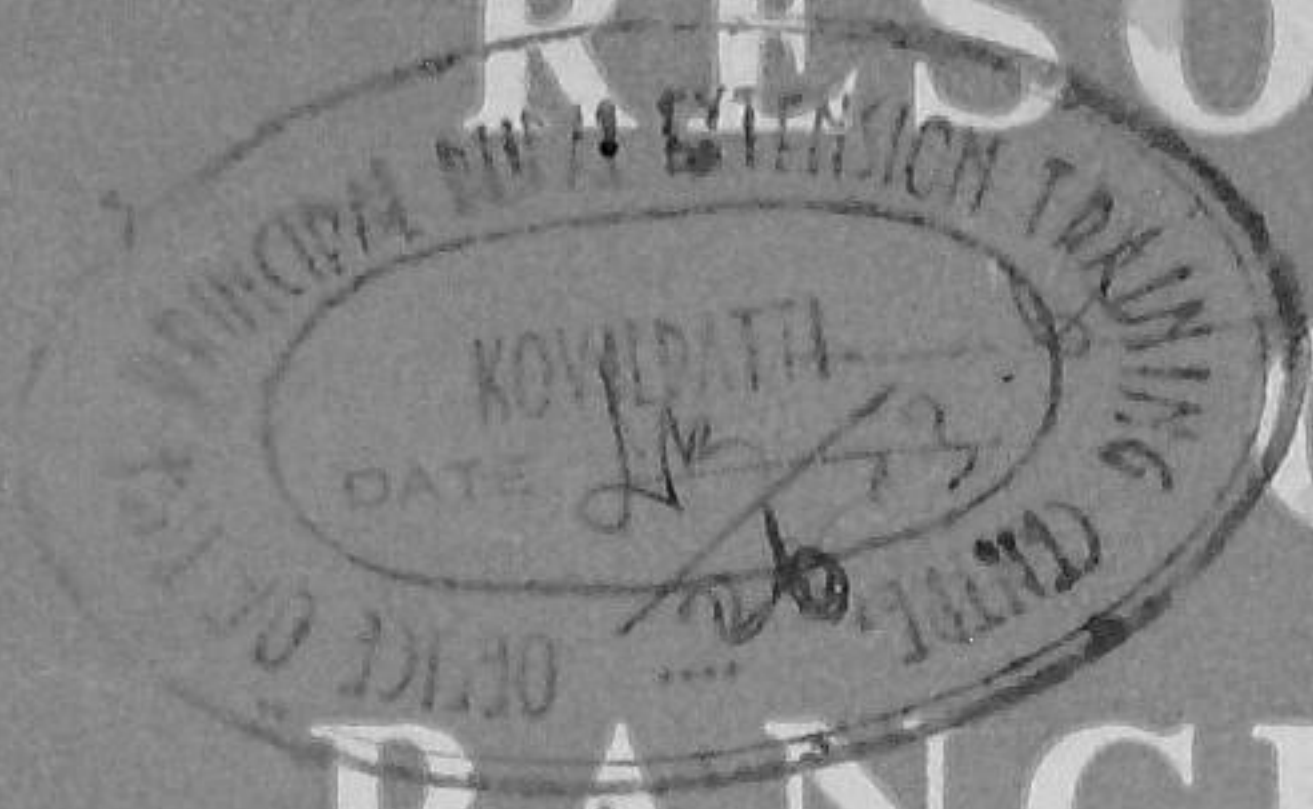


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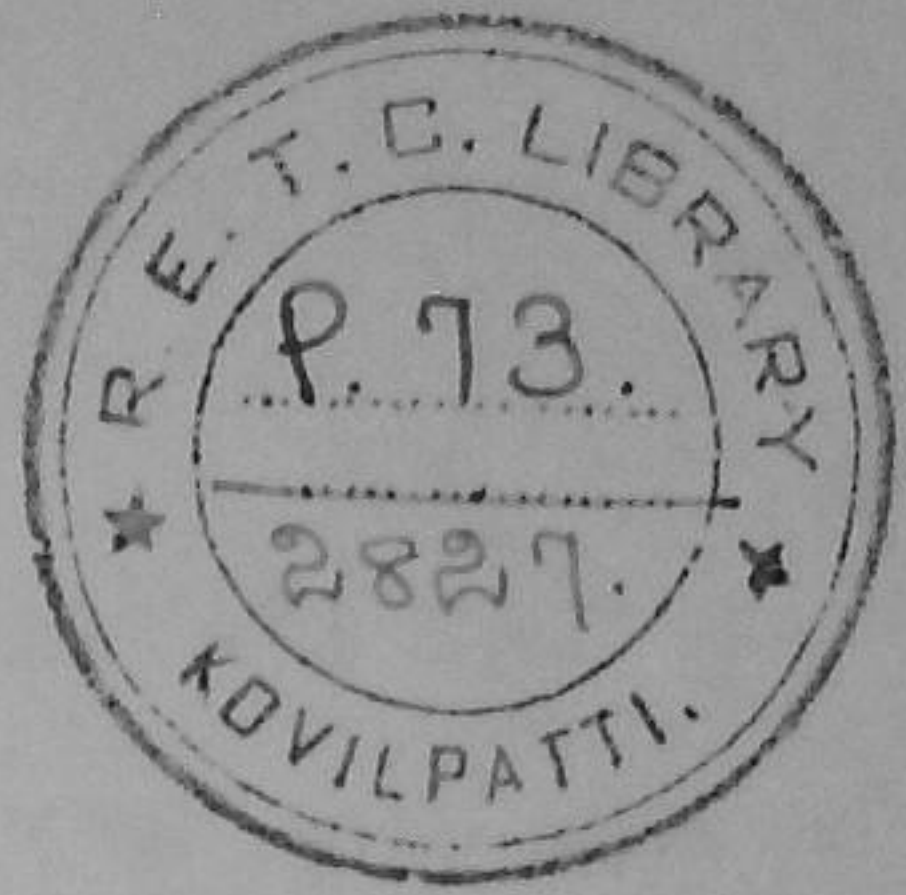
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