial position, including all its capacity to generate its resources. Panchayat finance refers to the financial management and funding mechanisms associated with Panchayati Raj Institutions (PRIs) in India. PRIs are local self-government bodies at the village, intermediate (block), and district levels, responsible for

governance and development activities in rural areas. Panchayat finance encompasses these institutions' revenue generation, budgeting, and expenditure processes. It involves the collection of resources and allocating funds to carry out various developmental and administrative functions at the local level.

## REVIEW OF LITERATURE

**Kathleen (2009)** goal of the report is to inform readers about the Trust, which is of particular interest to policy makers exploring the option of collective investment of the Social Security trust funds or establishing other private investment funds within the federal government. The report will not be updated. **Tom Blair (2019)** in the decades since William Nordhaus's(1975) pioneering exploration of “political business cycles”—increased spending by governments just before elections in the hope of staying in power—there has been much academic fascination with this theme.<sup>1</sup> Thus far, that interest has focused almost exclusively on the macro level, asking whether ruling parties spend more in prelection periods, but India offers a remarkable opportunity to look at such cycles at the individual level: its constituency development fund system, called the member of Parliament Local Area Development Scheme (MPLADS). **Kamal Nath (2015)** the cash shortage in Zimbabwe local authorities has now reached unprecedented levels. With local authorities failing to pay salaries and allowances as expected and creditors are accumulating.

## RESEARCH OBJECTIVES

- To Understand Expenditure Management of Panchayath Raj Institutions
- To Examine the Impact of Expenditure Management in PRIs of Karnataka

## RESEARCH METHODOLOGY

This research papers throws light on expenditure and funds Functionalities and its proper management of Panchayath Raj Institutions in Karnataka its deals with the analytical study in a quantitative way of synthesizing the gathered data information. The researcher gathered data from interview method and to test the validity of data statistical analysis has been done by using factor analysis, KMO test, Scree plot test and derivations.

## HYPOTHESES

**H<sub>0</sub>:** There is No Significant Co-relation between Expenditure and Development of Panchayat Raj Institutions.

**H<sub>1</sub>:** There is A Significant Co-relation between Expenditure and Development of Panchayat Raj Institutions.

**EXPENDITURE MANAGEMENT**

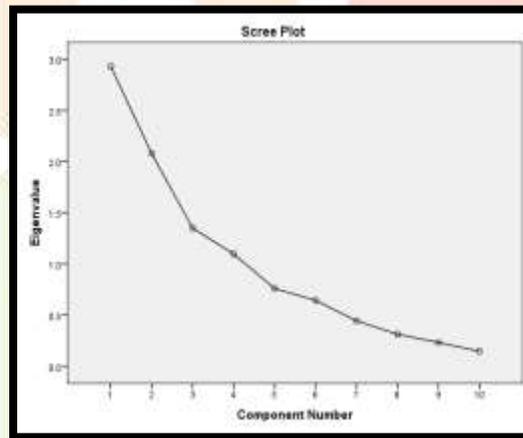
**KMO and Bartlett's Test on Expenditure Management**

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		0.524
Bartlett's Test of Sphericity	Approx. Chi-Square	96.348
	Df	45
	Sig.	0.010*

**\*P<0.05**

Kaiser – Meyer – Olkin measure of sampling adequacy test has been adopted to measure the suitability of factor analysis. Under the Expenditure Management there are ten variables were considered and all ten variables are statistically significant. Chi-square value is 96.348 and collectively meet the benchmark results of KMO and Bartlett’s test sampling adequacy was 0.524 which is greater than 0.5 indicating the factors used were suitable for analysis. The Bartlett’s test showed that the factors were statistically significant. It means they had significant correlations among the variables.

**Scree Plot on Expenditure Management**



The scree plot indicates the Eigen values and number of component factors. In this analysis on Expenditure Management indicates that there were four components considered in the study as Eigen values are greater than one (> 1).

