

CHAPTER I
INTRODUCTION

CHAPTER I
INTRODUCTION

1.1 Panchayati Raj in India - a theoretical perspective
and historical retrospect

Panchayati Raj - the rural self-government - institutionalises the concept of democratic decentralisation. Rightly did Harold J. Laski remind us, "We cannot realise the full benefit of democratic government unless we begin by admission that all problems are not central problems, and that the results of problems not central in their incidence require decision at the place, and by the persons, where and by whom the incidence is most deeply felt."¹ From this emerges the need for decentralisation entrusting local organs with powers local in character, the presumption being that people of a particular locality know best and appreciate their own problems and needs and can effectively solve them. "It is in the arena of local politics," says Prof. Munro, "that people most easily learn their first lessons in the art of governing themselves."²

Local self-government, in the words of T.J.O Hickey, means the management of services and regulatory functions by locally elected councils and officials responsible to them, under statutory and inspectorial supervision of the central legislature and executive, but with enough financial and other independence to admit of a fair degree of local initiative and policy-making.³ So, local government provides for widening the area of people's participation, control, decision-making authority and autonomy through decentralisation of powers from the top to bottom.

-
1. Harold J. Laski, *A Grammar of Politics*, George Allen and Unwin, London, 1960, P. 411.
 2. Munro, "The Government of Europe," P. 316
 3. T.J.O. Hickey, "Enemies Within and Without the Gates," *Political Quarterly*, April - June, 1966.

Local government is not only a means of political development but also an effective vehicle of economic progress. It makes for division of labour. There are areas of development which are strictly local in character and which call for local knowledge, local decision and local action. The upper tier governments may leave these areas to the local government, thus reducing extreme centralisation. This will also free them to attend more to other business not within the competence of the local authority. Participation of local authority in economic development is also supported for psychological reason. "What counts more than anything else with the ordinary citizen is to see some tangible result of his tax contribution of labour in which he can take a personal interest, a road, a market or dispensary. Such works stimulate a feeling of civic consciousness and a desire for improvement."⁴

Local government strengthens the foundation and consolidation of democracy by forging the much desired linkage between the people at the grass-root and the national elite at the State and Central level. Administratively, it is answerable for efficient performance both upward and downward and politically it is responsible downward, with the recognition of the right of the local people to have government of their own.

"In short, the local authorities perform four-fold developmental functions in addition to the traditional regulatory functions :

4. M.A. Muttalib, Md. Akbar Alikhan, "Theory of Local Government." P. 5-6.

- (1) Promotion of popular participation;
- (2) Spurring of economic development;
- (3) Social transformation ; and
- (4) Equitable distribution of fruits of economic development.⁵

Any assessment of the role of the local self-Government is to be viewed in the context of the relationship between the State Government and the local self-government. The observation of Prof. Abhijit Datta may be worth quoting here - "Local government can be vigorous only when the State Government assume the role of a senior partner and not a competitor in local development. In the absence of a clear-cut demarcation between State and local functions - which is not a mere theoretical concept but also, operationally, a feasible proposition and the willingness of the states to delegate authority and devolve functions and finances, it is unrealistic to expect that the urban local governments will be able to face the challenge of urban development."⁶ The question of the extent and magnitude of decentralisation of power, authority and resources is, therefore, inextricably associated with the functioning of local self-government. It is the mechanism of democratic decentralisation through which the local governments may constitute the basic structure of democracy. "Democratic decentralisation means not merely the creation of a few institutions and revamping the already existing ones to suit the

5. Ibid, P. 30.

6. Abhijit Datta, 'Urban Government, Finance and Development,' World Press, Calcutta, 1970, P. 52.

expanding needs of development administration but something more - a total transformation in the outlook regarding the power relationships and a radical reorientation of our attitudes toward the power structure in the government."⁷ The Salwantray Committee very correctly points out, "It is not infrequently that delegation of power is mistaken for decentralisation. The former does not divest the Government of the ultimate responsibility for the actions of the authority to whom power is delegated; this authority is under the control of the Government and is in every way subordinate to it. Decentralisation, on the other hand, is a process whereby the Government divests itself completely of certain duties and responsibilities and devolves them on to some other authority."⁸ Thus understood, democratic decentralisation throws up local initiative and leadership and ensures involvement of people in the process of making and implementing policy - decision in an autonomous way. The basic idea behind democratic centralisation is "to train the local leadership to assume higher responsibilities and to serve the people with maximum efficiency and economy and with minimum taxation so as to meet their growing needs within the resources at their disposal, giving priority where it is legitimately due."⁹

-
7. A.K. Mukhopadhyay, "The Panchayat Administration in West Bengal". World Press, Calcutta, 1980 P. 7.
 8. Report of the Team for the study of community projects and National Extension Service Committee on Plan Projects, New Delhi, Vol. I, 1957 Sec 2, P. 7.
 9. Report of the Committee on Democratic Decentralization, Department of Cooperation and Rural Development, Government of Maharashtra, Bombay, 1961, P. 52.