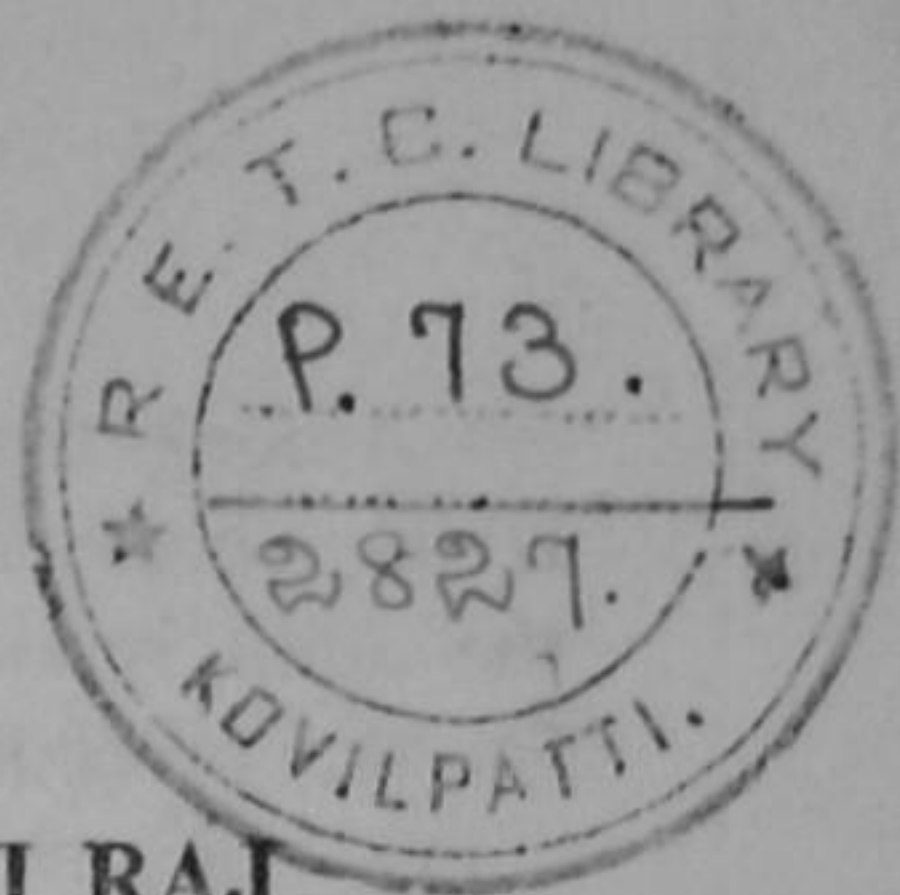
Democracy requires that everyone, man or woman, should realise his or her own responsibility. That is what is meant by Panchayat Raj.

