

CHAPTER-IV

FINANCIAL RESOURCES OF PANCHAYATI RAJ INSTITUTIONS IN WEST BENGAL

Panchayati Raj Institutions should have adequate resources to discharge their responsibilities. But the resource mobilisation efforts continue to be poor. This poses a big question and challenge for these institutions. The present chapter makes an attempt to throw light on the structure of financial resources of Panchayati Raj Institutions in West Bengal and the actual financial position of Panchayati Raj Institutions in West Bengal. Generally, revenue or finances are generated by four sources:

- Tax assignment/own resources.
- Assigned revenue/tax sharing.
- Grant-in-aid.
- Loan and other sources.

4.1 Resources of Gram Panchayat

4.1.1 Gram Panchayat Fund

For every Gram Panchayat there shall be constituted a Gram Panchayat Fund bearing the name of the Gram Panchayat and there shall be placed to the credit thereof:

1. contributions and grants, if any, made by the Central or the State Government,
2. contributions and grants, if any, made by the Zilla Parishad, Panchayat Samiti or any other local authority,
3. loans, if any, granted by the Central Government or the State Government,
4. all receipts on account of taxes, rates and fees levied by it,
5. all receipts in respect of any schools, hospitals, dispensaries, buildings, institutions or works vested in, constructed by or placed under the control and management of the Gram Panchayat,
6. all sums receipts as gift or contribution and all income from any trust or endowment made in favour of the Gram Panchayat,
7. such fines and penalties imposed and realised under the provisions of this Act as may be prescribed,

8. all other sums received by or on behalf of the Gram Panchayat.

4.1.2 Imposition of Tax by Gram Panchayat

The West Bengal Panchayat Act of 1973 entrusts two types of taxation powers to Gram Panchayat. They are the authority to collect obligatory taxes and optional taxes. The obligatory taxes are:

Tax on Lands and Buildings

The Section 46(1) (a) of the West Bengal Panchayat Act of 1973 lays down the provisions for a "tax on lands and buildings" which constitutes the main source of Panchayats own income. This tax is levied at the rate of one per centum of the annual value of such lands and buildings when the annual value does not exceed rupees one thousand and at the rate of two per centum of the annual value of such lands and buildings when the annual value exceeds rupees one thousand. The annual value of a property is to be calculated at the rate of 6 per cent of gross valuation. All these taxes will be imposed on owners and occupiers of lands and buildings in the Panchayat area. But there are also sharp exemptions from the taxation [under Section 46 (2)] for (i) lands and buildings, the annual value of which is not more than two hundred and fifty rupees, (ii) lands and buildings belonging to a local authority and used or intended to be used exclusively for a public purpose and not used or intended to be used for purposes of profit, (iii) lands and buildings used exclusively for religious, educational or charitable purposes.

Under Section 46 (3), the State Government may, by notification, exempt either wholly or in part any other class of properties or classes of properties specified in the notification from the taxes or rates leviable under this Section. In addition, there is always a political unwillingness on the part of the PRIs to impose taxes on lands and buildings.

Stamp Duty

The Act empowers the Panchayati Raj Institutions [Section 46(5)] to levy additional stamp duty on all transfer of immovable property situated within the local limits of the Gram, a duty in the shape of an additional stamp duty at the rate of two per centum or, as the case may be, the amount of the consideration for the sale, the value of the property in the case of a gift, the amount secured by the mortgage, the value of the

property of the greater value in the case of exchange, or the value of the rent for the first ten years in the case of a lease, as set fourth in the instrument.

This duty can be imposed subject to the rules as the government may make, within the jurisdiction of Gram Panchayat. This tax is in nature of a tax supplement, which would be levied by the State Government along with the collection of stamp duty.

Duty on Entertainment

The Act also empowers the PRIs [Section 46(5) (b)] to levy a duty in the shape of an additional stamp duty at the rate of ten per centum on all payments for admission to any entertainment. Such as exhibition, performance, cinema amusement, games or sports etc. Both these duties when levied by Gram Panchayats are collected by the State Government and the proceeds are given to Gram Panchayats after deducting the collection charges. These two items of taxation are important but the amount of revenue is not sizeable as there is very little scope for property transfers and events of entertainment in rural life.

4.1.3 Optional Taxes

Gram Panchayats also enjoy [Section 47(1)] power of charging levy of rates and fees with regard to 15 items:

- (i) fees on the registration of vehicles,
- (ii) fees on plaints and petitions and other processes in suits and cases instituted before the Nyaya Panchayat concerned,
- (iii) a fees for providing sanitary arrangements at such places of worship or pilgrimage, fairs and *melas*, within its jurisdiction as may be specified by the State Government by notification,
- (iv) a water rate, where arrangement for the supply of water for drinking, irrigation or any other purpose, is made by the Gram Panchayat within its jurisdiction,
- (v) a lighting rate, where arrangement for lighting of public streets and places is made by the Gram Panchayat within its jurisdiction,
- (vi) a conservancy rate, where arrangement for clearing private latrines, urinals and cesspools is made by the Gram Panchayat within its jurisdiction,