The constitutional pledge to usher in a new democratic social order in which justice, social, economic and political shall inform all the institutions of national life cannot be honoured if powers are concentrated in the hands of the intellectual elites and the society offers no scope for the unfolding of the creative genius of the common people and a share of power in the management of affairs shaping their destiny. The people can have a hand in the Government only when a pyramidal structure of the State will be raised on a foundation of organised local democracies. With this end in view local self-government was considered an imperative necessity for the realisation of the basic democratic values cherished by our national leaders and the fathers of the constitution, "The constitution has provided for democratic institutions at the centre and in the States, but so long as local self-governing institutions are not conceived as parts of the same organic constitutional and administrative framework, the structure of democratic government will remain incomplete."¹⁰

While emphasizing the need to have an effective system of local government it is not to suggest that India had no such system in the past. Rural self-government has been known to India from time immemorial. To quote Dr. R.C. Majumdar, "we have also reference to another body termed Sabha which some regard as a 'council of Elders.' Others think, it was a Village Assembly or the place of meeting which also served as a centre for social gatherings."¹¹

10. The First Five Year Plan, Planning Commission, Govt. of India, 1953, P. 139.

11. Dr. R.C. Majumdar, "An Advanced History of India", P. 30.

Jawaharlal Nehru also gave an account of the Village Panchayat in ancient India. "The Village Panchayat or elected council had large powers, both executive and judicial, and its members were treated with the greatest respect by the king's officers. Land was distributed by this Panchayat, which also collected taxes out of the produce and paid the government's share on behalf of the Village. Over a number of these village councils there was a larger Panchayat or council to supervise and interfere, if necessary."¹²

This well-established system of village government was, however, disintegrated during the Mughal and the early British rule, but it was Lord Ripon who once again attempted to revive the local governments. Starting with the Ripon Resolutions of 1882, a series of legislations were made during the first half of the twentieth century with a view to democratising local institutions.

The stage-back of Panchayati Raj in the Independent India and its constitutional recognition were largely the result of Gandhiji's influence. He believed that independence must begin at the bottom. Thus every village will be a Republic or Panchayat having full powers. It follows, therefore, that every village has to be self-sustained and capable of managing its affairs. "In spite of being a base it will not be dictated from above. With the Panchayats a new society will be born where each one will sustain each other and will enjoy equal status."¹³

12. Jawaharlal Nehru, "The Discovery of India", 1964, p. 288.

13. M.K. Gandhi, 'Harijan', 1964, p. 236.

Gandhiji's vision of 'Gram Swaraj' was strongly advocated by the sarvodaya leaders. The concept of 'participatory democracy' as propounded by Shri Jayaprakash Narayan aims at driving the roots of democracy deep into the socio-political life of the country through the village Panchayats. Prof. Iqbal Narain identifies some of the basic characteristics of the Sarvodayite viewpoint thus - (a) the sovereign character of the Gram Sabha; (b) the pivotal importance of panchayat as the exclusive popular base of pyramidal structure of Indian polity; (c) the emphasis on the autonomous, self-sufficient and self-sustaining character of panchayat; (d) the responsibility of panchayat to gram sabha; and (e) the partyless character of panchayat elections and politics.¹⁴

The constitutional recognition of the village panchayats was not, however, free from controversy. The final draft placed before the Constituent Assembly did not have any reference to the setting up of village panchayats which Mahatma Gandhi considered a panacea for the uplift of the villages. This omission evoked scathing criticism from different quarters and the President of the constituent Assembly had to write to the constitutional Adviser if the constitution could be redrafted having the panchayats as its basis. Finally, provision for organisation of panchayats was made in the constitution as one of the directive principles of State Policy. Art 40 of the constitution of India reads 'the State should take steps to organise

14. Iqbal Narain, 'The Emerging Concept' in "Panchayati Raj, Planning and Democracy" Ed. by M.V. Mathur and Iqbal Narain, 1968, P. 21.

village panchayats and endow them with such power and authority as may be necessary to enable them to function as units of self-government.'

The Five-Year Plans also stressed the importance of the role of panchayats in the execution of National Development Plans for rural development. The second Five-Year Plan described the role of the Panchayats in the following words - "Rural progress depends entirely on the existence of an active organisation in the village which can reach each family and bring all the people including the weaker sections of the community into the production and other common programmes to be carried out with the assistance of the administration. In order to secure these aims and to bring about a more just and integrated social structure and for developing a new pattern of leadership in village society, Panchayats have to be placed on a sound footing and entrusted with a great deal of responsibility for co-ordinating different local programmes."¹⁵ So, organisation of panchayats was deemed to be an imperative necessity for creating a just and integrated social structure and a new pattern of leadership to take charge of rural developmental programmes.

