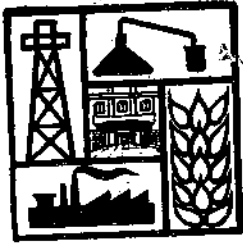


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ROOTS OF THE REPUBLIC

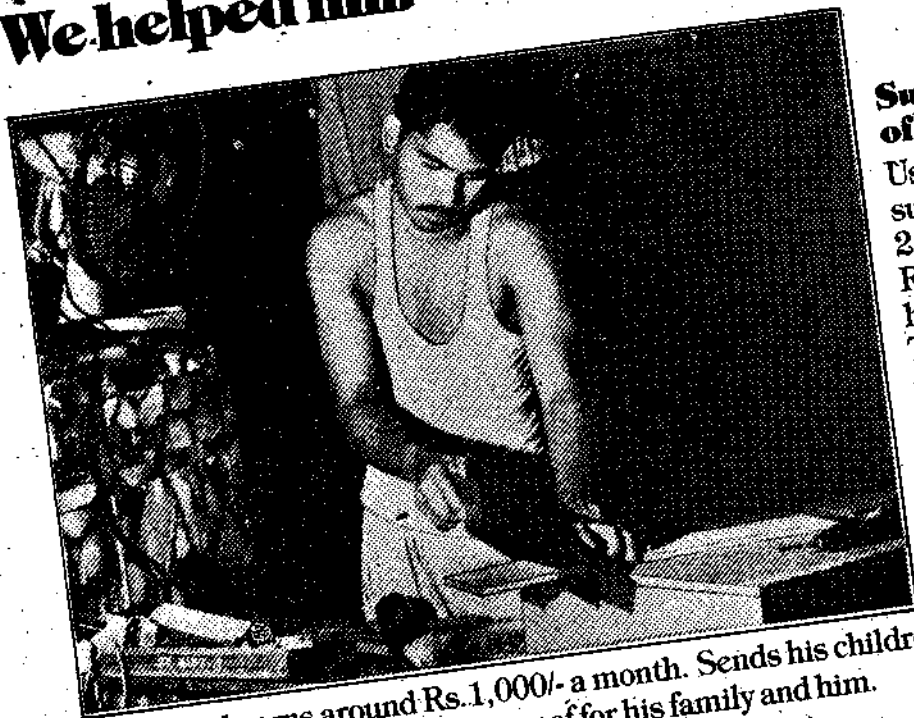
On reviving panchayats ...

"Here in this country we are now giving some sort of a trial by reviving our panchayats, that is to say, our village associations which will represent the village, and although we may congratulate ourselves on the fact that we are trying to revive these panchayats, I am not sure if we have a clear conception of what these panchayats are expected to do or what they are expected to achieve. I would suggest that this would be a fruitful line for investigation if these panchayats could not be entrusted with more and more power so that in the village itself much of what is needed is done by the people there and the Central Government governs less and less until it becomes the best Government, least governing. This idea sometimes strikes me and I feel that in this Conference when you will be discussing one item on the agenda which relates to parties, perhaps your thought might go in this direction and you may consider how and to what extent the reconciliation which is needed between the individual opinion and the collective opinion can be made possible or realised in this method."

—Rajendra Prasad

First President of India
(From inaugural address to the
Commonwealth Parliament Conference,
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Participation in progress ...

THE SENSE OF BELONGING IS A reward in itself. The feeling of involvement in anything great or small lends an amount of strength and tends to give a degree of emotional satisfaction to those directly or indirectly associated with it. This is why they say that joys when shared are doubled, and sorrows halved. The pride of participation is a significant psychological incentive for which material and monetary benefits are no substitutes.

THE PROSPECT OF MORE meaningful and larger participation of the people in their development plans is getting brighter day by day as various States have started launching massive schemes to involve common man in the administration of local affairs. It is a known fact that almost eighty per cent of our population lives in villages. Hence it is apt that the concept of participation should take deeper roots there in order to grow and spread into sturdy branches of democracy, bestowing real power upon the people.

INDIA, WITH HER HISTORY of thousands of years of civilisation, is endowed with

glorious traditions that make us all proud. We had, and we still have, in our village the system of calling people to a forum where elders and the wise, enjoying confidence and respect of the community, join their heads to decide important matters. The decisions taken by this assembly carry weight and command and are honoured by all. Despite long years of colonial rule and the resultant land distribution pattern, blatantly designed to harm the interests of the tiller, the old panchayat system continued to survive. It was there because the village folk are fully confident of their own capabilities of sound thinking and right approach to problems. Of course, with the passage of time, unscrupulous elements infiltrated into the system for the sole objective of promoting their own influence. Thus the area of activities for the good of larger sections of people was bound to shrink.

AFTER INDEPENDENCE, MIGHTY socio-economic changes have taken place. The architects of free India saw to it that the



vestiges of alien domination were removed to give place to a new order befitting an independent, sovereign country. The old zamindari system, which continued for ages, was abolished and new land reforms were introduced. Industrialisation on massive scale and commissioning of giant power plants totally changed the face of many a village. Electricity, once the prerogative of towns and cities brought the light of hope to rural areas. Roaring tractors, and power-operated pumps are now common sight in villages. New irrigation schemes and chemical fertilisers are now turning vast stretches of land into fields laden with crops. The average farmer knows more about improved seeds and better tools than his grand-father knew. The road links, banking and credit facilities, the cooperatives, and the rising silos for proper and safe storage of the agricultural products, are all designed for the uplift of the villages. The boons and blessings of modern technologies are happily reaching rural areas, and they are there for all of us to see. There is no denying the fact that progress has registered its presence far and wide.

YET, IT IS ALSO UNDENIABLE that the attempts to root out poverty have not achieved the desired results. In spite of the various ameliorative schemes of the government to bring relief within easy reach of those who need it most, the economic condition of large sections of people has not improved as expected. The economists agree that the plans for development are well thought out and properly formulated. The financial experts say that the funds are adequate. Where is then the snag? How can we account for the dark shadows of destitution hovering over an increasing number of people, amidst the bright patches of prosperity? We must understand that unless the villages, the backbone of our economy, are put on sound footing the country as a whole would not be able to secure the goal of the required progress. And, for this, we have to bring the people of our rural areas into the thick and thin of planning. Participation of masses in development schemes is a must. We know for certain that people make governments, governments do not make the people.

—Chief Editor



Power to the people or over them ?

S.K. Dey

We lead this special Issue with an article from Shri S.K. Dey, the first Minister of Panchayati Raj in the Nehru Cabinet. The writer, who is now in his eighties, and an engineer by profession, was picked by Nehru to fashion and design Panchayati Raj system in this land of Shankaracharya and upanishads. He narrates, in a chronological order, with all the authenticity at his command, the events relating to the meteoric rise and the sudden fall of the process which had ushered a comprehensive programme rooted to India's own past and brought the awakening of millions from deep, ignorant slumber. He is firmly convinced that if India has to grow and remain a democracy, the categorical imperative is still Nehru's basic formula: the village school, the village Panchayat and the village cooperative. The author emotionally describes the shattering of a dream which held the promise of restoring power to the people, who in his words "are the beggars". The piece ends with a poetic and symbolic treatment of the subject matter.

FOR AGES IN HISTORY AS FAR AS ONE CAN PROJECT oneself, one cannot escape a question that never will relent being asked: "What is the purpose of life?" and, "How does one travel towards it?" Even a naive mind will not fail to offer a spot response: "One wishes to be liked and be loved". This can happen in reality only when people are endowed with a thinking mind and the power to act. There seems also a short-cut

arithmetical alternative along side that most people would feel tempted to pursue. It is power over the people. But few realise that illusions can reflect but illusions alone. Power in freedom alone can therefore be the inescapable pre-requisite in the life of man, if man is to be different from the dumb and mute animal. The truth is beyond contradiction that power can generate and evolve only if it is free and spontaneous. It is

PANCHAYATS ... ROOTS OF THE REPUBLIC

difficult to discover a person more than Gandhi on the one hand and Nehru on the other in the Twentieth Century, as critically aware of this basic truth.

three basic institutions

AS A NATURAL COURSE, GANDHI DEFINED SWARAJ in his simple language as "not the concentration of authority in a few but the acquisition of the capacity in the many to regulate authority when abused" Nehru gave the same version but in his own typical way. It was at Lal Bagh Garden in Bangalore while addressing a state level

than mine at Delhi. You and your people have a clearer instinct to discover what you need most and how, with the technical and administrative staff locally at your service. A house that runs itself, calls for no guardian. This, if I may say so, is my conception of what Democracy is. We are on trial. I am naturally anxious to find out how soon you can make the Prime Minister at Delhi totally superfluous to your local needs and problems, so that you, the local Prime Minister, can take over the local functions, leaving the Prime Minister at Delhi, whosoever, to look after the other and wider needs of the nation. In other words, the national Prime Minister is not fundamental to the village; the local Prime Minister is. What is more, he functions in day to day contact with the people whose representative he is, with the full constituency behind him."

"A national programme encompassing nearly 200000 Panchayats and a like number of cooperatives across the second largest population in the world, cannot stand still. It must move forward or retreat."

meeting of Sarpanches and Chairman of Taluka Board who had gathered there to be initiated into Panchayati Raj by Nehru himself. With the tens of thousands from rural Karnataka waiting in pindrop silence in the garden, around 1958, he stated, "you are a younger people basically but I seem to be crossing the line faster than I thought. People have been asking in repetition: "After Nehru, who?" I have refused to answer this till now, privately or publicly. Today I feel tempted to attempt an answer. You have come here traversing long distances. You represent Karnataka more intimately and closely than all the leaders, including myself, who claim to lead you from the top. What we are trying to do here is just the opposite"

"To elaborate, I must ask you, if you could divide your body into the thousands of parts and more that compose it? No, not even a microscopic fragment. Therefore the body must function as an integral whole at your command. To have this, you must have the school that can teach you how to read and write. You must have the Panchayats with their upper linkages. What I call Panchayati Raj as a system and a process, that could guide you as regards how to, organise yourselves. You must next have one more basic instrument to look after your resources, the growth and their utilisation in your area. We call them cooperatives. Every reorganised village then must have three basic institutions—the Village School, the Village Panchayat and the Village cooperative. You will wonder where lies the answer to your question: "After Nehru, who"? I have come here under your command to explain to you face to face what the task is at the grassroots where you have been elected to. That should offer you an answer more adequate than I can offer.

You are nearer to the land and people you are to serve, than the Prime Minister of India with the entire official machinery at his disposal around him and around the country. Your role thus becomes more crucial and real

community development programme

NIKITA KHRUSHCHEV AND BULGANIN, the Soviet leaders were on a visit to India during 1954, I was then the Administrator of the Community Development Programme. On me came the honour of taking the top leaders of the USSR across a token section of the programme at a distance of about 40 miles from New Delhi. Rarely have I had a visitor so tirelessly eager as Comrade Khrushchev in particular, to collect impressions as fast as he humanly could. After nearly four hours of travel and conversation, busy virtually every minute, they were dropped at the southern entrance of Rashtrapati Bhavan. As my car was ready to leave, I had the strange sight of Khrushchev running back from within the Rashtrapati Bhavan to have a sentence more with me on the basics of what we had been aiming as our ultimate objective of the programmes, planned and discussed throughout. "How long do you believe you will take to lay the foundation

"Every reorganised village then must have three basic institutions—the Village School, the Village Panchayat and the Village Cooperative. You will wonder where lies the answer to your question "After Nehru, who"?"

across the country of community development, panchayats and cooperatives", he enquired of me as we stood outside the car. "Fifteen years," I replied almost with spontaneity. "No my dear Comrade", came the reply as a shot, "you will have to do it in a maximum of ten years from today, unless you wish to welcome a total retreat and be wiped off the scene, beyond the period I have indicated. Good luck to you and your people, Comrade". The episode ended, We never were to meet again. I was left wondering. z

THE COMMUNITY DEVELOPMENT PROGRAMME had been started on October 2, 1952. Panchayati Raj followed from October, 1958 and cooperatives in 1960. We approach approximately the

thirtieth year since then. A national programme encompassing nearly 200,000 Panchayats and a like number of cooperatives across the second largest population in the world, cannot stand still. It must move forward or retreat. An article, because of its character and content such as this, can be handled only in the form of a book. As a note, it cannot by its very nature, be relevant enough. Therefore the current presentation is necessarily not a chronological one. It is an effort instead towards a cross section digest.

About the end of April, 1964, a call came from the Prime Minister's house around midnight. I found him in rather an unusually depressed mood. He enquired how the Panchayati Raj institutions were, and if they could survive, if an attack to demolish them totally had been made. My answer had to be a qualified one. From unquestioned "Power over People" in a number of states, more particularly the Hindi speaking belt, only a beginning of "Power to the People" had begun to flow against the erstwhile gravitation, in some of the states such as Maharashtra and Gujarat. Another five years could place these institutions beyond demolition. He reacted at once. "You have no time, no time my friend, I repeat."

That was the last meeting I had with a noble heart and a gentle mind that lent the total sanction to carry the programme towards "Power to the People" as against "Power over them". May 27 And Nehru was to be no more. With it also arrived a new age for India, of a genus opposite to what had been known as regards democracy that had begun to be emulated by many a land in the world.

THERE CAME ALSO THE CALL OPPOSITE to the parody on "The Tryst with destiny". Lal Bahadurji came to occupy the scene vacated by Nehru. One could breathe soon air of a different composition around one as well as the country in general. Dr. D.P. Mishra, pronouncedly an erstwhile intellectual of Madhya Pradesh, came to the political scene as the Chief Minister of this Central State of India. He had abolished the earlier District and local Boards as well as the Panchayats on the plea that these belonged to the ancient times and no longer valid in free India. Indeed, he had enacted a new legislation instead, filling in what had already begun to gain new currency in some states in the country. One cannot speculate exactly what transpired behind the scene, but with one stroke of the pen he abolished not only the name of Panchayati Raj and Sahakari Samaj but even the Community Development as a new process which had already held the scene far longer than a decade and pronouncedly with credit across the world, beyond expectation. He was blunt in his reply, when asked, that he had not become the Chief Minister to play with fancy ideas assuredly with his compliments to Nehru as well as the host of leaders who had slogged to usher in a comprehensive programme rooted to India's own past, and related intimately to development of India that lay in villages through untold ages. The awakening of millions from deep, ignorant slumber by itself, was an epic phenomenon transparent

throughout, amazing to the world as a whole.

a question in Lok Sabha

EXPECTEDLY, A QUESTION WAS PUT UP FOR the Lok Sabha over the Madhya Pradesh scene. The author of this paper, felt stunned and shocked as the erstwhile Minister under Nehru, as to how a change of the kind that followed could ever flow in the land of Shankaracharya and of the Upanishads and the Gita. The Ministry of Community Development had been the pioneer to bring about the consultative council of the first Ministry in Parliament and its counterpart in the states offering room for MP's in the committees of the State legislatures, all these in response to an unprecedented demand from MP's for participation in what had been happening in the states covering all programmes of development that related to the rural scene. The national consultative council with 150 members had to be divided in turn into three sub-committees with meetings always during session at Delhi and each sub-committee in charge of one of the programmes—Community Development—Panchayati Raj or Sahakari Samaj.

"Dr. D.P. Mishra pronouncedly an erstwhile intellectual of Madhya Pradesh came to the political scene as the Chief Minister of this Central State of India. He had abolished earlier the District land local Boards as well as the Panchayats on the plea that these belonged to the ancient times and no longer valid in free India."

WHEN THE QUESTION ARRIVED IT LOOKED as if the whole house stood up with a volley of shots at the minister from every state, every party, as to why the ministry, totally superfluous as a fancy, should not be abolished at once and not in one state alone. I look back to that day now decades following the departure of Nehru, when we are all dressed up to celebrate his centenary, for what purposes I am not clear about. I had been aware though of the mighty skill we possessed as a class in the art of double think and double action in this yet primitive and development world. I shake within myself and wonder, how I could survive a burlesque in the Indian Parliament. Lal Bahadurji, strictly according to his manner, stood up, bowed his head towards the speaker, proceeded back towards the Prime Minister's Room No. Eleven. I followed him closely. As I entered, I told him that I wished to be relieved and forever. This was unconditional. I came on August 15, 1947 as a voluntary worker in Government. I exhausted the last resource I possessed on September 1, 1956. I was asked by Nehru to be a minister. I had children at the university to maintain. I had been an Engineer by profession with a degree of sophistication in specialisation. Nehru had not wanted me to leave. I remained to struggle and give all I humanly could.

THE TIME HAD OBVIOUSLY CHANGED. I no longer belonged there. As I said this, I remembered what Khrushchev had said in 1954 at the Rashtrapati Bhavan. Lal Bahadurji smiled and tried to laugh over the whole matter. "Dey Sahib", he said in his traditional way, "you are not a politician but a professional man by character. How can you understand the politicians? They are jealous of Panditji. They would all like to undo not you but Nehru and all he meant. But I know and must confess to you, I am not as great a believer in the village people as Nehruji was and cannot believe as he did, that Panchayati Raj would bring forth wisdom to run the country." I intervened at once and asked, "So Lal Bahadurji, you believe that a villager can become a Prime Minister but he will make a mess of himself as a sarpanch or as member of the Block Panchayat or Zilla Parishad." Lal Bahadurji reacted at once and told me that I did not understand him properly. The members, he said, wanted him to abolish Panchayati Raj and, how could he collaborate in this and what would people think of him doing this to the dream of Nehru's heart. No, he would call a meeting of the Congress Committee when the time was ripe and follow what the committee directed and thus avoid a stigma on himself. He asked me to have a bit of patience, and all these would sort out as they always do in politics. I realised we were talking at different wave lengths. I bade him good-bye, for the time-being. Well, I did not have to wait for his convenience either. Tashkent and Providence-worked on him.

abolition of panchayati raj ministry

AN EPILOGUE WOULD COME VERY FITTING to this paragraph. Kamaraj, the universally acclaimed common-man Chief Minister, when asked why he had not introduced "Gram Sabha"-even through a G.O. (Government Order). He asked if I desired him to rule the state or leave it to chaos in the hands of the people. He agreed to think this over saying "Parkalam". Parkalam still rules the scene. The Ministry of Community Development was a big lure for many, a power broker-nearly with 200,000 Panchayats and a like number in the cooperatives. When Indiraji came to occupy the seat vacated by Lal Bahadurji, the ministry was abolished and amalgamated with the ever proliferating Ministry of Agriculture. The staff of the Department as it stood expanded considerably, contrary to poised consolidation and continuing contraction as a process that had begun in the erstwhile ministry. Now no one really knows what the department does in the new context. A subject matter ministry cannot coordinate other subject matter ministries. That alone accounted for quality staff of the minimum size of the ministry in the Indian Government. The ministry had no subject-matter of its own but of the training of both officials, non-officials as well as of people and the total responsibility of the institutions, the processes and the pursuit of subject matter ministries wherever their programmes or personnel had been found inadequate

AFTER NEARLY FORTYONE YEARS OF THIS GOVERNMENT since Independence, I feel sure that it can be stated categorically without any doubt whatsoever that for India to grow and remain a democracy, Nehru's formula of the three basic institutions at the village and their unions, meeting at the centre respectively for Panchayati Raj and cooperatives is a totally unalterable imperative in a non-subject matter ministry as it had been to start with. What is equally crucial is that it should receive its sanction from the highest in the state as well as at the centre. Indeed, nowhere else in the world at large has such an extensive and massive effort been made to lay the network, institutional and programmatic foundation, based on and purring with democracy during the centuries behind. Rural India as continuum, but with essential urban amenities, will and can never get extinct, no matter what the current insane craze for five-star culture may be.

As we look back with a hind sight today, the consultative councils now are held in gala hill stations during summer and near sea coasts during winters for more soothing time and temper to serve our rural

"The Ministry of Community Development had been the pioneer to bring about the consultative council of the first ministry in parliament and its counterpart in the states offering room for MP's in the committees of the State legislatures, all these in response to an unprecedented demand from MP's for participation in what had been happening in the states covering all programmes of development that related to the rural scene."

colossus. The cooperative federation at the national and state levels are handled as a game of musical chairs held by common musicians with slight adjustment between themselves under the aegis of the new ministry of civil supplies. Panchayati Raj with no functions left seriously to them, are no challenge to existing MLAs and MPs, or ministries at the centre and counterparts at the states to act as interlopers on their behalf at grassroots. All so sweet, smooth, and simple, and money so cheap at Nasik for the elite and the people at the top and middle at large. No wonder, politics was defined perhaps very wisely by a noble man as the "art of who exploits whom."

amending the constitution

RAJIV GANDHI, THE YOUNG, PRIME MINISTER of India is getting his throat hoarse and hoarser. He cries over pilferage of money from Delhi to the people, through an endless chain of middle gentry leaving but thin air to reach the people at the end, the best of intentions on the part of his benign government notwithstanding. He is desperate to bring the collector the mainspring of power—at the District back to the erstwhile focus the latter enjoyed through centuries. Rajiv flies and drives across the states to broadbase

the message. He makes single-tracked demand for amendment in the constitution on Panchayati Raj as the basic answer to all fundamental problems of the land. Even the crucial AICC session, the latest one, felt almost a revolution on the march towards people as the means as well as the end in this centenary year of Jawaharlal Nehru.

"I feel sure that it can be stated categorically without any doubt whatsoever that for India to grow and remain a democracy, Nehru's formula of the three basic institutions at the village and their unions, meeting at the centre respectively for Panchayati Raj and cooperatives is a totally unalterable imperative in a non-subject matter ministry as it had been to start with.

Strange, not even a leaf quivered, nor even a petal. The great party that accounted unquestionably for the long battle of our Independence stood dumb and mute at the call of the Prime Minister for "Power to the People" to help themselves—mysterious for mystic India. An enigma. It is as if the interlopers are the owners; people are the beggars in India!

Long time back, maybe moments, maybe eternity, one wishes to think of another winter morning, the sun still on the sky radiating all the warmth during a visit of a

simple slender man to a small town. It was Jawaharlal Nehru on his last visit to Nilokheri. It was perhaps early 1951 as the year began. He was greeted by a brief address on behalf of Nilokheri through "Kurukshetra" then a weekly journal published by the Training Centre on printing at Nilokheri. The foregoing will have no meaning except in the background of something as sober as well as frightening likewise as a challenge, as it was merely thirty eight years back.

"Master, Master not alone !

Master the child is, the man is yet to be. The bride has nothing, She has all.

The jungle is no more. The pests are away. The wilderness is a carpet. The corn has ripened. Lo ! The locusts at the yonder distance. They also have a place.

The wood stock compressed into the coal pit. The coal pit led to the atom blast. The golden key unlocked the iron cage. The demon is out. The demon is about.

The far has come near. The near has gone far. The born sovereign approaches the summit. The serf glides down to the bottomless abyss.

The dawn, the dusk. On the merging line—in tears, in smiles, in clouds, in sunshine—serene, the lone tower.

Master, Master not alone !

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Panchayati Raj— its validity

Vasant Sathe

The matter of immediate concern for planners, economists and politicians is to devise ways and means to arrest the ceaseless migration of rural population to urban areas, says Shri Vasant Sathe. A reputed social thinker and a senior Minister in the Union Cabinet, Shri Sathe has traced the origin of panchayat system, its gradual growth, and phased decline after the formation of industrial society, in an extremely convincing and logical way. He has questioned the relevance of the old panchayat system in the modern world of advanced technology and the circumstances created by economic compulsions of present times. His theory is that by merely providing an elective institution to the villages, the problems faced by the rural masses would not be solved and it would amount to just a superficial exercise. He holds the view that while large scale economies could be located around urban areas, small scale, labour-intensive units producing a wide variety of consumer items, could be reasonably planned for rural regions, which in turn could help the growth of agro-industries. This, in his opinion, will be conducive to a balanced national growth and ensure definite development in all dimensions.

BEFORE WE DISCUSS THE LARGER QUESTION of revival of the Panchayati Raj system, it is necessary to understand its origin and the reason for its survival and prevalence over a long period in the history of our country. Panchayati Raj essentially means a body of five (*Panch*) members who were elected or chosen by the people in the villages and were accepted as the

leaders who would guide all socio-economic activities of the village and would also be the arbitrators and a judicial tribunal in matters of any dispute among the members of the community. In short, the Panchayat became the democratic self-governing institution of a village. Normally the learned and experienced members of society were chosen and accepted as the *panchas* of the Panchayat. It held a sway

PANCHAYATS ... ROOTS OF THE REPUBLIC

on almost all secular matters, although in religious or temporal matters every individual was governed by the rules of the religion to which he belonged. Even when disputes arose and the question of imposing any penalty for temporal violation came up, the matter was referred to the Panchayat. Thus, for all practical purposes, the Panchayat was a body that regulated the life of the community living in a village.

origin of caste

IN THE ECONOMIC STRUCTURE of the village there was an in-built homogeneous and harmonious self-sufficiency. Traditionally a community acquired the character of a village only when it had all the

"It is very essential to remember this economic factor where production of cloth, iron and steel articles, copper and brassware, leather goods, edible oils and many other consumer items which were originally produced in the village by the people belonging to the traditional avocations got centralised in the factories of urban areas and the people in the villages practising these avocations were systematically deprived of the source of their livelihood."

facilities or most of them necessary for a stable rural life available in the village itself. For example, although production of foodgrains was the basic avocation, simultaneously there had to be avocations such as those of weavers of cloth, potters, iron smiths, carpenters, oil crushers, milkmen, tailors, washermen, goldsmiths, cobblers, artists and priests and similar other categories of people working in different avocations required by the society. As a matter of fact, over a period of thousands of years, these avocations which developed specialisation and as the knowledge was passed on into families from parents to their children, these avocations were recognised as what came to be established as castes. But the fact remains that to complete the economic stability of a village, the existence of people belonging to most of these avocations was an essential factor and the economy of a village, traditionally dependent on a system of barter where goods services were exchanged among all these avocations. As stated above, this brought about a self-reliant economy in a village and its stability was ensured by the existence of the institution of Panchayat, where the Panchas guided the entire affairs of that society.

SIMULTANEOUSLY, HOWEVER, A FEUDAL SYSTEM of landlords, patels, zamindars and rajas developed over a period of centuries, who dominated the socio-economic life and there used to be either benevolent or oppressive effects of their rules, depending upon the manner in which these authorities would deal with the people living in the villages. The life was disturbed whenever there were wars between the rulers but, by and large, the land remained and around it the self-reliant, self-supporting economy of the village also

continued in a stable, undisturbed manner from generation to generation. On this base grew a culture and civilisation that has survived over four to five thousand years.

exodus from village

IT IS ONLY WITH THE ADVENT OF an industrial society that things have started changing. The effect has been both in the economic field and also in the political field. Economically, although production of agriculture and agricultural produce has still continued to be based on land spread out in the villages of the country, production of other consumer articles which were originally done by the people in different avocations in the village itself, slowly but steadily and surely, came to get divested from rural economy and got centralised into urban pockets where manufacturing units and factories were established on the basis of what is called large-scale economies and these consumer goods were then supplied to the consumers spread out all over the country. It is very essential to remember this economic factor where production of cloth, iron and steel articles, copper and brassware, leather goods, edible oils and many other consumer items which were originally produced in the village by the people belonging to the traditional avocations got centralised in the factories of urban areas and the people in the villages practising these avocations were systematically deprived of the source of their livelihood. What has happened in the villages over this period of past more than one hundred years of industrial era is the fact that while the population dependent on these traditional avocations has been deprived of the source of their livelihood, they had no other alternative avocations provided by the industrial society in the rural area itself. Therefore, they were forced either to migrate or to become landless labourers perpetually dependent on

"It is true that some people have managed to hold larger landholdings in a clandestine manner, but this is only in violation of the laws and not as legitimate system. Even then it is a fact that more than 70 per cent of the land still continues to be held by less than 20 per cent of the people who are land-holders in rural areas."

agricultural work provided by the landowners. But here also, with the growth of population, land holdings in families got fragmented from generation to generation and majority of landholders started having small or marginal land holdings, the effect of such fragmentation was drastic on those who already had small holdings initially.

