



Financial Management Of Panchayats: An Overview Of West Bengal

Jayanta Dutta

Assistant Professor in Commerce, Alipurduar College, West Bengal, India

Abstract:

This paper is an attempt to examine the panchayat finance and the level of management about panchayat finance in West Bengal. Resource-base of the panchayat in order to determine the strength, weakness, opportunities and threats (SWOT) in the working of panchayat finance has been assessed. The balance of functions and resources is very much needed as the financial status of panchayat body is determined with this balancing. But till now this is not the position, and almost all Panchayats in west Bengal are starving for funds. The State Government is transferring functions and powers along with funds and personnel. Panchayats at all tiers have been empowered to approve their own budget and bye-laws. They have also been empowered to borrow from financial institutions. The problem of rural reconstruction depend both on availability of adequate amount of funds and efficient system of management of funds. Self-Evaluation for all the Panchayat bodies in West Bengal has been introduced from the financial year 2006-07. This is done through circulating score-based formats under two major heads- (a) institutional functioning and good governance and (b) mobilization of revenue and utilization of resources separately for Gram Panchayats. West Bengal is the pioneer in introducing the concept of Self-Evaluation by the PRIs, which has been highly appreciated by the Government of India and also renowned experts in the field of decentralization.

Key words: Panchayat Act, Gram sabha, finance, management, resource mobilization

1.Introduction

Panchayats or rural local self governments have ancient origin in India and there was a well developed system in village panchayats throughout the Indian history. Before the transfer of power in 1947, the Union Board formed the most practical unit for village administration. Some states enacted their Gram Panchayat Acts and constituted the gram panchayats at the village level before Independence. The West Bengal Panchayat Act, 1957 made on the basis of the recommendations to the Balwantray Mehta Committee provided for a three-tier structure of Panchayati Raj in the state (Datta and Pramanick , 1995). The act was subsequently amended in 1973. At present, the structural frame of Panchayati Raj in West Bengal is a three-tier organisation, consisting of the Zilla Parishads at the district level, Panchayat Samities at the Block level and Gram Panchayats at the village level.

Thereafter, Panchayat election has been held in the state at an interval of every five years and the 7th general election to those bodies was held in the year 2008. But the election to the Panchayati Raj Institutions of Siliguri Mahakuma Parishad was held in the year 2009. The Panchayat system of the State is in a process of continuous evolution and the same is getting more strengthened through both legal changes by the State Government as well as from below on demand of the citizen. Important legal changes were made in 1988 through introduction of Darjeeling Gorkha Hill Council Act 1988, which changed the three-tier structure of the Panchayats in the hill areas of Darjeeling district.

2.Methodology

To write this paper, literatures have been reviewed related to the topic; it comprises books, articles in the leading journals of India and the reports of the various commissions, committees constituted by the Union and State Government and also The West Bengal Panchayat Act, 1973, Annual Administrative report published by the Panchayat and Rural Development Department, Government of West Bengal.

3.Composition of Gram Panchayat

West Bengal has a three-tier Panchayati Raj system consisting of Gram Panchayat, Panchayat Samity and Zilla Parishad. The lowest tier of the Panchayati Raj system is called gram panchayat. It is democratically elected and representative body. Gram Panchayat has a minimum of 5 members and a maximum of 25 members. Again, every elected members of Panchayat Samity from a gram panchayat area is also its member.

The new act provides for the composition of 'gram sabha' for every electoral units of a gram panchayat. It consists of all the voters of the electoral unit. The duration of the panchayat is five years. The Panchayat Samity is the second tier of the system. Every block has a Samity. It consists of i) all the Pradhans of gram panchayats, ii) three directly elected members from every gram panchayat area, iii) elected members of the Zilla Parishad from the block. The elected members of the Assembly, Loksava from block a part of it and members of Rajyasava living in a block become the member of the Samity. Zilla Parishad- it is the apex body of the rural self-government system in West Bengal. The composition and structure of Zilla Parishad has been provided in the West Bengal Panchayat Act of 1983, 1984 and 1992.

4.Functions Of Gram Panchayat

In an age of shifting paradigm of development from "top-down" to "bottom -up" recognition of local level body is foremost agenda of development perspectives. Panchayati Raj Institutions is a way of projecting that reality through local institutional framework for progressing towards community-based sustainable development (Mohanty, 2001). The Panchayats are exerting great influence in the lives of the common people politically, economically, and socially. They have taken over planning, administration as well as the implementation of the entire development activities of the various schemes of both Central Government and State Government which can be categorized as social, economic and infrastructural in nature. They include civil services, public hygiene, education, electricity, agricultural development, rural industries, forestry, child care etc. Infrastructural activities include construction of school building, roads, water transport, sanitation, cattle sheds, village libraries, communication network etc (Rajaraman, I. 2003).