The failure of Community Development Programmes and National Extension Service to intensify rural development and associate the village people through their representatives and leaders with the working of local projects made the planners search for better structural alternatives. A team to study the working of the Community Projects and National Extension Service

15. Second Five Year Plan(Summary), Planning Commission, Government of India, 1956, P. 60.

was appointed under the Chairmanship of Salwantrey Mehta in December, 1956 (henceforth Mehta study Team). The Study Team submitted report in December, 1957. The following observation of the Study Team is worthnoting - "Admittedly one of the least successful aspects of Community Development and National Extension Service work is its attempt to evoke popular initiative so long as we do not discover or create a representative and democratic institution which will supply 'the local interest, supervision and care necessary to ensure that expenditure of money upon local objects conforms with the needs and wishes of the locality', invest it with adequate power and assign to it appropriate finances, we will never be able to evoke local interest and excite local initiative in the field of development."¹ With this objective the team suggested 'an early establishment of statutory elective local bodies and devolution to them of the necessary resources, power and authority.'¹⁷ The Team offered two broad directional thrusts : first, it argued that there should be administrative decentralization for effective implementation of developmental programme and that the decentralized administrative system should be under the control of elected bodies.

A three-tier panchayati system was envisaged for reorganising the existing local bodies. At the apex of the integrated structure of rural self-government a Zilla Parishad

16. Report of the Team for the Study of Community Projects and National Extension Service, Committee on Plan Projects, Government of India, 1957
Vol I Sec. 2, P. 5.

17. Ibid., P. 23.

was to be created for each district. Below the district level there should be a Panchayat Samiti for each development block. At the village level, Gram Panchayats were to be set up. The pivot in this three-tier system would be the Panchayat Samiti at the block level. The Zilla Parishad was assigned the function of co-ordination only.

The structure of the Panchayat system recommended by the Mehta Study Team provided a model to the States. The National Development Council accepted the basic principle of democratic decentralisation suggested by the Mehta Study Team and asked the State Governments to organise their Panchayat systems more or less within the framework prescribed by the Mehta Study Team. It is true that no single uniform pattern can be adopted in all the states because of their varying local conditions and needs. The Central Council of Local Self-Government in its fifth session held at Hyderabad in 1959 took a resolution to this effect - "what is most important is the genuine transfer of power to the people. If this is ensured, form and pattern may necessarily vary according to conditions prevailing in different states."¹⁸

Based on the recommendations of the Mehta Study Team, Panchayati Raj has been introduced in different states since 1959 at different points of time, the earliest being Rajasthan and Andhra Pradesh.

Commenting on the revival of the Panchayat-i-Raj and its pivotal role in revolutionising the rural India Norman

18. Quoted in Panchayati Raj (Pamphlet), Ministry of Community Development and cooperation, Government of India, 1961, P. 2.

D. Palmer says, "The revival of the panchayats, their extension to most of the villages of India, their legal recognition as basic administrative units of government, and their association with community Development programme and other efforts at rural uplift, are significant new departures in Indian politics and administration, and they may indeed mark the revitalization of rural India and the beginning of a true popular awakening. If the village comes to life, and if the villager really gains a sense of participation in a cooperative enterprise of social rejuvenation and nation-building, then a revolution will truly have come to the Indian countryside, and to India as a whole. In this gigantic enterprise the panchayats would play a central role."¹⁹

Panchayat-i-Raj based on the principle of democratic decentralisation aims at strengthening participatory democratic culture by securing active involvement of the people of each area with developmental projects and progressive transfer of responsibilities from the centre to the ground. "Panchayat-i-Raj will grow thus to be a way of life and a new approach to Government as against a unit of government."²⁰

1.2 Theoretical Framework Of Panchayati Finance

Decentralization of powers will remain a mere slogan and Panchayati-i-Raj as a rural self-government can never meet the challenges of rural life if it does not have a sound resource base. Adequate availability of fund must accompany devolution of

19. Norman D. Palmer, "The Indian Political system," George Allen and Unwin, London, 1961, P. 152 - 153.

20. S.K. Dey, "Panchayat-i-Raj", Asia Publishing House, Bombay, 1961, P. 95.

specific functions to the Panchayats. Financial autonomy is the backbone of Local Government. It determines the size of their activities and testifies to what extent decentralization of powers has taken place. It also governs their ability to plan and discharge functional responsibilities. An affluent Local Government attracts men of outstanding calibre in its political and administrative sphere and commands confidence of the people as well as the Government. It, therefore, follows that a realistic approach to the study of Panchayat-i-Raj as a unit of Self-Government must necessarily include an analysis of its resource base. The question posed by Sri Balwantray Mehta deserves to be quoted here - " Have we given them adequate resources with which to work? You give them responsibilities, you give them powers, but if you do not give them the revenue with which to work, how do you expect them to function successfully? unless the resources are there, they will not be able to make an impact on the popular mind and make the people understand that there is something which has come to their rescue after many centuries. So the problem of resources is very important and vital before we begin to judge the efficiency of the Panchayati-Raj system."²¹ ".....In any discussion of local government finance, it is necessary to assume a few propositions clarifying what local Government is for and what is expected of it. For the purpose of clarity the following value-premises are advanced :