THUS, PEOPLE WHO TRADITIONALLY LIVED on the main agricultural avocation of production of food-grains, also were reduced to become agricultural labourers as they knew no other avocation. It is a fact that after Independence, with the abolition of zamindari system and introduction of land ceiling laws,

large landholdings held by few rich rajas and zamindars were abolished and majority of landholders held land within the limits of the ceiling. It is true that some people have managed to hold larger landholdings in a clandestine manner, but this is only in violation of the laws and not as legitimate system. Even then it is a fact that more than 70 per cent of the land still continues to be held by less than 20 per cent of the people who are land-holders in rural areas. Thus, a majority of land holders, as stated above, are small or marginal land holders, who for a substantial period in the year have also to work as agricultural labourers.

economic earthquake

THUS, THE PICTURE OF AN AGRICULTURAL society where 80 per cent of India's population still lives, is a picture of what one can call an "economic earthquake", which has uprooted the traditional self-reliant economies of villages and has reduced majority of the population living in villages to only one class, namely, of landless labourers. With the passing of every generation and the resultant growth in the number of families, the small and even medium land holdings got further fragmented and more and more people in the rural areas joined this vast ocean of landless labourers

ALONG WITH THIS TOTAL CHANGE in the economic life in villages, there has been a simultaneous change in the political life as well. The old rulers, the zaminders, the rajas the other feudal elements disappeared even during the colonial period and progressively a new administrative and political structure in tune with the industrial society came to be established particularly after independence. A new political system of political parties elected to the democratic institutions of Parliament and Assemblies at the Central and State levels came into being. The whole administrative structure, right upto the district level, was altered and placed under the authority of a civil administration run from national and state levels. The entire cadre of administrative officers, both for maintenance of law and order as well as for collection of revenue and other welfare activities, was conducted through these authorities. Thus, the old feudal system was replaced by a new centralised administrative system of the industrial era.

ANOTHER OUTCOME OF INDUSTRIAL ERA was the coming into existence of a new class which dominated the economic scene. This was the class of the capitalist who controlled the industries as well as the trade and business dealing with the industrial produce. They in fact replaced the erstwhile feudal landlords who dominated the economic and social life. This new class of industrialists and capitalists, for all practical purposes, started controlling and moulding the living conditions and life-style of the new society. Along with it automatically developed a centralised work force in the organised sector. This gave rise to organised labour unions and a new political force in the form of trade union movement of this organised labour came into existence. With the industrial society also grew a new

force of well educated citizens, educated in science, technology, literature, the arts, on the basis of large-scale education through schools and colleges and other institutions. Thus, a major force of middle-class educated elite also came into existence. It is this class which, in essence, led the social and political movements and provided the political and economic structure for the new industrial society. It is this class that was at the helm of political movement during the freedom struggle and it is again this class which has provided the entire cadre for governmental, administrative as well as for political institutions like Parliament, assemblies, etc. It is from this class that captains and managers as well as technical people were obtained. both for the centralised industries as well as for business and trade.

the growing urban congestion

THUS, AS A RESULT OF INDUSTRIAL revolution a whole new class of urbanised society came into being controlling both production of infrastructure and even consumer goods, and also, for all practical purposes, controlling and guiding the political life of the country. It is pertinent to note that if production of foodgrains and other agricultural produce was not still required to come from the land, even these would have

"It is a tragedy that short-sighted politicians, economists and planners resort to the expedient measure of creating more and more industries in these urban pockets themselves, hoping to provide employment to these incoming, ever-growing teeming millions.

got centralised. Fortunately, that has still remained land-based and it is because of this that majority of our population still continues to be stuck with agricultural operations and surviving on the rural economy. But the tragic effects have already started becoming apparent.

HAVING BEEN DEPRIVED OF TRADITIONAL avocations in the rural areas and progressively being denied work even in agricultural operations *per se*, a large work force of these unemployed people in the rural areas is forced unwillingly to migrate to the urban areas where they can at least eke out a living. Entire families today are flooding into these major urban pockets, particularly of the metropolitan cities. They are virtually living in the slums, gutters and footpaths. The magnitude of this problem will be obvious when we consider the fact that more than 2 to 3 lakh people migrate into the cities of Delhi, Bombay and Calcutta every year and today nearly 40 per cent of the population of a city like Delhi or Bombay lives in these slums. If timely measures for preventing this distress migration are not taken, slowly a stage will come when the major portion of the population of these urban pockets would be of slum dwellers. It is a tragedy that short-sighted politicians, economists and planners

resort to the expedient measure of creating more and more industries in these urban pockets themselves, hoping to provide employment to these incoming, ever-growing teeming millions. In this process they generate greater concentration and congestion in these small islands of metropolitan cities, creating along with them unhygienic living conditions, problem of transportation, housing, drinking water, medical facilities and other amenities.

revival of panchayat system

THIS, IN SHORT, IS THE SCENARIO of today's economic structure of the entire Indian society. It is only in this background that we can think of the

"The tendency is just to think superficially and simplistically of providing an elected institution and making elections mandatory to these panchayats under a Central law. The fact that Panchayat system has not succeeded and survived mainly because of its having become irrelevant to the socio-economic life of the village in an industrial society is conveniently ignored."

structure of our village societies and consider the question of revival of the institution of panchayat which was an essential feature of a self-reliant village economy and mutually dependent social structure. When we think of Panchayati Raj today, we are superficially thinking only of giving political power, meaning thereby, that we want the Panchas of the Panchayat to be elected by the people in the village so that the people of the village as a whole may have a voice in the affairs of the Panchayat. Earlier, traditionally what were known as elders from different sections of the society constituted the Panchayat. It is possible to replace them through elected representatives. To that extent it will become more democratic. But the pertinent question will be as to what power will these Panchas exercise in the day-to-day socio-economic life of the people or the community living in these villages. Unless this becomes clear, in our scheme of revival of the Panchayat system, mere revival of the institution would not help and it would be a superficial and redundant exercise. The issue is so basic and big that the very magnitude of the problem scares the planners, economists and administrators and they want to skirt it and circumvent it by avoiding the issue. The tendency is just to think superficially and simplistically of providing an elected institution and making elections mandatory to these panchayats under a Central law. The fact that Panchayat system has not succeeded and survived mainly because of its having become irrelevant to the socio-economic life of the village in an industrial society is conveniently ignored and it is being felt that merely by providing an elective institution, the problems of people living in village can be solved. I would like to quote here the observations of Pandit Jawaharlal Nehru. In his speech entitled "Crossing the barrier of poverty" delivered in 1958. He said:

"If left to normal forces under the capitalist system, the

poor will get poorer and a handful of rich richer. It is true that the state will intervene. From the riches of the rich it will provide the poor with education, health, housing and other amenities. But such interference does not solve the basic difficulty of a system which widens the gap"

He further stated that the role of planning was "essentially a process whereby we stop these cumulative forces at work which make the poor poorer and start a new series of cumulative forces which make them get over that difficulty. We have to stop the cumulative forces which make rich richer and we have to start the cumulative forces which make the poor to get over the barrier of poverty". In other words, a programme of alleviating poverty of the people at the grass-roots level cannot be effective unless measures are taken to stop the accumulation of wealth in the highest class of the society.

regenerating self-reliance

THUS, WHILE IT SHOULD BE CLEAR TO ALL concerned that in the revival of the Panchayati Raj system it will be imperative to think in terms of reviving the economic system of self-reliance in the rural areas, we can still think in terms of providing a structure of administration, which indeed would provide and facilitate the revival of such a self-reliant economic and social polity in the rural areas themselves. In modern industrial society, it would not be possible to make the village as an economic unit of self-reliance based on traditional avocations. We will have to think of a larger unit and the best decentralised unit for economic growth that would be a district in today's political and administrative context. The idea of Panchayati Raj essentially is based on the principle of involving the people themselves directly in the management of their affairs because it is the people who know best what their problems are, what their priorities are and what could be the best solutions to suit their requirements. If we make the district as a centralised unit of democratic self-administration by creating the institution of Zilla Parishad through elected representatives from village panchayats, then village panchayat as a basic unit will become a reality. This Zilla Parishad at the district level should, for all practical purposes, have all the powers of a district government, both for economic development of the entire area in the district and also for political and administrative governance. Modern technology and scientific development make it possible to establish industrial units to produce practically all essential consumer requirements in the district itself. We will have to take a calculated and positive policy decision nationally as a government to ensure that all consumer goods which are capable of being produced on a decentralised and labour-intensive small-scale basis, must essentially be produced in this manner and all production of such articles on centralised basis will have to be deliberately banned. It is a fallacy to think that goods cannot be produced on decentralised basis. Modern technology makes it possible to produce practically every consumer article of high standard in

industries run on small-scale sector. It is possible to have machines and tools operated with electrical power to produce all these articles, even on decentralised basis. The idea must be to provide employment for productive purposes of producing goods and services required in the rural areas themselves. It is only such productive work that can provide the purchasing power to the people in the rural areas and can thereby create an economic market for the vast population living in rural areas. When this demand is generated for this economic market, production should also take place in the rural areas themselves to meet this demand. It is only then that a decentralised and balanced growth of our entire population will take place. Then alone will political decentralisation at the district level and further down to the Panchayat level will become a reality.

decentralised dispersal

IT SHOULD BE POSSIBLE, as a matter of national planning to decide that industries which by their very nature, like production of infrastructure inputs such as steel, heavy equipment and machines for plants, fertiliser, cement, aluminium, construction of power houses and dams or production of railway engines, automobiles, ships, heavy earth-moving equipments like

bulldozers, tractors, cranes, and aeroplanes, defence equipments such as tanks, and such other articles, which by their very nature have to be produced in factories set up on the basis of economy of scale—but very large number of consumer items which are required for day-to-day living, to provide the necessities and to improve the quality of life of the people, can and must be produced only on labour intensive, decentralised basis, particularly for a country which has as such a large population spread over the entire area of its land mass. Such a decentralised dispersal in consumer industrial sector can also help the growth of agro-industries which by their very nature can be best located in the rural areas and can help in augmenting the production of consumer food articles, such as dairy products, poultry or fishery, horticultural products, vegetables and other items like beekeeping, sericulture, medicinal herbs, etc. Thus the entire quality of life in our rural areas can be changed. Decongestion of our urban centres can and will have to be taken up as a positive measure. This will not only ensure balanced growth of our nation, but will also prevent the growth of a highly distorted and exploitative socio-economic system, which today is threatening not only economic but also our social and political life, and in turn, the very integrity and unity of our country. ■■■



“It is a fallacy to think that goods cannot be produced on decentralised basis. Modern technology makes it possible to produce practically every consumer article of high standard in industries run on small-scale sector. It is possible to have machines and tools operated with electrical power to produce all these articles, even on decentralised basis.”





Is Panchayati Raj a futile phantom ?

V.R. Krishna Iyer

A great legal luminary and a legislator of extensive experience, Justice Krishna Iyer knows the pulse of the people. In this article, he has given a thorough analysis of the causes of decline of the Panchayati Raj system, and his verdict invites attention of that section of our people which has deep concern for the development of the country. Justice Iyer bases his thesis on the major premise of constitutional compulsion to invigorate village units of government operated by the popularly elected members of the weaker segments of the grassroots society. He believes that once it is done, true democracy would blossom in India. He has great faith in the genius of the rural masses when he says, "the vast reservoir of human resources in our rural regions is the real wealth of talent in making India Indian, and Indians realise swaraj through gramraj." Coming to a logical conclusion, the author tells us that the vibrant wheels of village panchayats are the proper mechanisms of the country's rural development. Because, "plans should no longer be imposed from above, but must involve those who have to live with them."

THE HUMAN ESSENCE OF GOVERNANCE by the people is the reality of participative opportunity the humblest can command in the processes of State Power. Quotational validation of this democratic proposition from Lenin, Lincoln, Gandhi and other leading humanists of the world is abundant. And the source of State Power and the beneficiaries of its exercise being the people their supremacy as the

sovereign is a categorical imperative of modern political systems. So it is that our founding fathers built the constitutional edifice on the bedrock of "We, the People of India." This phrase is not phoney sentiment nor evocative incantation but the constitutional fundamental of democratic decentralism. Politics where *man matters* is the paramount principle. Indeed, even the great Charter of the United Nations emphasizes the

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worth of the human person and his fundamental freedoms and the root rule of a Republic is the quantum and quality of the right of the small citizen in influencing the affairs of Administration. Where nearly a billion humans are a country's demographic immensity, where language, religion and culture divide and diversify the nation, where the complexities of modern government and the enormity of global problems are beyond the ken and reach of small men with limitations of comprehension, it is inexorable political dialectics that systemic mutations must be wrought to enable lesser groups in little circles to play their part as engineers of self-government. A giant machine operated by file-logged bureaucrats illiterate about humans and obsessed about rules and political egoists dressed in a little brief authority will reduce the rural dweller to a paper partner in the mysteries of a mighty regime. Accountability of authority, responsiveness of 'responsible' governments to the

"Politics Where man matters is the paramount principle. Indeed, even the great Charter of the United Nations emphasizes the worth of the human person and his fundamental freedoms and the root rule of a Republic is the quantum and quality of the right of the small citizen in influencing the affairs of Administration."

voice of the populace and the effectiveness of control by the lowly villagers assumed to be illiterates of the mammoth operations, national policies and incomprehensible legislations are currently minimal and largely confined to those polluted, periodic, political floods called general elections where the little man, with a little pencil, makes a little mark on a little paper in a little booth and loses his relevance until the next ballot battle revives his micro-importance. This is mockery of democracy, the opium of self-government. That is why 'power to the people' is teasing illusion and promise of unreality unless full-blooded decentralisation of the Power Process becomes integral to the constitutional order. If India lives in her villages, as Gandhiji has constantly reminded us, the villager can never be sharer in State Power if we do not so restructure the instrumentalities and their operational methodology, as to allow the rural, 'backward' sector a seat at the wheel. 'All Power to the Soviets', as Lenin envisioned it, and Power to the Panchayats, as Gandhiji desiderated, are the political expression of democratic dynamics, the social manifestation of home rule at the base. Pyramidised power, concentrating its control in the hands of those who rule from the tower, alienates the village communities who are the real India.

labels of powerless power

SWARAJ IS MIRAGE SO LONG AS Panchayati Raj is sentenced to suffer living death. True democracy blossoms in India only when the monopolists, cornerers, racketeers of State Power at the Central and provincial levels—the mafiaso and megalomaniacs of politics—

agree, by constitutional compulsion, to invigorate village units of government operated by the popularly elected surrogates of the weaker segments of grassroots society and endowed with such powers and authority, legislative, executive and judicative, as may be necessary to enable them to function as people's administration without bureaucratic inhibition or genuflecting bhakti towards the ministerial divinities or vanishing cream of bossist politics. Art 40 of the Constitution is not a pious hope or paper dope but a 'principle fundamental in the governance of the country', free from any dependencia syndrome and functioning as the developmental tool of the nation at the village level. The dynamic jurisprudence and developmental jurisdiction of Panchayati Raj have had a cinderella saga of local self-government in Gandhian country even after Independence. 'Tees January' is a tragedy of many poignant dimensions one of which is the deliberate disinclination to trust village India with the power to administer and to function as the basic units of self-government. The phoney homage to the faith in the people is confined to harmless tributes but never extends to functionally vibrant, developmentally oriented, power-sharing microcosms of State with autonomy, authority and accountability in the trinity of sovereign instrumentalities — the Executive, Legislative and Judicative—limited to levels conditioned by pragmatic realism. Today Panchayats, where they exist, are futile phantoms and precarious creatures, pathetic pictures of village labels of powerless power, have no decentralised democracy, have minor executive minions bossing it over the elected members with bureaucratic self-importance. They are superseded at pleasure by State Governments for political allergies disguised by legal pretexts. Anyway, no one takes Panchayati Raj seriously, regardless of ideology. Who will part with the alcoholic habit of State Power as minister? Karnataka and West Bengal have, however, experimented with truth in some measure in this field but an objective evaluation, free from Party baloney, needs to be undertaken before saluting them for small beginnings. Rural development, national integration and patriotic participation in the country's progress along a secular socialist direction is possible only if Gram Panchayat culture, without political reservations, is metabolised into the system as a fundamental imperative. No plenary panchayat, no people's democracy, is a militant axiom. Command and control from the Capital must be an anathema. Institutional justice to local self-governing units is basic to decentralised democracy, the core of our economic heritage. Then why is this desideratum denied, this Gandhian creed crucified? The corrupt appetite to corner power and the unhappy apprehension that the dialectics of panchayat politics, with its own popular dynamics, may shift, in certain regions, power from the State Party to the Opposition. What Republic is stable if it is built on sandy foundations of Parties lost in the blood feud for Power for themselves? Party for the People, if subverted by the doctrine of People for Party, gives short shrift to Development geared to the participative processes of constructing a new social, economic and political order to the 'eternal tenants of

an extortionate system'. That system of centuries which, thro' feudal and colonial ages, has held the *pariahs* of our social order prisoner, must be liquidated and an oxygen tent of social justice and development tryst installed by transfer of Power to the proletariat in each village.

- benefits of mass participation

THE PRAGMATIC PHILOSOPHY OF miniaturised participative democracy, where man—every man, woman and child—matters, is the cornerstone of developmental dynamics. Says Paul Harrison:

"The ideal of participation is gaining much wider currency in all spheres. There is a growing consensus

"If India lives in her villages, as Gandhiji has constantly reminded us, the villager can never be sharer in state Power if we do not so restructure the instrumentalities and their operational methodology as to allow the rural, 'backward' sector a seat at the wheel."

that development can be accelerated if the energies and resources of the people are mobilized, and that the poor have a basic human right—hitherto denied them by unequal power structures—to take part in making the decisions that affect their lives and livelihoods. This idea was incorporated in the International Development strategy for the United Nations' Second Development Decade, adopted in October 1970, which affirmed that 'every effort will be made to secure the active support and participation of all segments of the population in the development process'

(The Third World Tomorrow p. 36)

MOREOVER, THE IDLE VILLAGER sunk in despair, is the devil's workshop. He has the energy and the will and the right to contribute his patriotic mite. Give him the creative milieu. Writes Harrison:

"The potential benefits of mass participation are immense. Participation in implementing projects reduces their cost by mobilizing unused local resources and free human energy. Participation in decision-making provides planners with much better information on people's wants and dislikes. It helps to avoid the kind of disastrous errors, failures and white elephants with which the history of development is littered, usually because the supposed beneficiaries were not adequately consulted. Participation in productive enterprises is increasingly fostered by way of service or producers' cooperatives. In this context it can boost morale, increase productivity and reduce negative and destructive conflicts between managers and managed, from go-slows to sabotage. In many places the poor live in a state of passive inertia because of their total powerlessness in the face of entrenched elites; this inertia affects not only their involvement in public life, but

infects even their family and home life. For these people, participation is an educative process. It can give them confidence for the first time in their ability to control circumstances instead of being controlled by them. By broadening the base of decision, it reduces the chances of development strategies being adopted which benefit only a small minority, and hence improves the chances for the adoption of the new egalitarian and poverty-oriented approaches."

(Ibid. P. 36-37)

panchayats—hotbeds of factions

A SOMEWHAT SUBSTANTIAL OBJECTION to elected panchayats with financial, judicial and administrative jurisdiction is the deep and die-hard factionalism in our villages. Village feuds, caste conflicts, political clashes and violent communalism mar the co-operative exercise of governmental functions. Misuse of funds, feudal oppression, denial of equal opportunities for women, terror against harijans and girijans and subversion of elections are pathologically pervasive in the countryside. While in many parts of India this sombre apprehension is a gross exaggeration, in large parts of the land the potential for such anti-democratic forces undermining panchayat programme is real. To get women and S.C./S.T. members elected, reservation of seats is justified. To overcome village factions is a tough proposition but that cannot be a ground to abandon popular government. Nor is communalism, undeniably operational, an argument of substance. Of course, pressed to its logical conclusion this same reason was used against giving Independence to Indians. Do we not have frightful political, communal factions in public life? How about corruption on a macro-scale? And yet, we are moving forward, though zigzag, as a nation. No valid reason to reject grassroots self-government exists. Surely, there will be graft, favouritism, nepotism, casteism, plus plus. Even so,

"To-day Panchayats, where they exist, are futile phantoms and precarious creatures, pathetic pictures of village habels of powerless power, have no decentralised democracy, have minor executive minions bossing it over the elected members with bureaucratic self-importance."

these experiments with untruth will eventually open the political eyes of the populace. The ultimate judge of who should govern, whether at the Panchayat or national level, is the people, maybe ignorant, illiterate, parochial or unwise. Is not the Prime Minister, or for that matter the Chief Ministers, the leader of a Party furiously opposed to the Opposition and sometimes illiterate *vis a vis* their portfolios? But that is the risk of the parliamentary process. Bernard Shaw once remarked:

"Democracy substitutes election by the incompetent many for appointment by the corrupt few"

At the floor level, there may be crudities, savageries, feudal

strategies and naked attacks. Worse happens at higher levels but with strategies and tactics more deadly, more corrupt, more concealed. But once you involve the common people in the art of government at the base of the pyramid the gains are great, the political activation immense, the broadening of available cadres for running the Administration critical and the strengthening of the democratic structure significant.

I AGREE WITH PAUL HARRISON that local participatory democracy is a big step forward:

"To overcome village factions is a tough proposition but that cannot be a ground to abandon popular government. Nor is communalism, undeniably operational, an argument of substance. Of course, pressed to its logical conclusion this same reason was used against giving Independence to Indians. Do we not have frightful political, communal factions in public life? How about corruption on a macro-scale? And yet, we are moving forward, though zigzag, as a nation."

"Elected village and district councils were given a voice in development planning and in choosing several types of grassroots worker. What happened was that the larger landowners used their patronage and pull to win places on these councils, and proceeded to use their new powers to allot extra privileges to themselves. Any paid positions, for example, would naturally go to relatives or clients.

Real community participation can only exist where people have common interests, where everyone can expect an equitable share of the benefits of development and everyone has access to sufficient land or other means of earning a livelihood. So redistribution of land, assets and income may be a precondition of meaningful community participation."

(Ibid. P. 298)

IT OFTEN HAPPENS THAT THE ELECTIVE process has concealed snags unless suitable safeguards are built in against village mafia capturing Panchayat Power. Let me quote Harrison again:

"To follow the Western model of representative democracy in grossly unequal societies is to invite domination by economic elites. In a polarized society a representative will usually only fairly represent people whose interests he or she shares. Council members who are landlords can only be fully relied upon to represent the interests of landlords. The zebras of the poor countries all too often elect to represent them, and when they do they can only expect to be eaten."

(Ibid. P. 299)

release of untapped resources

THE INITIAL DIFFICULTIES may be real, but will wear away as people's consciousness rises through experience. On the other hand participation in rural development through Panchayat instrumentalities releases untapped resources:

"Participation reduces costs and mobilizes the most valuable of all underused resources: human energy and creativity. But participation also implies grassroots democracy in the workplace and the community. As a minimum it must mean that plans should no longer be imposed from above, but must involve those who have to live with them."

(Ibid. P. 344)

IN MY OWN EXPERIENCE AS A MINISTER long years ago confirms my conviction that when panchayats are entrusted with performance of developmental projects whole villages are afire with enthusiasm.

POWER TO THE PEOPLE MUST BE translated into decentralised circles for responsible exercise by competent representatives. So arises the need for accent on efficiency and responsibility in the elected managers. We may spell out the requirements of choosing local candidates with aptitude, integrity, service antecedents, social commitment and experience in human affairs and institutional control. True, these printed principles are shot down by the local, feudal mafia in many cases. But social locomotion gathers momentum thro' democratic, thro' traumatic, struggles. The allied problem of factional stranglehold over village life, suppressive forces excluding the weaker gender and sector can be overcome partly by legislative safeguards and also by mobilising and militantising these exploited classes supported by progressive political elements. Unless we conscientise the people thro' waves of democratisation, we will be lost. We can't be fatalistic and give up the fight that reform is futile. In the Shakespearian lines:

"The vast reservoir of human resources in our rural regions are the real wealth of talent in making India Indian and Indians realize swaraj thro' gramraj."

"The fault, dear Brutus is not in our stars,
But in ourselves, that we are underlings"

(Julius Caesar)

A quantum jump to village self-government may not be easy. But better late than never.

THE NEXT SPINAL ISSUE IS ABOUT the area of State Power which may be entrusted to the Panchayats, knowing their limitation and the need to fit into the overall scheme. Should we charge these rural organs of limited government with functions legislative, judicative or executive? Should they be more than talking shops? Should they be bare ballot exercises

berent of constructive right to administer? Should some legislative powers of local relevance be vested if they are best exercised at that level with local colour, pragmatic adaptations and revisable when tested by suitability—but within the parameters uniformly applicable to like institutions? Should judicial power, with sufficient safeguards against partisan abuse and likely legal illiteracy of the members, be within the jurisdiction of Panchayati justice? Should limited police powers be enjoyed by it and if so, how should co-ordination, subordination and operational co-operations within the larger framework of law and order, criminal investigation and prosecution be worked out? Many laws can be best implemented and cases under them tried, even investigated at Panchayat level, if only we have faith in common people and do not suffer from snobbery syndrome. The Jury system in the U.K. and the U.S.A., the People's Courts in the U.S.S.R. are examples. May be, block level panels, some legal literacy courses, qualifications and disqualifications may be statutorised.

"The Gram Panchayats shall be entrusted with the dispensing of justice, no separate judicial panchayats are necessary. The poor peasant need not go out of his village, spend hard-earned money and waste weeks and months in towns on litigation. He can get all the necessary witnesses in the village and fight out his own case without being exploited by lawyers. When intricate points of law arise, Sub-Judge from the Taluka, or District could come down to the village and assist the Panchayat in deciding difficult cases. The Sub-Judge shall also act as guide, friend and philosopher to the ignorant villagers by acquainting them with the laws of the State. Such a judicial system will not only be simple, prompt and cheap but also just because the details of civil criminal cases will be, more or less, open secrets in the village and there shall be hardly any scope for fraud and legal juggleries."

-Gandhiji-Harijan 22-7-1946.

the reliable rural genius

DEVELOPMENTAL PROJECTS, CATEGORISED by principled pragmatism and helped with appropriate expertise, may well be left to popular creativity and participative roles. The fundamental assumption, of course, is that given the freedom to carve out multi-dimensional local self-government, our rural genius will measure up to the challenge. In an elitist atmosphere where it is fashionable to exaggerate villagers' weaknesses and urbanites' abilities; it is easy to sell the sophistries of Doonocracy and scuttle people's democracy. This pathological perception has to be fought by a massive movement debunking the thesis of blue collar, white collar and other apparels and incarnations.

*"Full many a gem of purest ray serene,
The dark unfathom'd caves of ocean bear:*

*Full many a flower is born to blush unseen,
And waste its sweetness on the desert air.*

*Some village-Hampden, that with dauntless breast
The little tyrant of his fields withstood;
Some mute inglorious Milton here may rest,
Some Cromwell guiltless of his country's blood."*

—Thomas Gray

The vast reservoir of human resources in our rural regions are the real wealth of talent in making, India Indian and Indians realize swaraj thro' gramraj.

THIRD WORLD COUNTRIES, AFTER CENTURIES of desperate disabilities, feudal and colonial, are now struggling to level up through historic efforts at national development. "The purpose of development should not be to develop things, but develop Man" (Cocoyoc declaration). Westernization dominated the thinking and efforts of developing countries, development agencies and the models aid donors offered. The developmental elite gladly fell victim to the highly centralised, terribly industrialised pattern and plans. In India, Delhi became the decisive centre of developmental projects where decisions were taken, experts operated, bureaucrats sanctioned and politicians spread the message of the giant wheel of progress, but soon disenchantment came because the people found

"Mahatma Gandhi himself became an anachronism because he stood for a people's model at the village level. Gandhiji foresaw the pitfalls of developments centred round cities and large scale industries, with mass production, massive pollution and total alienation of the common people."

they were irrelevant, the specialists having taken over what was good for the countryside. Mahatma Gandhi himself became an anachronism because he stood for a people's model at the village level. Gandhiji foresaw the pitfalls of developments centred round cities and large scale industries, with mass production, massive pollution and total alienation of the common people. He also warned against the dangers of urban development at the cost of all the villages where the people in their numbers lingered and lived.