- (vii) fees on registration for running a trade, wholesale or retail, within the jurisdiction of the Gram Panchayat unless such registration or such trade is prohibited under any law for the time being in force,
- (viii) tolls on persons, vehicles or animals or any class of them at any toll-bar which is established by the Gram Panchayat on any road or bridge vested in, or under the management within the jurisdiction of the Panchayat,
- (ix) tolls in respect of any ferry established by, or under the management of the Gram Panchayat,
- (x) fees on licence on dogs and birds and other domestic pet animals,
- (xi) a general sanitary rate where arrangement for the construction and maintenance of public latrines is made by the Gram Panchayat within its jurisdiction,
- (xii) a drainage rate for regular clearance of common drains is made by the Gram Panchayat within its jurisdiction,
- (xiii) fees for grazing cattle on grazing land vested in or under the management and control of the Gram Panchayat,
- (xiv) fees for use of burning *ghat* vested in, or under the management and control of the Gram Panchayat,
- (xv) Fees on registration for shallow tube-wells fitted with motor-driven pump sets and installed for irrigation for commercial purposes, subject to such terms and conditions as may be prescribed.

It is held that charges collected as such are too little as these sources are rarely provided in rural areas. Many GPs have also adopted building rules, under which building plans are to be approved on payment of small fee. In semi-urban GPs, this tax becomes a good source of income. However, for all these taxes no executive instruction has been issued so far. Moreover, neither byelaw has been made by GPs to provide exemption nor the terms and conditions specified thereof. Empirical studies reveal that most of the taxation powers are not utilised ¹.

4.1.4 Power to Borrow Money

Gram Panchayats are also empowered [Section 47(A) of the Act] to borrow money from the State Government or banks or other financial institutions for the Gram

Panchayat may draw up furtherance of its objective on the basis of such specific schemes as for the purpose. For this no previous sanction is necessary by the Government. But this provision has not been utilised so far.

4.1.5 Non-Tax Revenue Sources

The Panchayats in almost all the States have been empowered to mobilise non-tax local resources through imposition of various fees, rates and tolls through income from properties owned by or vested in them and by running remunerative enterprises. The return from social forestry on wastelands is reported to be strong in West Bengal. Further, creation of permanent assets like shops, flats, vested tanks, fishing ponds, and raising nurseries etc., are important sources of income of Gram Panchayats.

4.1.6 Grants-in-aid

Grants-in-aid (non-plan) form a major part of the Panchayati Raj finance, especially with the transfer of a good many employees to the Panchayats in pursuance of the functional devolution of the 73rd Constitutional Amendment. Obviously, the major source have related to financing of staff salary and establishment expenditure.

A major chunk of Panchayati Raj finance is covered by plan assistance under grants-in-aid from the State to the Panchayats. Here again, the Central Sector Schemes are the predominant source of fund. MGNREGA has the lion's share to be closely followed by EAS, IAY, JGSY, JRY and SGRY etc.

4.1.7 Voluntary Public Contribution

Voluntary contributions have been a notable feature in the development activities of the Panchayats and this should be encouraged to earn more resources as well as to enhance people's participation. The challenge of resource mobilisation needs to be tapped not only in terms of financial resources but also in terms of mobilising voluntary labour, technical skill and donation. Thinkers like Gandhi, Tagore, Vinoba and Ashok Mehta have all emphasised the importance of mobilisation of voluntary labour, i.e., the voluntary *shramdan* of rural people. Both manual and intellectual labour of local people can be mobilised by Panchayat leadership to reduce demand of funds from the State Government. This aspect needs to be encouraged particularly, because the local people tend to regard such assets as their own and feel a sense of attachment for which they have contributed personally.

4.2 Resources of Panchayat Samiti

4.2.1 Panchayat Samiti Fund

For every Panchayat Samiti, a Panchayat Samiti Fund is constituted bearing the name of the Panchayat Samiti and there shall be placed to the credit thereof:

1. contributions and grants, if any, made by the Central or the State Government including such part of the land revenue collected in the State as may be determined by the State Government,
2. contributions and grants, if any, made by the Zilla Parishad or any other local authority,
3. loans, if any, granted by the Central or the State Government or raised by the Panchayat Samiti on security of its assets,
4. all receipts on account of tolls, rates and fees levied by it,
5. all receipts in respect of any schools, hospitals, dispensaries, buildings, institutions or works, vested in, constructed by or placed under the control and management of the Panchayat Samiti,
6. all sums received as gift or contributions and all income from any trust or endowment made in favour of the Panchayat Samiti,
7. such fines or penalties imposed and realised under the provisions of this Act or by the bye-laws made there under, as may be prescribed,
8. all other sums received by or on behalf of the Panchayat Samiti.

4.2.2 Levy of Tolls, Rates and Fees

Panchayat Samitis have discretionary powers of levying tolls, rates and fees under the Act of 1973 (under Section 133). They can:

- i) levy tolls on persons, vehicles or animals or any class of them at any toll-bar established by it on any road other than a *Kutchra* road or any bridge vested in it or under its management,
- ii) levy tolls in respect of any ferry established by it or under its management,
- iii) levy the fees and rates, like:
 - a) fees on registration of vehicles,

- b) a fee for providing sanitary arrangements at such places of worship or pilgrimage, fairs, *melas* within its jurisdiction as may be specified by the State Government by notification,
- c) a license fee on offensive and dangerous trades renewable annually by PS,
- d) a fee or license for *hat* or market,
- e) a water rate, where arrangement for the supply of water for drinking, irrigation or any other purpose is made by the Panchayat Samiti within its jurisdiction,
- f) a lighting rate, where arrangement for lighting of public streets and places is made by the Panchayat Samiti within its jurisdiction.