—Mahatma Gandhi

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CHAPTER I

STRUCTURE OF PANCHAYATI RAJ

The people of India have, through the ages, preserved a strong instinct to manage their own affairs. In the new context since Independence the present system of local self-governing bodies, known as Panchayati Raj, was devised as part of the projected overall pattern of a democratic socialist society. Planned development being an essential feature of the Indian economy, Panchayati Raj institutions have to play an effective part in the evolution of the Five Year Plans and in arousing the social consciousness among the people.

THE FRAMEWORK

For democracy to reach the villages and to effect decentralisation of political institutions of administration and economy, the Village Panchayat was constituted as the base of the new system of Panchayati Raj. To elect this Panchayat or the village executive the entire adult population within the jurisdiction of the Panchayat constituted the electorate and was designated the Gram Sabha. This Gram Sabha is statutorily recognised in most of the States and is required to meet at least twice in a year. Through such periodical meetings the hands of the Panchayat are strengthened, particularly in formulating projects requiring active participation of the people. The Gram Sabha, in turn, through constant supervision, gains confidence in its executive. Thus grows a relationship between the two which will contribute to the sustained, intelligent and enthusiastic interest and co-operation of the village community in its own development activities.

Among the main functions assigned to the Gram Sabha is the consideration of the annual statement of accounts, the audit report of the Panchayat, the administrative report for the preceding year, the programme of work for the ensuing year, the taxation proposals and any schemes requiring community service, voluntary labour, etc.

Ultimately, the success of any Village Panchayat will depend on the strength and functioning of the Gram Sabha.

GRAM PANCHAYAT

The Gram Panchayat is elected by the Gram Sabha. The size of the Gram Panchayat varies considerably from 5 to 31 (5-9 in Punjab, 5-15 in Madras and 16-31 in Uttar Pradesh). Members of the Panchayat, the panches, are elected by secret ballot. This direct election of the village body constitutes the base of our system of democratic decentralisation. The system of secret ballot is in operation in all the States.

Recognition of various interests among the village population is of vital importance and is taken note of even in the constitution of the Panchayat. Reservation of seats is provided for certain vulnerable sections of the population. Reservation of seats for women is there in all the States except Bihar, Orissa, Uttar Pradesh and West Bengal. Special representation for weaker sections of population also is provided in all the States except Bihar, Jammu and Kashmir, Orissa, and West Bengal. In Bihar the *Mukhiya* is expected to ensure that proper representation is available to women and scheduled castes and tribes while nominating four members to Gram Panchayat.

The sarpanch of a Panchayat is directly elected in Assam, Bihar, Orissa, Rajasthan, Punjab and Uttar Pradesh. In the remaining States the panches elect the sarpanch from amongst themselves.

For concentrated effort in certain fields, sub-committees of the Panchayat are formed. They are generally for irrigation, agriculture and education. Apart from these statutory bodies, there are some other types of institutions which help in the development processes. Working in close collaboration with Panchayats, they provide creative outlet to village talent. They are the youth bodies, mahila mandals, etc.

The functions of the Gram Panchayats can be divided broadly into two categories—obligatory and discretionary. They cover a wide range, including municipal administration, and cultural, social, agricultural and development activities, ranging from sanitation, conservancy, crop experiments and promotion of cottage industries to the registration of births and deaths. Most of the State legislations contain the provisions whereby the State Government can authorise Panchayats to exercise additional functions or duties. In West Bengal an Anchal Panchayat looks after the maintenance and control of *dafedars* and *chowkidars* for watch and ward and law and order purposes, as also proper functioning of the Nyaya Panchayats, management of the State Government's properties and such other duties as may be assigned by the State Government.