"We have to make a choice between India of the villages that are as ancient as herself, and India of the cities which are a creation of foreign domination. Today the cities dominate and drain the villages so that they are crumbling into ruin."

(The Third World Tomorrow-By Paul Harrison-P. 17)

proper mechanism for progress

GANDHIAN TECHNOLOGY WAS VILLAGE centred using local talent and material, local monitoring and supervision and local passion and pride in performance. For him every village was to become a self-governing and self-sustaining economy run on democratic participatory lines by a Panchayat.

(Contd. on page 31)

YOJANA, January 26, 1989



Panchayati Raj : Two alternative approaches

Jyoti Basu

A reordering of the distribution of land and other productive assets in rural areas of West Bengal has led to a perceptible growth in agriculture and cottage and small scale industries, says Shri Jyoti Basu, Chief Minister of the State. In his article, he asserts that the emphasis on land reforms is not a mere exercise in charity, but essentially a productive move based on hard evidence of superior performance on the part of working peasants. The Chief Minister points out that the cost of development schemes implemented by the Panchayats, is significantly less as compared to the cost of the projects executed under conventional procedures. The reason behind this remarkable fact is the avoidance of contractors and the supervision of Panchayat members, he explains. He anticipates that the West Bengal proposal to allocate fifty percent of annual plan expenditure to district and block level would be a precedent which may be followed by the entire country in future. In this article, the Chief Minister also refers to the Mid-Term Appraisal of the 7th Plan presented by the Planning Commission in support of his conclusions.

THERE CAN BE TWO ALTERNATIVE APPROACHES to the Panchayati Raj, and these are related to two alternative approaches to rural development planning.

IN ONE APPROACH TO RURAL development planning, we may choose to begin by accepting the existing unequal ownership distribution of land. In

other words, we may choose not to take effective measures on land reforms. If we choose to do that, we shall be close to the present national scenario on this issue, for, despite a few statements of good intentions, no serious attempt seems to have been made to alter this unequal distribution of land holding. The resultant, persisting, inequality in the ownership distribution of land has been noted in the Mid-Term Appraisal of the

Seventh Plan by the Planning Commission itself. It has been mentioned, for instance, that according to the latest information available, for the country as a whole, only 28.8 per cent of land is under the ownership of small and marginal farmers and the remaining 71.2 per cent of land is owned by bigger farmers (see Chapter 2 of the Mid-Term Appraisal). As a consequence, in this strategy, the planning for production has tended to be viewed through the eyes of landed gentry in agriculture. There has been, as a result, also a tendency to adopt technology which is overly capital-based with inadequate absorption of labour force in production, causing unemployment and insufficient generation of purchasing power of the common people. That such technologies can indeed be labour-displacing has again been noted in the Mid-Term Appraisal of the Planning Commission (Chapter 2, P 32).

unequal access to assets

THIS IS AN APPROACH WHERE the basic priorities of planning are not in favour of the common people. The priorities are centred around perhaps the top 10 per cent of the rural households. In such a situation, without land reforms and therefore, with an extremely unequal access to the production assets, there is a propensity on the part of the ruling power not to hold the Panchayat elections (incidentally the Panchayat elections were not held for about 15 years before the Left Front Government came to power in 1977) or not to hold the elections under democratic conditions. In such a situation, even if the elections are held, the Panchayats often get dominated by the more affluent class in the rural areas. The Panchayat Raj under this approach to planning can not have a representative character, reflecting the interests of poorer classes in the rural area. The common people in the rural areas cannot truly get involved in the activities of such Panchayat Raj. If, then decentralisation of planning is talked about through the Panchayats under this approach, it cannot

"This emphasis on land reforms, it may be noted, is not any exercise in charity, but is essentially a productive move on the basis of hard evidence of superior production performance on the part of working peasants."

be any effective grassroots decentralisation with participation of the common people at the base level. It may then only amount to decentralisation on paper and to mechanical disaggregation of schemes, without the true participation of the common people at the base level.

reordering distribution of land

IN WEST BENGAL, FOR THE LAST ELEVEN years or so, an alternative approach to rural development planning has been pursued. Within the limitation of the existing socio-economic structure, this alternative approach begins by trying to reorder the

existing distribution of land and other productive assets in rural areas towards a more equitable situation. This approach, therefore, begins with land reforms.

THIS EMPHASIS ON LAND REFORMS, it may be noted, is not any exercise in charity, but is essentially a productive move on the basis of hard evidence of superior production performance on the part of working peasants. In this context, we may mention, with modesty, some of the advances that have been made in recent years to give our State the front position in the country in the sphere of land reforms. Of the total

There has been, as a result, also a tendency to adopt technology which is overly capital-based with inadequate absorption of labour force in production, causing unemployment and insufficient generation of purchasing power of the common people."

agricultural land distributed through land reforms in India, nearly 20 per cent has been contributed by West Bengal, although in the total agricultural land in our country, the State's share is less than 4 per cent. With the implementation of land reforms, in West Bengal, according to the National Sample Survey data, nearly 60 per cent of the total land is owned by the small and marginal farmers as against the national figure of 28.8 per cent as owned by the small and marginal farmers, as has already been mentioned earlier. In other words, an objective situation has been created in the State where the problem of agricultural planning can be looked at from the standpoint of the poorer working farmers.

choice of appropriate technology

IN ORDER TO MAKE THE LAND REFORM measures effective, it is essential to support these measures with the provision of non-land inputs, such as irrigation, implements, manures and fertilisers, and infrastructural facilities, particularly credit and marketing. In the provision of all these non-land inputs, there is a question of choice of appropriate technology involved. Here, in this alternative approach, as a result of land reforms, this choice can now be more meaningfully viewed through the eyes of common working farmers. The working farmers are endowed with labour power and there is in rural areas often a relative abundance of local resources. The socially appropriate choice of technology regarding all the non-land inputs in this alternative approach should therefore be one which should be modern and, at the same time, make efficient and improved use of labour and local resources. Such a choice of technology not only provides a better relief to the problem of unemployment, but also creates more purchasing power for the common people.

KEEPING THIS DIRECTION OF APPROPRIATE technology in mind the emphasis in the sphere of irrigation, one of the most important of all the non-land

inputs, has been placed in the State in recent years on extension of minor irrigation facilities. Along with that, emphasis has also been placed on extension of field channels under major irrigation projects. It is primarily on the basis of land reforms and this extension of irrigation facilities, together with the provision of fertilisers and other inputs, that it has been possible to increase the State's agricultural production significantly in recent years. For instance, the total foodgrains production of the State increased from 74.53 lakh tonnes in 1976-77 to 96.26 lakh tonnes in 1986-87, which was not only a record production for the State, but it also included in itself rice production of 84.63 lakh tonnes which was the highest level of rice production among all the States in that year. Even in the year 1987-88, despite severe floods in 12 out of 17 districts, it has been possible to exceed the previous year's production of foodgrains and reach an all-time record of 102 lakh tonnes in the State.

Along with this increase in production, there has also been in the state an increase in recent years in the average wage rate for agricultural workers, the average daily rate, cash and kind together, increasing from about Rs. 5.60 in 1976-77 to more than Rs. 14 in recent years. In some of the districts in South Bengal, the average daily wage rate has even crossed Rs. 20.

growth of cottage industries

IT IS IMPORTANT TO NOTE THAT as a result of this progress of agriculture through emphasis on a technology, which uses labour and local resources and tends to generate some purchasing power for the common people, there has been a related growth of cottage and small-scale industries which are linked with agriculture and which produce mass consumption goods such as handloom products. Over the last ten years, growth of registered small units has been significant in the State—from a figure of less than 1 lakh in 1976-77 to the present figure of about 2.5 lakhs. In recent years on average, about 14 thousand of new functioning small units are being set up per year in West Bengal, with additional generation of employment of about 80 thousand each year. In addition to small scale industrial units there has been a significant growth of handloom industry over the last ten years, where the production has gone up from around 20 crore metres in 1976-77 to more than 40 crore metres in 1987-88. The growth of small scale industries needs to be supported by growth of large industries—an issue to which we are not referring in this article.

WHEN THE PRIORITIES OF PLANNING are thus placed in favour of the common people, particularly with effective implementation of land reforms, choice of more employment-generating technology, and attempts at industrial growth through generation of purchasing power among the common people and in terms of a wider base of small producers, an objective condition is created for involvement of the common people in the process of planning. It is with this

objective of involvement of the common people in an organised manner in both formulation and implementation of rural development programmes that the Panchayat elections, which had been stalled in this State for about 15 years, were held in 1978 after the Left Front Government came into power. These elections were then held with regularity of five years in 1983 and then again recently in 1988. After the Panchayat elections data were obtained on the class background of the members who got elected to these Panchayats. It has been found that about 85 per cent of them have come from small farmers and below.

increasing responsibilities

IT IS THESE PANCHAYATS, WITH THEIR pro-poor character and with the common rural people behind them, that have been given increasing responsibility in the planning and implementation of the major rural development programmes in our State. To begin with, the panchayats were involved in the land reform measures in detection of benami lands, in their distribution to the poor farmers and in the recording of bargadars. This was followed by the direct involvement of the Panchayats in the planning and implementation of the Food for Work/the National Rural Employment Programme and now also the Rural Landless Employment Guarantee Programme. The responsibility of implementation of the Integrated Rural Development Programme—identification of beneficiaries,

"In general, it has also been noted from our internal surveys that the schemes executed by the Panchayats cost significantly less than technically similar schemes executed through the conventional procedures, primarily because of savings on account of avoidance of contractors and the supervision being voluntarily performed by the Panchayat members."

selection of schemes and monitoring—has also been given primarily to the Panchayat Samity, which is supported by the block level staff under the guidance of the District Rural Development Agency (DRDA). Integrated functioning of the DRDA and the Zilla Parishad has been ensured by involving the Sabhadipati and the concerned members of the Zilla Parishad as Chairman and members respectively of the DRDA along with the District Magistrate being involved as the Vice-Chairman. In addition to these programmes, the Drought Prone Area Programme, schemes relating to minikit distribution in agriculture, small irrigation, social forestry, rural water supply, rural housing and several important schemes on Scheduled Castes and Tribes and no cottage and small-scale Industries have been brought under the direct responsibility of the Panchayats.

FOR CARRYING OUT THESE RESPONSIBILITIES, the Panchayats at all the three levels have been provided with staff support, including technical

personnel and this total establishment cost is borne by the State Government. There is also a regular arrangement for auditing of all expenditures incurred by the Panchayats. Further, it is mandatory on the part of each Gram Panchayat to hold regular public meeting to discuss with the general people about the selection of schemes and also present in public the budget for the year.

better coordination in planning

THE PERFORMANCE OF THE PANCHAYATS in all these programmes has been noteworthy. In the field of land reforms, performance of the State, already noted, has been made possible in no small measure by the participation of local common people through the Panchayats. The same kind of participation has played a significant role behind the success of implementation of the Food for Work/National Rural Employment Programme and the Rural Landless Employment Guarantee Programme in our State. In the Final Report of Evaluation Organisation of the Planning Commission, it has been observed that the involvement of Panchayats has led to a much better coordination in the planning and implementation of the programme in West Bengal. The report has further stated that in West Bengal "the Village Panchayats call the meetings for preparing schemes for the villagers and the priority of works was also decided in these meetings". In general, it has also been noted from our internal surveys that the schemes executed by the Panchayats cost significantly less than technically similar schemes executed through the conventional procedures, primarily because of savings on account of avoidance of contractors and the supervision being voluntarily performed by the Panchayat members. The involvement of the Panchayats in the Integrated Rural Development Programme in a similar manner has ensured people's participation, and, in the process, acted as an insurance against machination of unscrupulous touts and middlemen. In a recent NABARD sample study on the implementation of Integrated Rural Development Programmes in the 15 States of the country, it has been brought out that there was no case of wrong identification of beneficiaries in the districts of

West Bengal. It has also been observed by the same study that the "association of banks staff and Gram Panchayats in the identification of poor families, as has been done in West Bengal, may ensure that the benefits of the programme go to the deserving persons". The sample study also indicated that the percentage of beneficiaries, who crossed the poverty-line, was the highest in West Bengal except Punjab.

WITH THIS CONFIDENT RECORD OF performance of the Panchayats in our State, we had taken four years back a new step towards decentralised and coordinated planning at the district and the block level by involving the common people through the Panchayats at the grassroots. For this purpose, the District Planning Committee and the Block Planning Committee have been constituted in each district and in each block of a district, by bringing together the Panchayat members and other relevant elected representatives and the concerned officials of all the departments at the respective levels, and with the Zilla Parishad Sabhadhipati as the Chairman and the District Magistrate the member-secretary of the District Planning Committee and the Panchayat Samity Sabhapati as the Chairman and the Block Development Officer the member-secretary of the Block Planning Committee.

BOTH THE DISTRICT AND THE BLOCK Planning Committees are being supported by additional administrative and technical staff. With general guidance regarding priorities and financial allocation from the state level, Block plans are formulated in the Block Planning Committee by coordinating the Panchayat schemes and all the departmental schemes at the block levels and then these Block Plans are integrated into the District Plan with a comprehensive perspective for the district as a whole. It is now anticipated that nearly 50% of the annual plan expenditure in our State will henceforth be decided at the block and at the district level. This may be an important beginning for the entire country in the formulation of plans in a decentralised manner by involving the common people through the democratically elected Panchayats. ■■■

"It is with this objective of involvement of the common people in an organised manner in both formulation and implementation of rural development programmes that the Panchayat elections, which had been stalled in this State for about 15 years were held in 1978 after the Left Front Government came into power."



Education expansion will help strengthen Panchayati Raj

P.V. Narasimha Rao

In a brief, illuminating article that follows, Shri P.V. Narasimha Rao, Minister of External Affairs, has very carefully established a close link between education and rural development. We have a massive manpower in our villages. Due to one factor or other, this human resource remained a victim of ignorance, illiteracy and superstition. To bring them out of this fog of inertia, to mobilise this vast resource, education is the most effective impetus. As the author has rightly put, the history of India shows that knowledge has always been shared. With lines of communication reaching remote areas of our vast land, there is a growing consciousness in our villages today that knowledge is a productive resource which is inevitable for any process of development. He is of the firm view that Panchayati Raj institutions must be strengthened because they alone represent the will and wishes of our people.

THE VILLAGE PANCHAYATS IN INDIA have been the pulse beat of our democracy since the ancient times. These Panchayats were the custodians of India's village corporate life. Nothing was too small or too great in the entire range of human activities to be covered under the umbrella of these institutions. A Panchayat normally consists of five wise men of the village belonging to different sectors of rural society but with the passage of time the number has not remained sacrosanct. The Panchayats served as the backbone of our democratic institutions

around which the entire fabric of social and economic activity of the village rested. From Vedic times to the beginning of the British Rule these Panchayats looked after our villages and their requirements. With the advent of industrialization the village corporate life disintegrated. In the highly centralised British Rule the institution of Panchayats received a set back.

AFTER INDEPENDENCE the National Government undertook a comprehensive development and welfare pro-

gramme through the Five Year Plans in order to solve the basic problems of poverty and developing the creative genius of the village people. The Constitution of India, in its Directive Principles, included the establishment of Panchayati Raj Institutions.

democratic decentralisation

IN JANUARY 1957, the Balwant Rai Mehta Committee was appointed to sustain the utility of local initiative and create institutions for the improvement of social and economic conditions in rural India. The Committee submitted its report to the Union Government on 24th November, 1957. It suggested that decentralisation of responsibility and power to levels below the State was an urgent requirement. Accordingly the Committee recommended "Devolution of powers to a body which will have entire charge of all development work within its jurisdiction — the Government, reserving its functions, guidance, provision and higher planning and wherever necessary provide extra finance". Pandit Jawaharlal Nehru accepted these recommendations and named these institutions as "Panchayat Raj". There are today 2,06,987 Gram Panchayats, 4043 Panchayat Samitis and 340 Zilla Parishads with 73 Municipal Corporations functioning in the country — the largest democracy in the world.

THE STATE OF RAJASTHAN was the first to launch the Panchayat Raj on 2nd October, 1959, Andhra Pradesh followed in November, 1959. The Panchayat Raj institutions were launched in Maharashtra on 1st May, 1962. During the last 15 years these institutions have not only maintained the ancient democratic and developmental traditions but have also moved to even higher goals of the welfare of one and all. The dynamics of development through Panchayat Raj Institutions as district government and the principles of democratic decentralisation has come to stay. The system of Panchayat Raj is generally a three-tier structure of the local self-government at the village, block and the district level. The States are, however, free to make the changes in the structure to suit local conditions. All Panchayat Raj bodies are originally linked up. Special representation on these bodies is given to backward classes, women and co-operative societies.

rural progress through education

THE NATIONAL POLICY ON EDUCATION, 1980 which has been approved by Parliament has also focussed attention on the role of the Village Education Committees and the involvement of voluntary agencies including Panchayati Raj Institutions for the fulfilment of the targets of Universalisation of Elementary Education by 1995 and eradication of illiteracy from the land by the same year. Para 10.8 of the document clearly states: "Local communities through appropriate bodies will be assigned a major role in the programmes of school improvement."

PARA 10.9 FURTHER ELABORATES that non-government and voluntary effort including social

activist groups will be encouraged subject to proper management and financial assistance provided. At the same time steps will be taken to prevent the establishment of institutions set up to commercialise education." It is important to ensure that those at the top of the educational pyramid are among the best in the world. The cultural well springs of our traditions had taken good care of both ends in the past; the skew having set in with foreign domination and influence, it should now be possible to further intensify the nation-wide effort in human resource development, with education playing its multi-faceted role. Decentralisation and creation of the spirit of autonomy for educational institutions is the Key-Note of the management structure of New Education Policy.

sharing of responsibility

IT HAS BEEN PROPOSED in the Programme of Action-1986 that the Village Education Committees will take care of not only the educational development of the village but will also be entrusted with the responsibility of maintenance of school building, checking drop-outs and ensuring that the teachers take the classes and the students attend them. In the coming years the Panchayats will be the fulcrum of human resource development. In a country where financial resources are scarce, human resource development is the only answer. There is growing consciousness in our villages today that knowledge is a productive resource which is central to the process of development. It is time that our villages became recipients of modern knowledge and relevant technology is transferred from Urban to Rural areas in keeping with our democratic traditions. The history of India shows that knowledge has always been shared. Even constitutionally education is a Concurrent Subject. Concurrence implies a meaningful partnership, a happy sharing of

"The system of Panchayat Raj is generally a three-tier structure of the local self-government at the village, block and the district level. The States are, however, free to make the changes in the structure to suit local conditions."

responsibility. Under this new responsibility it is inevitable that the Panchayat Raj Institutions must be strengthened, because they alone represent the will and the wishes of our people. It is these institutions which had maintained our traditions and value systems. It is only through these institutions that our cultural and constitutional commitments will be realised. It is the Panchayats which will create a climate of hope and development and cast off the climate of frustration and pessimism. As Prime Minister Shri Rajiv Gandhi has pointed out that programmes evolved from above do not work and cannot be effectively implemented. The Eighth Plan, he said, would be evolved from Village Panchayats and not from New Delhi. "The future plan will come from the bottom upwards." ■■■



Panchayati Raj—malady and remedy

Dr. Malcolm S. Adiseshiah

An eminent social thinker and an economist of extensive experience, Dr. Adiseshiah has raised some pertinent questions relating to the basics of Panchayati Raj, in the following article. He points out that under the existing constitutional arrangement, the state government is responsible to no authority for what is happening or not happening at the village level. The author suggests that wide-ranging agrarian reforms are required to be introduced in order to make Panchayati Raj as effective instrument for the total uplift of rural masses. Comparing the results of the Panchayati Raj elections held in Karnataka and West Bengal, the author establishes his point that land reform is a pre-requisite for involving the majority of the households in the village in any drive for an all round rural development. Analysing the failure of Panchayati Raj in various states of the country, he comes to the conclusion that the lack of a political will to decentralise power and financial anaemia are the two main reasons. The author, while concluding the article, has quoted at length the vision that Mahatma Gandhi projected of the gram swaraj which was "to be attained by educating the masses to a sense of their capacity to regulate and control authority."

WHY HAS PANCHAYATI RAJ CEASED TO exist over three fourths of the country? They exist in only 5 States—Maharashtra, Gujarat, Andhra Pradesh, Karnataka and West Bengal. One simple and straight answer is that the Indian Constitution does not refer to this level of government, except as it were in passing, in Article 40, and makes no obligatory provision for the

holding of panchayati raj elections as it does for elections of State Assemblies in Articles 168-172, or Union Parliament in Articles 80 to 83. If Article 172 did not exist, elections to the State Assemblies will also be non-existent: even with that obligatory provision, Article 356 is used to supersede elected legislatures and Article 365 (d) is amended to postpone the holding

of State elections. It is therefore not surprising that Panchayati Raj elections, which have been made a voluntary decision of the States, have not been held, for some or all the 3 tiers, for 10 years in 17 States and 20 years in 7 States. Just as the Union Government is tempted to, and does to a large extent, centralise as much power as it can for itself *vis à vis* the states,* but is prevented to some extent by the Constitution laying down the areas for which the States are exclusively responsible— List II of the Seventh schedule— so too the State governments not being bound by the Constitution either to hold panchayati raj election or to respect the powers, not as yet earmarked for them, to run the local government and local affairs as it likes through its officials. The State Government is responsible to no authority for what is happening or not happening at the village level. This means that the way out of this first obstacle of the moribund panchayati raj is clear. That is for the Constitution to be amended to (a) earmark the functions and powers of the three-tier panchayati raj institutions (the Balwantrai Mehta, Ashok Mehta Committees have clearly set forth the areas of their functions and responsibilities) and (b) provide for periodic elections, preferably every 5 years, to coincide with the Union and State election, possibly as envisaged in Article 243 (c)-(g).

making panchayati raj real

It is important to realise that to superimpose the two constitutional changes proposed above on the existing socio-economic rural structure will simply transfer

"The purpose of Panchayati Raj is to provide the mass of the villagers with livelihood, literacy and health facilities. The RBI all-India debt and investment survey over 3 decades 1961, 1971 and 1981 shows the skewed rural assets distribution, with the bottom 39 per cent of rural households owning 5 per cent of all assets, while the top 5 per cent own 46 per cent."

power from the Union or States well-to-do elites to the rich rural elites. The purpose of Panchayati Raj is to provide the mass of the villagers with livelihood, literacy and health facilities. The RBI all-India debt and investment survey over 3 decades ending 1961, 1971 and 1981 shows the skewed rural assets distributions, with the bottom 39 per cent of rural households owning 5 per cent of all assets, while the top 5 per cent own 46 per cent. NSS surveys, and the Agricultural Census confirm the increase in marginal land holdings and landless labour households. In this situation to hold panchayati raj elections will be to benefit the well-to-do farmers, as in the case of the Karnataka Zilla Parishads elected

* For instance in agriculture which is wholly a state subject, the Union Plan share is 39 per cent of total Plan resources in 1987-88: in village and small industries another state subject, the Union share is 46.47 per cent, in rural development 54.02 per cent, in social and women's welfare 79.02, and in family welfare 100 per cent.

chairmen (Adhyakshas) who were 33.3 per cent Lingayats owning 20 to 100 acres of land each, and 22.2 per cent vokkaligas owning 20-40 acres each. This contrasts with West Bengal where land reform was carried out, which meant that 75 per cent of the chairmen and members of the 3-tier structure of 46,000 elected members were small and marginal farmers. Hence a second essential for Panchayati Raj to function so as to benefit the majority of the households in the village who own or operate small and marginal farms and who are landless labourers, is first to implement the agrarian reform legislation (ceilings and tenancies) which are on the books, but which are successfully bypassed and eroded.

base for decentralised planning

One of the problems faced by the country, accounting in a major part for its maldevelopment—massive poverty, increasing unemployment, growing inequality along with the social lacks of illiteracy, ill health, infant mortality, lack of safe drinking water, rural roads and electricity—is the system of planning that we have adopted—the top down model. Way back in 1952 Nehru warned that we had to start with the top down approach in the First Plan, but soon we had to develop a procedure so that "people may feel that the plan is something that has been evolved with their cooperation, and that they are responsible for its success". After two General Elections, he realised that democracy with universal adult franchise does not throw up a pro-poor government. Looking around Parliament, he saw that instead of small farmers and landless labourers who constitute 90 per cent of the rural people being elected through adult suffrage, the elected representatives were well-to-do large and medium farmers. So he turned to the panchayats and wanted them to be drawn into the planning implementation of the Plan (letter to chief ministers—28 September 1953). If the first 2 desiderata are met—of elected panchayati raj following agrarian reforms— then only can the panchayati raj institutions develop realistic local plans, of which the state and national plans will be the aggregates, and the panchayati raj will be willing and effective executors of the Plans that they have formulated.

the malady and remedy

Panchayati Raj today suffers from two basic maladies. First the lack of a political will on the part of state governments and legislatures to decentralize power in favour of the people and their representative at the local and village level. The second malady is the financial anaemia from which they are made to suffer. Of these two ills, the financial lack is second in importance, for it can be corrected by vesting the panchayati raj with the power to tax, in addition to earmarking their rightful share of state and union funds. The more serious problem is the act of delegation which can only flow from an honest and sincere commitment to the ideology of democratic decentralization—which is the Gandhian ideal of village swaraj.

If the above preconditions are met, Panchayati Raj will usher in village swaraj, which addresses itself to basic questions, such as the basis of political conflict in structural terms, to which Gandhi addressed himself, rather than to our preoccupations with superficial issues of institutional management, panchayat

"It is the masses who have to attain swaraj. It is neither the sole concern of the moneyed man nor that of the educated classes. Both must subserve their interest in any scheme of swaraj. I hope to demonstrate that real swaraj will come not by the acquisition by a few but by the acquisition of the capacity by all to resist authority when abused. In other words swaraj is to be attained by educating the masses to a sense of their capacity to regulate and control authority."

finances, the conflict between the administrators and politicians, supervision and coordination in panchayati working. Panchayati raj requires allocation of areas of authority as well as earmarking financial resources. But these are subsidiaries and consequential to the basic issue. And so I end with Gandhiji's vision of village swaraj: "It is the masses who have to attain swaraj. It is neither the sole concern of the moneyed man nor that of the educated classes. Both must subserve their interest

in any scheme of swaraj: I hope to demonstrate that real swaraj will come not by the acquisition by a few but by the acquisition of the capacity by all to resist authority when abused. In other words swaraj is to be attained by educating the masses to a sense of their capacity to regulate and control authority" (Young India 29.1.25). "My idea of village swaraj is that it is a complete republic, independent of its neighbours for its own vital wants, and yet interdependent for many others in which dependence is necessary. Thus every village's first concern will be to grow its own food crops and cotton for its cloth. It should have a reserve for its cattle, recreation and playground for adults and children. Then if there is more land available, it will grow useful crops, excluding ganja, tobacco and opium. The village will maintain a village theatre, school and public hall. This can be done through controlled wells or tanks. Education will be compulsory upto the final basic course. As far as possible in every activity, there will be no castes such as we have today with their graded untouchability. Non-violence with its technique, satyagraha and non-cooperation will be sanction of the village community. There will be a compulsory service of village guards who will be selected by rotation from the register maintained by the village. Government of the village will be conducted by the Panchayat of five persons, annually elected by the adult villagers, male and female possessing prescribed qualifications. These will have all the authority and jurisdiction required". (Harijan 26.7.42) Will Panchayati Raj be permitted by us to return to these basics?

(Contd. from page 22)

"Indian independence must begin at the bottom. Thus, every village will be republic or Panchayat having full powers. It follows, therefore, that every village has to be self-sustained and capable of managing its affairs. ..."

"In this structure composed of innumerable villages, there will be ever-widening, never ascending circles. Life will not be a pyramid with the apex sustained by the bottom. But it will be an oceanic circle, whose centre will be the individual always ready to perish for the village, the latter ready to perish for the circle of villages, till at last the whole becomes one life composed of individuals, never aggressive in their arrogance but ever humble, sharing the majesty of the oceanic circle of which they are integral units."

— Gandhiji-Harijan 22-7-46;

"In the true democracy of India, the unit was the village. Even if one village wanted Panchayat Raj, which was called republic in English, no one could stop it. True democracy could not be worked by

twenty men sitting at the Centre. It had to be worked from below by the people of every village."

