CHAPTER IX.

Finances of Panchayati Raj Bodies in West Bengal.

No system of local government can be successful unless the local bodies have at their disposal adequate financial resources to enable them to discharge the duties allotted to them. Hence one of the fundamental requirements of the Panchayati Raj bodies is that adequate sources of income must be made available to the Panchayati Raj bodies to enable them to discharge their responsibilities. The resources of the rural local bodies in West Bengal may be classified into the following categories:

(a) resources transferred in the form of grants and loans by Central and State Governments, by higher tiers of Panchayati Raj to the lower tiers;

(b) the proceeds of taxes, duties, cesses, etc. which the local bodies can levy under their own powers;

(c) gifts and donations from public spirited citizens and voluntary contributions by the people;

(d) income from property, investments and remunerative undertakings.

All the resources of a Gram Panchayat - the base of the Panchayati Raj structure in West Bengal - are placed into a reservoir called the Gram Panchayat Fund. This Fund consists of allotments
by the Anchal Panchayat, gifts and contributions, income from endowments, trusts and enterprises, and all other sums received by the Gram Panchayat, i.e., grants from Anchalik Parishad or Zilla Parishad or Government. Till a few years ago, the Gram Panchayats had another source of income in ponds and ferries but this source has been transferred by a Government Notification to the Anchal Panchayats. The Gram Panchayats in West Bengal have no independent source of income. The Act does not confer any power of taxation on Gram Panchayats. Nor can they raise money on their own initiative. The State Government or the Parishads generally do not make any grant directly to the Gram Panchayats. Government grants and contributions are channelled through the Anchal Panchayat. The State Government pays a lump grant of Rs.1,300.00 for development purpose to each Anchal Panchayat, which divides the amount between its constituent Gram Panchayats. In the year 1970-71, however, this money was not given by the Government. Thus the Gram Panchayats have no other alternatives but to depend almost entirely on the financial allotments, if any, made by the Anchal Panchayat. Every Anchal Panchayat makes allotments to the Gram Panchayats under its jurisdiction after taking into consideration - (i) the amount available for distribution, (ii) the amount raised as tax, toll, fee or rate from each of the Gram Sabhas within its jurisdiction, and (iii) the amounts required by the Gram Panchayats concerned according to the budget framed by them for carrying on their duties and functions during any year.
can be easily understood that after meeting its own expenses - the
cost of its own administration, the cost of maintenance of the
rural police, etc. - an Anchal Panchayat is able to contribute only
a meagre sum to the constituent Gram Panchayats. There are no
trusts or endowments under the Gram Panchayats visited by this
author, and the gifts and public contribution are practically nil
except as part of the expenses incurred on sinking a few tube-
well in the rich areas of the few Gram Panchayats. Table No. 9
indicates that the Gram Panchayats hardly have any source of
income other than grants and contributions that come through the
parent Anchal Panchayat. The Gram Panchayats have been invested
with the welfare functions, and the Anchal Panchayats with the
police and judicial functions. But the funds available to the Gram
Panchayats are so inadequate that the vast range of functions,
both obligatory and discretionary, remain as much in paper as
under the old Union Board system. The result is that these institu-
tions have been discredited in the eyes of the people.

On the expenditure side, the Gram Panchayats spend their
money on administration and mainly on roads and culverts. But
they do not maintain any regular staff and, therefore, the
establishment costs are low varying from Rs. 10.00 to Rs. 30.00 per
year. The establishment charges of the Gram Panchyat may be
individually low. But if the administrative costs of the constituent
Gram Panchayats are added to the establishment charges of the
parent Anchal Panchayat, the administrative costs of a multiplicity
<table>
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<tr>
<th>Name of the District</th>
<th>Opening Balance</th>
<th>Allotment from Anchal Panchayat</th>
<th>Own Source</th>
<th>Total</th>
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<td>2(a)</td>
<td>2(b)</td>
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Source: Directorate of Panchayats.
of rural local authorities are higher than that of the Union Board they have replaced, and it is at the cost of rural local development. Whether this increased expenditure for the establishment of a multiplicity of local-government bodies is justified, depends on the extent to which they can rouse popular enthusiasm in rural development. But in this matter they have miserably failed and even the meetings of the Gram Sabha generally cannot obtain a quorum. "This failure may well be in part attributable to the paucity of funds at the disposal of the institutions established for such political ends. It may also be attributable to the divorce between the taxing authority (the anchal panchayat) and the executing authority (the gram panchayat), and the parallel divorce of responsibilities. The gram panchayats, which are the only directly elected authorities, and which have a vast range of obligatory and discretionary functions, must depend for their existence on hand-outs channelled through the anchal panchayat. The latter, which has very limited functions of tax collection, village police and grant allotments, holds the few purse strings permitted to these local self-governing tiers of panchayati raj." Moreover, "the present extraordinary financial weakness of the gram panchayats stands in striking contrast to their role as the foundation stones of the new structure. Even considered together with the anchal panchayat as a single tier of government, they are no better placed than the former union boards; except in so
far as there has been a marked increase in their grant income. But the local self-governing institutions are incompatible with grants totalling more than 60 per cent of the local income, which are mostly earmarked for specific purposes.