In most of the States steps have been taken to establish Nyaya Panchayats or village courts. In 11 States they are already functioning. Their jurisdiction generally extends only to petty civil suits relating to movable property and to minor offences for which a sentence of fine would be an adequate corrective.

PANCHAYAT SAMITI

The Panchayat Samiti constitutes the intermediate tier at the block level in all the States except Gujarat, Maharashtra and Mysore; in these three States, the intermediate

body is at the taluka level. Different States have different names for this body. Similarly, the name of head of this institution differs from State to State.

The Panchayat Samiti generally consists of the sarpanches of the Panchayats within its jurisdiction, or of members elected indirectly by the panches or of directly elected members. As in the Panchayat, so also in this body special representation is provided to the weaker sections like women, scheduled castes and scheduled tribes. While there are indirect elections in most of the States, in Mysore, the taluka is divided into constituencies and from each constituency two or three members are directly elected to the Taluka Development Board.

The Panchayat Samitis in all the States function through standing committees. In certain States, presidents of the Panchayat Samitis are *ex-officio* chairmen of some of the more important standing committees. The implementation of the programmes is looked after by the Block Development Officer, who functions as the Chief Executive Officer of the Panchayat Samiti, and the block team consisting of Extension Officers, Village Level Workers, etc.

The Panchayat Samitis are directly responsible for the implementation of the Community Development Programme with special emphasis on agriculture. Besides, they are charged with the preparation and implementation of development plans for the block/taluka. The Samitis are vested with specific executive responsibilities in diverse fields like primary education, health and sanitation and communications. They also exercise supervision over the Panchayats. In Gujarat, they have the right to scrutinise the budgets of the Panchayats and offer suggestions, while in Andhra Pradesh, Assam, Bihar, Orissa, Rajasthan, Maharashtra and Uttar Pradesh, the Samitis sanction the budget of the Gram Panchayats.

ZILA PARISHAD

The third tier of Panchayati Raj, known as the Zila Parishad, is at the district level in all the States except Assam, where it is at the sub-divisional level. The head of the Zila Parishad is known by different names in different States—chairman, president, adhyaksha and so on.

The Zila Parishad generally consists of the representatives of the Panchayat Samiti and some representatives of the weaker sections. Presidents of the Panchayat Samitis are *ex-officio* members of the Zila Parishads in all the States. The members of the Panchayat Samiti elect a representative in Gujarat, Punjab and Uttar Pradesh. Provision for direct election of members exists in Gujarat and Maharashtra.

Like Panchayat Samitis, Zila Parishads function through standing committees set up to look after specific items of work such as education, planning, industries, etc. In some States the more important committees are presided over by the chairman of the Zila Parishad. All the States except Madras and Mysore have provided an executive officer for the Parishad.

The functions and powers of the Zila Parishad vary considerably from State to State. In Mysore and Madras, the Zila Parishad is a co-ordinating body which exercises general supervision over the working of the Panchayat Samitis and advises the Government on the implementation of the development schemes. Besides these duties, in Andhra Pradesh, the Zila Parishad has specific executive functions in the establishment, maintenance and expansion of secondary, vocational and industrial schools. In Maharashtra, the Zila Parishad is the strongest of the Panchayati Raj bodies and is vested with administrative functions in various fields. In Assam, Bihar, Orissa and Punjab, it approves budgets of Panchayat Samitis. In the remaining States, the Parishad has no specific executive functions and is a supervisory and co-ordinating body.

CHAPTER II

RESOURCES OF PANCHAYATS

With the rising tempo of economic development in the country, Panchayati Raj bodies are saddled with manifold administrative duties. These pertain not merely to ordinary and normal civic functions but also covering economic, cultural and social activities. To be effective, these bodies should have adequate funds at their disposal. The Panchayats should have independent sources of revenue in addition to what they get as grant. 'They should also build up remunerative assets as part of development activity.