— Gandhiji at the Prayer meeting, New Delhi 6-1-1948:

"Small is beautiful" is the Gandhian model and is a matchless gospel for development of Third World countries. This Gandhian concept fascinated Schumacher so much that he once called Gandhi the greatest economist of the century. The inevitable conclusion from the irresistible logic of decentralised developmental technology is that the vibrant wheels of village Panchayat are the proper mechanisms for India's rural development. All else is phoney verbiage. Our tryst with destiny to wipe every tear from every eye can never be redeemed except through community development. Community development is but verbal balderdash if Panchayati Raj is not activated and made operational.

SUCH A CONSTITUTIONAL VISION of India in economic locomotion must inspire Panchayati Raj, not by the grace of the State Legislature but by the command of the Constitution itself. What is now relegated to Art. 40 as a pious wish must become a necessary and integral part of the Constitution in action.



Panchayati Raj—some recollections

Govind Narain

Here is an article from one, who has held top administrative posts during his long executive career, and was deeply involved in the implementation of Panchayati Raj in its initial years. Shri Govind Narain, retired ICS, gives us a detailed account of the introduction of the concept of the Panchayati Raj in rural India after Independence, its growth in phases and the gradual decline. He says that after the passing away of Jawahar Lal Nehru, who was the fountain head of strength for this rural development system, the critics got the awaited opportunity to mount an attack on it. Having first-hand experience of working among villagers for their uplift, the author has a deep insight into their psyche. His assessment of the rural masses is that among them there are natural leaders who command instinctive affection and respect of their folk. He concludes saying that as people are the real masters, they should have an effective voice through clean and healthy institutional forums.

THE RECENT EMPHASIS BY THE Prime Minister on the institution of Panchayati Raj brings to my mind memories of the last 48 years. In 1940 I was appointed District Rural Development Officer besides other assignments. During those days of the British Raj, rural development was only a minor sideline of the work but it was thrilling to be in touch intimately with the villagers and talking to them informally about their problems. Agriculture, naturally, was the broad base but that was not all— I faced the naked reality of misery, poverty and utter neglect of those who feed the whole nation—rural indebtedness, fragmentation of holdings, bonded labour, landless labour, complexities and insecurities of the tenure of the tillers of the soil were all serious hurdles in any effort to increase production. There was hardly any organised

system for the supply of the essential inputs or of scientific knowhow. The atrocities and coercive money-grabbing tactics of the Zamindars and their henchmen, the cruelties of the high castes towards their low caste brethren and the tacit support of the administration to the haves against the havenots, were the prevailing, recognised ingredients of the Village situation. The villagers distrusted the official agencies like the Mukhiya, the Chowkidar, the Patwari and the village constable and not without good reasons. The higher echelons of visiting minions of official hierarchies drew only superficial cognizance with intense indifference, scepticism and even fear because most of them were only agents of extortion than of succour. The most distressing feature was that the bulk of the sufferers were engulfed by a throttling feeling of helplessness.

Any person of sensitivity would want to do something to help and to carry faith but the problem was how, in the face of the vastness of a baffling situation, what seemed to be needed was a complete overhaul of the political, economic and cultural environment. The funds with the Rural Development Department were very meagre and staff minimal. One could only meet the villagers and talk to them about compost making, sanitation and hygiene, cooperatives and collective defence against organised crime. The Village Panchayats could function only under the tutelage of

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the mighty vested interests. Some Nyaya Panchayats dispensed with elementary justice in petty disputes. What was heartening was the warm and cordial response of large numbers to any sincere and selfless approach which could create confidence among them. Within the limitations of resources and higher policy even small initiatives brought a visible ray of hope.

The struggle for Independence gave the Panchayats some voice, at least to speak out about their needs and difficulties. The dawn of freedom set in a wave of rising expectations. The village people were finding their feet.

primary units of power

Mahatma Gandhi wanted to evolve an economy which would be self-generating and self-contained. He was interested in a system wherein the villages would possess the means of production and cities would be the centres of consumption. He reposed full faith in the Panchayati Raj structure in which the village, through their elected Panchayats, will be masters of taking their own decisions. Our first Prime Minister, Pandit Jawaharlal Nehru, was a true democrat and he wanted the Panchayats to be strong and healthy as the primary units of our democratic polity.

With the stimulus of the National Government, various experiments were conducted in Bakshi Ka Talav in U.P. and in Nilokheri and also in some villages on the various ingredients and forms of village development. Foreign agencies like the Ford Foundation were readily willing to assist in this task. After much mature thinking and deliberations an outline of the famous Community Development Programme was drawn up. In the light of actual experience, changes and modifications continued to be introduced and then emerged a well integrated programme of action for our villages with Village Panchayat and Block Samitis and a schematic budget. According to the wishes of Pt. Jawaharlal Nehru, and the guidance of Shri S.K. Dey, the Administrator and later the Minister-in-Charge of this Programme, we took inspiration and advice from Shri Jai Prakash Narain also. J.P. dreamt of an idealistic self-governing Village Society, without interference from political parties, with no coercive processes but all

decision-making by consensus, mutual understanding and goodwill. He warned that Panchayati Raj will work only if the leadership at the village level works it in the right spirit.

I was appointed Development Commissioner of U.P. in 1955. The Community Development Programme was operating in some selected villages and was steadily gaining momentum. The fountainhead of strength, support and inspiration was Pt. Jawaharlal Nehru, who used to attend all the Development Commissioners Conferences and participate actively in the deliberations. This added great impetus and prestige to this movement. His lieutenant, Shri S.K. Dey, used his great gifts of intellect, engineering, untiring energy, forceful logic and persuasion to enthuse all the workers, strengthen the inputs of the programme in the light to experience and establish a personal rapport from the Chief Ministers down to the block level.

requirements of development

The basic structure of this programme was sound. While agriculture and other economic activities were the foundations, the diversity of the multifaceted personality of the villager was not lost sight of. His motivation was of the essence. Motivation meant consultation, discussion and involvement without any show of authority, compulsion or imposition. With the highest emphasis on better agriculture other needs, requirements and wishes of the village could not be ignored altogether. Even agriculture required cheap and timely credit outside the clutches of the money-lender and Cooperative Credit Societies had to be strengthened. Timely inputs of good seed, manure, pesticides were needed and cooperative stores could handle these. Irrigation had to be an essential ingredient of agriculture. Harvested crops needed proper storage to avoid sharp fall in prices due to glut in

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the mandis and cooperative stores had to be organised. Besides agriculture, other easy sources of income could be the development of fisheries and poultry. Even the milch and draught animals required proper looking after and their breed had to be upgraded. Veterinary services were essential. Approach roads to the main roads to the markets and culverts over nullahs were necessary. Dirty, filthy water-logged lanes and streets of the village required brickling. Sanitary latrines and smokeless chulhas were needs of the households. Children's education and village health-care had to be provided within easy reach. Drinking water has been a perpetual problem in many Villages. And what about

the community life of the village? A common centre, a Panchayatghar was a need. The whole village activity had to revolve round a strong and healthy Panchayat System. Villagers were willing to participate, to give their time and labour but they needed a direction, a coordinated approach and financial assistance. These were provided by the Community Development Programme. The focal points of this programme were the Gram Panchayats at the village level and the Block Samitis at the block level. The real leadership at the grassroots levels was beginning to assert itself and gather strength, aided and assisted by the extension

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workers with their new approach and new philosophy of work.

Here we come to the crucial point. The average level of governmental hierarchies could not shoulder the responsibilities of such a programme with their authoritarian attitudes and belief in orders and compliances. The programme needed a very carefully selected team of devoted and dedicated workers with genuine feel and love for the village situations. In a deliberate and calculated manner, therefore, the programme was not extended to very large areas. Emphasis was on proper selection of the right type of workers from the various departments of Government and from open sources and putting them through an intensive, well organised training. The Training Centres themselves needed a highly motivated and properly oriented staff. To create a two-way channel of communication and earn the love and confidence of the village people were the essential requirements for success.

teaching the masters

The social education component of the programme rested on the foundation of teaching the masters about their rights and duties in their families, in their village communities and in the country. There were natural leaders in many villages who commanded the instinctive affection and respect of their fellow villagers. They did not believe in opportunist injections of easy money for their personal benefit but in enthusing the whole community towards greater prosperity and larger happiness. They had no ambition to fight for any positions of authority. The authority was inherent in their personality of selfless and dedicated service to the people and did not depend on any gimmicks.

The movement gained strength and momentum and was slowly and steadily extended to larger areas depending on the availability of properly selected and trained manpower. The success could be judged by the tremendous amount of *shramdan* and the larger involvement of the people in works for their own good, including adoption of superior agricultural practices for

economic betterment. A time came when phoney leaders imposed by the political parties found in this programme a danger to their authority and influence and the word went round that some elections were lost by the ruling political party in areas in which the programme was strong.

In the higher political circles, the catch phrase 'Democratic Decentralisation' became very popular. Pandit Jawaharlal Nehru himself believed in real power being transferred right upto the village level. Balwant Rai Mehta Committee was appointed and very sound recommendations were made for strengthening the Panchayati Raj System. Although the report was accepted by the Centre and the States, the political will to implement these recommendations was lacking because of the misapprehensions that competing centres of influence and power will be created.

chinks in the armour

Let it not be presumed that all was perfect in the programme in all the areas. There were failures and shortcomings but there was also an effort to employ correctives in the light of experience. However, pressures against the programme continued to mount up in the political circles. In the misguided enthusiasm to see quick results everywhere, the programme was ordered to be extended too fast to cover the whole country. This resulted in considerable dilution in the quality of the staff—rapid selections of very large numbers lowered the standards. Training could not be provided so quickly. This became the biggest weakness in the future of the programme. With Jawaharlal Nehru's demise, the fountainhead of strength was gone and the critics of the programme got the awaited opportunity of mounting a big tirade against the programme. The cheapest stunt was to say that there was inadequate emphasis on agriculture. This was grossly

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untrue. Objective analysis will find out that the grand success of the Green Revolution could not have been achieved unless the base—the cultivators—had been made receptive and responsive to new methods and techniques through the Community Development Programme. I am not at all undervaluing the great contribution of the scientists and the agricultural research workers, but without the willing men to adopt the new techniques and work them, no results could follow. Be that as it may, the agriculture enthusiasts succeeded in reducing the Community Development Programme to the level of an appendage and a tool of the agriculture department. The fanatical enthusiasm went to the extent of changing the nomenclatures also. The Development Commissioners became the Agriculture Production Commissioners. The State

Governments found in this demoralized and debunked Community Development Organisation a convenient machinery for enforcing their will including raising of funds and helping in the elections. The moral fibre of the workers was ruined and they lost that prestige and effectiveness. This was a great setback for the Panchayati Raj system as well as the growth of leadership and community feeling at the village level.

The Panchayati Raj institutions became almost dormant. Without assured financial resources or any worthwhile common programme to pursue, all the

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initiative and enthusiasm almost died down. Only lip service continued to be paid to democratic decentralisation and the role of Village Panchayats.

reserved financial resources

With the coming in of the Janata Government at the Centre in 1977 a fresh effort was made to put some vigour and vitality in the Panchayati Raj system. Ashok Mehta Committee was set up of which S.K. Dey was also a member. They made a detailed study of the situation and consulted a large number of experts and produced a very good report making certain revolutionary recommendations including statutory provision of assured financial resources to these Panchayati Raj institutions at the village block and district levels along with control of the governmental machinery to implement the programmes. The Janata Government at the Centre was short-lived and with its departure lessened the zeal for the implementation of these recommendations. However, some State Governments have adopted some of the recommendations to suit their situations and the schemes of States like West Bengal, Andhra Pradesh and Gujarat are being watched with interest. A bold scheme has been launched in Karnataka following the pattern recommended by the Ashok Mehta Committee. They enacted the Karnataka Zilla Parishads, Taluk Panchayat Samitis, Mandal Panchayats and Nyaya Panchayats Act, 1983, which received the President's assent on July 10, 1985. After elections, framing of rules and making various administrative arrangements, these units at various levels became operational in April 1987. The Gram Sabha discusses and reviews all development programmes of the village, selects beneficiaries for all beneficiary-oriented programmes transferred to the Panchayati Raj system, plans for local improvement, including minimum needs, welfare and production-oriented programmes, also including the cropping pattern for the season. The Mandal Panchayat is entrusted with all civic functions and powers and responsibility for developmental and welfare programmes. The Zilla Parishad has the powers and responsibilities of an Apex Body at the District level for all functions of the District's development and welfare. Suitable staff at these various levels has

been placed in the control of these bodies with clear demarcation of jurisdiction and functions and a system of coordination.

earmarking sectoral allocation

The spectacular part of the scheme is the devolution of resources. The State Government has made a sizeable transfer of financial resources from its budget to the District sector. This constitutes for the present the bulk of the Zilla Parishad and Mandal Samiti resources. The sectoral allocation for the District Sector are distinctly earmarked in the State budget. The District-wise allocation thereof is provided in a link document which forms an integral part of the Budget documents. The Zilla Parishad has freedom within the national discipline of "Earmarked Funds" and "Minimum Needs Programme" to make inter-sectoral reallocation of the funds so transferred to it. The Plan provision includes a united per capita grant of Rs. 10 per year from the State budget to be shared by the Zilla Parishads and Mandals in the ratio of 1:3 This is given by the State Government over and above the transferred schematic provisions. This is intended to enable the institutions to have funds at their disposal to take up activities of their choice.

This Karnataka Scheme has seen only about a year of its functioning. Undoubtedly there will be snags and difficulties which will require to be tackled. Nevertheless there is no hesitation in saying that this is one sincere and serious effort to implement what we have been talking about so much, namely, democratic decentralisation and transferring administrative authority in development and welfare measures to the people upto

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the village level. This experiment is certainly being watched with great interest and enthusiasm.

The present day crisis in the country is largely that of credibility. There are numerous statements from seats of power—sometimes even contradictory, but there is big gap between the declarations and promises and the actual action. There is too much mixing up of political functions and governmental functions. Political leaders in authority are nominees of the top and thus beholden to the top and the answerability to the people is weakened considerably. This is a gross distortion of the concept of democracy. People, the masters, must have their effective voice through clean and healthy institutional forums. Let us build up a new structure from the village upwards through the Panchayati Raj Institutions. ■■■



Panchayati Raj—perspective and prospect

Benoy Krishna Chowdhury

In West Bengal three Panchayat elections have already been held, and the results showed that people's participation has been of much help in implementation of various development schemes. Shri Chowdhury, who is Minister of land reforms and panchayats in the Government of West Bengal, gives authentic details of the three-tier local self-government system introduced in that State and the harvest of benefits that was reaped from it. He has the belief that people are the real builders of the nation and the ultimate sovereign power rests with them. The author holds the view that if MPs and MLAs can be elected directly, there is no reason why an institution, supposed to look after the day-to-day needs of the people, should not be directly elected. He points out that rural masses should not be treated as objects of compassion nor the administration should consider itself superior and above the people. The West Bengal experiment, he says, has enabled a large number of people belonging to weaker sections of the community to shape their own future with greater confidence.

WE SHOULD BEAR IN OUR MIND, THAT our country had to pass through a prolonged period of dependence under the foreign British rule. Hence, the character of the administration, that gradually developed over the years, was decidedly of colonial nature. The people were exploited and oppressed and

wide gap developed between the ruler and the ruled. In this background India got independence through transfer of power by the British ruler.

Unfortunately, after independence no serious thought was ever given to restructure the administrative set-up, to close the gap that developed over the

PANCHAYATS ... ROOTS OF THE REPUBLIC

years between the people and the administration of the country and to create a feeling of involvement with the governmental process and with the developmental activities of the country. Even the framers of the constitution did not give much attention to it. During the period, when the constitution was being discussed in the Constituent Assembly, Gandhiji enquired about what provision had been made with regard to 'Panchayati Raj'. Apart from expressing some pious wish in the Article 40 of the Constitution, hardly anything is there. As a matter of fact instead of going in for establishing 'Panchayati Raj' the Government of India went in for experimenting with "Community Development Project" prompted by American advisers. The imperialist countries were also then in need to develop marketing facilities in the underdeveloped countries of Asia, Africa and Latin America to sustain their economy in the post-war period.

This experiment with the Community Development Project continued for quite a long period. But that experiment failed to bring in desired result. Then the whole matter was reviewed by "Balwantrai Mehta Committee" and later on by "Asoke Mehta Committee" and finally decision was taken to go in for establishing 'Panchayati Raj'.

But even then the steps taken for implementing 'Panchayati Raj' were very halting in nature excepting in a few States, Why this dragging of feet? The class character of the administration is the determining factor of the political will for implementing 'Panchayati Raj.' Unless the administration can identify itself fully with the interest of the weaker sections of the people, it will not be able to make any headway in the matter. Due to historical reason, the economic stranglehold of the big land owning section and their political domination in all spheres of life in the countryside is very much prevalent. Unless we can curb this economic authority and political dominance to a sufficient degree, through proper land reform measures, the weaker sections of the people, who constitute the overwhelming majority of the population, will not be able to assert their right in the countryside. So, carrying out of adequate land reform measures is the precondition for establishing 'Panchayati Raj'.

But in most of the States hardly any effort had been made in this regard excepting in West Bengal, Kerala and Tripura. In West Bengal, Kerala and Tripura, households owning more than 10 acres of land constitute only less than two percent and only 16 to 20 percent of arable land is under their possession. While in other States they constitute near about twenty percent and land under their possession is over fifty percent. Panchayats in these States are still under the grip of the village vested interest.

what we really want to achieve

The concept of Panchayati Raj is not to revive an age old institution. Old Panchayats were constituted with heads of groups of people living in the villages. The

present day conception of democratic election was not there. Generally heads of the groups were selected by prevalent tradition of the area concerned and in most cases the posts were hereditary.

The main objective of introducing Panchayat system is to extend democracy upto the grassroots level and to ensure involvement of the people in all governmental process and development activities. It is now accepted by all reasonable people that no country can make progress in nation-building work, unless people at large come forward with due enthusiasm to actively participate in developmental activities. Union and State Governments are run through the elected peoples' representatives. There is hardly any scope for people's participation at that level. But local governments such as Panchayats and Municipalities, which cater for day to day needs of the people, can provide for people's participation and initiative. Hence we have to make a break with the British concept of local self Government, which was visualised not to confer real power to the people but to hoodwink the people with a sham show. People's fundamental right to participate in the governmental process is to be recognised without any reservation. Sovereignty lies with the people. Union and State Governments derive their authority from the

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people through the votes of the people. All funds that the Union Government or the State Governments spend comes from the people, through direct and indirect taxes. So it is in the fitness of things that the people should exercise their right to oversee how the Governments are being run, being associated in the lower levels, where everything is being implemented. The people should not be treated as an object of compassion and the administration should not arrogate to themselves a superior position above the people, to dole out relief to them and thereby to oblige them with the expectation of compliance to their dictates as indebted persons. Nothing can be more derogatory to the self respect of the people. They are the real builders of the nation. Ultimate sovereign power lies in their hand. They make and unmake all governments. So people should be treated with due respect.

West Bengal experience

The Left Front Government in West Bengal, with this conception as enunciated above, re-introduced Panchayat System within one year of its formation, with some modification of the Panchayat Act. In West Bengal, the Panchayat is a three-tier system—the lowest level is Gram Panchayat consisting of 10 to 20 villages, with an average population of 15 to 20 thousand people. If the lowest unit is very small, say 1 to 2 thousand in populations, that will neither be viable nor effective.

But the Gram Panchayat is divided into several constituencies, according to the population so that each village will be properly represented in the Gram Panchayat. The next tier is Panchayat Samity (Co-terminus with Block) with average population of near about a lakh. The third tier is the Zilla Parishad in each district. All these three tiers are elected simultaneously through adult franchise. In several States only the lowest tier is elected directly and the higher tiers are elected indirectly. This can't serve the real purpose. If

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M.P.s and M.L.A.'s can be elected directly, there can be no reason why an institution which is supposed to cater for the day to day needs of the people, should not be directly elected by the adult franchise? In West Bengal already three elections had been held—First in 1978 June, Second in 1983 May and lastly in February, 1988. In the meanwhile, the Panchayat Act had been further amended to make it more accountable to the people. Now it has been made statutorily binding on the part of the Gram Panchayat, to convene a general meeting of the electorate within each six month period and to place all matters concerning the Panchayat for their scrutiny and approval. Apart from this all funds—money and material—received by the Panchayat and the list of the beneficiaries are to be notified on a Public Notice Board and to be kept there for 15 days for public scrutiny. The fund of the Gram Panchayat is to be kept in the Bank in the name of Prodhani. Upaprodhan (generally he belongs to some other political party) and a third member selected by the Committee. The fund cannot be withdrawn without the signature of at least two persons. Previously, fund was kept in the name of Prodhani of Gram Panchayat. Prodhani of the Gram Panchayat can't function arbitrarily—enough checks have been provided in the Act and the rules. In the functioning of the Panchayats in West Bengal our main stress is on the grassroots level. Gram Panchayat schemes which involve only one Gram Panchayat, are entirely done by the Gram Panchayat, Panchayat Samities execute schemes involving more than one Gram Panchayats. Schemes involving more than one Panchayat Samity and of district importance are executed by the Zilla Parishad. As our concept is to develop three-tier Panchayat System as a full fledged local government, we are conferring more and more power to the Panchayat. As a matter of fact the three-tier Panchayat systems are being entrusted to implement all development schemes in their respective areas. They are also being involved in planning process. From the first year of the Seventh Plan, District and Block-level Planning Co-ordination Committees had

been formed. Now, State Planning is being finalised, after processing through the Block level and District level Planning Committees. Planning from below is not just an empty slogan now. I don't claim that we have been able to reach a stage of perfect functioning. I realise how difficult task it is. But with all modesty, I can claim we are sincerely endeavouring for improving the functioning of the Panchayat system. Permanent assets built up during the last 11 years are quite impressive. We are trying to eliminate contractors as far as possible in executing various schemes by the Panchayat system. Actual beneficiaries are being involved in executing the schemes with the necessary technical assistance of the departmental engineers. By adopting this means, the quality of the work done has improved and expenses reduced by fifty percent. During the last 10 years mandays created exceeded 30 crores. This has increased the bargaining power of the agricultural labour. On an average wages increased from Rs. 6/- to Rs. 15/- in the last 10 years. Several thousand kilometres of village roads had been constructed and irrigation potentialities extended. Food production increased from 75 lakh tons in 1976 to 103 lakh tons in 1987-88. Potatoes production increased from 16 lakh tons to 32 lakh tons and jute production from 30 lakh bales to 45 lakh bales. Handloom production has increased to a great extent.

power structure in the country-side

It is found in a survey made by some professors of the Calcutta University that out of 56 thousand elected members in three tiers (First election) nearly 85% have either no land or have up to 5 acres of land. In States excepting West Bengal, Kerala and Tripura the picture is still opposite. There the village vested interests are still ruling the roost.

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Prof. G.K. Lieten of the University of Amsterdam in a recent survey in Mohemmed Bazar Block in Birbhum district, showed that out of 390 elected members—the number of Agricultural labour-37, Share croppers 21, Small peasants (upto 3 acres) 84, mixed character of the three groups-31 in all 173, belong to the weaker section and the number of the middle and big peasants is 114 of which 80% belong to the middle category. So shifting in the co-relation of force is very clear.

The distinctive feature of the Block is its high percentage of scheduled tribe (20%) scheduled caste (27%) Muslim (22%). Nearly 90% people depend on agriculture as their main source of living. A new awakening can be noticed amongst the weaker sections. Landlord class can no longer dare to oppress them. They are full of self-confidence. ■■■



District Planning, New Technology & Panchayati Raj

Dr. Yoginder K. Alagh

We have made a commendable headway in technological development which is now being put to a much wider use for agricultural growth and for various agro-basec industries. Dr. Alagh, Member Planning Commission, a noted economist, and an established expert on agriculture, discusses in detail the different requirements, including water delivery systems, pricing strategies, subsidies and supply of inputs, for such a large country as India, in the context of the 7th Plan. He holds the view that a streamlined research system would go a long way in releasing the tremendous potential energy available in our agricultural research establishments for resolving the nation's rural development problems. He advises that alongwith the improved delivery of land augmenting resources like water, seeds and fertilizers, thought should also be given to land reforms. His argument is that redistribution of land to those who till it, and security of tenure are important preconditions to improving the productivity of land and employment in agriculture. This, in his view, is both an organisational and political challenge. He cautions that the problem of rural poverty and unemployment, massive and complex as it is, can not be solved by one single strategy. He suggests that a comprehensive development strategy ought to be designed which can generate stronger trickle-down effects.

TECHNOLOGICAL SUPPORT FOR RURAL development requires first, technology backup to a process of widespread agricultural growth, organisation of delivery systems for different inputs along modern lines and efficient procurement and processing of agricultural sector in rural areas. This

will have to be organised in the context of spreading agricultural and rural growth and employment in the diverse conditions of the different agroclimatic regions of India and for supporting the small peasant and producer base of the agrarian economy. No single approach will work. Regions like the Punjab and

PANCHAYATS ... ROOTS OF THE REPUBLIC

Haryana will now have to plan for some of the most technologically progressive agricultural systems on a global plane to get the maximum out of water use efficiency, newer high yielders and a diversified agriculture. On the other hand at the other end, the tribal agricultures of the Indian economy will probably need approaches of the "natural farming" kind experimented with by Fukioko. It may be recalled that if we start in eastern Bengal, say in the District where Tagore sang the immortal music and move through South Bihar, Western Orissa and the Chattisgarh region, into the tribal districts of Western Maharashtra, (while the geographer calls this the "resource region"), paddy yield here on an average is less than one tonne/hectare and if we can even raise it to two tonnes, we would revolutionise the Indian economy. Similarly, while in some areas the need will be to build up basic communication, marketing and delivery system infrastructure, in others the quest for efficiency through improvements in available facilities and better use of them will have to be relentlessly followed.

Land augmentation and land development strategies will need to be closely looked at in the Seventh Plan and the planning methodologies discussed earlier scrutinised in this connection. Questions of more effective use of water are extremely important and lead to interesting planning choices. It is important to emphasise that the choice available in terms of potential investment decisions to control and conserve water application is extremely large. The following are illustrative of some of the major choices:

- (a) Improved regulation of main canal and branches to reduce operation losses. Complete automated operation being one extreme;
- (b) Lining of distribution systems at the tail-end upto different levels, i.e. lining of branches, lining upto 100 cusecs or lining upto 8 hec. level;
- (c) Improved operation techniques of the total system including better hydrological studies and careful design of storages at different levels of the conveyance system and conjunctive use with ground water. In addition to reducing losses, this would also introduce considerable flexibility in irrigation planning, which may become important particularly in large irrigation commands where the cropping conditions are of diverse type and cropstress requirements differ. Such modernisation scheme will be expensive and will need to be selectively pursued and we need to work out principles to evaluate such choices in alternate agro-economic regimes.

irrigation advancement programme

There is in the last couple of years very high operational stress on water delivery systems to the farmers. An irrigation advancement plan for completion of ongoing projects was implemented in

the drought last year, after the finalisation of the Annual Plan. During the current year, over 30 projects have been taken up for an irrigation advancement programme. These have been fully funded by the Government of India. The State Governments have given an identification report for each project in which the distribution system network to be completed to *deliver water to the field in one of the crop seasons* in the balance period of the Seventh Plan is indicated. The plan provides for land levelling, distribution system layout planning construction of missing control structures and, if necessary, an operational plan for consultancy services. The Central Water Commission is monitoring each project and there is now definitely an increased awareness of the need to implement schemes which provide for more effective water delivery at the field level. Similar techniques have been applied to 77 command area development projects for which additional funds have been provided in the Special Action Plan. It is hoped that this feature of irrigation planning, namely, a relationship between targeted expenditures and benefits not in terms of "irrigation potential", but in terms of number of waterings to the field in a crop

"If various leakages are to be avoided, it is necessary to revive and revitalise the Panchayati Raj institutions (local self-Government) as a means of enlisting requisite public cooperation and support for programmes of grassroots development."

season, will increasingly become a normal feature of Indian irrigation planning.