Moreover, the meagre income of the Gram Panchayats are not properly utilised at all. The Adhyakshas are required to deposit the cash balance in the Postal Savings Bank, but almost all the Adhyakshas are reported to observe the rule in the breach and receive support from the members who desire to have a well sunk or road constructed near their residence or near the houses of their favourite persons.

The financial resources of the Anchal Panchayats comprise:

(a) contributions made by the State Government for general purpose and also for special purpose, e.g., cost of maintenance of Dafadars and Chaukidars; (b) impositions like tax, fees and rates, (c) contributions made by the Zilla Parishads or other local authorities, (d) loans, gifts, contributions, income from endowments or trusts, (e) fines and penalties imposed under the Act, and (f) all other sums received by the Anchal Panchayat, e.g., sale proceeds of moveable and immovable assets.

Under the West Bengal Panchayat Act, 1957 the Anchal Panchayats, unlike the Gram Panchayats, have been vested with the power of levying a number of compulsory and optional taxes to raise
funds to meet its liabilities: (a) Taxes on lands and buildings, (b) Taxes on professions, trade callings and employments, (c) fees on registration of vehicles, (d) water, lighting and conservancy rates, and (e) fees for providing sanitary arrangements at places of worship or pilgrimages. It is interesting to note that the sources of taxation of the Anchal Panchayats are much wider than that of the old Union Boards which have now been replaced by them. In West Bengal excepting "taxes on lands and buildings" and "taxes on professions, callings and employments" all other taxes and fees are voluntary in nature. Moreover, these sources of income are mostly inelastic in nature, and there is also reluctance on the part of the local authority to levy those fees and rates which are optional in character. The Santhanam Committee on Panchayati Raj Finances holds the same view that "levy of at least a few compulsory taxes is essential not only to ensure every Panchayat a small income from its own resources but also to emphasise the fact that it is a self-governing body. House tax, profession tax, and vehicle tax are eminently suitable for the purpose." Compulsion is necessary on the ground of putting the structure on a solid financial foundation and assuring a satisfactory standard of services to which the local bodies are obliged. But the practice of compulsory taxation imposed by the Act is undemocratic in as much as it infringes on the autonomy of a democratic character of the Anchal Panchayats in respect of taxation.
It cannot be denied that in comparison with their responsibilities the resources of the Anchal Panchayats are inadequate. But they are reluctant to exploit even these inadequate sources fully. They avoid imposing taxes and do not exert themselves collecting those they impose, for fear of becoming unpopular to the Anchals.

Taxes on lands and buildings constituted the main independent source of income of the Anchal Panchayats in 1967-68. Of the total current assessment under section 57 (taxes, rates and fees) of the West Bengal Panchayat Act, 79 per cent was on land and buildings. The current assessment under section 57(1)(b) (viz. professions, trades and callings) was 12 per cent of the total current assessment. Under section 57(2) (viz. vehicles registration fees, fees of Nyaya Panchayats, sanitation fees, water rates, conservancy rates) the current assessment was 9 per cent of the total current demand. So far as the assessment of the taxes is concerned it is generally whimsical because of the fact that the assesses cannot be compelled to submit any statement of their properties together with an estimate of their annual income. Also, there is a marked tendency to under-assess taxes on valuation of properties and on incomes derived from sources other than agriculture. In most of the cases the well-to-do persons have got themselves elected as Pradhana of Anchal Panchayats or as other members. In order to safeguard their own interests they deliberately under-assess their own properties and properties of their friends and relatives. In the absence of specific laws governing
assessment of lands and buildings arbitrary method is followed in respect of valuation of immovable properties. This provides an opportunity for under-assessment. The present Act and Rules provide another scope for the tax dodgers as there is no floor limit of percentage of taxation. There is hardly any Anchal Panchayat that actually levies its taxes according to the rate of maximum percentage that is allowed under the Act and Rules.