PS may raise loans and create sinking fund for the purposes of Act and repayment of such loans (Sections 135). Besides, PS is empowered to borrow money with previous sanction of the State Government from banks or from other financial institutions for the specific schemes and purpose as drawn by PS (Section 135A).

Some earlier studies have pointed that Panchayat Samitis in general are even more dependent on government grants ². There are overlapping powers of charging levies and fees and tolls among the three tiers. In practice many Panchayat Samitis are found to have not utilised these levying powers.

4.3 Resources of Zilla Parishad

4.3.1 Zilla Parishad Fund

For every Zilla Parishad there shall be constituted a Zilla Parishad Fund bearing the name of the Zilla Parishad and there shall be placed to the credit thereof:

1. contributions and grants, if any, made by the Central or the State Government including such part of the land revenue collected in the State as may be determined by the State Government,
2. contributions and grants, if any, made by a Panchayat Samiti or any other local authority,
3. loans, if any, granted by the Central or State Government or raised by the Zilla Parishad security of its assets,
4. the proceeds of road cess and public works cess levied in the district,
5. all receipts on account of tolls, rates and fees levied by the Zilla Parishad,

6. all receipts in respect of any hospitals, dispensaries, buildings, institutions or work, vested in, constructed by or placed under the control and management of the Zilla Parishad,
7. all sums received as gift or contribution and all income from any trust or endowment made in favour of the Zilla Parishad,
8. such fines or penalties imposed and realised under the provisions of this Act or the bye-laws made there under, as may be prescribed,
9. money, if any, lying to the credit of the district Chowkidar reward fund constituted under section 25 of the Bengal Village Self-Government Act, 1919, the control over which rests with the District Magistrate, shall be credited by the District Magistrate to the Zilla Parishad Fund,
10. all other sums received by or on behalf of the Zilla Parishad.

4.3.2 Levy of Tolls, Fees and Rates

The financial powers of Zilla Parishads are almost similar to those of Panchayat Samitis, as they have no obligatory powers of taxation either, they possess certain revenue-raising powers, which include tolls, rates and fees under Section 181. Thus they can:

- i) levy tolls on persons, vehicles or animals or any class of them at any toll-bar established by it on any road other than *kutch* road any bridge vested in it or under its management,
- ii) levy tolls in respect of any ferry established by it under its management,
- iii) levy the following fees and rates such as:
 - a) fees on registration of boats or vehicles,
 - b) a fee for providing sanitary arrangements at such places of worship or pilgrimage, fairs and *melas* within its jurisdiction as may be specified by the State Government by notification,
 - c) a fee for grant of license for fair and *mela*,
 - d) a water-rate, where arrangement for the supply of water for drinking, irrigation or any other purpose is made by Zilla Parishad within its jurisdiction,

- e) a lighting rate , where arrangement for lighting of public streets and places is made by the Zilla Parishad within its jurisdiction.

Under Section 182 the Zilla Parishad may raise loans under any law relating to local authorities for the purpose of the Act and create a sinking fund for the repayment of such loans. Zilla Parishad may also borrow money from State governments, banks and other financial institutions on the basis of specific schemes drawn up by the Zilla Parishad for the purpose (Section 182 A).

4.3.3 Assigned Revenues

Apart from levies of rates and fees, the Zilla Parishads are also entitled for certain assigned revenues like five percent share of land revenue and road cess of public works cess which is levied at the rate of 60 paise per rupee of land revenue (Sections 179 and 180). Cesses constitute the most important source of revenue as each Zilla Parishad gets on an average Rs. 5-6 lakh per annum. But over the years the collection of cesses seems to be very poor. Collection of these cesses varies from year to year and district to district. Similarly, we are informed that land revenue collections are shared with the Zilla Parishad land revenue is no longer a significant source of revenue. Further, lower tiers of Panchayats like Panchayat Samiti and Gram Panchayat do not get any share out of it.

4.3.4 Grants-in-aid

By and large grants to Zilla Parishad flow from four departments: (a) Panchayat Department, (b) Rural Development Department, (c) Public Health Engineering, (d) Education Department. Usually, the financial transfers from Panchayat Department cover: (i) revenue sharing, (ii) establishment grants, (iii) other plan revenue grants, (iv) plan capital grants. The other department which gives both revenue and capital grants is Educational Department under its Operation Black Board Schemes. Grants from Rural Development Department and Public Health Engineering Department are mostly capital in nature, while the Rural Development Department makes the Central grants for JRY and its allied schemes to the Zilla Parishad and Panchayat Samiti and Panchayats, the PHED makes capital grants out of the Central Schemes on Rural Water Supply (RWS) for spot water sources. It is seen that more than 95 per cent capital grants to the Panchayats come from two departments (RDD & PHED) handling Central schemes for rural development. It would be possible for other functional departments of State

Governments to assist Panchayats through function specific grants rather than using Panchayats to achieve non-local objectives.