NEW PATTERN

In the past, one of the main causes of the degeneration of local bodies was the paucity of funds at their disposal. This was due to the neglect of these bodies and lack of effective links between these bodies and the people. The position has changed. The role of these bodies has been clearly enunciated. All the States have made provision for funds for the Panchayati Raj bodies.

However, in this vast country there are backward as well as prosperous areas, areas which are thickly populated and others which are sparsely populated, areas inhabited by tribal people, and so on. This has to be borne in mind while making provisions for Panchayati Raj bodies. State Governments have been trying to build up financial relationship with Panchayati Raj bodies on a pattern that will allow enough flexibility for harnessing local resources for all-round improvement.

It has been recommended that Panchayats should have exclusive sources of revenue, income from non-tax sources and remunerative assets and grants. These resources can be classified into :

- (a) Proceeds from taxes,
- (b) Fees and charges,
- (c) Income from property, investment and remunerative undertakings,
- (d) Assistance from State grants, and
- (e) Public contributions.

TAXES

Assignment of certain items of taxation can provide exclusive source of revenue to the Panchayats. At present, the only such exclusive source is the cess or surcharge on land revenue. Again, it is felt that the proceeds of certain taxes leviable by the State Government can be shared with the Panchayati Raj institutions. Further, the entire proceeds of land revenue can be earmarked for Panchayati Raj institutions after deductions for an 'equalisation funds'. Such collections are being already given to Panchayats in Kerala and to Panchayats/Panchayat Samitis and Zila Parishads in Maharashtra. In most of the States a share of the land revenue is given to Panchayati Raj bodies. The share of Panchayats ranges from .25% in Bihar to 35% in Mysore.

In addition to the cess of land revenue, the Panchayat Acts of various States specify certain other obligatory taxes. These are property tax, profession tax and tax on vehicles. In some States, profession tax is leviable by Panchayats on every company or firm which transacts business in a village for not less than 60 days in a year, and on a person in any profession, public or private. Generally, motor vehicles are exempted from this tax as they are subject to special taxation laws and not many are owned by villagers. Subject to this exception, all bullock carts, bicycles and other vehicles are

liable to vehicle tax. In the case of bullock carts, the maximum rate of Rs. 10 has been suggested to enable Panchayats to get larger income from carts plied on hire.

Besides these, there are optional taxes which can be levied by the Panchayats such as octroi and stamp tax. Kola-garum or Katarusum tax is levied customarily in some districts of Andhra Pradesh on the village produce sold in the village by weight, measurement or number. It is a valuable source of income. Even a small levy can yield a substantial income. In Maharashtra, Gujarat, Jammu and Kashmir, Rajasthan and Bihar, a pilgrim tax can be levied.

Owing to proximity of electorate and the elected representatives, any step of fresh local taxation does not find favour with the Panchayats. Yet it is essential that the local bodies should exercise their authority for fresh taxation to mobilise local resources and more so to emphasise the fact that Panchayats are local self-governing bodies. The shyness of the local bodies in imposing taxes was described thus by the Taxation Enquiry Commission in 1954 : "Usually Panchayats start on their career either by creating resentment through taxation or, where they refrain from these measures, by earning contempt through inactivity."

GRANTS

To induce Panchayati Raj institutions towards optimum utilisation of their taxation powers matching grants by State Governments have proved a useful incentive. Panchayati Raj bodies in Madras and Maharashtra have shown particularly good results in this behalf. They have raised sizeable revenues from the rural sector. In these States, Panchayati Raj institutions have raised the surcharge and cess on land revenues from 25% to 100%. It is clear that through matching grants they can be induced to make greater tax efforts and tap additional income generated in the rural sector as a result of various development programmes.

This can be provided by State Governments. There are proposals that institutions like Finance Corporations should be set up in the States to provide capital to Panchayati Raj bodies.