Again, the income from the taxation of properties cannot be substantially increased unless a scientific process of assessment of properties and valuation thereof is evolved. Valuation is a technical job, and in all Corporations and Municipalities expert valuers are appointed to provide the basis for assessment but such expert independent agency is not available to Anchal Panchayats due to paucity of funds. Therefore, an independent agency, as exists in Andhra Pradesh, is badly needed. If that is not possible at present, it is suggested that the Anchalik Parishad may be empowered to fix prices of different categories of land of an area and different types of houses and structures in consultation with the Sub-Registrar, Junior Land Reform Officer, and the Sub-Assistant Engineer of the area. Such valuation should be binding upon the Anchal Panchayats for the purpose of levying taxes. A minimum rate of percentage of taxation should also be provided in the Act as the maximum limit has been prescribed.
An analysis of the total income from assessment based on year to year study (Diagram Nos 1 and 2) shows no steady rise in income. It shows an erratic curve representing a commendable rise or a deplorable fall in income. The income accruing from assessment tended to increase up to 1961-62 but in the next two years in succession there was a downward tendency registering a short-fall in income. Again, in each year from 1964 to 1967 there had been a rhythmic increase in income. Shortfall in income was again noticed in 1967-68. None can, therefore, regard this as a happy financial picture. During the year 1966-67 the assessment per Anchal is found to have increased but the collection per Anchal suffers a remarkable decrease. Again, during the year 1967-68 the assessment per Anchal decreased showing a slight increase in collection per Anchal. This erratic tendency in assessment and collection is primarily due to the unsteadiness on the part of the village Panchayats in the work of assessment and collection. The people were gradually interested in the Panchayats inasmuch as the overdue elections were not arranged by the Government.

Again, a study of the tax structure and its realisation reveals that 50 per cent of the taxes assessed are realised while practically no step is taken to realise the rest. Poor people generally pay but the comparatively rich sections do not pay their taxes regularly. Rules lay down in detail the method of recovery of arrear taxes and the dues. Failure to pay the tax due even after the publication of defaulters' list entitles the Anchal Panchayats
BAR DIAGRAM NO. 2

COMPARATIVE BAR-DIAGRAMS SHOWING THE AMOUNT OF AVERAGE ASSESSMENT PER ANChAL PANCAYAT

Source: Directorate of Panchayats.
BAR DIAGRAM NO. 3

A COMPARATIVE BAR-DIAGRAM SHOWING THE AMOUNT OF AVERAGE COLLECTION (EXCLUDING ARREARS) PER ANCHAL PANCHAYAT

Source: Directorate of Panchayats
to issue the distress warrant or distraint. In most cases, barring a few solitary exceptions, the Anchal Panchayats, though faced with an increasing problem of arrear demand, do not take recourse to statutory provisions for recovery of the arrear taxes and other dues. Whatever may be the reasons, this only points out the utter helplessness and inefficiency to realise dues from the assesses.

After two years the demand for realisation of outstanding dues gets time-barred and the evaders get scot-free of their obligations to pay the arrears of the tax, rates or fees. It is submitted that the entire demand under the West Bengal Panchayat Act should be treated as public demand and should be recovered under Public Demands Recovery Act. When an Anchal Panchayat fails to recover its dues even after distrain, it shall be statutorily obliged to report the matter to the proper authority and shall pray for recovery under certificate procedure. The Extension Officer, Panchayats should be vested with certificate powers so that speedy action can be taken.

Again, all the departments of the Government should see before granting any license to any inhabitant of a Panchayat area that he has cleared up the taxes, fees, etc. payable to the Panchayat. If this is done, the moral of the Panchayati Raj bodies would be high.

In this connection the author wishes to point out an anomaly that exists now regarding the registration of vehicles. Under the Hackney Carriages Act a vehicle registered with a Municipality or a Corporation cannot be registered once again by an Anchal Panchayat.
If the vehicles registered with an Anchal Panchayat enter any Municipal area twice a week, they are liable to pay taxes to the Municipal authority. This anomaly should be removed, and identical system of registration of vehicles should be in force at the Municipalities and their neighbouring Anchals.

An Anchal Panchayat receives from the State Government a lump grant of Rs. 1,500 annually for disbursement among the constituent Gram Panchayats for development works. But the Anchal can hardly provide more than Rs. 100 for each of the Gram Panchayats under its jurisdiction. Apart from this, an Anchal receives from the Government subvention for the entire pay and allowances of the Secretary of the Anchal Panchayat, and half of the salary of the rural police. A few years ago it had been given the power to auction ponds and ferries but this source of income is very limited since most of the ponds are owned by the Zilla Parishads. Again, very few Zilla Parishads and Anchalik Parishads are capable of providing any grant to the Anchal Panchayats. Gifts and public contributions to the Anchal Panchayat funds are also very rare.