4.3.5 District Plan Fund

A District Plan Scheme (DPS) had been introduced since 1985-86 giving untied grant to the district plan fund for meeting the critical gaps between fund requirements and the funds available from different sources. This money was totally at the disposal of District Planning Committee. The State Government further adopted a policy from 1988-89 that 50 per cent of the excess collection of small savings would be ploughed back to that district as untied fund for development works. Money was mostly spent on irrigation and protection of embankments, 40 per cent improvement on roads and balance for other schemes as per the local suggestions. The decentralised planning process was introduced in 1984-85. Following this Block Level Planning Committee was constituted at block level and District Planning Committee was constituted at district level. The GP is empowered to sanction any scheme costing up to Rs. 7500/-. Such schemes costing more than Rs. 7500/- but not more than Rs. 30000/- require technical vetting by the Panchayat Samiti. The Block Planning Committee is empowered to approve block specific schemes with estimated costs not exceeding Rs. 50000/-. Such schemes involving more than that are required to be put up to the District Planning Committee for approval. Block Planning Committee after formulating the annual plans and programmes of the block sends their proposals to the District Planning Committee for incorporation in the district plan. The District Planning Committee is empowered to approve schemes with estimated costs not exceeding Rs. 500000/-. Schemes of a higher value require the approval of the State Planning Board.

In case of devolution of funds through decentralised planning the present position is that funds devolved for development purposes and the Panchayati Raj Institutions get only a small percentage of these directly. After a district plan is prepared, funds flow from the State from three channels. For small and non-technical schemes, they are allotted to GPs, PSs and ZPs on the basis of prescribed spending ceilings. For other schemes, they are put under the various budget heads and released by the respective departments to their respective district level officers. Untied funds under the district plan schemes flow to the District Planning Committee.

Since all the grants to the Panchayats are schemes specific and tied, the only source of untied grant is the district plan fund for miscellaneous development projects approved by the District Planning Committee and routed through Zilla Parishad. This planning committee is recently reorganised under the provisions of the 74th Constitutional Amendment with 80 per cent of its membership drawn from among the elected members of the Panchayats and municipalities. The new DPC is expected to prepare schemes of local nature covering spatial planning, sharing water and other natural resources and development of infrastructure and environmental conservation. As such, the future DPC would be directed at the Zilla Parishad. The ZP would, therefore emerge as the coordinator of the DPC projects for both Panchayats and municipalities.

4.4 Revenue and Expenditure Pattern of PRIs in West Bengal

After discussing the provisions for finances and their management contained in the Central and the State Legislation, let us see the financial position of the Panchayats in the State.

Local bodies should be able to raise revenue to meet their current level of revenue expenditure as far as possible. However, the extent to which they can do so, depends on the powers delegated to them under the State Legislation and the rules, notifications and orders issued by the respective State Government, besides their own will to do so. EFC had felted that the efforts made in this direction by the States and the local bodies would get reflected in higher revenue mobilisation by these bodies from their own sources and should be accorded some weight in the principles of devolution³. EFC had collected information on the revenue receipts and expenditure of the Panchayats from the States, which is placed at Table-4.1 to Table-4.4, respectively.

Table-4.1 presents the revenue and expenditure details of the Panchayati Raj Institutions (all tiers) in West Bengal during eight years from 1990-91 to 1997-98. It may be seen from the table that the total revenue of the PRIs has been having an increasing trend. It can be also seen from the table that the share of own resources to total revenue of the PRIs has been decreasing. This is a serious issue and has to be tackled at the earliest. On the other hand, in the expenditure side total expenditure increases more than four times over the years 1990-91 to 1997-98.

Table-4.1: Revenue and Expenditure of Panchayati Raj Institutions (All Tiers) in West Bengal (Rs. in Lakhs)

	Item	1990-91	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97	1997-98
Revenue	Own Tax	546.73	553.01	576.55	501.69	549.79	593.78	602.58	784.61
	Own NonTax	876.69	899.35	876.76	868.53	907.88	896.70	896.73	1174.60
	Own Revenue	1423.42	1452.36	1453.31	1370.22	1457.67	1490.48	1499.31	1959.21
	Other Revenue	9796.96	18859.76	27159.16	41315.26	47312.86	53347.40	50145.79	46816.25
	Total Revenue	7220.38	20312.12	28612.47	42685.48	48770.53	54837.88	51645.10	48775.46
Expenditure	Exp. on CS	192.35	194.68	190.00	192.29	195.49	196.02	197.21	194.51
	Other Exp.	11908.78	31983.50	34866.03	41518.34	53391.86	57855.42	52406.74	55293.40
	Total Exp.	12101.13	32178.18	35056.03	41710.63	53587.35	58051.44	52603.95	55487.91

Source: Govt. of India, 11th Finance Commission Report, 2000, p. 227.

CS: Core Services (water supply, street lighting, sanitation and roads).

In view of the wide disparities in the States' Domestic Product (SDP), a uniform criterion will place the low income States at a disadvantage. EFC had, therefore, linked the efforts made by the local bodies to rise own revenues, with the States' own revenue on the one hand and with the SDP from primary sector (excluding mining and quarrying) for the Panchayats and the SDP (net primary sector) for the municipalities, respectively, on the other hand.