21. Balwantray Mehta, 'Reflections from the chair,' 'Panchayati Raj, Planning and Democracy, ED. by MV Mathm and Iqbal Narain, Asia Publishing House, P. 86.

a) It is assumed that local government institutions are politically responsible units, and within the sphere of their activity, these are fairly autonomous ;

b) It is further assumed that the higher tiers of governments - State and Central - would increasingly devolve functions and resources to the local governments in order to discharge their responsibilities to the fullest extent; and

c) It is also assumed that the increased responsibilities and the freedom of decision - making by the local governments would accompany a large measure of financial autonomy, away from dependence on the external sources, such as the State and the Central governments."²²

As against these assumptions let us examine the structural construction of Panchayat finance. The State governments provide the base for local finance through the Panchayat Acts in respect of sources of revenue, nature of expenditure, preparation and execution of budgetary proposals, the need for government approval etc. The fiscal structure of the Panchayati-Raj is made up of its income and expenditure as reflected in the budget adopted and implemented according to the Act.

The Panchayats derive their income mainly from two sources - (1) tax-source and (2) non-tax-source. The tax-source generally comprises certain taxes (property tax, Profession tax etc.) compulsory in nature and certain taxes and fees, rates, cesses etc. (vehicle tax, registration fees etc.) which are

22. Adhijit Datta, 'Urban Government, Finance and Development,' Calcutta, 1970, Ch.VI p.52

optional in nature. The non-tax source consists of (a) share of taxes and grants from government, (b) loans and borrowings, (c) revenue from remunerative assets and enterprises, and (d) gifts and donations from the people.

There are three forms of tax from which flows a sizeable income to the Panchayats :- (a) taxes levied and collected by the Panchayats themselves; (b) taxes raised locally but collected centrally by Government though spent on decentralised basis (Entertainment tax in some states); and (c) taxes levied and realised by the Government but shared by the Panchayats (Land Revenue).

Emphasis has always been on mobilization of resources through self-taxation by the Panchayats since that ensures greater local political responsibility and popular involvement. Apart from this, self-taxation strengthens financial self-sufficiency and reduces dependence on the State Government for financial assistance. But revenue from this source is marginal and hardly contributes to attaining financial self-sufficiency. Some of the reasons generally identified are : (a) the limited tax base; (b) inelasticity of the local taxes; (c) Statutory restrictions; (d) general reluctance of the Panchayats to impose taxes; (e) inadequate collection machinery; and (f) tax-evasion at large.

The two major components of non-tax source are (a) share of taxes; and (b) grants from government. Self-taxation being limited in scope and revenue-yielding the creation of a strong resource base demands transfer of revenue through these two ways. Since the number of taxes shared with the Panchayat

authorities is extremely limited (The Zilla Parishads Act, 1963 provided for sharing of only two taxes - Land revenue and Road cess - with the Zilla Parishads) the importance of Government grants as an instrument of Panchayat finances has been increasing. Grants are broadly of two types : (a) block grant or general purpose grant; and (b) specific purpose grant. Generally speaking, the block grant or general purpose grant takes the shape of per capita grant, matching grant, incentive grant, maintenance grant and so on. The village Panchayats in West Bengal are entitled to a lump grant of Rs. 1300 per annum. While the Anchal Panchayats and the Zilla Parishads receive maintenance grants for meeting expenditure on account of salaries & allowances of their staff. Incentive grants for outstanding performance in mobilizing tax resources are also in vogue. The Santhanam Committee on Panchayat-in-Raj Finance recommended award of some sort of maintenance assistance to the Panchayats. "Efforts by the Panchayats to raise local resources by taxation and by other ways will be more successful if people know that proceeds are to be used for the provision of civic amenities and not for mere administrative expenses. We, therefore, recommend that a basic minimum maintenance assistance of Rs.1/- (Rupees one) per capita should be given to every Panchayat and the Central Government and State Governments should share equally in such assistance."²³ Assam, Rajasthan and Tamil Nadu assign land revenue on per capita basis. In Rajasthan, the Government gives Rs.2.50 per head of

23. Report of the Study Team on Panchayati Raj Finance, Part-I, Ministry of Community Development and Co-operation, Government of India, 1963, P.P. 19-20.



population per Panchayat. This grant is easier to administer, no doubt. But it does not take into account the relative resources and tax efforts of the Panchayats. The Governments of Maharashtra and Tamilnadu give a matching grant to the Panchayat unions on the basis of the rate of local cess surcharge levied by them. The incentive grants or matching grants provide stimulus to the Panchayati Raj Institutions to adequately utilize the existing tax paying capacity of the rural population and thereby intensifying their own efforts for a greater utilisation of tax resources.