On the expenditure side, the Anchal Panchayats have to maintain a Secretary. His entire salary is paid by the Government in the form of subvention. But the Anchal Panchayat concerned has to contribute Rs. 15.00 to 20.00 per month from its own fund to pay for its Secretary's allowances.
Moreover, an Anchal Panchayat has to maintain a number of Dafadars and Chaukidars for general watch and ward, prevention of crime and protection of life and property within the local limits of its jurisdiction. Generally on an average 10 Dafadars and Chaukidars are employed under an Anchal Panchayat and they draw Rs. 64.00 and Rs. 54.00 per month respectively. Only half of their salary is reimbursed by the Government through grants to the Anchal Panchayat. Consequently, the Anchal Panchayat concerned has to spend nearly Rs. 275.00 per month from its own fund towards the maintenance of the rural police.

Apart from these establishment charges, the Anchal Panchayat has to incur contingent charges on rent of the Anchal Office, equipment of the rural police, stationary, printing, etc. Some big Anchals maintain an additional Secretary out of their own fund. Thus the establishment and contingent charges of an Anchal Panchayat absorbs nearly 75 per cent of its income and only 25 per cent is left for distribution among the constituent Gram Panchayats for development works.

The Anchalik Parishads in West Bengal have no stable source of revenue excepting grants and contributions. The West Bengal Zilla Parishads Act, 1963 provides a long list of items on which an Anchalik Parishad can impose tolls, rates and fees. But this scope is very limited since the latter enjoys a concurrent jurisdiction of levying tolls, rates and fees with the Anchal
Panchayat and the Zilla Parishad. The Anchalik Parishad may levy tolls on persons, vehicles or animals at any toll-bar established by it on any road other than a 'kutcha' road or any bridge and in respect of any ferry established by it or under its management. Apart from these, it may levy the following fees and rates:

(a) fees on the registration of vehicles; (b) a fee for providing sanitary arrangements at such places of worship or pilgrimage and fairs within its jurisdiction as may be specified by Government notification; (c) a fee for licence for a hat or market, held within its jurisdiction; (d) a water rate and a lighting rate, where the arrangement for the supply of water and light is made by the Anchalik Parishad within its jurisdiction.

Here it is to be noted that the State Government sent some model regulations and bye-laws for adoption by the Anchalik Parishads but these bodies did not adopt new bye-laws and those models. They did not care for taking advantage of this provision of the Act to make the institutions financially self-sufficient.

Thus the Anchalik Parishads have to depend for most of their income on grants and contributions made by the Central Government, the State Government and by the parent Zilla Parishad. But the Zilla Parishad can offer substantial financial assistance only if it is solvent. Generally a Zilla Parishad diverts to the constituent Anchalik Parishads a portion of the grants it receives from the Government without following any definite principles and
criteria for such distribution. The Anchalik Parishads cannot be certain about the quantum of such grants under this system.

There is no arrangement for direct Central grants to the Anchalik Parishad. The Study Team on Panchayati Raj Finances, however, suggested an annual average per capita grant of Re.1.00 which should be made available to each Panchayat at the Block level, and should be shared equally by the Union and the State Governments for being earmarked for the maintenance of staff. But no action has yet been taken to this end. Thus the State grants constitute the major source of the Funds of the Anchalik Parishad. These grants are of three types - general grants and contributions, allotments made for the various development schemes of State Departments, and allotments made under the schematic Block Budget.

Inadequate funds for development works and the difficulties of the Anchalik Parishads in raising resources through fees, tolls, etc. are the vital problems these bodies now face. It must be admitted that the solution of the problems lies, to a great extent, within the power of the Anchalik Parishads. No serious attempt was initiated by these bodies to utilise fully their power to mobilise resources in order to be self-sufficient. At the same time, it is expedient that the Anchalik Parishad can reasonably claim a fair share of some Government revenues like Entertainment Tax, Excise duties, Sales tax, Income tax, Agricultural Income tax,
etc., collected within the jurisdiction of the Anchalik Parishads. A surcharge on stamp duty in case of transfer of immovable properties may be imposed for strengthening the Panchayat finance. It does not affect the general population for it is the purchaser of property that pays the duty. An Anchalik Panchayat may, however, enjoy loans from the Central and the State Governments to tide over its financial exigency on security of its assets. But the philosophy behind the democratic decentralization is trust, and perhaps the Government did not take the Panchayat into confidence to allow them to have a greater share of the revenues to rouse popular enthusiasm in the rural areas.