Table-4.2: Statement of Revenue and Expenditure of Panchayats at Village Level in West Bengal (Rs. in Lakhs)

	Item	1990-91	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97	1997-98
Revenue	Own Tax	546.73	553.01	576.55	501.69	549.79	593.78	602.58	784.61
	Own NonTax	312.34	317.72	312.15	286.13	304.02	303.73	308.72	511.90
	Own Revenue	859.07	870.73	888.70	787.82	853.81	897.51	911.30	1296.51
	Other Revenue	4173.66	14810.32	21471.61	28639.42	29565.97	32922.46	27004.38	24210.95
	Total Revenue	5032.73	15681.05	22360.31	29427.24	30419.78	33819.97	27915.68	25507.46
Expenditure	Exp. on CSS	59.62	59.75	59.98	60.12	60.56	61.01	61.29	63.00
	Other Exp.	8935.14	25395.90	27786.31	31196.88	350.55.37	37735.83	29403.37	31452.93
	Total Exp.	8994.76	25455.65	27846.29	31257.00	35115.93	37796.84	29464.66	31515.93

Source: Govt. of India, 11th Finance Commission Report, 2000, p. 232. CS: Core Services (water supply, street lighting, sanitation and roads). \$: Details not furnished except for water supply.

Table-4.2 presents the revenue and expenditure details of the Panchayati Raj Institutions (village level) in West Bengal during eight years from 1990-91 to 1997-98.

It may be seen from the table that the total revenue of the PRIs has been having an increasing trend. In 1990-91 the total revenue is Rs. 5032.73 lakhs and in 1997-98 the total revenue is Rs. 25507.46 lakhs that means that the total revenue increases more than five times over the years. It can be also seen from the table that the share of own resources to total revenue of the PRIs has been decreasing. This is a serious issue and has to be tackled at the earliest. On the other hand, in the expenditure side total expenditure increases more than three times over the years 1990-91 to 1997-98.

The average of the ratio of own revenue collection of the Panchayats for the years 1995-96, 1996-97 and 1997-98 with the own revenue of the State for the corresponding years, has been worked out and assigned a weight of 5 per cent. Similarly, the ratio of own revenue of the Panchayats for three recent years, viz. 1994-95, 1995-96 and 1996-97, with the SDP for the corresponding years, after making adjustments as indicated above, is given a weight of 5 per cent ⁴.

Table-4.3: Statement of Revenue and Expenditure of Panchayats at Intermediate Level in West Bengal (Rs. in Lakhs)

	Item	1990-91	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97	1997-98
Revenue	Own Tax	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	NonTax	298.89	307.35	314.40	313.74	328.47	328.78	314.34	408.49
	Own Revenue	298.89	307.35	314.40	313.74	328.47	328.78	314.34	408.49
	Other Revenue	666.50	562.91	637.46	6002.61	10741.33	12855.51	15883.43	15178.77
	Total Revenue	965.39	870.26	951.86	6316.35	11069.80	13184.29	16197.77	15587.26
Expenditure	Exp. on CS*	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Other Exp.	1179.74	1111.24	1197.59	3554.71	10519.50	12070.68	15668.25	16131.43
	Total Exp.	1179.74	1111.24	1197.59	3554.71	10519.50	12070.68	15668.25	16131.43

Source: Govt. of India, 11th Finance Commission Report, 2000, p. 240.

CS: Core Services (water supply, street lighting, sanitation and roads).

*: Information/Details not furnished.

Table-4.3 presents the revenue and expenditure details of the Panchayati Raj Institutions (intermediate level) in West Bengal during eight years from 1990-91 to 1997-

98. It can be seen from the table that own tax revenue is nil at intermediate level over the years 1990-91 to 1997-98. This means that own non-tax revenue is equal to the own revenue. In 1990-91 the total revenue is Rs. 965.39 lakhs and in 1997-98 the total revenue is Rs. 15587.26 lakhs. It can be noted that total revenue increases more than 16 times over the years. On the other hand total expenditure increased at the same rate over the years.

Table-4.4 presents the revenue and expenditure details of the Panchayati Raj Institutions (district level) in West Bengal during eight years from 1990-91 to 1997-98.

Table-4.4: Statement of Revenue and Expenditure of Panchayats at District Level in West Bengal (Rs. in Lakhs)

	Item	1990-91	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97	1997-98
Revenue	Own Tax	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Own Non Tax	265.46	274.28	250.21	268.66	275.39	264.19	273.67	254.21
	Own Revenue	265.46	274.28	250.21	268.66	275.39	264.19	273.67	254.21
	Other Revenue	956.80	3486.53	5050.09	6673.23	7005.56	7569.43	7257.98	7426.53
	Total Revenue	1222.26	3760.81	5300.30	6941.89	7280.95	7833.62	7531.65	7680.74
Expenditure	Exp. on CS**	132.73	134.93	130.02	132.17	134.93	135.01	135.92	131.51
	Other Exp.	1793.90	5476.36	5882.13	6766.75	7816.99	8048.91	7335.12	7709.04
	Total Exp.	1926.63	5611.29	6012.15	6898.92	7951.92	8183.92	7471.04	7840.55

Source: Govt. of India, 11th Finance Commission Report, 2000, p. 244.

CS: Core Services (water supply, street lighting, sanitation and roads).

** : Information/Details not furnished except for roads.

It may be seen from the table that the total revenue of the PRIs has been having an increasing trend. It can be also seen from the table that the share of own resources to total revenue of the PRIs has been decreasing. Here own non-tax revenue is equal to the own revenue because own tax-revenue is equal to zero. This is a serious issue and has to be tackled at the earliest. On the other hand, in the expenditure side total expenditure increases more than three times over the years 1990-91 to 1997-98.