COMPETITION IN DEVELOPMENT

Once the economy in rural areas becomes self-generating, the finding of resources will no longer be a problem for Panchayati Raj bodies. It is only in the transitional period of capital formation that it is hard to meet the demand on resources. As such all incentives are required for the Panchayati Raj bodies to take to the process of economic development in order to end dependence on outside sources. Accordingly, awarding of prizes to Panchayats has been taken up successfully in Orissa.

In a backward State like Orissa, such a scheme provides not only incentives to the Panchayats but also the wherewithal for further advancement. In other words, resources are sought to be provided not only to the willing but also to the deserving.

Under the scheme, prizes are awarded annually to Panchayati Raj bodies at the Block and Panchayat levels for outstanding performance on a competitive basis. There are 17 first prizes of Rs. 50,000 each and 17 second prizes of Rs. 25,000 each to the two best Gram Panchayats in every district of about 200 Panchayats in all. Thus 34 Panchayat industries will be set up annually in a district. These industries will aim at processing agricultural produce and providing better skill and equipment to artisans.

Panchayat Samiti prizes are much bigger and aim at setting up medium scale industries with investment of about Rs. 1 crore each. These industries will be complete units and Panchayat Samitis will have an assurance of Rs. 5 lakhs as annual dividend after production starts.

All these Panchayat industries will be encouraged to

Many States provide for levy by Panchayats of fees for water supply, drainage, street lighting and conservancy.

Licence fees are levied for sale of cattle, collection of hides and skins, operation of tea stalls and restaurants, exposing goods for sale in markets, construction of new buildings, use of common land and community property and for carrying on any offensive or dangerous trade.

Fines and penalties are leviable by Panchayats for (i) encroachments, (ii) failure to take licences, and (iii) unauthorised possession of or dealing in prohibited articles, etc.

Some States provide that fines imposed by Nyaya Panchayats should go to Village Panchayats. In that case funds have to be provided to meet the expenses of Nyaya Panchayats.

A list of fees leviable by Panchayats is given in Appendix II.

INCOME FROM PROPERTY

All properties of the State Government at the village level which can be managed by Panchayats should vest in them. Panchayats may take to pisciculture as a valuable source of income. Fairs and markets are another good source of income for Panchayats. In many States, the State Governments are empowered to classify markets into Panchayat Markets and Samiti Markets.

REMUNERATIVE ASSETS

With the increased inputs into agriculture and efforts towards diversification of the economy by building up of the agricultural complex through the co-operative sector, vast opportunities exist in the rural areas for the Panchayats to build up remunerative assets. These can be in the form of markets, plantations, fisheries and cottage and small scale industries. But to build up these assets, capital is required.

ed that the outlay is to be utilised solely for assisting the Panchayati Raj institutions to create remunerative assets. This is a departure from the Third Plan practice of utilising the outlay on Panchayat schemes for other purposes also such as construction of Panchayat Ghars, etc.

Steadfast follow-up action will have to be taken to ensure that the requisite budgetary provisions are made at least over the remaining years of the current Plan period.

be set up through co-operatives. These will emphasise, as against village industries, the use of power, modern skills and equipment.

The Samiti industries will help modernise agriculture by producing tractors, pumps, road-rollers and cement. Others will process agricultural produce.

With the completion of the scheme there will be 307 Block factories and 2,000 Panchayat industries.

PUBLIC CONTRIBUTIONS

In addition to financial and capital resources, idle manpower in the rural areas is one of biggest resources of Panchayats. The pattern of rural development as enunciated in the Community Development approach is based on self-help. This implies the active participation of the people, which can be in the form of cash, kind or labour. But labour is more plentiful in a country like ours where the majority of the people, being dependent on agriculture, are either partially employed or seasonally unemployed. It has been calculated that the number of idle man-days in a year in Asia comes to about 30,000 million. The number of idle man-days in India is also considerable.

For every item taken up through voluntary effort, a matching contribution from Government is available. In certain States there is provision for labour tax which may be commuted in cash.

PLAN PROVISION

A total provision of Rs. 23.81 crores was made for the Panchayat schemes in the States for the Third Plan; the expenditure during the period amounted to Rs. 14.55 crores only. Of the total provision for this sector, an amount of Rs. 4.71 crores was set apart for remunerative schemes.