✓ Specific grants are extended for certain specific purposes. Such grants are made available for execution of developmental programmes and carrying out different 'agency' functions. The transfer of functions relating to implementation of projects at the district level to the Zilla Parishad or at rural level to lower tiers of Panchayats involve transfer of fund along with the projects. Through award of specific grants the State Governments get an opportunity to dictate the terms and the recipients are to oblige.

✓ While the growing importance of grant system as a part of fiscal management has to be recognised the need for its rationalisation cannot be ignored. "The Layfield Committee of the U.K., for instance, has recommended the rationalization of the grant procedure in the following manner by ensuring : (a) greater certainty over several years, in the levels of grants; (b) more stability in grant distribution; (c) a better integrated time-table for grant determination and local budgeting; and (d) a unitary grant, which should not be related with expenditure but with

provision of some common level of service to a common tax rate."²⁴

It is, however, very difficult to ascertain whether grants-in-aid aims at strengthening self-governing institutions or paves the way for supervision and control of their working. Generally speaking, grants are used as an instrument of both stimulus and control. Where controls aim at proper guidance of the Panchayats in administering programmes in the best public interest nothing wrong is there. Yet the apprehension that unconditional grants may make the local governments reckless in their expenditure, sap them of their initiative to mobilize local resources, and lead to administrative rigidity and bureaucratic dilatoriness, thereby striking at the very root of grass-roots 'democracy' can not be ruled out altogether.

"Like other aspects of local finance, the loans and bonds policy is primarily decided through the local Government Act, with the Government and the Local Government working out the details. Generally, loans are raised to meet the capital expenditure involved in satisfying the increasing local needs which are developmental in character, while services in the nature of maintenance are met either through local revenue or through grants-in-aid."²⁵ Provisions exist in almost all the States to enable the Panchayati Raj Institutions to borrow from Government. In West Bengal also the Panchayat Acts provide for raising of loans by the Zilla Parishad and other tiers of the Panchayat. The Governments of Karnataka, Maryana and Punjab advance loans to the

24. M.A. Muttalib, Md. Akbar Ali Khan, "Theory of Local Government" (1982) Ch. VIII P. 195.

25. Ibid, P. 196.

Panchayats for creation of remunerative assets. Such loans may take different forms. The Government itself may act as the principal source for loan capital. In selected cases, Government may provide seed money to the Panchayats when they secure institutional financial support to build up remunerative assets. The Local Governments may also be encouraged by the Government to borrow loans from agencies specially constituted or approved by it.

The Santhanam Committee on Panchayati Raj Finance recommended the setting up of a Panchayati Raj Finance Corporation to advance loans to the Panchayats for public utility undertakings, remunerative projects, and small and medium scale industries. Its authorized capital should be fixed by the State Government subject to a maximum of Rs. 5 Crores and a minimum of Rs. 1 Crore. The shares of the corporation should be issued to Panchayat Institutions, the State and Central Governments, Reserve Bank of India, Life Insurance Corporation of India, Co-operatives, nationalised banks, insurance companies and other financial institutions.²⁶

Such a scheme of support by the State Government from budgetary sources carrying small or no interest supplemented by institutional finance may serve two-fold purposes. First, it may help local economy develop and secondly, it may ensure carrying out of local activities on desirable lines in consonance with the principle of uniformity throughout the State.

Another component of local fiscal structure is local expenditure. Local expenditure may broadly be classified into

26. Report of the Study Team on Panchayati Raj Finance (Part 1), Ministry of C.D. and Co-operative, Government of India, 1963 PP 37-38.

two categories - capital and revenue. Capital expenditure covers capital construction which is generally financed out of subsidies, grants, borrowings etc. Revenue expenditure includes establishment charges like payment of staff salary, operation of essential services etc.

The expenditure pattern of the Panchayats reflect their revenue position, nature of functions undertaken, imagination, initiative and leadership of the Panchayat authorities to grapple with rural problems and devise developmental projects involving people's participation etc.

"Like public expenditure, local expenditure is on the increase. A number of factors have contributed to higher public expenditure - a changing social and economic order, a changing theory of the proper role of Government, a changing conception of democracy, population growth and inflation. The local Government, as a part of total political mechanism engaged in welfare services, cannot remain unaffected by this universal surge. In addition, the Local Government is increasingly associated with nation-building activities on agency basis, resulting in rapid local expenditure. But commensurate local revenue has not gone up. Consequently, one may notice a universal phenomenon, namely, that the development of local finance in modern times moves in the direction of centralisation of public revenue and public expenditure."²⁷

The entire framework of fiscal policy is formulated by the Government, while laying down the revenue pattern and

27. M.A. Muttalib and Md. Akbar Ali Khan, "Theory of Local Government," Ch. VIII pp. 192-193.

✓ expenditure pattern of the Panchayats the Government must take into consideration their functional responsibilities. It follows that the scope and scale of Panchayati finance are determined by the nature and volume of functions to be performed by these institutions. Resource allocation must commensurate with functions and vice versa. In constructing the fiscal structure the Government must take care that independent local resources are assigned to the Panchayats and at the same time reasonable financial support is lent to supplement their local earning for meeting local as well as national obligations. The most important thing is, however, freedom of action of the Panchayats in keeping with the spirit of democratic decentralization. The position of the Panchayats in respect of mobilization of resources through their own efforts must be viewed against the fact that their levying authority has no constitutional basis. The Government specifies the local taxes and fixes the limit for the exercise of their revenue - raising authority.