4.5 Status of the Resources of the Panchayats

After discussing the provisions for finances and their management contained in the Central and the State Legislation, let us see the financial position of the Panchayats in the State.

It was expected that there would be a system of collection and compilation of such information at the State headquarters not only for the purpose of monitoring by the State government but also for the use of the SFCs and, therefore, the information would be updated and made available within a reasonable time. However, even after considerable persuasion, the response received from different States, barring a few exceptions was found to be rather sketchy. The data furnished by the States did not facilitate quantification of the required augmentation of the consolidated fund on the basis of the SFC recommendations. Information could, however, be compiled regarding (a) the number of rural and urban local bodies at different tiers in each State, (b) the details of own revenues and transfers from the States to their local bodies. These data show that the share of own revenues of the Panchayats (all tiers) was 6.40 per cent of their total revenues for the period 1998-99 to 2002-03 which is a definite improvement over 4.17 per cent estimated for the period 1990-91 to 1997-98 but is still low⁵.

Table-4.5 represents the revenue and expenditure details of the Panchayati Raj Institutions (all tiers) in West Bengal during five years from 1998-99 to 2002-2003.

Table-4.5: Revenue and Expenditure of Panchayati Raj Institutions (All Tiers) in West Bengal (Rs. Crore)

Sl. No	Item	1998-99	1999-00	2000-01	2001-02	2002-03
Revenue	Own Tax	6.82	6.86	9.00	9.57	9.87
	Own Non-Tax	22.22	22.76	23.53	24.04	21.39
	Own Revenue	29.04	29.62	32.53	33.61	31.27
		[16.89]	[10.36]	[5.26]	[7.31]	[17.64]
	Assignment + Devolution	4.15	0.40	5.02	12.74	0.00
		[2.41]	[0.14]	[0.81]	[2.77]	[0.00]
	Grants-in-Aid	137.95	254.97	579.65	412.95	145.96
		[80.23]	[89.22]	[93.79]	[89.73]	[82.36]
Others	0.80	0.80	0.84	0.88	0.00	
	[0.47]	[0.28]	[0.14]	[0.19]	[0.00]	
	Total Other Revenue	142.90	256.17	585.51	426.58	145.96
	Total Revenue	171.94	285.79	618.05	460.18	177.23
		[100]	[100]	[100]	[100]	[100]
Expenditure	Revenue Expenditure	171.94	285.79	618.05	460.18	177.23
		[100]	[100]	[100]	[100]	[100]
	Capital Expenditure	0.00	0.00	0.00	0.00	0.00
	Total Expenditure	171.94	285.79	618.05	460.18	177.23
		[100]	[100]	[100]	[100]	[100]

Source: Govt. of India, 12th Finance Commission Report, 2004, pp. 428-435.

It may be seen from the table that, except in 1998-99 and 2002-03, the share of own revenue hovered 5 to 10 percent during the entire period. The assignment and devolution has also been around 1 percent except during the 1998-99 and 2001-02. The grant-in-aid hovered around above 80 percent over the year except in 2000-01. From the above analysis, two trends emerge. Firstly, the total revenue of the PRIs has been having an increasing trend except in 2002-03. Secondly, the share of own resources to total revenue of the PRIs has been decreasing first and then increase. This is a serious issue and has to be tackled at the earliest. When we ascertained the details of the use of the revenue, we found that full amount has been spent on the revenue account and no amount has been spent on capital account.

**Table-4.6: All India Revenue and Expenditure of Panchayati Raj Institutions
(All Tiers) (Rs. Crore)**

Sl. No	Item	1998-99	1999-00	2000-01	2001-02	2002-03
Revenue	Own Tax	629.89	677.49	753.70	810.81	928.71
	Own Non-Tax	531.08	657.02	664.54	621.95	714.80
	Own Revenue	1160.97 [6.71]	1334.51 [5.99]	1418.24 [6.10]	1432.77 [6.38]	1643.51 [6.84]
	Assignment + Devolution	5222.71 [30.20]	6508.53 [29.23]	6531.17 [28.10]	6169.43 [27.46]	6648.23 [27.69]
	Grants-in-Aid	9744.19 [56.34]	13118.64 [58.92]	13426.20 [57.76]	13224.07 [58.86]	14154.48 [58.95]
	Others	1167.81 [6.75]	1302.45 [5.85]	1868.75 [8.04]	1643.81 [7.32]	1564.29 [6.52]
	Total Other Revenue	16134.71	20929.62	21826.12	21037.31	22367.01
	Total Revenue	17295.68 [100]	22264.13 [100]	23244.36 [100]	22470.07 [100]	24010.52 [100]
Expenditure	Revenue Expenditure	13031.47 [71.18]	15889.15 [73.25]	18131.61 [75.36]	18177.17 [75.92]	17739.97 [73.05]
	Capital Expenditure	5275.41 [28.82]	5803.97 [26.75]	5928.53 [24.64]	5764.02 [24.08]	6546.32 [26.95]
	Total Expenditure	18306.89 [100]	21693.12 [100]	24060.14 [100]	23941.19 [100]	24286.29 [100]

Source: Govt. of India, 12th Finance Commission Report, 2004, pp. 435-436.