Under the Act of 1985 the Zilla Parishad has the same sources of income as those of the Anchalik Parishad. It receives grants and contributions from the Central and the State Governments and also from the local authorities including the Anchalik Parishads. It may receive loans from the Central or the State Government and is authorised to raise from time to time loans, with the approval of the State Government, on security of its assets. With regard to tolls, fees and rates the Zilla Parishad has, as already mentioned, a concurrent jurisdiction with the Anchalik Parishads. All receipts in respect of schools, buildings, institutions, etc. as well as all sums received as gifts and contributions, earnings from any trust or endowment made in favour of the Zilla Parishad credited to its fund.
At present the independent sources of income of the Zilla Parishads are more or less the same as what the old District Boards had, viz., items like income from ferries, canals, licence fees, rent from lands and buildings, fisheries, sale proceeds of trees, fines and cattle pounds.

Like the old District Boards, the Zilla Parishads are also receiving from the State Government grants for running dispensaries, augmentation grants, and also subvention for the payment of Dearness Allowances to its employees. Augmentation grants are given by the Government to the Zilla Parishads for the purpose of sanitation and public health. Every Zilla Parishad retains as its share 25 per cent of the said grant received from the Government and distributes the remaining 75 per cent among its constituent Anchalik Parishads. The Government is also distributing a share equal to 5 per cent of the land revenue raised from the Districts. This is very inadequate. If 25 per cent of the land revenue was transferred to the Zilla Parishad, it would yield a revenue of about Rs.150 lakhs a year to the Zilla Parishads. The total amount made up of Land Revenue, Augmentation Grants, Subvention for D.A. to the staff distributed amongst the Zilla Parishads was Rs. 25,71,612.03, i.e., 21 per cent of the net income of Rs. 1,14,80,522.94 in 1967-68.

Moreover, the Government is giving the Zilla Parishads the proceeds of the Public Works and Roads cesses. The proceeds
of the Road cess constitute an important source of income of the Zilla Parishads. These are collected by the Government under the Cess Act of 1880. The ceiling of rates has been laid down in this Act and within this limit the Zilla Parishads are to indicate the rates to be levied every year. The ceiling is quite low, being only 6 paise in the Rupee on the annual valuation. Even so, it is found that two Zilla Parishads out of fifteen have fixed only half this rate. The present rate of Public Works Cess imposed by the Government is also much less than the maximum permissible under the Act. It has been calculated by the Land and Land Revenue Department, Government of West Bengal that if the Public Works Cess alone is raised, it will bring an additional income of about Rs. 20 lakhs for the Zilla Parishads.

The primary objective of the setting up of the popularly elected bodies is the willing co-operation and participation of the people in development programmes through voluntary contribution in cash and in kind. But the expectation has been belied. In seven Districts no local contribution was received in 1965-66 and even in other eight Districts it was only in respect of Rural Water Supply Schemes that there was an element of local contribution. In Birbhum and Jalpaiguri a small sum was raised as local contribution for a few village Road Schemes. If the Community Development Block schematic budget is transferred to the rural local bodies, the element of people's participation will increase. It appears,
however, that except for a few schemes like Rural Water Supply,
the State Government does not seem to have laid down any pattern
of local contribution for the large number of other rural development
schemes.

The money received from the State Government being the
predominant source of income of the Zilla Parishads, it is obvious
that the latter are required to develop their own sources of
income if they are not to be entirely dependent on outside help.
Not to speak of taking new development works, even the proper
maintenance of existing facilities like roads and dispensaries
will not be possible unless the Zilla Parishads develop their
own sources of income.

From the Diagrams Nos., it is found that "the total expenditure
was considerably less than the total receipt in all cases. In fact
the closing balance was more than the total expenditure during
the year in the case of Darjeeling and Midnapore. This was probably
because Government had realised funds for schemes which could
not be taken up in time or which had not progressed sufficiently
to absorb the full releases. Some uncertainties as to income and
expenditure are not unusual in the first few years of setting
up of such new organizations, but it is clear that as agencies
for execution of schemes the Zilla Parishads are yet to develop
on stable basis."18
A - Receipts from Panchayat Deptt.
B - Grant from Relief Deptt. for GR & TR
C - Grant from Diff. Deptts. for Execution of Development Works.
D - Own Sources including Road Cess.