The foregoing analysis of the fiscal structure of the Panchayati Raj Institutions raises some important issues which have been examined in course of the field-study and the findings thereof have been summarised in the concluding chapter. The issues are as follows :

(a) Granting that Panchayats should exploit their local resources to the maximum possible extent, will it be possible for them to emerge as self-financing institutions with the given local tax-base?

(b) Notwithstanding the demand for streamlining and strengthening financial position of the Panchayats can it be said that they have made a determined drive for mobilization of resources through taxation to the desired extent?

(c) To what extent has there been fiscal cooperation between the Government and the Panchayats in the field of taxation?

(d) Saddled with a multifarious activities of rural welfare and development and in the face of increasing local expenditure local resources of the Panchayats need be supplemented by external resources.

Assuming that additional resources are released through revenue transfer, institutional finance and creation of remunerative assets, what should be the developmental strategy to be evolved by the Panchayati Raj Institutions to meet the more urgent requirements of rural masses and ensure growth with social justice?

1.3 Hypotheses

The following hypotheses may be developed from the above theoretical framework :

1. Given the existing revenue structure of the Panchayats taxes and fees constitute the most important source of revenue to be derived from the domestic field.

2. The role of taxation as a fiscal instrument for financing rural development appears to be strictly limited because of the narrow tax-base and lack of initiative and effort of the Panchayats for exploitation of the source to the desired extent.

3. A major advance in local finance is possible through inter-governmental cooperation and revenue devolution.

4. Assuming rural development an inter-governmental responsibility the Panchayats may prove themselves effective agencies for ameliorating the socio-economic conditions of the rural population at the grass-root and the weaker sections in particular.

The hypotheses have been tested during the field investigation and the results thereof have been noted in the subsequent chapters.

1.4 Objective of the Study

As a rural government pledged to the task of socio-economic development the Panchayati Raj Institutions can not be expected to play a very effective role if certain conditions are not fulfilled, the most important being availability of adequate finance. Supply of sufficient financial resources is not enough; a judicious allocation of funds among different conflicting demands of rural development also demands a careful planning.

It is, therefore, interesting to study the nature and sources of Panchayati finance and how funds are being utilized by the Panchayati leaders in the task of rural development. No less interesting is the study of various problems the Panchayats face with regard to mobilization of resources and utilization of the same for meeting the challenges of rural life.

It is expected that such a study would reveal many interesting information and insight for the researchers as well as the rural planners.

1.5 Scope of the Study

Finances of two Anchal Panchayats and the ten constituent Gram Sabhas in the district of Jalpaiguri, West Bengal, have been studied in depth (a description of the sample anchals and gram sabhas has been given in Appendix II) and finances of the Jalpaiguri Zilla Parishad have been studied in brief (Anchalik Parishad was defunct during the period of Study).

The Study has been restricted to two Anchals and the constituent Gram Sabhas because of a number of limitations including paucity of fund, time etc. (the methodology of selection of the sample areas has been stated in section 1.3).

The study attempts to cover the following points :

(i) Sources of Panchayati Finance with a critical assessment of each of the sources identified ;

(ii) How far and to what extent resources available to the Panchayats are sufficient enough to deliver the goods to the rural people ?

(iii) The nature and extent of the efforts made by the Panchayats to mobilize resources from the domestic field and the reaction of the people to such efforts.

(iv) The role of external finance, e.g. , government assistance and institutional financial support etc. in financing developmental and routine works of the Panchayats.

(v) The nature, extent and prospect of inter-governmental fiscal cooperation in the field of Panchayati finance.

(vi) The manner and extent of utilization of funds by the Panchayats and the pattern of expenditures made by them.

(vii) The scope and prospect of augmentation of resources of the Panchayats by their own efforts as well as through inter-governmental fiscal cooperation.

(viii) The role of the Panchayats in the sphere of rural development particularly in respect of the weaker section and the developmental strategy to be devised for achieving 'growth with social justice.'

1.6 Period of the Study

The West Bengal Panchayati Act was passed in 1973. The project was undertaken next year i.e. in 1974. The period of the study is 1974-1977.

1.7 Importance of the Study

Bhattacharya, S.N. observes : "The Panchayats in North Bengal have very meagre income."²⁸ He further observes : "Income of the Panchayats is not well spent."²⁹ His further observation is : "Panchayats have made very little efforts to raise revenues."³⁰

28. Bhattacharya, S.N., Finances of Panchayats in North Bengal - A Study (1964-67), Economic and Political Weekly, No.9, 1968 P. 1735.