Delivery of ground water to the Indian farmer is another important area of priority. By now the hydrogeological survey of ground water potential in the country is nearing completion. Accelerated programmes of tubewell construction and extraction have been identified in selected districts in the country and funds provided in the Special Action Plan. The next round of problems have now to be anticipated. The Central Ground Water Board and the National Institute of Hydrology are conducting six studies of 6 prototype aquifers for safe and efficient ground water extraction policies taking into account the land and water balances and the quality characteristics of ground water. More generally, it needs to be appreciated that a number of studies are now showing the working of ground water markets in the country. The farmer has shown that he is willing to pay for reliable supplies of water and ground water development policies which take into account the existing markets for such water and increase the supplies of water, ensuring its availability at reasonable prices to the farmer, should be a major objective of policies. In those areas where markets

have not developed, the State may have to play a stronger promotional role, particularly through cooperative agencies, but in other areas it should strongly support and provide initiative in making available this scarce resource in a larger measure. Policies which provide finance on a larger scale, resource development information and specialised advice to field level agencies, need to be devised and encouraged. The prices of pumping equipment vary in the different parts of the country and effort is required through standardisation and research in upgrading the energy efficiency of available pumpsets. Some experience has been gained in the Centrally sponsored projects on energy efficiency improvements in irrigation pumpsets, but substantial progress remains to be made. Product development centres which encourage more widespread development of energy efficiency pumping equipment, would be a step in the right direction since available studies show that the farmer gets better services in those areas where there is improved supply of agro-mechanical equipment and artisan skills and experience exists for better maintenance.

“As agricultural productivity increases and farmers are assured of remunerative price, the incomes accruing to rural agricultural families is bound to increase and consequently generate greater demand in the secondary and tertiary sectors.”

Development of ground water and watershed development are very important priorities for the national economy. Watershed development in particular is a concept on which emphasis has been laid recently. A number of experiments are presently underway. There are the Centrally Sponsored Schemes. In a few States, externally aided watershed projects are in operation including World Bank, European Economic Community (EEC) financed and bilaterally-financed projects. Indian Council for Agricultural Research (ICAR) is also emphasising agricultural development on selected watersheds. Finally, some very exciting work is being done by NGOs like the Society for the Promotion of Wasteland Development and other groups. An interesting feature of the work of some of the voluntary groups is that the cost estimates of features like contour bunding, check dams, land levelling and digging of percolation tanks and soil conservation work is lower than that in official projects. Also voluntary agencies have interesting proposals of integrating rural development schemes like NREP RLEGP and IRDP with watershed development schemes. Finally, groups like the SPWD and the Pan Panchayat of Vilasrao Salunkhe, lay considerable emphasis on contribution from the farmers and beneficiaries and this is of very high importance.

Detailed studies are now showing the importance of a serious attack on land use planning problems. We should now quickly take stock of the existing experiments underway and design the more ambitious schemes we have in mind for the Seventh and Eighth Plans. The technical issues in soil conservation, land levelling, micro water harvesting issues in soil conservation, land leveling, micro water harvesting techniques and appropriate organic cover for degraded land which is rehabilitated in terms of nutrient replenishment, proper crop cycles or fodder/forestry cover, are by now well known. The central question is to deliver these technologies to the field. A very modest beginning has been made in the Seventh Plan but these need to be very substantially accelerated. Also such programmes are at present incorporated in a number of different schemes, like the National Watershed Development Project, the Soil and Catchment Area Development Project in irrigation projects, soil conservation schemes in the State Plans, National Wasteland Development Project, etc. Many of these schemes overlap and it is important that they are integrated into a single scheme with a major focus on delivery of end results, i.e., improved land management and land development with the participation of the local community.

delivery system reform

The Task Force on the Special Foodgrains Production Programme recommended pricing strategies to meet the objective of cheaper inputs to farmers, rather than direct subsidies. In inputs like pesticides and seeds, subsidies can become a method of supporting inefficient production units (high cost technical grade manufacturers or formulators) or high cost distributors in cooperative, State or private sectors and the benefit may not go to the farmers. Thus subsidies can support high cost pesticide supply or seed prices, say higher than Rs. 450 per quintal. With a price rationalisation scheme, the farmer gets the benefit straight-away. Thus the agricultural sector now needs to get the same kind of policy attention that the industrial sector was getting in the early years of the Seventh Plan in terms of policy and delivery system reform. In delivery systems, already policies have been developed for sectors like seeds of selective support and technological upgradation. The new seed policy has been generally welcomed, but there has been some ill-informed comment. First, the policy does not allow for import of seed for self-pollinated crops like wheat and paddy where our own strengths are great. Second, in crops like hybrid millets and oilseeds, the best available germplasm can be imported for development by Indian seed producers, whether in the public, the para statal or the private sector. Only in vegetables and flowers, where our own strengths are limited is relatively open import allowed, subject to very strict quarantine laws. Once import is

allowed, tariffs have been rationalised to benefit the farmer through cheaper prices. He will also benefit through competition of alternative delivery systems. Finally, the ICAR and its agencies will experiment, with all seeds grown and the media will be used to inform the farmer of the quality characteristics of the seed. Such policies which encourage upgradation, based on the best available techniques and build up of long term domestic capabilities, will be devised for other sectors like nutrient deliveries, agro-mechanical technologies and the use of newer materials. New materials will require to be introduced in the agricultural sector. An Action Plan is being implemented for 15 districts for the use of plastics in canal lining, water conservation, agricultural packaging and modern water delivery systems and green houses.

technological back-up for agriculture

The GVK Rao Committee has suggested a major reform of the agricultural research backup support for Indian agriculture. It is suggested that the ICAR must be run by a fully professionalised governing body. This would require that the Council be given much higher administrative and financial autonomy. Also the Committee has suggested streamlining of the Council headquarters with high incentives to the scientists to work in the ICAR institutes and field projects. Priorities have to be more clearly identified and financial support given for a more streamlined and learner research system. These are important suggestions and, if judiciously examined and implemented, would go a far way in releasing the tremendous potential energy available in the Indian Agricultural Research establishments for resolving the nation's agricultural and rural development problems. The agroclimatic regional planning project is designed around the application of technology to the differing agro-climatic regional conditions. The Regional Planning teams are each headed by a Vice Chancellor of one of the Agricultural Universities and the primary emphasis is on optimal land use and scientific technological backup for agriculture in the differing agro-climatic regions of the country.

The delivery of agricultural credit is providing a major challenge for technological upgradation for agricultural and rural development in the next phase. NABARD has developed a scheme for providing 'no overdue cover' for primary credit societies. This requires concerted action between the cooperative movement, the State Governments, the financial institutions and the Government of India. The purpose of the reform should be to see to it that it is the individual defaulter who is penalised and not a cooperative society, so that the credit line is kept open and can vibrantly meet the requirements of expanded production in the agricultural and rural sectors. This will also require firmness against wilful default sectors.

This will also require firmness against wilful default and a measure of ingenuity in organisational reform to meet the rising genuine needs of rural credit.

price support operations

An aspect of Indian agriculture which needs to be more carefully studied is the fact that some dryland agriculture regions are showing relatively high value added per worker. Thus after Punjab and Haryana, States like Gujarat and Karnataka which have very low irrigation intensities are showing relatively high value added per worker. These regions have benefited from concentrating on "high valued" crops. Behind these "trends" however, is probably organisational and institutional systems, which have led to successful commercialisation of agriculture including relatively successful cooperative marketing systems. Improved price support operations for commercial crops and strategy of reducing the uncertainty of dryland agriculture and internalising the benefits of the available technologies. These policies will have to be an important part of the overall strategy as Indian agriculture moves over to a more regionally diversified

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phase, from its earlier "favoured crop-region" pattern.

The new agro-processing technologies also have many land saving properties. With proper control, more value added can be extracted from the same land based raw material or energy input. Also since improved agro-processing technologies involve recycling, they have fewer adverse environmental consequences. A large scale fully instrumented sugar factory can reduce conversion costs of sugar by over 40 per cent over a traditional plant. New paper plants are not polluting.

land to the tiller

The institutional setting of Indian agriculture has to be thought of not only in terms of improved delivery of land augmenting resources like water, seed and fertilizers, particularly to small farms, improved agro-processing and marketing techniques, but also of land reform. Redistribution of land to those who till it and security of tenure are important preconditions to improving the productivity of land and employment in agriculture. We will have to develop the modalities of giving assumed rights to those who till the land and provide them with credit and input support. This will be both a political and an organisational challenge.

The various bits of evidence available suggest that certain structural changes have set in in asset holdings, employment and labour market in rural India, due

most plausibly to the pattern of agricultural growth that has taken place. While no perceptible change is observed in the distribution of owned land holdings, the technological and organisational factors seem to compel augmentation of operated land in the case of small and large holders and leasing out of the very marginal holdings. Thus, a large number of marginal holders are becoming available for and primarily dependent on wage labour. Further evidence from some areas, particularly the agriculturally faster growing ones suggests that regularity of farm employment has increased over the period as a result of rise in cropping intensity and emergence of work allied to agriculture; this has meant longer term, more or less regular employment, for some as against short period employment for many.

The above changes in the structure of activities, labour force and employment in the rural areas need to be closely watched from the viewpoint of the strategy and programmes for rural development, employment and equity. In particular, the

“Priorities have to be more clearly identified and financial support given for a more streamlined and leaner research system. These are important suggestions and if judiciously examined and implemented would go a far way in releasing the tremendous potential energy available in the Indian Agricultural Research establishments for resolving the nation's agricultural and rural development problems.”

programmes should take account of the two important changes; one, increasing need to emphasise wage employment on a regular basis as more people are now looking at wage labour as the main rather than a supplementary means for livelihood; and two, the possibilities of rendering the non-agricultural, particularly the manufacturing activities in the rural and semi-rural areas, economical and dynamic, as increasingly larger number of rural workers would have to look for productive employment outside agriculture.

local level planning

Given the magnitude of rural poverty and unemployment, there is now general agreement in the country that large scale employment schemes and self employment promotion programmes have to be accepted as an integral part of our long term development strategy. There is also agreement that the mix of the two sets of programmes could be varied depending on specific circumstances of each region or block. It further appears that if a large number of beneficiary-oriented and area development programmes have to be operated in isolation, the results will not be conducive to optimal use of available scarce resources.

For all these reasons, the time has come to integrate these programmes, including programmes for social services, into the framework of comprehensive local level planning. As part of strengthening the local level planning capabilities, the technical expertise of the rural development administration at all levels will need to be upgraded. If various leakages are to be avoided, it is necessary to revive and revitalise the Panchayati Raj institutions (local self-Government) as a means of enlisting requisite public cooperation and support for programmes of grassroots development. There are a number of examples of outstanding integration of programmes. Instances come to mind both of voluntary agencies as also of dedicated officials. In watershed development areas, soil and contour bunding has been done through NREP/RLEGP programmes and saplings purchased through IRDP programmes. In Fishery Programmes, NREP funds and resources have been used for deepening fish ponds.

industry in rural regions

Another key element in the strategy for effectively tackling the problem of rural unemployment is accelerating the tempo of rural industrialisation. There is by now a fairly dramatic shift taking place in the structure of the labour force of the Indian economy. The sectoral composition of the labour force, which had remained constant at around 73%, is now changing. The constancy of this rate had been emphasised in a plan document in which the employment chapter was widely attributed to the late Prof. Raj Krishna. “It is a historically unique fact that over the last six decennial Censuses, in spite of impressive development of the large-scale manufacturing and infrastructure sectors, the share of agriculture in the workforce has not diminished at all. It was 73% in 1921, 73% in 1961 and 73.8% in 1971. The figure for 1971 is in fact slight higher than for 1961. In almost all countries, economic development is associated with a significant decrease in this share. Even during the decade 1965-75, the share declined in 13 Asian countries. But in India, fairly rapid growth in the non-agricultural sectors in the last 25 years of planned development has completely failed to make any noticeable impact on the industrial distribution of the workforce. The latest figures, however, show that there has been a dramatic change in this constancy. The share of male agricultural workers dependent on the agricultural sector has fallen from 83.23 per cent in 1972-73 (NSS 27th Round) to 76.8 per cent in 1983-84 (NSS 38th Round). As agricultural productivity increases and farmers are assured of remunerative price, the incomes accruing to rural agricultural families are bound to increase and consequently generate greater demand in the secondary and tertiary sectors. The rising rural agricultural income can sustain industrialisation which effectively absorbs the

surplus agricultural labour, if sufficient infrastructure and input facilities are provided in selected rural areas. Mere provision of credit may not be sufficient to start process of rural industrialisation. Special attention needs to be focussed on aspects like training the rural people for appropriate skills, providing marketing assistance, choice of projects which are viable, technical assistance both at the stage of project implementation as well as in sorting out problems after the project has gone on stream. Organisations which can backstop such efforts whether in the cooperative or in the private sector, will need full support. Financial institutions can play a major role and are therefore involved in the agro-climate planning exercise to support agro-based industrialisation. A number of exciting changes are already taking place. Poultry, for example, is a very fast expanding sector. The feed/output ratio in the organised poultry sector is showing dramatic improvements. If we can produce more meat/eggs with less feed, more grain is left for human consumption. If, as is reported, the feed/output ratio in poultry has gone down from say 2.6 kg/kg of meat to 2.18 kg/kg of meat, on an average we save more than 50 calories per head of the population per month. As is well known, these kinds of changes are possible only by computerised techniques of breeding, poultry health and integrated management. The essence of the matter is to use modern technology for input backup and output processing and to support the small producer who uses his own labour, with such backup. The concrete details of a large programme will need to be worked out. A successful rural industrialisation programme should aim at increasing

the value added of agricultural produce as well as make available goods and services required by agricultural families in rural areas.

The problem of rural poverty and unemployment is indeed both massive and complex. There are no easy ways in which it can be tackled. No one strategy will give the desired results. The overall development strategy ought to be so designed that it promotes a vigorous growth of the economy which can generate stronger trickle down effects, combining it with carefully worked out target-oriented programmes.

A new dimension proposed to be adopted in our planning needs a mention in this connection. At the instance of the Prime Minister, exercises have commenced to prepare agricultural planning strategies at the level of 15 agro-climatic regions. Crop planning and technological support can be planned in detail at this level. Also non-crop agricultural sectors like animal husbandry, forest development, horticulture and fisheries can be planned at this level and integrated with a progressive and dynamic agro-processing sector. This kind of planning will give additional dynamism to the agricultural sector.

Improved planning machinery of the kind discussed above will have to be integrated with the Panchayati Raj set up being discussed. The Chief Secretaries' Conference has considered the recommendations of the meetings of Collectors arranged by the Department of Personnel. These views as also the recommendations of the CAARD Committee under the chairmanship of Shri G.V.K. Rao are at an advanced stage of consideration. The Eighth Plan will be a period of major developments in this area. □□



“Redistribution of land to those who till it and security of tenure are important preconditions to improving the productivity of land and employment in agriculture. We will have to develop the modalities of giving assumed rights to those who till the land and provide them with credit and input support.”





Panchayat perestroika in Andhra Pradesh

Karnam Ramachandra Rao

The author, who is Panchayat Raj Minister in Andhra Pradesh, here highlights in detail the Mandal system under Panchayat Raj as introduced in the State recently, based on the recommendations of the Ashok Mehta Committee. This, he claims, became necessary as the Panchayat Samithis, constituted under the earlier system, belied all hopes of promoting comprehensive rural development. 'Because', he laments, 'lack of coordination among the different agencies, unwieldy management, excessive importance to power and prestige at the cost of service to the people and weak financial base contributed to this deterioration which crept into the system.'

ANDHRA PRADESH IS ONE OF THE POINEERING STATES in the country in introducing three-tier system of Panchayat Raj. It was introduced in the State as early as November 1, 1959 as per the recommendations of the 1957 study team on community projects and national extension services headed by Balwant Rai Mehta. This system had a good start and peoples' programmes were taken up in right earnest and liberal public contributions were offered in cash and kind for taking up community welfare

programmes like construction of roads, drinking water wells, school buildings, Primary Health Centres, Panchayat Ghars, etc. Unfortunately, the initial enthusiasm shown for this programme did not last long. Though the Panchayat Raj system is envisaged to usher in Gram Swaraj as visualised by the Father of the Nation, Mahatma Gandhi, for making local self Government units self-reliant and self-sufficient in all respects, the objective has not been achieved to the extent desired.

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hopes belied

Under the earlier system, the Panchayat Samithis are entrusted with the responsibility of implementation of all Rural Development Programmes which are taken up from time to time. The Panchayat Samithis were started with a lot of hope that they would promote comprehensive Rural Development Programmes in the field of agriculture, irrigation, animal husbandry, co-operation, communication and industry, etc; but in the course of time these hopes were belied. Lack of Co-ordination among the different agencies, unwieldy management, excessive importance to power and prestige at the cost of service to the people and weak financial base contributed for this deterioration which crept into the system. Parallel institutions promoted by the Government from time to time also caused damage to Panchayat Raj system. Another important reason for the decline of Panchayat Raj institutions was that the development activities instead of flowing through the Panchayat Raj institutions were channelised through parallel agencies like Small Farmers Development Agency, Drought Prone Areas Programme now called District Rural Development Agency, Integrated Tribal Development Agency which were not brought within the purview of the Panchayat Samithis and Zilla Parishads. The Panchayat Raj institutions were ignored and by-passed and parallel agencies were created for implementing some of these vital programmes meant for rural development.

the reasons

It must also be conceded that the domination of Panchayat Raj bodies by the rich and the upper castes, resulting in the denial of benefits to weaker sections, was another factor for its decline. To provide succour and benefits to weaker sections it became necessary to start specialised agencies like District Rural Development Agency, Integrated Tribal Cooperative Finance Corporations, etc.

Ignoring of the Panchayat Raj bodies in plan preparation such as five year plans and annual plans, and unwieldy nature of the blocks was yet another factor. The block as a unit of planning and for the purpose of the implementation of all Rural Development Programmes have been found unwieldy especially for the purpose of implementation of anti-poverty programmes. The common man found it difficult to reach Samithi Headquarters frequently for getting the services of extension staff.

In the course of time, power politics dominated the Panchayat Raj institutions and those institutions started pulling in different directions which resulted in lack of coordination in their activities, and in the process the real objective was lost.

panchayat perestroika !

With a view to restructuring the Panchayat Raj set up in the State, the Government of Andhra Pradesh have

brought in a new legislation called the Andhra Pradesh Mandal Praja Parishads, Zilla Praja Parishads and Zilla Abhivrudhi Sameeksha Mandals, etc. Act 1986 by repealing the Andhra Pradesh Panchayat Samithis and Zilla Parishads Act, 1959. This Act has come into force with effect from January 15, 1987. In pursuance of the provisions of the new Act, 1091 Mandal Praja Parishads and 22 Zilla Praja Parishads have been constituted with effect from the same date.

It has been felt that the delivery system at lower spatial levels for socio-economic development for the last two decades called for radical review. The Andhra Pradesh Government has, therefore decided to reorganise and strengthen the Panchayat Raj set up for bringing the administration nearer to the people and decided to usher in Mandal set-up in the light of the recommendations of the Ashok Mehta Committee on Panchayati Raj Institutions (1978) set up by the Government of India with a modification that the Gram Panchayat will remain at the grassroots level. The Mandal set-up is proposed to usher in smaller units of administration both for regulatory and development administration. A Mandal has been proposed for a group of villages with population ranging between 35,000 and 55,000 with a suitable relaxation in the norm for backward and tribal areas.

new panchayati set-up

In the reorganised system the President of the Mandal Praja Parishad and Zilla Praja Parishad is elected directly by the registered voters in the Mandal and Zilla on Party basis. To provide opportunities for all the communities and backward classes people a reservation of 15% is made for scheduled castes, 6% for scheduled tribes and 20% for the backwards castes. A provision of 9% reservations is also made for women Presidents of Mandal Praja Parishads. Similar reservation is also made for Chairman of Zilla Praja Parishads. While reserving 6% of the offices to the Scheduled Tribes for the post of President of Mandal Praja Parishad care is taken to see that if the area of the Mandal is in a scheduled area it shall be compulsorily reserved for scheduled tribes irrespective of the proportion of their population. There is a provision to elect one representative of the scheduled caste or scheduled tribes or backward caste or minorities or women for each standing committees.

finances

To improve the financial position of Mandal Praja Parishads Government has made provisions allowing the Mandal Praja Parishads the following functions:

- (a) Levy taxes, surcharge of fees;
- (b) To levy contribution from the Gram Panchayats;
- (c) To get annual grant of Rs. 5 percent from the State Government,
- (d) To get funds relating to schemes transferred by the Government; and

- (e) To get a share of income of the former District Boards.

Similar provisions have also been made in respect of Zilla Praja Parishads to improve their financial position. Recently, the State Cabinet took a series of decisions aimed at diversion of more financial resources and increased power to local bodies in the State. It was decided that of the 90 per cent of entertainment tax collected in the state 30% would be allotted to the Mandal Praja Parishads and 60 per cent to the Panchayats. Gram Panchayats would be permitted to raise loans from various financial institutions for construction of commercial complexes which would be a permanent source of income. It was also decided that income from the collection of minor mineral cons would be shared by Panchayats and Mandal Praja Parishads in the ratio of 60:40. Funds under NREP and RLEGP would be directly released to Zilla Praja Parishads. It was also decided that income under social forestry programme would be shared by the Gram Panchayats and Mandal Praja Parishads in the ratio of 60:40 percent. The Mandal Praja Parishads would also be given power to review programmes under the departments of fisheries, marketing, irrigation, social welfare, health and medical, agriculture and cooperation. Each Mandal is being provided with the STD phone, vehicle etc., and the Mandal President is being treated on par with Member of State Legislature.

MPP & ZPP set-up

The composition of Mandal Praja Parishad is in such a way that the Sarpanch of every Gram Panchayat is an ex-officio member of the Mandal Praja Parishad. The M.L.A., representing a constituency which comprises the Mandal becomes a member of the Mandal Praja Parishad. If his constituency covers more than one Mandal he can choose his Mandal. Similarly, a member of Parliament—Lok Sabha, or Rajya Sabha— can choose a mandal of his choice.

The M.L.A.'s and M.P.'s have a right to participate in the proceedings of any other Mandal Praja Parishad which falls in the territorial jurisdictions of these members. However they shall not be entitled to vote at such meetings. No M.L.A. or M.P. is permitted to hold dual post of M.P. or Mandal Praja Parishad or Zilla Praja Parishad. Within 15 days from the date of election to these bodies they have to choose either of the posts.

standing ZPP committees

There are 6 standing committees for Zilla Praja Parishad. The standing committee No. 1 deals with development activities such as planning, irrigation, animal husbandry, co-operation, industry, etc. The Second Standing Committee deals with education including social education, medical relief, public health, drainage, etc. The Third Committee deals with communication, rural water supply, powers, etc., and the 6th Committee deals with finances, taxation, etc.

The Zilla Abivrudhi Samiksha Mandali reviews the

development activities of all the departments in the Districts and also reviews any other matter that is referred to it by the Government.

people's involvement

It would be seen from the structure of Mandal Praja Parishad and Zilla Praja parishad that the administration has been taken close to the people. This arrangement would accelerate the tempo of all-round progress and development of the area. The recommendation of Asoka Mehta Committee for constitution Mandal System did not influence most of the States in India. However, Andhra Pradesh accepted the Mehta report and constituted a cabinet sub-committee formed by the State Government. This system is under implementation now. By introducing the Mandal Praja Parishad system, the State Government hopes to involve the people positively in the political process as well as the grassroots levels of the system. The system also helps in providing basic educational facilities to the illiterates to develop awareness leading to better life. This Mandal System also provides encouragement to the youth in the concept of self-reliance.

In view of various other welfare measures announced by the Government of Andhra Pradesh, like simple window delivery system of all financial assistance in the co-operative sector and introduction of Rashtra Karshaka Parishad at Mandal levels, will provide enormous impetus to the Mandal Praja Parishad to provide relief and economic benefits to all the people. This system, it is hoped, will reduce social tensions and economic indebtedness among the rural people. It will also help in speedy clearance of employment schemes for the unemployed as well.

special features

Some of the special features of the Mandal, Zilla Praja Parishad systems, included reservation of seats for Backward Classes and Women for the first time in India. Again, for the first time in India there is a direct election to the posts of Chairmen or ZPP's and of M.P.P.'s. The Act also provides for an anti-defection clause which will prevent all kinds of horse-trading. It also provides for election of one representative of minorities, linguistic or religious, for election to the Mandal's and Z.P.P.'s.

The creation of revenue Mandal and decentralization of administration, will help the Mandal system greatly, because most of the Government functionaries of Revenue and Development will now be available at the Mandal Headquarter level providing lot of relief to the people.

The new Mandal System of decentralization of administration is taken up with a true spirit of service to the people, to the under-privileged for whom this is really meant. It is hoped that with this new Mandal Administration the basic amenities and facilities of day-to-day life of the poorer sections will be met and the local units shall enjoy autonomy in their functioning. ■

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Decentralisation of planning thro' Panchayati Raj

Prof. Kamta Prasad

The role of Panchayati Raj institutions in the States where they are working is only peripheral, says the author. Because these institutions, he observes, have very little involvement both in planning and in selection of IRDP beneficiaries or in sanctioning the schemes under NREP. Reason? According to the author, 'a planning framework which assigns an insignificant and purely subsidiary role to the all-powerful bureaucracy is not likely to be effective under the present circumstances. It is, therefore, expedient to proceed gradually towards the ultimate goal of transferring all planning functions to panchayats within an agreed time frame, say, a decade or two at the most'. To achieve this objective, the author says, 'it is necessary to put more emphasis on the participative approach by a restructuring of the district planning machinery'.

THE PANCHAYATI RAJ INSTITUTIONS (PRI) have been in existence for quite some time in our country. However, their working has never been satisfactory. They have not been endowed with the necessary powers and resources. Even elections to these bodies have not been held regularly. Quite often, the bodies have remained superseded for long periods of time. Both the politicians in the government as well as bureaucrats regard them as rival centres of power and hence tend to adopt a step motherly attitude towards them. There is nothing in the Constitution of India to prevent them from this since the reference to Panchayat

made there (Art. 40, Part (IV) comes under the Directive Principles of State Policy and, therefore, is of not much operational value. Consequently, there has been a gradual decline in their status and effectiveness, more rapid in some states and less in others.

past experience—a peripheral role in planning

Planning has, no doubt, been mentioned as one of the functions of the Panchayats in the PRI Acts in most States. But in actual practice, these institutions have very little involvement in planning which has remained

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centralised mainly at the national and, to some extent, at the state levels. Some part of the responsibility in the local level planning of the Integrated Rural Development Programme and the National Rural Development Programme has, no doubt, been assigned to the PRIs in recent years. Thus, Gram Sabhas or village assemblies are supposed to be associated at the stage of selection of IRDP beneficiaries. And the Panchayats have been authorised to propose schemes for consideration under the NREP. In some States, they are also authorised to propose schemes under some other programmes. However, in actual practice, the village council/Gram Sabha has not played any important part in the selection of the IRDP beneficiaries. Quite often, it is the heads of the village and block panchayat institutions and some influential villagers who are taken into confidence for this purpose. In the case of NREP, the panchayats have no role in sanction of the schemes.

the experiments

Karnataka is one State which has recently taken a bold step of making the Panchayati Raj institutions responsible for planning at the district level and below. West Bengal is another state which has also taken significant steps in this direction in recent years. How far these experiments will succeed, only future can tell. However, in some States like Gurjarat, Maharashtra, U.P. and J&K significant steps for decentralisation of planning at the district level have been taken during the past five years or so, entirely separate institutions for district level planning have been established. Known by different names in different States, e.g., District Planning Board, District Planning and Development Council, etc., these bypass the Panchayati Raj Institutions. These are essentially bureaucratic organisations even though some representatives of the public are associated with them. Elsewhere, even this is lacking. Thus the role of the Panchayats so far in the Planning process have by and large been negligible or at most peripheral.

the potential

The above situation should be regarded as most unfortunate in view of the widely felt need to decentralise the planning process. During the last few months, the need for decentralisation of planning has been advocated repeatedly by no less a person than the Prime Minister himself. It is quite obvious that any scheme of decentralised planning should have an adequate degree of people's participation since it is this participation which provides one of the most important reasons for decentralisation. However, it is only at the level of the village or the Mohallas of bigger villages/ towns/cities that the people can participate directly. At any level higher than the village, say a Mandal, block or district, people's participation in the planning process can be possible only through their representative institutions, namely, the Panchayats. Decentralisation of planning in the real sense would, therefore, naturally imply handing over planning functions to the Panchayati Raj institutions.