In the Fourth Plan an outlay of Rs. 10 crores has been proposed for remunerative schemes. It has to be emphasised-

such activities flexible sources of revenue are provided by most State Governments with a provision for grants from State Governments for any shortfall.

Samitis looking after elementary education have bigger budget; *e.g.*, in Madras it is of the order of Rs. 7 to 8 lakhs, in Andhra Pradesh Rs. 5 to 7 lakhs, and in Rajasthan about Rs. 4 lakhs. In Uttar Pradesh, where this function is not being performed by a Samiti, its budget is only, Rs. 1.5 lakhs. In fact, the expenditure on elementary education is more than half of the total budget of the Samitis. The system of grants for elementary education varies from State to State. In some it is partly on per capita basis, partly as an additional grant and partly through an education fund created out of a cess on land revenue.

The other major items of expenditure are inter-village roads, minor irrigation schemes, rural medical and veterinary dispensaries, maternity centres, sanitation services and the like. Funds for meeting the expenditure on these items are provided partly by the State Governments through grants. Part is available from budget allocations and provisions for various schemes. The rest are raised, in most of the States, through local taxation and other non-tax revenue.

TAXES

While taxation powers differ from State to State, they range over a vast field of cess duty, house tax, conservancy and lighting tax, fisheries tax, irrigation tax, water tax, tax on vehicles, education cess, entertainment tax, show tax, duty on transfer of immovable property, profession tax, etc. In Gujarat, Taluka Panchayats can enhance their revenue and also levy all the taxes which a Gram Panchayat is empowered to levy. This is subject to a limit.

Revenue from non-tax sources includes items such as toll on bridges, fees for licence permission, fines on prose-

CHAPTER III

RESOURCES OF PANCHAYAT SAMITIS AND ZILA PARISHADS

Panchayat Samitis—or bodies of that level whatever their nomenclature—are pivotal in area development. As such, adequate finances for these bodies are essential. Perhaps the best approach in this direction is provided by the steps taken in Madras.

In Madras, all the community development funds, flowing either from the Government of India or the State departments have been pooled together. These are distributed equally in all the 373 blocks. Thus there is a constancy of funds flowing into the blocks for a period of at least five years.

Such a step will help State Governments in their approach of intimating to the Panchayat Samitis the minimum and maximum financial limits for grants and loans. They will also get an idea, with better integration of their programmes in the Five Year Plan, of national purposes and productivity. This enhances the efficiency of planning on the part of Samitis.

AGENCY FUNCTIONS

In addition to performing community development and extension activities, Panchayat Samitis have inherited functions from the old District and Taluka Boards. As a result, the liabilities of Samitis have increased in so far as they have taken the responsibility of running existing schools and dispensaries and maintaining roads and other services. For

get substantial grants from the State Government. It is estimated that in Maharashtra Zila Parishads spend about one-third of the total revenue of the State. They get 70% of the land revenue collection, the balance of 30% going to Panchayats. The other grants they get are equalisation grant, purposive grant, establishment grant, deficit adjustment grant, plan grant, block grant, local cess matching grant, incentive grant and stamp duty grant. Departments transfer their funds to Zila Parishads for distribution to Samitis.

OTHER SOURCES

The above grants and funds are just enough to meet the commitments transferred to Zila Parishads which are not left with much by way of reserves to expand and widen their social, economic and cultural activities. More elastic resources should be available to Zila Parishads if they are to fulfil the wider functions vested in them.

There is enough scope for increase in cess on land revenue in view of rising agricultural income. Additional revenue from increased cess is also eligible for a matching grant from Government.

Other taxes can be levied on profession, trade, calling or employment, water, public entertainment and amusement, pilgrims and a special tax on land and buildings.

Non-tax revenue can be realised from licences on brokers and commission agents and from market fees on sale of goods or animals.

Occasionally Zila Parishads levy a contribution from a Samiti or Panchayat for a specific development project in that Samiti or Panchayat area.