Source: Directorate of Panchayats.
BAR DIAGRAM NO. 5

THE EXPENDITURE OF THE ZILLA PARISHADS

- Amount in Lakhs (1 Lakh = 0.25 Unit)

- Bar Diagram No. 5

- A - Miscellaneous
- B - Maintenance of Services & Institutions
- C - Relief Works
- D - Execution of Development Schemes
- E - Allotment of Anchalik Parishads
- F - Establishment Charges

Source: Directorate of Panchayats
An analysis of the financial position of the different Panchayati Raj bodies shows that the ground-level bodies, that is, the Gram and the Anchal Panchayats in West Bengal have been given an inadequate source of income. Very few of the taxes given to them are lucrative and elastic. Even these inadequate sources of revenue are not properly exploited by them. Naturally they depend heavily on Government for spoon-feeding, and this dependence is eating up the salt of the people's institutions, and will ultimately destroy them.

In West Bengal the poor fiscal management is one of the important causes of the poverty of local finances and this has hindered the progress of the local authorities. An important ingredient for carrying out the major administrative operations is indeed the sound fiscal management, and the budget is the chief instrument of fiscal management. There are two concepts of budget - fiscal concept and the performance concept. The fiscal concept rather than the performance concept is applicable to the local bodies in West Bengal. The budgets of the Gram Panchayat, the Anchal Panchayat, the Anchalik Parishads and the Zilla Parishad are interdependent and, therefore, a calendar of dates which ensures proper synchronisation of budgetary activities at all levels of rural government has been fixed by the Rules. The budget cycle starts in July and comes to an end by the month of March of every year.
In the whole scheme of financial administration of the rural local government in West Bengal the concept of democratic centralization rather than democratic decentralization has been adopted, and the Gram Panchayat has been reduced to the position of a financial non-entity. No specialised organisation for fiscal management exists at the Gram Panchayat level because the scale of operations at this level is very small. In actual practice, the budget is prepared by the Adhyaksha of the Gram Panchayat and generally with the help of the Secretary to the Anchal Panchayat. Then he causes the budget to be presented before the Gram Panchayat for approval. The Act requires that the budget estimate approved by the Gram Panchayat be placed before the Gram Sabha at its annual general meeting for consideration, and recommendations made thereon and thereafter be considered by the Panchayat executive being forwarded to the next higher tier, i.e., the Anchal Panchayat for its scrutiny. But the Act is not clear whether it is imperative for the Gram Panchayat to modify the budget in the light of the recommendation made by the Gram Sabha. There is no provision for resubmission of such budget in the meeting of the Gram Sabha. The Rule only provides: "Within seven days after the meeting of the Gram Sabha, another meeting of the Gram Panchayat shall be convened by the Adhyaksha to consider the budget having regard to the recommendation of the Gram Sabha. The budget shall be finalised at that meeting." The U.P. Panchayat Raj Act, 1947 is, however, clear in this respect. There every Gram Panchayat prepares and lays
before the 'kharif' meeting of the Gaon Sabha an estimate of its income and expenditure for the year commencing on the 1st day of April next following. Similarly, the report including the account of its actual and expected receipts and expenditure for the year ending on the 31st March last preceding such report is laid before the 'Rabi' meeting of the Gaon Sabha. The Gaon Sabha may pass or refer back to the Gaon Panchayat the annual estimate submitted to it for reconsideration with such direction as it may give in the manner prescribed and may likewise pass a recommendatory resolution in respect of the report. Thus here in the lower tier of the rural local body exists the spirit of the Athenian democracy.

Upto the middle of 1967, the Anchal Panchayat used to transmit the budget of every constituent Gram Panchayat together with its own observations to the Block Development Officer who is the ex-officio Inspector of Panchayats, and who had then to communicate his approval of the budget with such modifications as he deemed proper, through the Anchal Panchayat. This procedure has now been amended by a Government notification. Now the Anchal Panchayat has been empowered to consider the budget of every constituent Gram Panchayat, and pass it with such modifications as it thinks fit.

In the case of the Anchal Panchayat the budget is prepared by its Secretary under the direction of the Pradhan. The budget adopted by the Anchal Panchayat at its meeting has to be submitted to the Anchalik Parishad. The Anchalik Parishad may either approve
of the budget or return it to the Anchal Panchayat for such modifications as it may direct. On such modifications being made, the budget shall be re-submitted to the Anchalik Parishad for approval.21

It is not realistic to expect a meeting of the whole Anchalik Parishad to examine all budgets of the constituent Anchal Panchayats in detail. Generally, the Block Development Officer puts up to the Parishad the budgets with his own observations on it and the Parishad passes them in a routine manner. In many cases the Block Development Officers find little time to look into the budgets submitted by the Anchal Panchayats and rely upon the E.O.P. for scrutiny. It is submitted that this power should be delegated to the Standing Committee on Finance and Establishment of the Anchalik Parishad to scrutinise the budgets effectively.