The financial resources of a Panchayat should correspond to the functions it has to perform and obligations to fulfil. If the Panchayats do not raise adequate resources to meet the financial needs of their exclusive functions from the sources assigned to them, the functions will not be performed or performed at an unsatisfactory level. The balance of functions and resources is very much needed as the financial status of panchayat body is determined with this balancing. But till now, this is not the position, and almost all Panchayats are starving for funds. The State Government is transferring functions and powers along with funds and personnel. Panchayats at all tiers have been empowered to

approve their own budget and bye-laws. They have also been empowered to borrow from financial institutions.

Though the power vested with the Panchayats to levy taxes is extensive, it was found that Panchayats are fighting shy to levy them due to socio-political factors; and are not able to administer the power of taxation fully. Secondly, lack of trained personnel is also a major cause for the problem of tax collection. Apart from the levy of taxes, and their collection, an effective formula for sharing of tax revenue between the State and Panchayat Raj Institutions is also a major issue. The State Governments, with the severe resource crunch, are finding it difficult to pass on the tax revenues to the panchayats and Panchayats are left to generate their own resources. That is why almost all Panchayats are starving for funds and are not in a position even to carry out their minimum civic functions.

5.Financial Status

The major sources of resources available to the Panchayati Raj Institutions in West Bengal are (a) taxes assigned by the state government (b) non-tax revenues (c) loans (d) grant-in-aid and contributions. But taxes, rates, and tolls collected by the panchayati raj institutions are highly inadequate for discharging their responsibilities. The state government, therefore, provides financial support to the panchayati raj institutions to meet their administrative expenditure on account of establishment cost and for discharging responsibilities entrusted with those bodies. The state government also transfers a share of the state revenue to the panchayat as per their entitlements determined by the State Finance Commission. The other major sources of fund available to the panchayat bodies are released by the central government for implementation of various schemes.

As per Annual Administrative Reports, PRD, West Bengal, The first State Finance Commission was constituted in West Bengal on 30th May 1994. The Commission submitted its report on 27th November 1995. The second State Finance Commission was constituted on 14th July 2000 and the third State Finance commission has been constituted on 22nd February, 2006 and it made its report available by 28th February, 2007.

The State Government has released grants as per recommendation of the State Finance Commission during the period 2000-01 to 2008-09 depending upon the utilization of fund received from the respective Panchayati Raj Institutions. Also a portion of the

entertainment tax and luxury tax collected by the State Govt. have been devolved to the Panchayats as non plan untied fund during 2000-01 to 2008-09 (Annual administrative report,1999-2009).

6.Financial Management

On the next phase, state Govt. should closely watch and monitor for proper utilization of financial resources under various development programmes and functioning of the panchayati raj institutions, So, an important factor which needs immediate attention is the management of panchayati raj institutions finance. The panchayati raj institutions are lacking expertise in handling cash and attending to the financial properties. They do not have skilled personnel to deal with financial matters like budgeting, accounting etc. The budget is considered as a key tool of financial management. A budget is a statement of estimated receipts and expenditures prepared prior to a definite period of time. The systematic preparation of budget will enable the panchayati raj institutions to assess their income and expenditure position.

The constitution 64th Amendment Bill, 1989 gives discretionary powers to the states for proper maintaining the accounts of panchayati raj institutions and their audit which is also helpful for the management of their finance. The accounting of panchayati raj institutions should be theoretically and practically consistent i.e. the practice should be subject to a set of principles. Accounts of receipts and expenditure of every panchayati raj institutions should be maintained for every financial year in such form as may be prescribed.

The Panchayati Raj Institutions' revenue from the economic activities is not at all encouraging. Basically, weak financial management is the cause of not budgeting for assets which generate income. The Panchayati Raj Institutions should develop economic activities like common land, village forestry, markets, fishing tank, orchids, ferry, etc. and generate income out of them.

There is an urgent need for expanding the resource base of panchayats to improve their financial position. This expansion of resources of panchayats should be made through sources of revenue mobilization. The State Act has empowered panchayats since inception to mobilize their own resources. As per the annual Administrative Report 2005-06, PRD, West Bengal, special drive for improving resource mobilization was taken up from the year 2003-04 and own source revenue of the panchayati raj institutions have started increasing from that period.