People's participation in planning through the panchayati raj system is expected to result in better and more efficient planning because the local people have a better perception of their needs and better information about local resources. Besides, they have a better awareness of possible linkages of different activities within a village as well as between neighbouring villages. Such participation in planning has the added advantage of raising the level of people's consciousness of their rights and responsibilities, which in turn would tend to facilitate social change. Involvement of the panchayats, in the planning process may also provide the local people with an opportunity for advancement on the basis of self-help and mutual cooperation, thus augmenting developmental effort. The active involvement of Panchayats in the planning process would be specially useful at the stage of formulation of objectives and laying down of priorities of the plan and making them attuned to the felt needs and problems of the people. This involvement would be also useful in identification, formulation, selection and location of schemes of local importance, in monitoring and evaluation of projects/programmes, as well as in collection of reliable data and information.

"Both the politicians in the government as well as bureaucrats regard them (Panchayati Raj Institutions) as rival centres of power and hence tend to adopt a step motherly attitude towards them. There is nothing in the Constitution of India to prevent them from this".

Panchayats should, of course, perform these roles not alone but with the help of local level bureaucracy as well as experts. Thus statisticians will still be needed to cross check the information collected by people or their representative so as to take care of their personal or group biases which might creep in. Formulation of objectives and determination of priorities would be facilitated and made more efficient if alternatives with necessary details are presented before the panchayats by some planning team. Widespread publicity and extension may be necessary to enlighten the public about the problem of local development, types of projects and nature of benefits available. Before deciding on specific projects or schemes, it would be better if the panchayats are provided with comments on their socioeconomic and financial viability. This would ensure that public involvement does not result in the plan becoming a mere list of demands from a narrow-local perspective.

bottlenecks and suggestions

There are several reasons why the panchayats have not been given the powers and resources necessary for their effective functioning despite the great potential discussed above. Basically it has been due to political and administrative tradition and attitude. There has been a general reluctance to decentralise powers, and to

deviate from the age old centralised administrative system. However, the unwillingness to hand over greater powers to the panchayats is often sought to be justified on twin considerations of *equity and efficiency*. In respect to the first, it is said that the public is not a homogeneous entity. It is comprised of groups that often have conflicting interests: some groups are more powerful and articulate and some less so. The weak and the underprivileged comprise the majority. But they are afraid to speak out before the more powerful minority consisting of bigger landlords or persons with muscle power who tend to dominate the panchayats. It is, therefore, alleged that the panchayats would not be in position to safeguard the interests of the poor majority. The second argument is that the decision-making process of the panchayats would be less efficient. Past experience indicates that the elected

the area as a whole. The unproductive nature of spreading resources thinly over wider areas should be brought home to them. Another remedy for this problem lies in evolving a block level five-year plan which has been a missing element so far in our decentralised planning. This will give an assurance to those Panchayats which may not be getting schemes in any current year that their turn will come later on within five years. This will reduce the pressure for equal distribution of funds every year. The block plans should specify an order of priorities with adequate justification. Further, if the Panchayats are assisted by planning teams, local experts, voluntary agencies and local educational institutions, then their working is likely to become more efficient.

“Any scheme of decentralised planning should have an adequate degree of people’s participation since it is this participation which provides one of the most important reasons for decentralisation.”

functionaries of the panchayats occupy their position not on the basis of public works, efficiency and integrity but on considerations of caste, class, religion, ethnic group, family status, land holding, money or muscle power. Consequently, they are not expected to perform their duties with competence.

We do not deny the validity of both these arguments. However, let us also recognise that both these shortcomings can also be found in the functioning of the bureaucracy at the local levels. There have been numerous studies showing how the local level bureaucracy also tends to favour the more powerful and articulate sections of the public. Similarly, there are studies showing the inefficiency of the governmental machinery at the local level. On the other hand, there is some evidence that “wherever, the Panchayati Raj bodies have been actively involved, the implementation of rural development programmes had been decidedly better and the selection of beneficiaries and designing of schemes have been more satisfactory.” (Govt. of India CAARD report, p. 41).

Besides, it may also be noted that both the problems of equity and efficiency are not such they can not be overcome or at least their incidence can not be reduced.

inefficiency

Take for example the problem of inefficiency. In the context of the involvement of Panchayats in initiating proposals for schemes under the NREP, it has been observed that every Panchayat member likes a particular scheme to be undertaken in his area or village so that he can claim some credit at the time of a subsequent election. This results in very thin spread of resources. Besides, it creates tension and has, therefore, become a thorny problem. But it can be taken care of in several ways. One method is to impart training to heads of Gram Panchayats on planning methodology. In particular, they should be trained as to how the developmental funds should be allocated and spent in the interests of

inequity

The problem relating to inequity is more formidable. It touches upon the basic functioning of the Indian society and polity. Much therefore will depend upon the overall trend in the political life of the nation as a whole. However, a great deal can be done by making the PRIs as broad-based as possible so as to reduce the unwarranted hold of the more powerful landed groups. If people at the village level become more active and assertive, if they become conscious of their rights and responsibilities, then this problem would be solved to a great extent. And the involvement of people in the planning process at the village level is bound to arouse their consciousness. But so long as this does not take place or if people’s participation in planning at the village level is not tried, efforts may be made to reserve

“If people at the village level become more active and assertive, if they become conscious of their rights and responsibilities, then this problem (influence of powerful landed groups) would be solved to a great extent.”

sufficient membership for the weaker sections at all levels of the PRIs. In addition, participation through institutions other than the PRIs may also be encouraged. Thus the views of voluntary agencies, trade groups, rural artisans, landless labourers, weaker sections, etc., may be taken into account before arriving at any decision.

prospects and future approach

Decentralisation of planning in the real sense would imply a complete change in the planning set-up from the prevailing bureaucratic-technocratic framework to a participative one. This would require that the district planning team, by whatsoever name it is called, should work directly under the Zilla Parishad, the district level Panchayat institution, as has already been introduced in Karnataka. This should be supplemented by similar arrangements at lower levels of planning at the block and the mandal. Decentralised planning becomes most meaningful and effective when the people themselves

(Contd. on page 55)



Why Panchayati Raj is feared

Bunker Roy

There is a growing awareness in the rural masses of their rights and duties and they know what questions to ask and to whom they should be addressed to, says Bunker Roy, who has first-hand experience of working among villages. In the following article he has tried, with earnest sincerity, to pin-point the faults and shortcomings that have caused the decline of the Panchayati Raj system. His theory is that there are people's solution to ordinary, common problems, but the authorities have no faith and trust in the community identifying their own problems. Quoting T.S. Eliot, the author poses a universal question to the planners: Where is the wisdom we have lost in knowledge; where is the knowledge we have lost in information ?" He strongly pleads to check the devaluing and destructive erosion of self-government so that cooperatives, trade unions, small municipalities, voluntary agencies and farmers' societies get an opportunity to grow and carve their own path of progress. His emphasis is on the consolidation of self-confidence in the community, because, he thinks that it is important to develop and acquire some self-respect before we try to reach the goal of self-reliance. The author claims that given a chance the village leaders would show that experts are not required, economists are not really needed nor elaborate plans are necessary when it comes to people planning their own future.

THERE IS NO LONG TERM PLAN of government to decentralise. A phased out programme of training village leaders to take responsibilities, make them aware of the laws of the country that concerns them, bring them in touch with the guidelines of various schemes, projects and programmes where the poor are entitled to subsidies, needs to be carried out and built into the planning process that spans more than one five

year plan period. But for mysterious reasons this idea has been rejected. In the first meeting of the 90 District Collectors in Bhopal with the Prime Minister, this was one of the specific suggestions supported by all the District collectors present, but the response was, "we must go in this sensitive area slowly." Which means, this is not the time. Why not? In the absence of any such programmes corruption levels have gone up because

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village headmen and MIAs are not aware of the criteria, rules and procedures. Their involvement in the grass-roots planning process is marginal because they are told to leave such matters to 'experts'. What is actually their right is given grudgingly as a favour: the right to know is classified and used selectively. Information about their knowledge is kept secret. With no training, with no access to information and in the absence of any institutionalised forum at the village and block levels to insist that the process of planning can be decentralised is really adding insult to injury. It is President Nyerere who said very correctly, 'People can be developed: they develop themselves.' 'People can be developed: they develop themselves.' What seems to be obvious is that government would not like the people to develop themselves.

belief in maintaining status quo

We have a monopolistic delivery system where either the same person or same type of person performs all vital functions: (i) provides a service, (ii) collects information and (iii) monitors and evaluates the programme. In the absence of any other organised acceptable structure the same person is expected to judge his performance and evaluate himself. What this system has strengthened with its hierarchical structure of implementing anti-poverty programmes is the firm belief that status quo must be maintained. This has resulted in the following:

- (i) The devaluing and destructive erosion of self government institutions. Cooperatives, trade unions, small municipalities, voluntary agencies, farmers' societies have not been allowed to grow because they are a threat to the monopoly the lower level bureaucrats enjoy. If any alterna-

"In the present system it is easy to pass the buck or find scape goats. If the system is tightened and planning is more disciplined and there is greater scope for public accountability, it would lead to decentralisation of sorts."

tive systems are allowed to grow with community support this means discipline and (what's worse) accountability and this is unacceptable.

- (ii) Poor information retrieval base: there is no way to check and verify through independent sources the reliability of the data they send so they are actually holding the whole planning process to ransom. Everyone knows we are planning on faulty data but because we ourselves have been responsible for developing, believing and trusting this monster of a delivery system we are impotent to do anything about it.
- (iii) Dispute over ownership: who 'owns' the community assets being created with government funds? It is all very well to say glibly, "the panchayat." but in actual fact, the community is told in no uncertain terms this hand-pump, school building, dispensary, pipe water supply is government property: Do not touch it. The rural

poor does not think the assets are theirs. When the Community Development Programme started in the 50s the community used to maintain the brick and mortar assets. But at that time no government functionary in the village told the community—this is government property.

consolidate self-confidence

What needs to be done?

First reduce the dependency of community on government. Identify human resources from the village who could be trained to provide a competent service (traditional midwives, village level health workers, hand pump mechanics, shiksha karmis) all under TRYSEM. It is important we develop and acquire some self respect among us before we think of self reliance.

Second, as in the National Policy on Education we should have also followed a policy of de-linking degrees from jobs in the rural development sector.

Third, negotiate a cut-off point beyond which it becomes too expensive for government to step in. A process of demarcating areas needs to begin. Once this exercise is complete, the community through the panchayats will gradually develop the confidence to perform their function with minimal government assistance.

Fourth, get the community through the panchayats to collect information—rainfall and production data, infant mortality rate, land records, faulty identification of poor families under the IRDP, updating list of problem villages, provide information on the non-performance of schools. Such information is vital and needs to be fed into the planning process from below.

Fifth, start organising awareness campaigns on a massive scale through agencies outside the government system. The Organisation of Beneficiaries Scheme, the final outcome of a process that began with the 7th Plan, needs to be expanded to include informal and non-formal groups at the village and block level.

Sixth, give more importance and attention to promoting and encouraging alternative systems—cooperatives, associations, Panchayati Raj institutions, voluntary agencies so that with pressure from below they can make the government functionaries accountable at the village level, see that funds are better spent and they do the job they are supposed to.

What the current planning process has done more by accident than design is pump in an enormous amount of money for anti-poverty programme at the lowest administrative unit of the district—the Block. When the Community Development Programme started in 1952 the funds that the Block Development Officer (BDO) controlled was about Rs. 1 lakh. Now he has access to funds totalling Rs 1 crore. He is understaffed. He has tremendous responsibilities without authority. He has to show he has spent the fund and at the same time the system expected him to evaluate his own performance. They take him at his word. The system is already stretched to breaking point as he well knows,

there is no one to check what he claims to have done.

At the district level the position is even worse. At the first meeting of District Collectors in Bhopal the feedback was unanimous on the following three points:

- (i) too many anti-poverty schemes for the same target group being implemented by too many different Departments leading to total confusion at the village level not to mention duplication and corruption:
- (ii) too many district level committees in which the names only change but the faces remain the same—most of them counter-productive and a waste of time for the District Collector. For every Committee that is formed we know it is another way of not taking a decision and opting for a status quo positions:

“Regrettably we have made the process of planning so mysterious and complicated and almost intimidating that the net result is self defeating. Too much data is collected and too little used. Too much information collected that is irrelevant and often out dated.”

- (iii) too much dependence of the panchayats on government. This could change if the panchayati raj institutions were allowed to be activated by local level politicians.

authority without responsibility

Only the aura of the office of the District Collector remains. He has more power to destroy than to create, improvise and innovate within the system. The pressure on his time makes it impossible for him to plan for his district. The statistics he has to play around with is hopelessly out of date and usually in a state of shambles. The District Statistical Officer is virtually a nobody.

More and more it is evident the District Collector has no control over his district. As far as funds are concerned some Departments only inform indirectly: he is never consulted and he is rarely made a party to a decision when it comes to recruitment of staff. If his senior has visited of empire building the District Collector is often over ruled.

Obviously the answer is to have a District Pool where all the funds from all Departments earmarked for the district are collected, and then collectively decided how it should be distributed. That would lead to a decentralised planning process which would be more realistic and be more conducive to integration between Departments. But funnily enough where the idea was mooted at the Collectors' Conferences there was mixed reaction with more people against it. Evidently they would like the authority without the responsibility. They have got so much used to pulling up people that they would not like to be put in a position where they would be pulled up themselves. In the present system it is easy to pass the buck or find scapegoats. If the system is tightened and planning is more disciplined and there is greater scope for public accountability, it would lead to decentralisation of sorts.

If there is one factor we have consistently underestimated, it is the people's ability to plan for themselves. Given a chance they would show why experts are not required, economists are really not needed and elaborate plans are not necessary when it comes to people planning their own future. It is, after all, an expert's job to make a simple process look and sound complicated just as it is a common man's job to get to the essence of the problem in a direct, matter-of-fact way. The American definition of an expert being "an ordinary man from another town" makes sense, but in India such an expert would throw the whole system of patronage out of gear. Regrettably we have made the process of planning so mysterious and complicated and almost intimidating that the net result is self defeating. Too much data is collected and too little used. Too much information collected that is irrelevant and often out-dated. T.S. Eliot's universal question, 'Where is the wisdom we have lost in knowledge: where is the knowledge we have lost in information,' is the question planners must ask themselves. But in the scramble to offer impractical solutions on the problems of the nation as a whole the small, the insignificant, and the essential is always overlooked. We look on the macro-infrastructure problems of the public distribution system, but forget, perhaps deliberately, the human problems of getting a ration card. We talk of lakhs of tons of wheat, rice, oil, kerosene, being allocated to the State without looking at the real issue why they are not reaching the last man through the small shops in the remote villages: that we say is not the planners problem. We insist on States preparing list of *problem* villages and stick to the list like the Bible even though it is five years too old. Village considered 'covered' (which means they have safe water supply for drinking) have become problem villages because the sources have dried up after facing drought conditions but no attempt has been made to update the list: this is because no instructions have come from the top. If an engineer took the initiative it would be taken amiss.

“So far, at the slightest pretext, drought, famine, security, floods, paucity of funds-village panchayat elections have not been held in many States for years with the result that villages leaders have not emerged to represent the voice of the silent majority.”

ignorance of rural realities

There are *people's solution* to these problems which the government does not want to listen to. It is evident the government has no faith and trust in the community identifying their own problems. What is simple, inexpensive and effective—when it comes to methods, approaches and strategies of reducing dependency of community on government—is avoided like the plague. Any innovation that comes from the grassroots and can improve the system from within is never given a chance: it could expose and upset long standing unwritten arrangements between the village level government functionary and the rural rich. The sooner we recognise that the honourable Members of Parliament do not any

longer fully represent the poorer sections of the people of India we accept the fact that we are planning more for the government and less for the people: that people who should know what poverty is like are ignorant of rural realities: that planning for the poor should not lead to socio-economic change but in fact strengthening the status quo and patronage system: that development should lead to dependency: that access to information should be limited to the few since information is power: that if by accident a community collectively does struggle

“There are hopeful signs that the people will no longer wait silently and patiently and see experts play with their lives from the gallery. For what it is worth an awareness has been generated about schemes and subsidies and what is rightfully theirs, and where they have applied pressure from below, tangible results have been forthcoming from the system.”

for change it strangely enough becomes a law and order problem (when in fact the issue before the bureaucrat is not a law and order problem: It is a law of order problem).

Why is popular participation in planning feared? It is to the interest of dominant caste groups and controllers of vote banks, at the village level to see that the community does not get too independent: that too much of the right information is neither collected nor shared: that local self government institutions do not get too

democratic and elections are not held with such alarming frequency-as they should. So far, at the slightest pretext—drought, famine, security, floods, paucity of funds—village panchayat elections have not been held in many States for years with the result that village leaders have not emerged to represent the voice of the silent majority. Thus when responsibilities have been given to village panchayats the so-called leaders themselves have refused to take it on. The maintenance of school buildings, dispensaries and water supply which used to be under panchayats right from the 1st Five Year Plan to the 4th Five Year Plan have been taken over by government. Once upon a time the community used to mobilise funds of their own for maintenance of these assets: that oneness and community feeling no longer exists. Now in villages there is a caste, there is a class but there is no community as such. In multi-caste areas this is the reality.

There are hopeful signs that the people will no longer wait silently and patiently and see experts play with their lives from the gallery. For what it is worth an awareness has been generated about schemes and subsidies and what is rightfully theirs, and where they have applied pressure from below, tangible results have been forthcoming from the system. They have tasted blood and got their way. They have seen the impact of collective power and got their rights the hard way. Now they know what questions to ask and whom they should be addressed to, so if anyone in power thinks they are still dealing with illiterate, backward and primitive people they are sadly mistaken. ■■■

(Contd. from page 51)

become the planners at the village level as is being attempted on an experimental basis in the Midnapore district of West Bengal.

participative approach

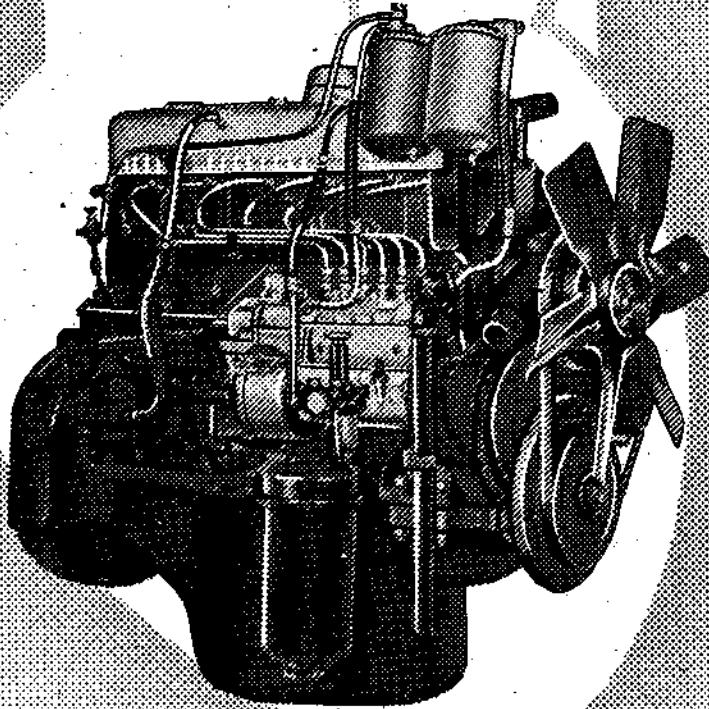
The above scheme of decentralisation, however, does not seem to be feasible in the immediate future. No doubt, Karnataka has already made a beginning. But it is doubtful how long the Karnataka scheme will last and whether it will be a success. One should not forget the fact that the bureaucracy plays an important part at all levels of administration; so a planning framework which assigns an insignificant and purely subsidiary role to the all-powerful bureaucracy is not likely to be effective under the present circumstances. It is, therefore, expedient to proceed gradually towards the ultimate goal of transferring all planning functions to panchayats within an agreed time frame, say, a decade or two at the most. Towards that goal, it is necessary to put more emphasis on the participative approach by a restructuring of the district planning machinery so as to provide

better representation and more active involvement of the panchayati raj institutions and by involving the public and their representatives in formulation of schemes at lower levels. Further, the various economic or occupational groups, voluntary agencies of repute, weaker sections and local experts should also be involved in the planning process in advisory capacities. The details would obviously vary from state to state depending on state specific situations.

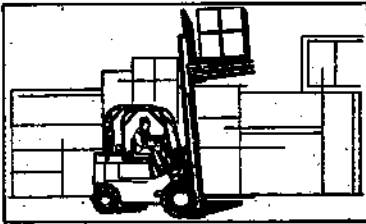
regular Elections, Must

Finally, the most immediate task is to ensure that the panchayati raj institutions are allowed to function on the basis of elections held at regular intervals and not left at the whims and fancies of state authorities as has been the case so far. Judging by the experience so far, this is not possible without a constitutional amendment making it obligatory to hold panchayat elections under the auspices of an impartial election machinery and to transfer sufficient powers and funds to panchayati raj institutions. ■■■

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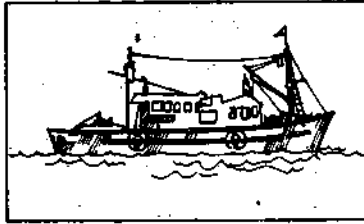


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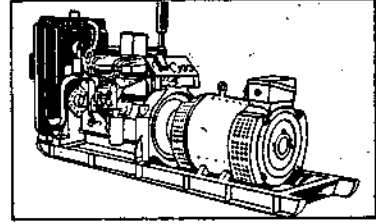
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Panchayati Raj—the second phase

Dr. George Mathew

"Power to the people" has been accepted as one of the important guidelines in our country long back. Dr. George Mathew, a reputed social thinker, explains that the political and social impact of centralised power has been too debilitating and this by now has been recognised. Despite the best efforts of the government to bring the large masses of people above the poverty line, the funds are not reaching the target group. The simple reason is that local bodies are not functioning effectively. The author has given a survey of the estates where concrete steps have been taken to rejuvenate the local self government and hopes that these attempts would go a long way in the restoration of the Panchayati Raj in its true spirit. The wider involvement of people in the governance of their own affairs, is bound to make them more responsible and alert. The author pleads that local level institutions should not exist at the sweet will and pleasure of the government in power. Rather, they should be autonomous and guided by the larger interests of the local community within the overall frame-work of national interest.

IT IS HEARTENING TO NOTE that now there is renewed interest in the revitalisation of Panchayati Raj in the country. To my mind, there are two reasons for this welcome trend today. First, the evils of concentration of power is being slowly recognised by the powers that be. The political and social implications of centralised power have been too debilitating. This we

had conveniently ignored all these years. At least now, on the economic front for instance, the Prime Minister has conceded that out of one rupee meant for development only 15 paise reaches the target group because local bodies are not functioning effectively. Second, in certain States in the 1980s when Panchayati Raj was being implemented with vision its positive impact on

PANCHAYATI RAJ: ROOTS OF THE REPUBLIC

people's life has been conspicuous. This has opened the eyes of even those who were considering Panchayats as a nuisance or at best a necessary evil.

I consider the Panchayati Raj in the Nehruvian era as its first phase. That was the period between October 2, 1959 when Jawaharlal Nehru inaugurated the Panchayati Raj and his disappearance from the scene in 1964. On the recommendations of the Balwant Rai Committee (1959) when Panchayats came into existence all over the country, the hopes of our rural folk were raised for *Grama Swaraj* and S.K. Dey the first Minister of Panchayati Raj was optimistic that it would become a way of life and new approach to government and that it will bring about a complete link up of our people from the Grama Sabha to Lok Sabha. After Nehru, Panchayati Raj declined; the reasons are well known and subject of analysis by many scholars.

For about 13 years between 1964 and 1977 Panchayati Raj was the whipping boy of all those who wanted to see that it must be discredited. For them Panchayati Raj was the incarnation of all evils in villages. Perhaps an exception of sorts during this period was the Panchayat system in Maharashtra and Gujarat.

The appointment of the Ashok Mehta Committee in 1977 marked a turning point in the concepts and practice of Panchayati Raj and the second phase began when the West Bengal government took the initiative in 1978 to give a new life to its Panchayats on the lines of the Ashok Mehta Committee recommendations. Karnataka followed the West Bengal experience and soon Andhra Pradesh also opened a new chapter. Latest in this 'new breed' is Jammu and Kashmir—the new Bill was introduced in April 1988 in the J&K Assembly replacing the 1958 J&K Panchayati Raj Act.

"For about 13 years between 1964 and 1977 Panchayati Raj was the whipping boy of all those who wanted to see that it must be discredited. For them Panchayati Raj was the incarnation of all evils in villages. Perhaps an exception of sorts during this period was the Panchayat system in Maharashtra and Gujarat."

This article shall briefly attempt to mention some of the important features of the second phase of Panchayati Raj and in conclusion underline some significant pointers for future.

The most important underlying thrust of the second phase is that panchayat from being a development organisation at the local level has emerged into a political institution. The turn is for the predominance of political elements rather than the bureaucracy. This is a welcome trend.

West Bengal, Karnataka, Andhra Pradesh and J&K either revised their existing Panchayati Raj Acts or passed new Acts, theoretically accepting the Ashok Mehta Committee report. These States adapted the

recommendations to suit their conditions and learnt from each other's experience in bringing forth a new legislation or amendments to the prevailing acts.

participation of political parties

In West Bengal the election on June 4, 1978 saw for the first time in India, political parties participating in the local elections officially with their symbols. Although there was no legal bar on the participation of non-party candidates, according to the National Institute of Rural Development (NIRD) study the prevailing political climate and administrative arrangements had the effect of discouraging such participation.

There was considerable opposition to political parties' involvement but the CPI (M) and its allies

"There is a general tendency to think that the ideal situation is to have consensus candidates in panchayats but it is not difficult to see that in villages the coercive power of traditional caste alignments, bullies and money power makes it possible for one person to get elected as a consensus member for years together."

preferred official recognition of parties in running panchayats, as they believed that direct involvement of political parties in the working of PRIs would make panchayati leadership more disciplined and responsible in managing these institutions of rural democracy and could put an end to the age-old tradition of rural coteries reaping the benefits for narrow, sectarian and caste interests.

Two noteworthy features of this election as brought out by the NIRD study were: (1) There was a high degree of political perception of the rural voter with no influence of caste in the socio-economic matrix, and (2) For the first time there was emergence of a new youthful, literate rural leadership in West Bengal. The political background for the above welcome changes were mainly two: (i) the Left Front government had promised substantial devolution of powers and resources to the local bodies, and (ii) the participation of political parties created large scale enthusiasm among the villagers.

In Karnataka, elections to Zilla Parishad and Mandal Panchayats based on the Panchayats Act 1985 was held in January 1987. In Karnataka also for the first time the local bodies elections were held on party lines. Karnataka also saw opposition for elections on party lines. But the Janata Party stood the ground by asking: If political parties are indispensable for parliamentary democracy, is it not important that they must take roots in the villages through the nursery of local bodies' elections on party lines?

During the election campaign the discussion and debates in village tea shops and market places were elevated to the level of political ideologies, assessment of balance sheets of political parties and the track record of political leaders.

There is a general tendency to think that the ideal situation is to have consensus candidates in panchayats but it is not difficult to see that in villages the coercive power of traditional caste alignments, bullies and money power makes it possible for one person to get elected as consensus member for years together. When people align on the basis of policies and programme of political parties this type of problems are minimal.

When Telugu Desam Party (TDP) came to power in Andhra Pradesh it had no special emphasis on Panchayati Raj. But in its *Mahanadu* (yearly convention) in May 1984 the party took the decision to bring drastic changes in the redundant PR system formally established in Andhra Pradesh on November 1, 1959. Thus the 1984 manifesto spoke about Panchayati Raj in unambiguous terms. It said that Telugu Desam will work for a directly elected district administration forming a third tier in the country's federal polity with proper constitutional backing so that people may have a democratic self-government at local level, not under the district bureaucracy but over it.