If we compare the State level scenario with the national, we find that own revenue share of the Panchayats is higher (except 2000-01) in West Bengal than the national level which is evident from the fact that own revenue of Panchayats in West Bengal has ranged between 5.26 percent in 2000-01 and 17.64 percent in 2002-03 as against about 6 percent at the national level.

Grant-in-aid is high in West Bengal as compared to that at the national level as evident from Table-4.6. Another interesting feature is that, at the national level, around 25 percent of the revenue is spent on capital formation whereas in West Bengal nothing has been spent on this. This may be due to non-reporting of works on the part of the State. It is clear from the above that own resources of the Panchayats in West Bengal are quite high as compared to the national average. But the fact of the case is that this is so only in the case of the lowest tier of the Panchayati Raj system because, at this level, Panchayats have power to impose 'House Tax' and also have common land which gives them sufficient resources to meet out their requirements. The economies of the intermediate and apex levels of the Panchayati Raj system in the State are solely dependent on grant diet.

In order to assess the 'revenue effort', the EFC had linked the ratio of own revenues of the local bodies to the State's own revenue and the SDP separately and assigning a 5 per cent weight to each. While in the case of Panchayats, the SDP from primary sector excluding mining and quarrying was taken into account. These were suitable weighted by the rural and urban population as the case may be. Twelfth Finance Commission have decided to modify this criterion by including the mining and quarrying in case of Panchayats, with a weight of 10 per cent to each of the elements. The period taken was 2000-01 to 2002-03 in the case of the own revenues of local bodies related to States own revenue and 1999-2000 to 2001-02 in case of own revenues of local bodies related to SDP. Since the newly created States of Jharkhand, Uttaranchal and Chattisgarh were created in November 2000, the fiscal data relating to States own revenue were available from November only. In view of this, the data relating to 2001-02 and 2002-03 only were taken to compute revenue efforts of local bodies' vis-à-vis State's own resources in respect of the States of Bihar, Jharkhand, Chattisgarh, Madhya Pradesh, Uttar Pradesh and Uttaranchal. This approach had to be followed for the residual States of Behar, Uttar Pradesh and Madhya Pradesh, as the data for 2000-01 were a combination of composite state till November and the divided States after November, 2000. The significance of the ratio of own resources of local bodies to States own revenues is that it also serves as a proxy of revenue decentralisation ⁶.

Table-4.7: State-Wise Own Revenue of Panchayati Raj Institutions (All Tiers)
(Rs. Crore)

States	1999-00	2000-01	2001-02	2002-03	Sum of Own Revenue (2000-01 to 2002-03)	States Own Revenue Receipts (2000-01 to 2002-03)	Share w.r.t. Own Revenue of States (Per Cent)	Sum of Own Revenue (1999-00 to 2001-02)	Sum of States GSDP (Primary Sector) (1999-00 to 2001-02)	Share w.r.t. to GSDP (Per Cent)
Andhra Prad	136.29	151.65	160.85	170.85	483.35	43910.07	10.617	448.79	139716	9.743
Arunachal P	0.00	0.00	0.00	0.00	0.00	300.91	0.000	0.00	1935	0.000
Assam	7.17	7.32	7.47	7.61	22.40	6654.14	1.361	21.95	44882	0.622
Bihar	3.01	7.71	3.59	6.67	10.26	5628.46	2.359	14.31	77675	0.749
Chhattisgarh	54.51	57.39	56.72	57.87	114.59	5999.00	5.537	168.63	34778	4.419
Goa	7.29	7.65	7.47	8.01	23.14	4657.79	0.059	22.41	3226	0.258
Gujarat	80.01	75.92	71.72	69.86	217.49	38928.07	3.087	227.65	62134	6.367
Haryana	57.93	70.14	76.24	78.36	224.74	19746.90	2.978	204.31	53761	3.127
Himachal Pr	2.46	3.35	4.25	5.39	12.99	3082.29	0.402	10.06	12618	0.239
Jammu & K	0.00	0.00	0.00	0.00	0.00	4353.30	0.000	0.00	18422	0.000
Jharkhand	0.00	0.00	0.00	0.00	0.00	5174.00	0.000	0.00	33777	0.000
Karnataka	57.27	66.83	52.36	59.46	178.65	33366.73	3.252	176.46	96733	3.484
Kerala	238.49	219.66	193.74	226.01	639.41	20976.44	12.511	651.89	54807	15.352
Madhya Pra	128.38	142.09	142.45	174.81	317.27	14080.80	17.410	412.92	85785	11.696
Maharashtra	284.73	327.98	384.29	470.07	1182.34	78577.80	14.612	997.00	127331	23.911
Manipur	0.00	0.00	0.00	0.00	0.00	292.12	0.000	0.00	3179	0.000
Meghalaya	0.00	0.00	0.00	0.00	0.00	672.99	0.000	0.00	3713	0.000
Mizoram	0.00	0.00	0.00	0.00	0.00	199.39	0.000	0.00	1674	0.000
Nagaland	0.00	0.00	0.00	0.00	0.00	289.57	0.000	0.00	3923	0.000
Orissa	8.66	9.06	8.81	5.51	23.38	9861.13	1.291	26.52	47653	0.953
Punjab	83.65	80.67	65.03	98.77	244.46	25357.26	2.702	229.34	83735	2.414
Rajasthan	36.62	36.89	37.14	37.68	111.71	21989.88	3.829	110.65	77011	3.405
Sikkim	0.00	0.00	0.00	0.00	0.00	2984.34	0.000	0.00	787	0.000
Tamil Nadu	59.50	57.20	62.37	65.44	185.01	44761.77	2.513	179.07	76134	4.497
Tripura	0.48	0.49	0.52	0.60	1.61	758.05	0.098	1.49	5882	0.037
Uttar Prades	53.30	58.83	59.26	63.17	122.43	26797.76	10.472	171.39	198979	6.209
Uttaranchal	5.15	4.87	4.89	6.10	10.99	2448.72	0.493	14.91	16473	0.313
West Benga	29.62	32.53	33.61	31.27	97.40	22170.34	4.417	95.76	137312	2.205
Total	1334.51	1418.24	1432.77	1643.51	4223.62	444020.02	100.000	4185.51	1504035	100.000