29. Ibid.

30. Ibid.

He points out : "Panchayats have been facing various socio-economic problems in most of the cases when they are making attempts to raise resources through internal sources."³¹

Bhattacharya, S.N.'s study period was 1964-67. The present investigator was interested to know the position in these regards during his study period. It was believed that such a study would throw much light on such an important question like the Panchayati finance in these backward regions (North Bengal is a typically backward region consisting of five districts viz. Darjaeling, Cooch-behar, West Dineajpur, Malda and Jalpaiguri, in West Bengal) of West Bengal.

Attention of planners and policy-makers may be drawn to the fact that, if found desirable, findings, observations, remarks, conclusions of the present project may be utilised by them for action programmes to be undertaken with regard to the improvement of the nature and extent of the Panchayati finance for this region of West Bengal.

Attention of future researchers - individual and or institutional —may be drawn to test the strength and weakness of the findings, observations, remarks, conclusions, etc. made in this project through indepth studies and there is, indeed, much scope for them in this regard.

It is expected that some of the findings, remarks, observations, conclusions made in this project may be useful to planners and policy-makers who are really interested in utilising the Panchayats in the task of rural development in this region and these may stimulate their further thoughts and actions. It is

also hoped that future researchers may be interested to test the strength and or weakness of such findings, observations, etc. made in this project. One may further hope that the Panchayats in this region may be interested to utilise some of the suggestions/ observations etc. made in this project to improve their financial position, provided, other factors (e.g. their will and power to utilise such a knowledge gained) are conducive enough in this regard.

The above expectation and hope taken together may indicate that the present project is very important and it has much significance.

1.3 Methodology and Sampling Design

First of all, out of thirteen Blocks in Jalpaiguri district, two Blocks (in our case, Dhupguri and Rajganj Blocks) were selected at random.

Secondly, one Anchal Panchayat from each Block was considered our Sample Anchal Panchayat. In Jalpaiguri there are one Zilla Parishad, thirteen Anchalik Parishads, ninetythree Anchal Panchayats and five hundred seventyfive Gram Panchayats.

Thirdly, all the Gram Sabhas of the two Anchal Panchayats (in our case, ten Gram Sabhas, please see chapter II for details) were considered our Sample Gram Sabhas.

Fourthly, Jalpaiguri Zilla Parishad was taken as our sample with regard to the apex tier in this district.

Fifthly, all the thirteen members of the Dhupguri Anchal Panchayat who were alive (out of twentyone members including four

associate members) and all the seventeen members of the Dabgram Anchal Panchayat alive (there were thirtyone members in all including six associate members) were interviewed with a questionnaire and schedules prepared for this project to gather relevant information, etc. . Moreover, minutes, records, etc. of these Anchal Panchayats were also considered where necessary and where available. At the same time, in some cases, the application of case study method was also made.

Sixthly, all the living members of the Gram Panchayats* of all the Sample Gram Sabhas (altogether 90 members) were interviewed with a select questionnaire and schedules prepared for this project to gather relevant information, etc. Minutes, records, etc. of these Gram Sabhas were also consulted and used where possible and available. Moreover, where desirable and possible, case study method was used.

Seventhly, records, minutes etc. of the Zilla Parishad of the sample district were used for the present study. Such records, minutes etc. were gathered and then interpreted by the present investigator and in the light of such interpretations, he had offered some suggestions to improve the situation in this regard, where possible.

* Total number of members of each of the Gram Panchayats (including nominated women representatives):
 Dabgram Anchal Panchayat : 1. Dashim Bairagipara - 16,
 2. Salugera - 13, 3. Purba Bairagipara - 16, 4. Hayderpara - 11,
 5. Ektiasal - 11, 6. Baribhasa - 11,
 Dhupguri Anchal Panchayat :
 1. Dhupguri - 17, 2. Uttar Bairatiguri - 17,
 3. Dakshin Bairatiguri - 17, 4. Uttar Boragari - 11.

Eighthly, twenty families, each from the ten Gram Sabhas, were selected at random through stratified random sampling technique (altogether $10 \times 20 = 200$ families) and heads of these families were interviewed to gather their reactions/opinions, etc. over the utilisation of the Panchayati finance in their respective areas, etc. and the replies received were recorded duly, arranged in a systematic manner and finally interpreted through unbiased approach as far as possible. Case study method was also adopted where possible and desirable.

Ninethly, some useful literature, reports, etc. on the Panchayats and the Panchayati finance duly acknowledged, were used to enrich the contents of the present study.

Moreover, methodologies used in testing different hypotheses have been given in appropriate places.

Finally, information, data, etc. obtained through the aforesaid approaches were arranged, tabulated, where necessary and duly interpreted as far as possible before final drafting was made for the present study.