The TDP took Ashok Mehta Committee recommendation of two-tier system seriously but slightly modified it to include village panchayat also. Andhra Pradesh tried to evolve its own system of local self-government. The elections were held in March 1987 to the Mandala Praja Parishads and Zilla Praja Parishads based on the 1986 Act. This election was held on party lines. It had evoked great popular interest throughout the state generating heated debates on political personalities, ideologies as well as people's issues and was popularly referred to as a "mini general election."

It is now clearly established that the local bodies elections on party lines have made the villagers of these three states much more politically conscious, giving the elected panchayat bodies a political standing of their own. The local leadership has become politically more responsible also. Since the reputation of political

"It is now clearly established that the local bodies' elections on party lines have made the villagers of these three states much more politically conscious, giving the elected panchayat bodies a political standing of their own. The local leadership has become politically more responsible also."

parties depends on the integrity and performance of local leaders, the accountability is much more in these cases.

wider participation

One of the indices of people's participation in local self-government is the large percentage of voters' turnout in its elections. In all the three States mentioned above whenever the elections to the panchayats were held there was high percentage of polling, in many cases women outnumbering men. Karnataka had reduced the voting age to 18 for the first time in the country. Now

Andhra Pradesh also has followed suit. This has ensured youthful leadership and dynamism for local bodies. Although in West Bengal the voting age is still 21, young people are on the forefront of these bodies. According to a survey, 21 per cent of elected members were below 30 years. The NIRD study of the 1978 elections had shown that about 51.1 per cent panchayat members were in the age group of 21 to 35. It is clear that in spite of our deference for age, people prefer younger candidates.

Kirsten Westergaard's study of West Bengal says that a sizeable proportion of representatives elected are

"The fact that the entire electorate takes part in the election of their local bodies chairman/president at the two important levels is an indicator of wider involvement of people in the electoral process."

from lower castes and tribals and this representation is the first important step towards increasing the control over the panchayats on the part of the disadvantaged groups.

Another step taken in this direction by Andhra Pradesh is the direct election of Zilla Parishad Chairman and Mandal President. The fact that the entire electorate takes part in the election of their local bodies chairman/president at the two important levels is an indicator of wider involvement of people in the electoral process. However, there are serious questions about the type of people who can contest such elections because of the cost involved in such elections for a large geographical area. It may be recalled here that the Ashok Mehta Committee had recommended only indirect elections for these posts.

care for weaker sections

It is now generally recognised that Panchayats in the three States under review have inspired the rural people and created self-confidence among them. In a survey conducted in West Bengal it was found that 80 per cent of the members came from among owner cultivators, school teachers, unemployed, landless labour, crop sharers and artisans. Over 71% of owner cultivator members had land below 5 acres. Thus majority came from poorer sections of the village. This is a revolutionary change brought about through people getting political power as their right at the grass-roots level.

In Karnataka 25 per cent of the seats were reserved for women and 20 per cent for Scheduled Castes and Scheduled Tribes. This is for the first time such a progressive step has been taken in our country. In Andhra Pradesh also reservations have been enhanced. Under the Andhra Pradesh Panchayat Samithis and Zilla Parishads Act 1959 there were reservations only for SCs and STs. The 1986 Act provides for reservation of 20 per cent seats to Backward Classes and 9 per cent to women.

accessibility

A major concern for Andhra Pradesh and Karnataka in the devolution of power was that Mandals should be small and convenient enough for all inhabitants of the area to avail the services and participate in the administration. Therefore the Mandal Panchayats in Karnataka are based on the concept of the 'Growth Centre' or 'Service Centre' as envisaged in the Ashok Mehta-Committee report. The parallel in old Mysore was 'Hublis.'

In Andhra Pradesh the TDP government's promise was that it will take administration "to the doorstep of the poorest of the poor". The Mandala Praja Parishad

"There is a general consensus that the new Act in Karnataka is the most radical measure of decentralisation attempted so far and if properly implemented will convert Karnataka into something like a federation of districts."

will have (population 30,000 to 60,000), a Primary Health Centre, a Junior College, High School, Veterinary Hospital, Telephone Exchange, Commercial Bank/Grameena Bank, Cooperative Bank, Sub-Treasury, Police Station and Post Office, a Godown, Market-yard, Vocational Training Centre and Credit Co-operative Society. N.T. Rama Rao had likened the Mandala Praja Parishads to "mini capitals".

Earlier Panchayat Samithis were getting a per capita grant of 90 paise and the Zilla Parishads 20 paise. Now, Mandala Praja Parishads would get a grant of Rs. 5 and Zilla Praja Parishads Rs. 2 per capita. In Karnataka the government makes a grant at the rate of Rs.10 per person residing in Mandal, 25 per cent of this goes to Zilla Parishads. Mandals have powers to levy tax also.

In West Bengal, Gram Panchayat with about 10,000 people has become a convenient unit for local self government. Moreover, the Panchayat Samitis which are on block level have proved to be viable convenient units. There are 3,242 Gram Panchayats and 324 Panchayat Samitis in West Bengal.

All the measures adopted by West Bengal, Karnataka and Andhra Pradesh which we have briefly surveyed, converge at least to a District Government approach for the time being because the second phase seems to be giving more weight to the Zilla Parishad. Thus for instance, in West Bengal the District Magistrate is in all cases to assist the *Sabhadhipati* of the Z.P. A convention has also emerged in West Bengal in which the Chairmen of Standing Committees of ZP meet regularly. This is a step forward in the direction of Cabinet system of functioning at the District level.

In Karnataka, the status, remuneration and perquisites equivalent to that of a Minister of State and Deputy Minister given to Zilla Parishad Adhyaksha and Upadhyaksha respectively is another step in this

direction. There is a general consensus that the new Act in Karnataka is the most radical measure of decentralisation attempted so far and if properly implemented will convert Karnataka into something like a federation of districts. In Andhra Pradesh also the same status, remuneration and perquisites as in Karnataka are envisaged for Z.P.P. Chairman.

the new bill in Jammu & Kashmir

In 1958 the Jammu & Kashmir government legislated the Village Panchayat Act. The Act received the assent of the Sadar-i-Riyasat on November 7, 1958. The aim of this Act was to make better provision for the administration of Village Panchayats in the Jammu & Kashmir State.

Thirty years after the passing of the above bill, the J&K government introduced on April 2, 1988 another Bill in the Assembly. It is now under the consideration of the Joint Select Committee. It may be noted that this bill envisages significant changes in the existing situation of the local self government system in the State. The Bill makes it clear that the goal of this new legislation is to promote and develop Panchayati Raj in the State as an instrument of vigorous Local Self Government to secure the effective participation of the people in the decision-making process and for overseeing implementation of developmental programme.

The salient features of this new Bill are (i) Reduction of voter's age from 21 to 18; (ii) Holding the elections within six months of supersession of a Panchayat; (iii) Direct election of Sarpanch; (iv) Reorganisation of Panchayati Adalata, consisting of three members who will be nominated by the government out of a panel recommended by the Panchayat; (v) Empowering Panchayats to plan and implement schemes for rural industrialisation, agriculture, animal husbandry, health, primary education and so on.

For effective participation of the rural population in development programmes at grass roots level the Panchayat System will have three tiers: (a) *Halga Panchayats* will meet once in a month and will get its annual budget approved by the voters on the first working day of April every year; (b) *Block Development Councils*: These councils have the responsibility of maintaining and supervising the inter-circle communication system. The Block Development Councils consist of all Sarpanchs in a Block, MLA of their area (except Minister) and Chairman of any marketing committee or notified area committee with the BDO as Member Secretary. Block Development Council will get its grant from the government in proportion of the Council as directly elected by the people; (c) *District Planning and Development Boards*: Members of these Boards are: Chairman of all Block Development Councils, M.P. and MLAs from the District, Chairmen of two areas committees and President of Municipal Councils with district level heads of all development departments as ex-officio members.

(Contd. on page 74)



We need a viable panchayat package

S.M. Shah .

Despite overwhelming support for Panchayati Raj institutions, we have failed in strengthening them. Why? Giving reasons the author says, 'students of political institutions have remarked that there is a silent resistance to giving powers to Panchayati Raj institution, mainly from two quarters—the bureaucracy and the political leadership. The agents of Government felt that Panchayati Raj institutions take away from them the powers. Political leaders see into Panchayati Raj institutions their rivals rather than providing a fruitful ground for training to become future leaders. It is all a play of 'power-field'. No one wants to surrender the boundary of powers! There are conflicts rather than cooperation. Besides this, we as a government failed to provide a workable 'package' of Panchayati Raj institutions with reference to their place in the political frame and in administration.'

AS A LOVER OF TRUE DEMOCRACY, Mahatma Gandhi upheld Panchayati Raj, for, he said, 'True democracy can not be worked by twenty men sitting at the centre. It has to be worked from below, by the people of every village'

Article 40 of Indian Constitution on Directive Principles of State Policy provides that State should take steps to organise village panchayats and endow

them with such powers and authority as may be deemed necessary to enable them to function as units of self-government.

three-tier-approach

Not that we did not act in this direction. The Study Team of Committee on Plan Projects headed by Balwantrai Mehta, in their Report submitted in 1957,

PANCHAYATS ... ROOTS OF THE REPUBLIC

recommended a three-tier system of Panchayati Raj Institutions for self-government and gave the concept of 'democratic decentralisations' of political and administrative powers. It had in mind decentralisation and democracy. The idea of decentralisation and development took front seat later. Henry Maddick says, 'there is a triangular relationship between decentralisation, democracy and development'. Planners have accepted this approach. We are told that the approach to the Eighth Five Year Plan will be on grassroots planning. Not that the earlier Five Year Plans did not advocate planning from below. Far from that.

Thirty years after the much upheld report of Balwantrai Mehta, the Planning Commission laments woefully that the Panchayati Raj Institutions have not flowered on the Indian soil, whereas in the rural areas the panchayats flourished. Tribal panchayats even today have a hold and manage tribal affairs. The Seventh Five year Plan, Volume II, mentions that community development and panchayati raj which provided an elaborate delivery mechanism has suffered considerable erosion and gradual disintegration'. It further accepts that the Panchayati raj institutions have been reduced to extremely 'peripheral status'.

The third tier

Recently there has been a renewed interest in strengthening the panchayati raj institutions. Prime Minister Rajiv Gandhi has mentioned again and again that district planning should be married to panchayati raj to make them both effective instruments of democracy and development. 'Panchayati raj without

"Thirty years after the much upheld report of Balwantrai Mehta, the Planning Commission laments woefully that the Panchayati Raj Institutions have not flowered on the Indian soil, whereas in the rural areas the panchayats flourished"

district planning would remain a hollow cell and district planning without panchayati raj would remain unrepresentative. But all this could not happen unless there is a 'qualitative change' in the devolution of powers to local units.

The Consultative Committee of the parliament on Public Grievances and Pensions has gone to the extent of suggesting that constitutional amendment should be undertaken so that district panchayati raj institutions become 'the third tier' of Government, the other two being the Central and the States. This would lead to creating 'district governments'.

In spite of such an overwhelming support, and the fact that several States did form panchayati raj institutions with good results and bad, where have we failed? Several students of political institutions have remarked that there is a silent resistance to giving powers to panchayati raj institutions, mainly from two quarters—

the bureaucracy and the political leadership. The agents of Government felt that the panchayati raj institutions take away from them the powers. Political leaders see into panchayati raj institutions their rivals rather than providing a fruitful ground for training to become future leaders. It is all a play of 'power-field'. No one wants to surrender the boundary of powers. There are conflicts rather than co-operation. Besides this, we as government failed to provide a workable 'package' of panchayati raj institutions with reference to their place in the political frame and in administration." Also, we did not provide the where-withals of funds and personnel to these institutions with the result that they languished. They failed to develop a personality. They

"Panchayati raj without district planning would remain a hollow cell and district planning without panchayati raj would remain unrepresentative. But all this could not happen unless there is a 'qualitative change' in the devolution of powers to local units."

did not graduate. They could not bite. And they remained feeble, weak and suffered from 'malnutrition'. Can we now take better care of these institutions? The Mehta Study Team recommended creation of institutions which were, to be statutory, elective, comprehensive in duties and functions equipped with necessary executive machinery with adequate resources and with enough autonomy and freedom. The Mehta Committee assigned greater responsibility to the development task, but the non-devolution of resources of revenues acted as a stumbling block for the performance of these tasks.

The basic philosophy behind the panchayati raj institutions was to evoke people's participation in developmental programmes. The Asoka Mehta Committee described the years 1959-64 as a phase of ascendancy, 1965-69 as phase of stagnation and 1969-77 as a phase of decline of panchayati raj. There is a view prevailing that the Central sector special schemes like IRDP and DRDA introduced in the Fifth and Sixth Five Year Plans deprived the panchayati raj institutions from allowing them to function. That also contributed to the erosion of their functions and responsibilities. These central sector schemes knocked down the panchayati raj institutions. Kamta Prasad has said that the central schemes carrying subsidy strike at the root of local level planning. Under the IRDP and like schemes, people have become subsidy-dependent or subsidy-grabbers and it is said that the banks, block officials all share this loot.

reduce bureaucracy

There are a number of different schemes in a district numbering more than twenty at a time. There are special officers for IRDP, ICDS, etc. This has given rise to a 'paternalistic attitude' and highbrow administrative practices. There is need to reduce, if not to retire, the bureaucracy from the rural scene and replace it with NGOs, the non-governmental agencies. There could be

user groups, producers co-operatives, social activists, social workers, educationists and the like. Some work can usefully be farmed out to professional agencies such as Institutes of Area Planning, National Institute of Rural Development and the Universities should be encouraged to have their experimental laboratories as the teaching medical colleges have rural centres. Let them evolve their own approach, which may be innovative rather than the schematic pattern we are following. Let there be fresh air, free experimentation. We must encourage such efforts.

various committees

The Asoka Mehta Committee suggested a two-tier model, viz., Zilla Parishad and Mandal Panchayats. True, village is not a viable unit for several activities. A mandal community of 30,000 may be taken as a viable

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unit. They emphasised management of rural development programmes and wanted the panchayati raj institutions to rise up to occasion. They emphasised that the existing scheme of distribution of powers between the Union and the States would require a detailed-out separate consideration. Following Asoka Mehta Committee Report, a model bill was prepared with a hope that every state government would follow the pattern and pass the bill. This did not happen, however.

The G.V.K. Rao Committee Known as CAARD (1985) pointed out that the decline in the status and authority of panchayati raj institutions may be attributed to the reluctance of political leadership at state level to share power with district leadership. The CAARD suggested to entrust planning, plan implementation and monitoring of rural development programmes to panchayati raj institutions at the district and lower levels. It also emphasised to hold local elections regularly. L.M. Singhvi Committee for revitalisation of panchayati raj institutions has emphasised the concept of district planning for effective rural development and nation building.

In spite of such an overwhelming support from Committee after Committee, why then the panchayati raj institutions did not perform? Why they failed? And what should be done to revitalise these grassroots institutions if we swear by participatory democracy, decentralised development, people's participation, and grassroots, bottom up development strategy? It is very germane to consider some of the suggestions mentioned below in view of the fact that we are shortly to finalise our 'Approach to the Eighth Five Year Plan'.

what is needed?

Enough lip service has been paid to the panchayati raj institutions. What is now required is to evolve a viable 'package' and seed this in the states and all the more than three hundred districts and more than five thousand development blocks in the country. Green revolution succeeded because the 'package' of seed fertiliser-irrigation was just right. Why blame people, the people? It is our responsibility as planners to evolve a right package for the re-birth of panchayati raj institutions.

siting

The foremost requirement is that panchayati raj institutions should be given a proper 'site' or place in our political and administrative structure. The sub committee of the Consultative Committee of the Parliament has recommended that the panchayati raj bodies should be constitutionally recognised. The district panchayat institutions should be given constitutional recognition to improve their functions. There is a central list, state list; there should be a 'local list' to indicate the powers and functions of these local bodies. The Constitution amendment should also lay down that the elections to district and their panchayati raj institutions be held once every five years. Funds should also be provided to organise the elections, preparation of electoral rolls, ballot boxes, invigilators etc. As there are central and state governments, there should also be 'district governments' responsive to the people. As there are central sector and state sector schemes it follows that there should also be 'panchayat sector' schemes.

In Nepal, under the Decentralisation Act 1982, the whole country is covered with a network of panchayats from village, town and district levels to zonal and

"There is need to reduce, if not to retire, the bureaucracy from the rural scene and replace it with NGOs, the non-governmental agencies. There could be user groups, producers co-operatives, social activists, social workers, educationists and the like."

national levels. The unit of local administration was made to coincide with units of different tiers of panchayats. The basic objectives of Panchayat System in Nepal are: (i) to build democracy from bottom upwards (ii) to associate people at all levels in the administration and make them participate in the progress of the country and (iii) decentralisation through genuine transfer of powers to the local bodies. Nepal's Third Five Year Plan (1965-1970) outlined 'panchayat sector' for utilising local resources for development. The Sixth Five Year Plan lays down a detailed procedure for the formulation and implementation of projects by local panchayats.

codification of laws

There is need for the legal experts to look into the codification of laws relating to the panchayati raj bodies in each state. These laws should refer to periodicity of elections, the manner of fighting elections, the financial share of the district, mandal and village level panchayats, their taxation fields and the limits and the functions like franchise selling, fees for user type services and generally to augment resources. The whole gamut of taxation, grants and loans be covered in these codifications.

An important handicap of local bodies is local finance. Local taxes are costly to collect and are poorly enforced. Weak administrative capacity limits the abilities of local governments to raise revenues effectively. Central governments world over regulate the few sources of revenues by controlling the tax rates, prohibiting increases in user charges and limiting the means of revenue collection and enforcement. Tax reforms are called for to broaden the base. Efforts should also be made to increase the 'debt service capacity' of these units.

funding

Panchayats should increasingly tap the user charges for small works like rural approach and feeder roads, rural water supply street lighting, local dispensaries for health care and the like. Sale of franchise like use of gochar to shepherds for cattle grazing, renting out fish ponds, forestry produce etc do indicate good possibilities. The World Bank in their 'World Development Report 1988' has referred to the experiment in India followed in South Arcot district. The 'corporate Villages' here have a village council, maintain a village fund, and hold a general meeting of the cultivators at least once a year. They employ 'common irrigators' to distribute water between and below the outlets. They also employ field guards to protect the bunds and crops from thieves.

R.C. Mascarenhas of New Zealand, in his study of milk co-operatives in Karnataka has shown how the dairy co-operatives have combined commercial approach with producer participation. There is now greater emphasis on self help and problem solving. He has emphasised the need for building 'constituency organisations' accountable to local people.

H.P. Chokshi in his study relating to the working of

District Panchayats in Gujarat has recommended to set up a Panchayat Financial Corporation to augment their finances. The State Finance Commissions should look into the question of sharing the taxes between the state and district panchayats etc.

expertise

There is need for building the planning expertise at the local level. This has been emphasised by Dantwala Committee on Block Level Planning, and also by the Planning Commission's Working Group on District Planning (1985). In 1977 the Ministry of Rural Development, Government of India, prepared twenty detailed 'Block plans' indicating integrated area development of all the settlements within these blocks. An inter-disciplinary team of experts-economists, statisticians, sociologists, geographers and engineers, architects prepared detailed operational plans indicating missing infrastructure with reference to education, health, markets, industries, retail trade etc. These exercises need to be updated and propagated.

training

Continuous training of panchayati raj personnel is very necessary— an aspect that has not been emphasised by the earlier Committees. Nepal has a central Panchayati Raj Training Institute and also state level panchayat training centres. The central Institute should develop a methodology and discuss decentralised planning, organising the poor, women, youths and the like etc. Training syllabus should be developed and tested in the field. Case studies should be undertaken for experimenting in the field the approaches advocated. The Indian Institute of Public Administration and the National Institute of Rural Development should be asked to open separate Centre for panchayati raj institutions. Political scientists and others should be drawn into it.

Let me close by a quotation from 'Mahatma Gandhi on Human Settlements'

'We are all leaves of a majestic tree whose trunks cannot be shaken off its roots which are deep down in the bowels of earth. The mightiest wind can not move it.' ■■■

“Enough lip service has been paid to the panchayati raj institutions. What is now required is to evolve a viable 'package' and seed this in the states and all the more than three hundred districts and more than five thousand development blocks in the country.”



Are we really serious about Panchayati Raj ?

Dr. T.K. Tope

A prominent educationist and former member of the Law Commission of India, Dr. Tope has suggested legal fortifications for an effective decentralisation of power, which, he hopes, would enable local self-government institutions function with greater confidence. Referring to certain undisputed happenings of the recent past, the author points out that the political culture of India lacks tolerance which is an essential ingredient for sharing of power. He quotes extensively from the Ashok Mehta Committee report which says that Panchayati Raj institutions are dominated by economically and socially privileged sections of the society and, as such, facilitated the emergence of oligarchic forces yielding no benefits to weaker sections. An expert in legal matters, Dr. Tope has discussed the Panchayati Raj system from legal point of view. Keeping the Sarkaria Commission's recommendations in mind, he proposes that each State should have an Election Commissioner who should be responsible for conducting elections of Panchayati Raj institutions. He goes to the extent of recommending that political parties should be prohibited from seeking elections to Municipal Corporations and Nagar Parishads so that people should get an opportunity to decide for themselves who their representatives should be without any political consideration.

IT WAS SEVEN YEARS AFTER THE inauguration of our Constitution, that a study team was appointed to study *inter alia* the pattern of existing district administration and suggest its reorganisation. The study team was known as Balwantrai Study Team, Shri Balwantrai being the head of the Team. The study Team recommended administrative decentralisation

for effective implementation of development programme and further laid down that the decentralised administration should necessarily be under the control of elected bodies. It recommended three tier Panchayat Raj system. Such a system was first introduced in Rajasthan and Andhra in 1959.

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tolerance in politics

Panchayat Raj necessarily means decentralisation of powers and functions. Does India's political culture encourage decentralisation? A survey of past few years leads us to the conclusion that there is unwillingness on the part of politicians, to share power. Decentralisation necessarily involves sharing of powers with others, even with those who may not hold the same view as you hold. Tolerance is a necessary ingredient in decentralisation. But, India's political culture has recently exhibited lack of tolerance. In 1977, when the Congress Party was defeated at the polls to Lok Sabha, the Janata Party which was in power in the Union Government, introduced Presidents' Rule in nine States where the Congress Party was in power. The history was repeated in 1980 when the Congress Party which won the elections to Lok Sabha, introduced President's rule in states where Janata Party was in power. In Maharashtra, in spite of the constitutional provisions regarding establishment of separate development boards for Vidarbha, Marathwada and the rest of Maharashtra, such establishment was opposed for a number of years.

If Panchayat Raj is to be a success, it is essential that our political culture must accept the inevitableness

"The elections to PRI's must be held on time. State Governments should not have the power to postpone elections to PRI's. Timely elections can be assured only when the responsibility of conducting the election is entrusted to the Election Commission."

of tolerance in politics. Many States established Panchayat Raj as a result of Balwantrai Committee Report. Government of India appointed in December 1977, a Committee under the chairmanship of Ashok Mehta, to review the existing situation regarding democratic decentralisation, and the working of the Panchayat Raj Institutions, from the district to the village level etc...". The Committee submitted its report in August, 1978. Following passage from the Report is self explanatory.

"In general there has been disappointment with the working of PRI's which is traced in stronger or milder terms, to a number of inadequacies and failures. PRI's are dominated by economically and socially privileged sections of the society and have as such facilitated the emergence of oligarchic forces yielding no benefits to weaker sections. The performance of PRI's has also been vitiated by political factionalism rendering development thrusts either warped or diluted. Corruption, inefficiency, scant regard for procedures, political interference in day to day administration, parochial loyalties; motivated action, power concentration instead of service consciousness, all these have limited utility of Panchayat Raj for average villager. (para I. 9) Have things changed since 1978? An honest answer to this question must be given before

we give concrete shape to our enthusiasm for Panchayat Raj. Recently Prime Minister Rajiv Gandhi, in his capacity as the President of Indian National Congress observed :—

"Out of every Rs. 100 allocated to development Schemes. Rs. 85 were spent on salaries and buildings and only Rs. 15 on the schemes... we cannot pretend that planning is effective if the roots are not in villages and in the houses of the poorest of the Country."

panchayats playing marginal role

These observations clearly indicate the failure of development schemes through Panchayat Raj. In Maharashtra Panchayat Raj System was introduced on the recommendation of Naik Committee. There are three tiers namely Zilla Parishads, Panchayat Samities and Village Panchayats. These bodies were created under an Act passed in 1961. Naik Committee argued persuasively against giving representation to M.L.A.'s and M.P.'s on Zilla Parishads. However, the lust for power ultimately led to the creation of District Planning and Development Councils (DPDC) on which M.L.A.'s and M.P.'s have full representation. These D.P.D.C.'s are now playing a dominant role and the PRI's only a marginal role. It is suggested in some quarters that State Development Council on the lines of National Development Council should be established in each State, to bring the representatives of PRI's and authorities engaged in development process together.

Another fact of the PRI's is that the party in power in the State looks upon PRI's as instruments for strengthening the roots of the party at the grass roots level. Some critics have pointed out that PRI's are nothing but a device to distribute political power among the members of the political party in power in the state.

Dr. B.R. Ambedkar was against Panchayati Raj. His reason was the caste dominance in villages with the result that the scheduled castes always received ill-treatment at the hands of the advanced castes and classes. Ashok Mehta Committee and P.B. Patel Committee in Maharashtra (1986) have mentioned this aspect. PRI's are dominated by the dominant caste in the district. This is proved by survey conducted by Social scientists in India. Unfortunately this is a fact of social structure in our country and it has corroded our political, social and economic life. According to me this is the inevitable result of parliamentary democracy accepted by the framers of the constitution. We will have to find an alternative to this system. As far as PRI's are concerned I would make following recommendations: Karnataka Pattern should be adopted in all states in India with following modifications :—

election of the representative body

(a) President and Vice-Presidents of Zilla Parishads, Panchayat Samities and heads of the Village Panchayats, should be directly elected by the voters in their respective constituencies.

(b) No candidate should be declared elected unless he

secures 51% of the total votes cast. If there are more than two candidates seeking election to the respective posts and no candidate at the election gets 51% or more votes cast, candidates getting votes on number three and downwards should be eliminated and the first two candidates should be asked to contest election next week and a candidate getting highest number of votes would be declared elected. The above method of election would ensure that the heads of P.R.I.'s represent atleast 51% of the people in the constituency who voted at the election. This would, to a certain extent, reduce the importance of dominant caste in the area.

The elections to P.R.I.'s must be held on time. State Governments should not have the power to postpone elections to P.R.I.'s. Timely elections can be assured only when the responsibility of conducting the election is entrusted to the Election Commission.

The Sarkaria Commission has already recommended reconstruction of the Election Commission. It is submitted that each state should have Election Commissioner. He should be responsible for conducting elections of P.R.I.'s. State Governments should have the power only to suspend any Z.P for a maximum period of six months, on grounds of mismanagement etc. But, immediately after suspension, an inquiry committee headed by a judge, to be appointed in consultation with the Chief Justice of the High Court, to conduct an inquiry must be established. The report of the Inquiry Committee will be placed before the legislative Assembly of the State and if the Assembly passes a resolution to dissolve the Z.P by 2/3 majority of the members present and voting, then alone the Z.P should be dissolved; otherwise the suspension will come to an end the Z.P will be allowed to complete the tenure under the Act.

erosion of district share

I would like to invite attention of readers to the observations made by a former I.A.S. Officer of Maharashtra who later became a Minister to the Government. He was speaking in a seminar on Panchayat Raj.

"We wish our subordinates to be competent, but we do not allow them to blossom and flower. We believe and hope that everything should grow under our shadow. Take for example planning. Maharashtra was the first state in the country to adopt the process of democratic decentralisation in planning. A tremendous amount of exercise of mind and brain and effort was made to delimit the powers and objectives of district and state planning. We decided at that time that the district should have 60% of the total fund available for activities conducted in the districts and the State share should be confined to 40% only. Over the years there has been a regular (some times deliberate, some times incidental) intrusion and erosion of the district share with the result that to-day district planning

controls only 25 to 30% of the total plan funds. You argue that some schemes are so important that even though they are in the district, they have to be in the state pool but operated at the district level."