Thus the finances of the Zila Parishads consist of the funds received from the State Government in the form of grants, etc., and also the share of the land cess and other local cesses and taxes that are assigned to them. Besides, funds earmarked for specific schemes which are entrusted as

cutions, fees for the use of benefits from institutes, etc., remunerative assets, toll rates and fees.

Panchayat Samitis can further augment their resources by taking on the management of organising fairs, markets, ghats and ferries and share the proceeds with the concerned Panchayats. In addition, Samitis can assist Panchayats in developing pisciculture and plantations and share the proceeds.

Such and other avenues will be available to Samitis in a growing economy. Samitis can also approach Zila Parishads and other bodies for loans, donations and contributions for their development activities.

ZILA PARISHADS

In Madras, the District Council, as already indicated, is a purely advisory body with the district collector as the chairman. It is provided with no funds. The Zila Parishads in Mysore, Rajasthan, Punjab, Uttar Pradesh and Orissa are essentially advisory bodies but they also have certain functions of supervision and co-ordination of the work of Samitis and Panchayats. Sometimes, they distribute among the lower tiers funds received from certain all-India institutions for backward classes, social services, promotion of khadi, etc.

In Andhra Pradesh, Assam and Gujarat, the Zila Parishads have not only advisory and supervisory functions but also some executive functions. In Andhra Pradesh, they manage the Government's secondary, vocational and industrial schools and determine the increased annual quota of teachers, etc., for Samitis.

In Maharashtra, however, Zila Parishads have taken over the entire functions of Government at the district level excepting law and order, justice, highways and higher education. For the performance of these duties Zila Parishads

APPENDIX I

List of taxes leviable by different tiers of Panchayati Raj under the Acts of the States

1. House-tax
2. Profession tax
3. Duty on transfer of property
4. Vehicle tax
5. Tax on agricultural land
6. Pilgrim tax
7. Tax on fairs, festivals and entertainments
8. Sanitary tax
9. Drainage tax
10. Lighting tax
11. Tax on ferries
12. Terminal tax
13. Water tax
14. Pure food tax
15. Timber tax
16. Oil Engine tax
17. Tax on cattle fairs
18. Tax on animals brought for sale
19. Tax for safety from fire
20. Octroi
21. Kolagarum (a tax on sale of produce in the village by weight, measurement or number)
22. Land cess
23. Surcharge on seigniorage fees
24. Tax on property and circumstances
25. Tax on commercial crops
26. Tax on fisheries
27. Tax on cultivable land lying fallow
28. Labour tax
29. Surcharge on land cess

agency functions to the Panchayati Raj bodies also come into the budget of the Zila Parishad. Such functions include communications, education, agriculture, industries, health, housing, co-operation, etc.

In some of the States, the Parishads are empowered to levy certain taxes, or to enhance, subject to certain limits, the taxes already being levied by the Panchayats and Panchayat Samitis.

APPENDIX II

List of fees leviable by different tiers of Panchayati Raj under the Acts of the States

1. Fees under Cattle Trespass Act (cattle pounds)
2. Fees for the use of porombokes (wastelands)
3. Fees for commercial crops bought and sold in the village
4. Fees for the occupation of buildings under the charge of Panchayat
5. Fees for the registration of animals brought for sale
6. Fees on goods exposed for sale in markets
7. Fees on cart stands
8. Fees on bus stands
9. Fees for grazing cattle in Panchayat lands
10. Fees on minor *hats* and private *hats*
11. Fees for the collection of hides and skins
12. Licence fees for starting tea stalls, restaurants, etc.
13. Fees for application for construction of buildings
14. Fees for the use of slaughter houses
15. Licence fees on brokers, commission agents, etc.
16. Fees for major *hats*
17. Fees for registration of vehicles
18. Fees for cases instituted before Nyaya Panchayats
19. Licence fees from owners of trade declared as dangerous and offensive
20. Fees for the issue of licences and permission for establishment of factories.
21. Licence fees from owners of theatres
22. Fees for providing sanitary arrangements at places of worship and pilgrimage
23. Tolls on new bridges
24. Fees for the erection of temporary construction in public places
25. Fees for the occupation of village sites
26. Fees for cleaning cess pool

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