1.9 Collection of Data -- Some Problems

One of the problems appeared to emanate from the paucity of desired data and information. Collection of primary data appeared to be hazardous and the present investigator had to face multifarious difficulties. A brief mention of a few such problems may be interesting to note here.

In general, the apprehensive and evasive nature of the village people in the sample area seemed to be a great stumbling

block in the way of meaningful collection of primary data. Some of the people did not appear to be adequately willing to divulge information about themselves and their reactions to various activities going on in their respective areas to a stranger on the plea that those information might create complications leading to their suffering. The existence of widespread illiteracy and ignorance appeared to create another serious difficulty in deriving precise information.

During the initial stages of the survey, some adverse and unpleasant situations had to be encountered which were averted by tact and endurance only. The present investigator fruitfully remembered that during training before going to collect the requisite information, his supervisor very often advised him to make it a point that he (the present investigator) would have to deal with rural people and rural sentiments and hence, sufficient tact, intelligence, foresight and above all, an amicable and a pleasing behaviour to win the hearts of the rural people were, indeed, necessary and at no stage of such a collection, one should show any sign of desparatism or displeasure even if such situations might arise.

Moreover, an introduction to some of the prominent members of Sample Panchayats, Gram Sabhas and rural people by certain well-known personalities helped to make the situation more congenial for the present investigator. These influential persons (Social and Political leaders) tried to impress upon these people the real purpose of the visits and requested them

to co-operate in all possible ways. This procedure had appeared to make a favourable impact upon them. It helped to efface from their minds many sceptic ideas about the purpose of the study.

The aforesaid strategy paid a rich dividend in overcoming initial difficulties. The problems eased out further due to frequent routine visits to these Panchayats and Gram Sabhas and free talks with the Sample Anchal members and Gram Sabhas members as well as rural families on personal and general problems of the localities. This yielded positive results and gradually it was possible to become a man of their confidence who could be often consulted on intricate problems of the Anchals and Gram Sabhas. This gave an added opportunity to know these sample people more intimately and helped to establish a rapport between the two.

It may be mentioned here that these impacts were not uniform on all sample people and at the time of investigation, quite a few of them appeared to be a little bit hesitant in expressing their actual condition. However, sufficient care was taken to see that the investigation was not in any way vitiated.

1.10 Plan of the Present Study

Chapter I offers a theoretical framework of the Study on the basis of which certain issues have been raised and a few hypotheses have been developed. The chapter also covers the following : Objective of the Study, Scope of the Study, Period of the Study, Importance of the Study, Methodology and sampling Design, Collection of Data - some problems, Plan of the Present Study and limitation of the Present Study.

In Chapter II, the discussion is restricted to 'An outline of Panchayati Raj in West Bengal' and 'Panchayati Raj in Jalpaiguri' - the topics which may serve as the background for introducing the project.

In Chapter III, the sources of Panchayati finance have been identified and an attempt has been made to critically assess the availability of resources from such sources to the Sample Panchayats.

Chapter IV, offers a critical estimate of the effort made by the Sample Panchayats to augment resources and also examines the prospect of additional resource mobilization.

In Chapter V, the expenditure pattern of the Sample Panchayats has been analyzed.

Chapter VI, deals with the developmental strategy of the Sample Panchayats in relation to the fiscal policy.

In Chapter VII, an attempt has been made to examine the nature and problems of the Jalpaiguri Zilla Parishad finances.

Chapter VIII, offers a summary of the findings of the Study and the concluding observations with a particular reference to the theoretical perspective of participatory rural development.

In Appendix I, a brief introduction of the sample district has been given.

In Appendix II, offers the socio-economic profile of the sample Anchals and the constituent Gram Sabhas.

In Appendix III, a select questionnaire on the basis of which the Panchayat officials and others were interviewed has been given.

A 'Select Bibliography' has been appended at the end to acknowledge the intellectual debts of the present investigator to some books, journals etc. from which he has developed insight for the present work. The sources are not directly related to the work which is based on field investigations but indirectly, however, these have enhanced some insights for the present work.

1.11 Limitations of the Present Study

(i) Various limitations pointed out in appropriate places appear to reveal that some conclusions, estimates, suggestions, etc. which have been arrived at are, to a certain extent, not based on adequate data, information, etc. and some of these may even be challenged due to methodological and conceptual lacuna to a certain extent. Every possible effort has, however, been made to minimise the effect of such a lacuna but the present investigator is not sure of his success in this regard.

(ii) The findings were mainly applicable to sample Panchayats though these were selected through random sampling technique and, therefore, may be considered representative of other Panchayats in the district.

(iii) Not always requisite data were available (vide, 1.8) to enrich the contents of the present study. Particularly, very little data and information were available with regard to Zilla Parishad finances.

(iv) The data obtained for knowing the reaction of the rural people over the Panchayati finance were mainly from the head of the sample household. The reactions of other members of the sample

household were not known where necessary. However, the unit of investigation being the head of the household the essence of the study is not affected much.