7.Management Of Resource Mobilization

The key to effective functioning of the Panchayats lies in their ability to mobilize resources of their own. Requiring Panchayats to mobilize their own revenues strengthens the link between revenue and expenditure decisions, which is extremely important to promote both efficiency and accountability in the provision of services by them (Jha, 2002). However, power assigned to the Panchayats to mobilize their own resource is highly inadequate. Steps have been taken over the years so that the Panchayats fully utilizes the existing potential to raise revenues as much as possible. In terms of resource mobilization, West Bengal panchayats are far ahead. Apart from the usual tax revenue, a portion of profession tax collected by the State government is allocated to Gram Panchayats. Cess on PWD roads, minor and major minerals collected by the State government are paid to Zilla Parishad after deducting collection charges. Another important measure worth mentioning is that if the collection of small savings, stamp duty and registration fee, amusement tax, motor vehicle tax, royalty/cess from minor and major minerals exceeds the target, 50 percent of the additional collections are ploughed back to the district for development. The District Planning Committee decides its utilization.

The table 1 depicts that growth of resource mobilization of all panchayat in West Bengal could be attributed to the growth of tax revenue as well as non-tax revenue. To some extent, Gram Panchayats have been able to break the stagnancy in tax collection compared to previous year, though it is far from desired level of tax collection.

The State Government also transfers a share of the state revenue to the Panchayats as per their entitlements determined by the State Finance Commission. However, receipt of this untied grant depends on the performance of the PRIs in utilization of the grant received earlier for this purpose. The Union Government also releases a share of the revenue to the Panchayats as per recommendation of the 12th Finance Commission. The Commission has recommended grants amounting to Rs.1271.00 crore for the three tiers of PRIs in this state payable during the period from 2005-06 to 2009-10 @ Rs. 254.20 crore each financial year (Govt. of India, 2002). Special emphasis has been given by the 12th FC on mobilization of revenue and 20% of the fund has been distributed as Incentive Grants on revenue mobilization of the Panchayats. Balance 80% is distributed as per entitlement of the PRIs prescribed by the 2nd state Finance Commission.

Year	Gram Panchayat Tax	Non-Tax	Total
2002-03	13.65	11.25	24.90
2003-04	15.61	17.98	33.59
2004-05	16.90	21.07	37.97
2005-06	20.2	25.42	45.62
2006-07	22.97	31.85	54.65
2007-08	22.60	39.01	61.61
2008-09	27.34	43.40	70.74

Table 1: Total Collection Of OSR (In Crore) From 2002-03 To 2008-09

Source: Annual Administrative Report Of PRD Department, West Bengal

8. Conclusion

In an era of economic liberalization, more and more emphasis should be placed on involving non-governmental and private organisations in undertaking specific local functions through contracting out or even divesting local government responsibilities in specific areas (Singh, 2004). Citizens must be directly involved in the provision of community services. Panchayats must get rid of their fixation to be happy about 'agency' functions on behalf of the State and Union governments.

As far as the maintenance of accounts and records are concerned, it may be said that the various type of irregularities have been noticed in the functioning of the Panchayats. The West Bengal Panchayati Raj budget and works rules which are meant to guide the Panchayats in the mobilization and management of financial resources, have not been implemented in most of the Panchayats. Hence, on this basis, it may be averred that neither the fiscal discipline nor the management of the financial resources have been practiced in accordance with the stipulated procedure and rules by the Panchayats in West Bengal.

To conclude by saying that for an effective performance of the functions assigned to the Panchayats, adequate resources should be provided to them so that they can not only meet the local needs but also improve the economic base of the local areas. There is a vast disparity between the rural and urban areas. Unless this disparity is reduced, we cannot have a viable democratic system in the country. At the same time, we should not also forget to mention that the Panchayats should properly utilise their funds.

9.Reference

1. Datta, P. and Pramanick S., Panchayats and People. The West Bengal Experience. Kolkata. Sarat Book House.
2. Government of West Bengal, Annual Administrative Report, PRD Deptt.
3. Government of West Bengal, West Bengal. Panchayat Act, 1973.
4. Jha, S. (2002). Strengthening Local Governments: Rural Fiscal Decentralization in India. Economic and Political Weekly, June 29, 2611-2623
5. Mohanty Bijoyini, Financing The Grass Roots Government, New Delhi. APH Publishing Corporation.
6. Rajaraman,I,(2003). A Fiscal Domain for Panchayats. New Delhi. Oxford University Press.
7. Singh, S (2004). Panchayati Raj Finances in Madhya Pradesh. New Delhi. Concept Publishing House.