Source: Govt. of India, 12th Finance Commission Report, 2004, p. 450.

4.6 Resource Mobilisation and Devolution

The achievement of growth ideals depends on the mobilisation of additional resources required for taking up development projects. It is observed in one of the publications that planning from below with an emphasis on utilisation of idle natural resources is the core of the planning philosophy of rural development⁷. For this purpose the Samitis have been given the responsibility of drawing up resource inventory. The Board of Revenue has already transferred the control and management of *khas* lands located in the village to the concerned Gram Panchayat. The state government has also made provision for matching grant against collection made by the respective Gram Panchayat to a maximum limit of Rs. 5000. The Panchayat Act also empowers the Gram Panchayat to levy an additional stamp duty at the prescribed rate on all transfer of immovable property situated within the local limits of the Gram Panchayat and on all payments for admission to any entertainment. The Samitis have also been given power to levy rates on all ferries within their respective jurisdiction. The Samitis and Parishads have been empowered to borrow money from the state government or with the previous sanction of the state government from the banks and other financial institutions. In the latest amendment of the Act Panchayat has been given power to borrow money from the state government, from banks or other financial institutions. The Gram Panchayat has also been authorised to levy fees on license for running trade wholesale or retail within the jurisdiction of the Gram Panchayat unless such license or such trade is prohibited under the law of the land and to tolls on persons, vehicles, animals or any class of them at any toll bar established by the Gram Panchayat on any road or bridge vested in or under the management of the Gram Panchayat.

4.7 Summary

Panchayats under the current situation are unable to effectively mobilise resources. They are faced with constraints like negligible own income, tax evasion and lack of public awareness to generate a contribution. Panchayat leadership is not in favour of mobilising additional resources mainly because the Gram Panchayats have little clarity about resources.

Secondly, The West Bengal Panchayat Act, 1973 (as modified up to 1st November, 1997) provides for three obligatory taxes namely the tax on lands and

buildings, levy of additional stamp duty and duty on entertainment tax. The Act also provides 15 other optional taxes which include levy of rates and fees. All these levies are subject to the rules prescribed by the State Government.

Thirdly, Panchayat Samiti has discretionary power to levy tolls, rates and fees under Section 133 of the West Bengal Panchayat Act, 1973. There is an overlapping of powers of charging levies and fees and tolls among the three tiers of PRIs. In practice many of the Panchayat Samiti have not utilised their levying powers.

Fourthly, the Zilla Parishads in the State have no obligatory powers of taxation. The fiscal powers of Zilla Parishad are more or less in conformity with those of Panchayat Samitis. They possess certain revenue raising powers which include tolls, rates and fees under Section 181 of the West Bengal Panchayat Act, 1973. The Zilla Parishads are also entitled for certain assigned revenues like 5 per cent share of land revenue and road cess of public works, which is levied at the rate of 60 paise per rupee of land revenue (Sections 179 and 180). The cesses are distributed unevenly among the districts. Similarly, land revenue is no longer a significant source of revenue for ZPs. Further, lower tiers of Panchayats like Panchayat Samiti and Gram Panchayat do not get any share out of it.

Fifthly, Gram Panchayats have wide ranging taxation powers. It is unrealistic to assume that this can be achieved through Gram Panchayats. In view of this the involvement of all the three tiers of Panchayats would be necessary to increase the yield from property taxes. There is scope to generate resources through regulated agricultural markets.

Sixthly, the provisions contained in the West Bengal Panchayat Act, 1973, for the mobilisation of resources have not been put into practice by the PRIs in the State, except by the GPs that too partially in case of tax on lands and buildings only. The other two tiers of the Panchayati Raj system in the State have not used the existing provisions for mobilisation of the financial resources.

Notes and References

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2. Ibid. p. 47.

3. Report of the Eleventh Finance Commission (2000-05), Government of India, New Delhi, June, 2000, Chapter-8, p. 80.
4. Ibid. Chapter-8, pp. 80-81.
5. Report of the Twelfth Finance Commission (2005-10), Government of India, New Delhi, November, 2004, Chapter-8, p. 147.
6. Ibid. Chapter-8, p. 156.
7. Pramanick, Swapan Kumar and Prabhat Datta (1994): Panchayats and People - The West Bengal Experience, Kolkata, *Sarat Book House*, p. 26.