### VARIMAX - Rotated Component Factors on Expenditure Management

Sl. No.	Factors	Rotated Component Factors				Communalities
		1	2	3	4	
1	Actual overall expenses against inflationary cost	-0.413	-0.044	<b>0.560</b>	-0.425	<b>0.666</b>
2	Capital expenditure in long term assets as properties, plant and equipment	-0.001	0.006	0.038	<b>0.865</b>	<b>0.715</b>
3	Deferred revenue expenditure	<b>-0.725</b>	0.075	-0.007	0.515	<b>0.796</b>
4	Effective public expenditure monument by local govt	<b>0.873</b>	-0.093	0.088	0.015	<b>0.796</b>
5	Non – operating expenses, interest payment, advance payment	0.056	-0.086	<b>0.862</b>	0.091	<b>0.779</b>
6	Operating expenses, cleaning, maintenance	-0.042	<b>0.882</b>	0.210	0.161	<b>0.868</b>
7	Other extra expenses over allotted budget and shortage of funds	<b>-0.415</b>	-0.365	0.388	0.267	<b>0.527</b>
8	Over expenditure than allotted budget	0.283	<b>0.700</b>	-0.225	-0.353	<b>0.746</b>
9	Revenue expenditure Viz., salaries, rent, utilities and others	<b>0.798</b>	0.172	-0.206	0.128	<b>0.724</b>
10	Tender allocation and its implementation	0.098	<b>-0.855</b>	0.316	-0.060	<b>0.843</b>
	Eigen Values	<b>2.378</b>	<b>2.203</b>	<b>1.470</b>	<b>1.409</b>	<b>7.460</b>
	Percentage of Trace	<b>22.680</b>	<b>21.133</b>	<b>15.687</b>	<b>15.154</b>	<b>73.514</b>

Note: Extraction Method: Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalization

The Variance Maximization rotated components analysis results on Expenditure Management are shown in the above table. It could be seen that the total amount of variance extracted from the 6 variables put together stands at 73.514 per cent. The first, second, third and fourth components accounted for variance of 22.68, 22.13, 15.68 and 15.15 per cent respectively.

Therefore, it can be inferred that sixth factor, Operating expenses, cleaning, maintenance (**0.882**) fourth factor, Effective public expenditure monument by local govt (**0.873**), Second factor, Capital expenditure in long term assets as properties, plant and equipment (**0.865**) fifth factor, Non – operating

expenses, interest payment, advance payment (**0.862**) were considered to be the most significant factors among the ten factor statements on Expenditure Management

**REGRESSION MODEL FOR EXPENDITURE MANAGEMENT OF PRI'S**

Independent variable	Unstandardized Coefficients		Standardized Coefficients	t-value	Sig.	CGR (%)	F-value	R <sup>2</sup> value
	B	Std. Error	Beta					
year	.073	.004	.977	15.633**	.000**	9.20	195.682**	0.912
(Constant)	1.000 E-013	.000						

Expenditure Management are contributed well for the overall development of village panchayath therefore compound growth rates for five years 2018-19 to 2023-24 were showing positive results and values are estimated using exponential growth model. The CGR for total turnover showed 9.20 per cent with significant t-value 15.633. The model was found to be fitting well as evident from significant F-value 195.682 and high R<sup>2</sup> value 0.912.

**RESULTS AND DISCUSSION**

- There are 10 various factors were been tested using rotated component factors analysis whereas 07 factors are showing positive and contributing highly 73.51 % for the development of Village Panchayat.
- Operating expenses, cleaning, maintenance are necessary expenses for the development and to maintain cleanliness
- Effective public expenditure management by local govt is needed for the control over activities
- Capital expenditure in long term assets as properties, plant and equipment are playing a significant role in the overall contribution to the development
- Non – operating expenses, interest payment, advance payment is impactful and whereas the overall development of the village and its limits has high non operative expenses these are contributing indirectly for the development
- The CGR for total turnover showed 9.20 per cent with significant
- t-value 15.633. The model was found to be fitting well as evident from significant
- F-value 195.682 and high R<sup>2</sup> value 0.912

## CONCLUSION

It suggests that the significance of expenditure management and funds management in panchayath raj institutions. Unless panchayats have a strong financial foundation with a clear revenue source that is properly managed to optimize resources, they cannot become effective Institutions and for scope of development of local self-government. From the terms of provisions of the constitution, the State Legislature has been given the right to authorize Panchayat to levy taxes and assign taxes, among other things, to mobilize their resources for carrying out assigned duties and functions. Therefore, the development of panchayat raj institutions has been dependent on funds and expenditure management.

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