It is argued that "it is wrong to submit the decision of an elected body to the judgement of another, that every elected body should be autonomous in its own sphere, that an expert scrutiny alone should be provided and that this principle will ensure simplicity and speed in the finalisation of budgets." 22 But the principle that the budget of an elected body like the Gram or the Anchal Panchayat should be modified or approved by a higher elected body is considered to be appropriate specially because the Anchal Panchayat and the Anchalik Parishad include heads of their respective constituent lower tiers. Undoubtedly financial matters and prospects for taxation deserve serious considerations. But steps should be
taken to avoid unnecessary delays and to see that local initiatives and interest do not suffer in the procedural checkings. If the higher tiers are inclined to interfere with the budgets of the lower tiers in a discriminating manner, the Government should have no hesitation in adopting the principle of scrutiny by independent Government officials as is found in Tamil Nadu.

The above considerations hold good in the case of the scrutiny and approval of the budget of the Anchalik Parishad by the Zilla Parishad. But in view of the composition of the Anchalik Parishad and the existence of an Executive Officer like the Block Development Officer, the external scrutiny and approval is a mere formality, and this may be abolished.

At the Anchalik Parishad level the organization for fiscal management is a bit more complex. The Chief Executive Officer, that is, the Block Development Officer, is responsible for getting the budget prepared, but in actual practice it is prepared by the clerk of the Parishad. Then it goes to the Finance and Establishment Committee. This Committee considers the suggestions first, and then presents the same before the Anchalik Parishad with its recommendations. The budget adopted by the Anchalik Parishad has to be transmitted to the Zilla Parishad which may either approve of the budget or return it to the Anchalik Parishad for such modifications as it may direct. On such modifications being made the budget has to be re-submitted for approval of the Zilla Parishad.
Similarly, the budget of the Zilla Parishad is prepared by its Standing Committee on Finance and Establishment and is placed before the Zilla Parishad by its Executive Officer. The budget adopted by the Parishad has to be submitted to the State Government which may either approve or return it to the Parishad for such modifications as it may direct. On such modifications being made, the budget has to be resubmitted for approval to the State Government.

There are people who object to the very idea of the budget of the Zilla Parishad being submitted to the State Government for scrutiny and approval because it curtails the autonomy of an elected body like the Zilla Parishad. On the other hand, they desire the budget as passed by the Parishad go at once into effect. But most of the officials and non-officials who have been interviewed by the present researcher are of the opinion that the powers now vested in Divisional Commissioner on behalf of the State Government are essential as they ensure the necessary and effective check upon the vagaries to which every Parishad is more or less subject. They apprehend that if the powers of the Divisional Commissioner are withdrawn, the money will be spent disproportionately on one department to the detriment of the other, and ultimately the finances of the Parishad will be disorganised. Therefore, it is not realistic to recommend for the Parishad absolute autonomy in respect of framing the budget. They must be subject to some control from outside.
The importance of proper budgeting can never be over-emphasised. In most of the budgets of the ground level rural local bodies there is no relation between the budget estimates and the actuals. This anomaly is not entirely due to the fault of these institutions. The quantum of grants and subventions, which are due from the State Government, is not intimated to them in time. Another important factor which makes the budgets unreal is the deplorable failure of realisation of taxes.

To enable the Zilla Parishad to frame its budget it has been laid down in the West Bengal Zilla Parishads Rules, 1964 that "by the first day of July each year, the Planning and Development Commissioner shall, in consultation with the different departments of the State Government, inform each District Magistrate for communication to the Zilla Parishad and the Anchalik Parishads of the probable Government grants, contributions and other resources that may be made available during the following financial year to the Zilla Parishad and the Anchalik Parishads and the probable allotments for the various development scheme of the different departments of the State Government relating to the district and the constituent blocks under the State Plan. For this purpose each department concerned of the State Government shall supply necessary information to the Planning and Development Commissioner by the thirty first day of May preceding the financial year to which the budget relates." There is a similar provision in the said Rules whereby "the Commissioner for Agriculture and Community Development shall by the first day of July
each year inform each District Magistrate for communication to each Anchalik Parishad of the probable allotments which may be made available for expenditure in each Block during the following financial year under the different heads of the schematic block budget. These rules were evidently made to help the Zilla and the Anchalik Parishads to know the probable grants and contributions which would be made available to them before they framed their budgets. But this procedure is impracticable because it presupposes finalization of the Plan Budget of the State one year in advance and the Plan Budget is never finalized before the commencement of the financial year to which it relates, not to speak of the previous year. Either the procedure for Government budgeting of Plan Schemes should be radically revised or the rules amended.

There can be no doubt that an audit of accounts of local bodies is necessary and desirable. The audit of accounts is a salutary check on expenditure. The scope of audit is at present to detect faults and scrutinize legality of expenditure. In West Bengal the Extension Officer for Panchayats is a supervisor and auditor of the Gram and the Anchal Panchayats, and his supervision in most cases is not for betterment but for finding fault. But "the type of audit which is required is much wider in character than that at present exercised." What is needed is not a mere checking of payments in order to ascertain their legality, but a thorough investigation of the financial methods and organization of the local authority with a view to their efficiency.... The audit of accounts of local
authorities should be, above all, an efficiency audit, designed to show, by the light of comparative statistics, the cost in significant terms of the various services administered by the council. The main object should be to demonstrate, by means of these statistics, the relative efficiency of any particular area, in respect of those services, as compared with other areas.

The Finance and Establishment Committee of the Zilla Parishad is required to audit the accounts of the Zilla Parishad Fund once in every quarter. But it was found during investigation that the Committee rarely complied with the quarterly audit of the Zilla Parishad Fund, and even where it was done, it was noticed that the Committee delegated this work to its Chairman only. A whole-time Budget and Accounts Officer should, therefore, be appointed to maintain the finances and accounts satisfactorily.

Survey of the whole financial scheme of the Panchayati Raj Bodies in West Bengal clearly reveals to every one that the total income of these bodies is far from adequate to give them a firm financial foundation. Efforts of a local body to raise local resources by taxation and other means will be more successful if the people know that the proceeds will be utilised for widening civic amenities and not for mere establishment charges. The civic amenities and community facilities in the villages are lagging far behind the growing needs of the rural communities. The financial resources are in fact so insufficient that many of the urgent public demands
cannot be satisfied. Inadequacy of financial resources is at the root of the difficulties encountered by these rural local authorities in discharging the functions entrusted to them. The scope for local taxation in rural areas is limited and very few of the taxes are lucrative. Consequently, they lean heavily on Government for their very existence. To beg for Government grants for practically all types of activities has become a habit with them. But the Government grants are always attached with strings, and, therefore, the dependence of the rural local authorities solely on Government undermines their financial and administrative autonomy which is the life breath of a democratic institution. 'He who pays the piper calls the tune' is a maxim which is true here as anywhere. Therefore "by far the greatest need in the sphere of finance is to make the local authorities less dependent than they are at present on grants from the Exchequer." 23

The Panchayati Raj institutions are the creatures of the State Legislature. Therefore, the financial relation of these bodies with the State Government is based on the principle that these institutions have no inherent financial power of their own except those conferred by the West Bengal Panchayat Act, 1957 and the West Bengal Zilla Parishads Act, 1965. They are required to bear the entire expenditure on establishment as well as municipal, social welfare and developmental programmes from their own financial resources. It naturally follows that these rural local bodies must be financially viable to provide all the services needed by the locality.
If the Panchayati Raj bodies are looked upon simply as agents and limbs of the State administration, there is no need for independent resources of their own. If, on the other hand, they are regarded as integral parts of the rural system with definite duties and responsibilities imposed upon them by law, the Government must see that they have an independent income sufficient to enable them to undertake manifold civic responsibilities. The Panchayati Raj bodies are units of self-government at their own levels and each tier should, therefore, be entrusted with independent and adequate financial resources commensurate with its functions. It is a fact that these bodies "are primarily units of self-government at their own levels, and only secondarily agents and limbs of the State administrative machinery."\(^{50}\)

In a welfare state like India, both the rural and the urban people should be provided with basic minimum amenities to improve their socio-economic conditions, and in the rural areas in West Bengal the four-tier Panchayati Raj bodies have been entrusted with the duty of providing municipal and civil amenities to the people. In the absence of these bodies, the State Government would have to undertake these vital functions. On the other hand, if the local bodies can improve their efficiency in performing their civic functions effectively, it would enable the State Government to concentrate its attention on other important problems. Hence the rural local bodies should be provided with adequate, elastic and
independent finance to discharge their activities effectively and efficiently. Therefore, there should be clear constitutional financial division of powers between the State and the Panchayati Raj bodies. A State Finance Commission on the lines of the National Finance Commission is, therefore, badly needed to assess the financial resources of the local bodies, rural and urban, determine their needs and allocate finance between the local bodies and the State Government.

Moreover, efforts should be made to help the rural local bodies to start and run the remunerative enterprises and thereby increase the scope for non-tax income. It is indeed a matter of highest importance. There should be a Panchayati Raj Industrial Corporation to aid, advise and encourage, and a Panchayati Raj Finance Corporation, as suggested earlier, to finance, the rural local bodies to undertake remunerative enterprises.
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