The above passage clearly indicates our political culture. States have been blaming the Union Government for depriving the States of their financial resources and political powers. In turn, states have been depriving Z.P.s of their financial resources and powers. Our politicians talk one thing and practise another thing. In this political culture, we are witnessing enthusiasm for Panchayat Raj. I hope it is not a move for winning votes in coming election. If we are really serious about Panchayat Raj, I could recommend an amendment of the Constitution. As a matter of fact a draft bill for amending the constitution was prepared in 1977. It was called the Constitution (Forty-Third) Amendment Bill 1977. The provisions of the Bill were supported among others by S.M. Joshi, Indu Bhai Patel, Ram Niwas Mirdha, and E.M.S. Namboodrispad. The text of the Bill is given at the end of the article.

I would like to make one more recommendation. This recommendation must be included in the amendment to the constitution. If we are really serious about

"Another fact of the P.R.I.'s is that the party in power in the State looks upon P.R.I.'s as instruments for strengthening the roots of the Party at the grass roots level. Some critics have pointed out that P.R.I.'s are nothing but a device to distribute political power among the members of the political party in power in the state."

Panchayat Raj, Political Parties which have received Symbols for election from the 'Election Commission', must be prohibited from seeking elections to Z.Ps, Panchayat Samitis and Village Panchayats. Let us leave atleast this field to the people to decide for themselves who their representatives should be without any political consideration. Career of politics should be kept away atleast from Z.Ps. I would, as a matter of fact, recommend that the political parties should be prohibited from seeking elections to Municipal Corporations and Nagar Parishads also.

the amendment bill

Following is the text of the Constitution (Forty-third Amendment Bill) 1977.

The constitution (Forty-Third Amendment bill, 1977)

A Bill

further to amend the Constitution of India. Be it enacted by parliament in the twenty eight year of the Republic of India as follows:

1. This Act may be called the Constitution (Forty-third Amendment) Act, 1977

2. After Part VIII of the Constitution, the following part shall be inserted, namely:

Part IX
Local Government
(Panchayat Raj)

In this part-

“Council” means a village panchayat, district council, and includes a regional council, where such council is constituted.

In every State, the State Government shall, by public notification, divide each district in that state into as many units of Self-government as the State Government may think fit for the purpose of organizing village panchayat.

- (1) In every State, there shall be established—
 - (a) a village panchayat for each unit of self-government constituted under Article 243-A and
 - (b) a district council (by whatever name called) for each District.
- (2) Without prejudice to the provisions of clause (1) a State Government may constitute regional councils (by whatever name called), each such council comprising such number of village panchayats within a district as it thinks fit.
 - (1) The State Government shall make a law to give effect to the provisions of this part.
 - (2) Each Council shall consist of such number of elected members as may be specified in the law made under clause (1).
 - (3) The members of the Council shall hold office for a term of four years from the date appointed for the first meeting of the Council after general elections to the Council.
 - (4) Each such Council shall be a body corporate by the name of (name of the Council) and shall have perpetual succession and a common seal and shall by the said name sue and be sued.
 - (5) The State Government may make rules to provide for—
 - (a) The machinery, in consultation with the Chief Election Commissioner, for the Superintendence, direction and control of the preparation of electoral rolls for, and the conduct of all elections to the Council;
 - (b) The delimitation of territorial constituencies for the purpose of elections to the Councils;
 - (c) The qualifications for voting at such elections and the preparation of electoral rolls therefor;
 - (d) The qualifications for being elected at such election as members of the council;
 - (e) The conduct of its meeting and its procedure in general; and
 - (f) All other incidental matters.
 - (1) The Council shall perform such executive and administrative functions within their respective functions within their respective territorial jurisdiction as the State Government may, by

law, confer on them including functions relating to—

- (i) The promotion of economic and social development; and
 - (ii) Implementation of plans relating to economic and social development made by the Central Government or State Government.
- (2) The State Government shall, with a view to decentralise its powers endeavour to devolve progressively greater powers and responsibilities on the Councils to enable them to function effectively as institutions of self-government.
 - (1) The State Government may, by law, authorise a Council to levy and collect in accordance with prescribed procedure such taxes and fees as the State Government thinks appropriate.
 - (2) The State Government may also, by law assign to a Council such duties and taxes levied and collected by it, for such purposes, and subject to such conditions as may be specified in the law, and may also make grants-in-aid to such Council.
 - (3) There shall be constituted for each village panchayat a Panchayat Fund, for each district Council a District Fund and for each regional Council, if any, a Regional Fund to which shall be credited all moneys received respectively by the village panchayat, district Council and regional Council.
 - (4) The State Government may make rules for the management of such funds, for the procedure to be followed in respect of payment of money into the said funds, the withdrawal of money therefrom, the custody of money there in and any other matter connected with or ancillary to the matter aforesaid.
 - (5) The Accounts of the Councils shall be kept in such form as the State Government may prescribe.
 - (6) The Comptroller and Auditor General shall cause the accounts of the Councils to be audited in such manner as he thinks fit and the reports of the Comptroller and Auditor General shall be submitted to the Governor who shall cause them to be laid before the Legislature of the State.
 - (1) The State Government shall within two years from the commencement of this part and thereafter at the expiration of every fifth year appoint a commission to review the financial position of Councils and make recommendations to enable such Councils to function effectively as units of local self-government.
 - (2) The Governor shall cause the report of commission to be laid before the Legislature of the State together with an explanatory Memorandum as to the action taken thereon.
 - (1) In respect of areas within the jurisdiction of one or more Village panchayats, the State Government may, by law, provide for the Constitution of Courts or Nyaya Panchayats for trial of suits and cases between the parties all of

(Contd. on page 94)



Planning from below

Dr. D.M. Nanjundappa

Development plans are designed to fulfil the needs of the people. Hence, direct involvement of the people in the implementation of these plans is essential. In the absence of no functional agencies, at the district or Taluka or village level, says Dr. Nanjundappa, Vice-Chancellor of Bangalore University, there is a possibility that planning may result into an unintegrated exercise for resources far in excess of availabilities and programmes uncoordinated and unrelated to felt needs. Emphasising the importance of Panchayats he points out that these representative bodies enjoy certain advantages in the matter of locally manageable small projects included in a larger development plan meant for the whole State. The author holds the view that the Panchayati Raj institutions, as local instruments of economic development, offer the local people, "their own socialism" instead of imposing anything like that from outside. He suggests that youth who look towards future, should be brought within the fold of these institutions and be provided with an opportunity to serve the people and demonstrate their capabilities.

PLANNING FOR DEVELOPMENT BECOMES FRAGMENTARY or unintegrated if it lacks spatial dimension. A national plan has to be formulated through a hierarchy of integrated regional or sub-regional or district or state plans. In their preparation, due consideration is to be given to regional or local problems of areas varying widely in land form and use and their potentials, population

problems, resources, infrastructures and processing needs. If this is accomplished, the plans of different areas can then be integrated into a mutually consistent state plan.

preparing area plans

There exist many barriers to the introduction of spatial dimension into the process of planning. While

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the national plans provide the over-all framework of growth rate and sectoral priorities, the state plans that are to go into it have to be worked out on a two-way process. At one end, a critical review must be done of economic and physical situation in order to identify the point at which the state stood particularly with reference to the development of natural resources and infrastructure and existence of regional or sectoral imbalances and the volume, distribution or diversification of employment opportunities. This is also the level at which resources that are forthcoming from the Central Government and the manner of their distribution for various programmes at different levels below that of the State are to be assessed. In so far as some standardised programmes that are accepted by the Central Planning Authority and the Central Ministries bring in a flow of funds to the state plans, such resource accrual largely determines the choice of programmes irrespective of whether they reflect local needs or not. Moreover, if there are no functional agencies-at the district or taluka or village level

“Instead of a uniform application of development programmes all over the state irrespective of their suitability to local physio-geographical conditions, area plans are to be prepared after indentifying the strategic variables and examining their interaction.”

charged with the power and responsibility for examining the land form and land use of the area, local needs, resources and their inter-relationships, institutional arrangements and potential patterns, planning at the state level has to evolve the programmes and priorities on the basis of its own assessment of the requirements of the state as a whole. The result is an unintegrated exercise for resources far in excess of availabilities and programmes uncoordinated, unsynchronised and unrelated to felt needs.

To overcome these defects, planning from above is to be matched by a process of planning from below. That is, planning is to be rationalised by efforts to prepare the village, taluka block or district plans. Instead of a uniform application of development programmes all over the state irrespective of their suitability to local physio-geographical conditions, area plans are to be prepared after indentifying the strategic variables and examining their interaction. Area plans make the people to identify the programmes meant for their locality and this would lead to the concentrating of the programmes and invoking of necessary co-operation from the people in implementation.

local, democratic and efficient

Panchayat Raj Institutions offer an institutional

innovation for planning from below. They give a set of inter-connected democratic and popular institutions at the village, block and district levels in which representatives of the people on the village panchayats, panchayat Samitis and Zilla Parishads function with the official of administrative and developing agencies of the Government as a team for the development of the area that falls within their jurisdiction. There is a great stress on developmental role of these institutions. In the context of wide-spread poverty and low level of social services, panchayat raj without development would be a barren and sterile concept.

There are two consequences of this experiment. One is that it supplies an interlinked institutional structure together with decentralisation through delegation as well as devolution of powers and functions. The second is that it supplies institutions which are primarily units of local government whose important objective is economic and social development.

The distinguishing features of these Institutions are: Local, Democratic and Efficient which offer the kernel of the whole problem. It should be local because it must be closer to the grass roots, the common people and their problems; it should be democratic because there should be a place in it not only for the few educated or elite but for all the people whose respect it can enjoy by its affinity; it must be efficient because operating as it does from a scarcity base, benefits from its programme should be maximised with minimum resource spending.

Local Government is closer to the people than State or Central Governments. Identification of the needs and execution of the programmes are so much easier and prompt with administrative units at the local level. The educational value of the local bodies have always been there; their broad base secured by the popular representation sustains and consolidates the achievements.

The Panchayat Raj Institutions enjoy certain technical advantages in the matter of locally manageable small projects included in a development plan. They make developmental efforts economically easier because of the short gestation period of the small works. They promote undertaking of the secondary programmes which are complementary to major projects executed at the higher levels. They offer a device for planning and provide a structural link to the projects of higher importance. In short, the success of the local bodies as instruments of economic development depends on the creating of a representative and democratic agency which will supply the local interest, supervision and care necessary to ensure that expenditure on local projects conforms to the needs and wishes of the locality and

investing it with adequate power and assigning to it appropriate finances

their own socialism

It is therefore clear that a high degree of autonomy is essential for performing these functions, readjusting in accordance with the peoples desires and locally changing needs, while conforming to the accepted national pattern. For these reasons in a sense we may say that the Panchayat Raj Institutions as local instruments of economic development offer the people "Their own socialism" instead of imposing anything like that from outside.

Following the Balwantrai committee report, several states adopted the panchayat raj system. Most of them failed owing to the fact that decentralised planning did not take place and leadership did not develop. There was more of reliance on the bureaucracy for achieving the developmental objectives. Change-orientation and result-orientation failed to percolate into the system.

Of late, following the Ashok Mehta committee report, some states have tried to restructure the panchayat raj system. Here again, it appears that emphasis is on fulfilling a democratic principle like the representatives of the people being elected rather than the right type of leaders being elected on the basis of their professional knowledge and commitment for rural development. Then, the question which arises is whether the structure of panchayat raj system which is based even on the Ashok Mehta committee report answers squarely the needs of leadership.

the Karnataka and Andhra models

The Karnataka model is more radical than those adopted by other states. The reason is that in Karnataka, instead of allowing two streams of development, a single stream is established in the sense that all plan schemes identified as falling within the districts and the local sector and the non-plan items have been transferred to the newly formed zilla parishads and mandal panchayats.

In Karnataka and Andhra Pradesh, mandal panchayats are formed for a group of villages though the population size varies from 8,000 to 12,000 in Karnataka against 35,000 to 50,000 in Andhra Pradesh. In the case of Malnad districts of Karnataka, the population criterion is 4,000.

At the grass roots level the village panchayat has been retained in Andhra Pradesh while in Karnataka it is replaced by the gram sabha. As for the block and taluk level set-up, the existing panchayat samiti has been abolished in Andhra Pradesh while it has been retained in Karnataka but without powers.

At the district level in Karnataka, the earlier district development council under the chairmanship of the deputy commissioner has been replaced by the zilla parishad which is now headed by the elected

representative known as the adhyaksha. In Andhra Pradesh, besides the zilla praja parishad, there is another level committee (zilla abhivrudhi sameeksha mandali) under the chairmanship of a state minister to act as an apex body at the district level. It mainly consists of district legislators (MLA, MLC and MP and experts nominated by the state governments). The chairman of the zilla praja parishad is its vice-chairman while the collector is its ex-officio secretary.

As for the membership of these bodies there is wide variation between the two states. Andhra Pradesh opted for ex-officio membership against the directly elected membership in Karnataka. In Andhra Pradesh the members of the mandal parishad and zilla parishad are ex-officio members. The chairman is directly elected as in Karnataka.

The system of direct election to these positions is a major departure from the earlier system. In Karnataka 25 and 18 per cent of the seats in these institutions are reserved for women and the scheduled castes and

"In the context of wide-spread poverty and low level of social services, panchayat raj without development would be a barren and sterile concept."

tribes respectively. Also a senior officer of the administrative service has been posted as the chief executive officer of the zilla parishad. In Andhra Pradesh, only an officer junior to a collector, known as the district development officer, works under the overall supervision of the Chairman of the zilla parishad. Besides, the district collector has a say in the affairs of the panchayat raj institution. In Karnataka it is not so.

Also, many development departments, particularly the DRDA, are still outside the purview of the zilla parishad in Andhra Pradesh. In Karnataka the DRDA has been merged with the zilla parishad and nearly 45 per cent of the state plan resources are transferred to the zilla parishad and mandal panchayats.

For making the panchayat raj institution function effectively, the demarcation of the sectors namely, the zilla sector or panchayat or mandal panchayat sector and the developmental schemes are to be identified. In the Karnataka model schemes transferred to Zilla Parishad for which they will be responsible in the areas covering agriculture, horticulture, soil conservation, animal husbandry, fisheries, forest, rural development, minor irrigation, roads and bridges, nutrition, primary and secondary education, Indian system of medicine, rural health, primary health centre buildings, family welfare, welfare of weaker sections including Scheduled Castes/Scheduled

Tribes, stipendary employment scheme for unemployed, social welfare, housing, village and small industries, cooperation, civil supplies, sports and youth services etc. have been listed. Similarly corresponding to the powers and functions of mandal panchayat, schemes transferred to the mandal panchayats for which they will be responsible have been notified and they cover areas like adult education, rural water supply, housing, welfare of SC/ST, agriculture, rural development, roads and bridges, welfare of backward classes and minorities, special component plan, nutrition, horticulture, soil conservation, animal husbandry fisheries, forests, cooperation, sericulture, sports and youth services.

“Local Government is closer to the people than State or Central Governments. Identification of the need and execution of the programmes are so much easier and prompt with administrative units at the local level.”

For transfer of funds from the state to the zilla parishads, an objective criteria giving weightage to population and backwardness has been developed. Similarly for allocation of plan funds which are to be earmarked for the mandal panchayats, objective indicators covering population, area of the mandal, dry land area, agricultural labour population, percapita resources raised have been considered.

It is not intended here to go into the merits and demerits of this new model in the context of developing leadership. But it is irrelevant to the theme in so far as certain inferences do follow from the set-up.

No doubt, in the Karnataka model the zilla parishads have been given the status of a mini-government but the weakness is that at the mandal level there is no administrative machinery which can execute the programmes for rural development in the area. The mandal panchayats have to depend on the zilla parishad machinery.

transformation in bureaucracy

Against this background, the role of bureaucracy is interfaced with promoting leadership for development. It is no secret that bureaucrats have often felt that the political decision-maker lacks expertise or skill and is not fully aware of the structure and policy. Therefore, the leadership leaves much to be desired and this has to be made up by bureaucratic advice. This may not be tenable in all cases.

The bureaucratic phenomena has grown over the years covering several new state activities which are burgeoning.

In the context of decentralised planning and developing leadership for development at the different levels, what kind of transformation the bureaucracy

has to undergo is yet to get crystallised. Nevertheless, it should be noted that wherever bureaucracy has been of the type which is at the “receiving end”, the response to development has been more encouraging unlike most other scenarios where bureaucracy is at the “giving end”

need for trained planning machinery

Under decentralised planning, for the mandal panchayats to play the role effectively in the overall framework of the zilla parishad set-up, it is very important that the plan formulation for various schemes entrusted to them is done on a scientific basis. As the plans are to be integrated spatially and sectorally, a well trained planning machinery is needed. In some of the states, particularly, in Karnataka, the planning machinery is well established with functional divisions like District and Regional Planning, Manpower Planning, Evaluation Perspective Planning, Plan Monitoring, Plan Finances and Resources and the like. In fact, for each one of the zilla parishads there is a Chief Planning Officer (a technical officer with required skills) assisted by a manpower planner, project evaluation expert, cartographer, economic analyst, statistician and the like. This group is further assisted by the State level District Planning Machinery. Wherever such a machinery does not exist, it is essential that immediate steps are taken to provide it.

The other aspect of the training is with reference to the members of the zilla parishads and the mandal panchayats. No doubt, the members have the field knowledge and some of them might even be those who can analyse the problems satisfactorily. But one is not sure of the planning skills of people who get elected.

“It is no secret that bureaucrats have often felt that the political decision-maker lacks expertise of skill and is not fully aware of the structure and policy. Therefore, the leadership leaves much to be desired and this has to be made up by bureaucratic advice. This may not be tenable in all cases.”

Therefore, both the elected representatives and the officials require intensive training in planning at the mandal level and at the district level for drawing up of an action plan for implementation. Such training can be institution-based and also combined with on-the-job training. In certain situations under the panchayat raj, where efforts are made to involve the weaker sections and the masses in general, the system is confronted with mass illiteracy among the people. Therefore, the top-most priority will have to be assigned for the removal of illiteracy both through crash schemes and through functional literacy programmes. Audio-visual aids have to be literally used and the resources now available in the

universities, colleges, secondary schools, voluntary organisations and champion volunteers in villages must be fully utilised for mounting a mass Literacy Movement. The NCC can easily be brought into this frame-work.

sanctioning power for schemes

Decentralised planning under the panchayat raj set up has also brought with it the decentralisation of the finances and the delegation of the powers. However, in actual implementation, there are certain problems. As for the delegation of powers, the heads of the departments may still try to have some reservations. It should, however, be made clear that the mandal panchayats and the zilla parishads have full powers to sanction the schemes and also release the funds. Under no circumstances, should there be any occasion for referring, all over again, the schemes for sanction to the state level.

Often, an issue is raised that mandal panchayats and the zilla parishads depend solely upon the funds devolved from the Central Government or the State Government. They do not raise resources on their own for development programmes. Under the panchayat raj set up, there should be a change in the very process of financial approvals at the Planning Commission level itself. When the State plan schemes are finalised, the Planning Commission should concentrate on major irrigation, power projects, major transport and major industries and the rest of the resources covering both the central assistance and the state resources are to be shown as untied for devolution in turn to zilla parishads and the mandal panchayats within the state. Also, there is a need for pooling of resources at the district level which would imply that all central sector schemes for which funds are released by the centre have to be pooled at the zilla parishads level and the utilisation of this money should be with reference to the zilla parishads plans and the mandal parishads plans drawn by the planning machinery. This, in no way contradicts the responsibility for accounting of expenditures, but, it facilitates the establishing of proper linkages among different schemes.

community resource mobilisation

The question that the Panchayat Raj institutions do not raise enough funds must be answered squarely. There was a time when the local sector was untapped by the tax instruments. Now, it is found that practically, all items are touched by the state tax policy and there is very little left for the local tax handles. The village houses or the village shandies no longer offer an attractive resource basis. Again, the pricing of agricultural commodities is yet to become satisfactory. However, there can be a matching device whereby in the plan schemes 75 or 90 per cent of the funds are offered and the panchayat raj institutions

can be made to provide the matching contribution of 10 to 25 per cent. Some such incentive would be useful in prodding panchayat raj institutions to go in for community resource mobilisation for development purposes.

A major hurdle to be faced is the conflict between officials and the non-officials. There is a greater tendency on the part of the local members including the officials to succumb to great pressures which may lead to wrong priorities and improper choice of locations for the schemes. Often the officials and the non-officials may clash with each other, obviously, due to lack of proper understanding of the planning process, the priorities, funding and their relative responsibilities and roles. It may also be due to the existence of a 'superior-inferior' relationship feeling obtaining among the officials and non-officials. These have to be removed by education and training. It may be necessary to establish a machinery at the state or the district level consisting of senior officers and the top brass of the political parties to rush to such mandal panchayats or zilla parishads where conflicts manifest.

"The youth have a more open mind than others. It is for the obvious reason that they are not committed to past and that they are free to take a look at the future and determine what they can do. Therefore, they should be brought within the democratic functioning of these institutions."

They should guide them immediately and sort out the problems. If this does not happen bitterness accumulates and that can strike at the very roots of the system. It is in this context, that often it is reiterated that with decentralised planning there is no need for large number of senior-most officials to be at the state Secretariat. Their services should become available at the district and even at the mandal panchayat levels; without adding to expenditures on administration, the re-deployment of the senior level staff can be profitably done. Finally, for panchayat raj to succeed, it is the leadership which would be of paramount importance. This applies to the officials and to the non-officials.

required : a measure of control

To make panchayat raj institutions mass movement, there should be a voluntary curb to ensure that no one continues in position in such institutions for more than a specific period say 3-6 years. Careful attention is needed in this area to evolve appropriate legal and other framework.

The Youth have a more open mind than others. It is for the obvious reason that they are not committed to past and that they are free to take a look at the future and determine what they can do. Therefore, they

should be brought within the democratic functioning of these institutions. More over the leaders should realise that they are there to serve the people but not to 'get rich in the sleep' as it were. They ought to get reminded always that they are the servants of society. As Swamy Vivekananda said "the days for the privileges and exclusive claims are gone".

Some controls are required for both. In the case of administrators, the measure of control has to be from the higher echelons of the bureaucratic set-up. For the political decision-maker, the control is to come from the higher level leaders of the political party.

A clear vision and commitment to serve the poor and the undeveloped areas must be present. This calls for the inculcating of higher values and it is in this area that panchayat raj runs the great risks as in other institutions. There are however, no soft options. ■■



(Contd. from page 60)

The J&K Bill has generated considerable interest among the advocates of decentralisation. It is hailed as a Bill imaginatively conceived which will infuse into the people of J&K a new spirit of self-reliance and self-confidence. The idea of panchayati adalat is novel and bold.

conclusion

The second phase of panchayati raj has disturbed the earlier "balance" between officials and non-officials. Consequently, a process of trial and error, a process of adjustment is inevitable in order to appreciate the view points of the official and non-official sides. It took some time in West Bengal to understand the new ethos.

In Karnataka, serious questions are raised whether bureaucracy will throttle the P.R. initiative. Are they not hurt because the rural folks have become their masters under the new dispensation? Another question which attracts our attention is, will the inclusion of MPs, MLAs and MLCs in the local bodies help growth of local leadership? It has been argued that their presence is meant to maintain link between Zilla Parishad and policy making bodies at the State and union government level. The Ashok Mehta Committee had, it may be recalled here, suggested inclusion of nominees of only bigger municipalities, persons with special interest in rural development and university teachers in social sciences; and excluded MPs and MLAs because they carry a lot of weight and their direct association with Z.P. will inhibit the emergence of local leadership.

In his dissent note to Ashok Mehta Committee report, E.M.S. Namboodiripad had gone to the extent of saying that even the presence of non-elected members might imply that ZP is a body concerned with development alone; thus relegating the political and democratic dimensions to background.

Total freedom from the strangleholds of Central and State level political leadership, non-elected members and officialdom is a prerequisite for effective functioning of panchayati raj.

Political interference over the heads of the Panchayat bodies is most dreaded aspect of present-day politics. It will be milder if the Z.P. and mandals belong to same party but severe if they belong to the opposition. One such issue which had already come up is the question of

"It is not desirable to vest the powers of the supersession and dissolution directly in government's hands. The central issue for a functioning democracy at the lowest level is that the local level institutions should not exist at the sweet-will and pleasure of the government in power."

Mandal reservations in districts in Andhra Pradesh. Charges have been levelled in some districts that the reservations were decided not on the basis of population of SCs and STs in a district, but on the political interests of the ruling party.

It is not desirable to vest the powers of the supersession and dissolution directly in government's hands. The central issue for a functioning democracy at the lowest level is that the local level institutions should not exist at the sweet-will and pleasure of the government in power. They should be autonomous and guided by the larger interests of the local community within the overall framework of national interest. It does not mean that there should not be any check and balance. These controls should not be from above, but built in horizontally, by people themselves. ■■■



Village Panchayats

True democracy cannot be worked by twenty men sitting at the centre. It has to be worked from below by the people of every village....

In my opinion, there is no law which can stop a Panchayat from functioning wherever the people want it. Every group (of villages) or its member can have the Panchayat system whether the rest of India has it or not. True rights come as a result of duty done. No one can snatch away such rights. The Panchayat is there to serve the people. In the true democracy of India, the unit is the village. Even if one village wants Panchayat Raj, which is called republic in English, no one can stop it.

— Mahatma Gandhi, Harijan, 18-1-48, p. 519.



Decentralisation the Nagaland way !

Dr. B.N. Sahay

Nagaland has embarked on an experiment of decentralisation of power by directly providing plan funds to all the villages thereby increasing their competence to plan and implement development schemes. The author, who visited the State sometime ago, saw for himself this experiment being conducted there. He speaks highly of the successful cooperative partnership between the Government and the people for all-round development in every village irrespective of its location. Especially, he commends the role of Village Development Councils in which peoples of both traditional mind and modern outlook sit together to plan and decide their own course of action of growth and development. The author feels, the Nagaland approach is worth experimenting in other hill and tribal areas, particularly in the tribal areas of the north-eastern region.

AMONGST THE SUCCESSFUL EXPERIMENTS of decentralisation of power and responsibility, the arrangements of the Government of Nagaland for directly providing plan funds to all the villages and thereby launching a process of gradually increasing planning and implementation competence at the village level deserve special mention. An assessment of these arrangements has been made in this paper with the hope that the lessons learnt are not lost sight of while planning and administering the rural development programmes with the full involvement of people.

origin

Each village in Nagaland today has a Village Council and a Village Development Board—corresponding to a regulating and an executive body. The traditional institution of the Village Council (corresponding to the statutory *Gram Panchayat*) was given a legal status in 1968. Subsequently, in 1978, the traditional Village Councils were given powers to deal with development matters. As a result, a Village Development Board (VDB) was created by the Village Council of each village

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during 1980 under the VDB Rules, 1980 framed under the Village and Area Councils Act of 1978. The main duties of the VDBs are laid down in Rule 3 of the VDB Rules, 1980 as under :

"The VDB shall... formulate schemes, programmes... for the development and progress of the Village or individuals in the village ... either using the *Village Community or other funds.*"

structure

A VDB consists of members representing all clans (*Khels*) appointed by the Village Council, including at least one woman. From amongst them one literate member is chosen as the Secretary—the key functionary. The chairmanship of the VDBs lies outside the village in the hand of the Deputy Commissioner who acts essentially as a moderator and has the power to exercise a veto over drawal of money from the VDBs bank accounts. The structure and functions of this organisation are given in Rule 4 read with Rules 5 to 7 and 20 VDB Rules, 1980 (Annexure I).

resources

In addition to resources, such as, labour, material, and incomes from community owned assets, at present there are three main components of the monetary resources of a VDB as under:

(1) Monies raised by the Community through household contributions, community works, donations, etc;

(2) A grant from the State Government matching equally that part of (1) above which is invested by a VDB in a long-term (5 years or more) *fixed deposits* subject to a limit of Rs. 75,000.

This investment generates an annual interest and facilitates credit to a VDB for taking up development activities. These fixed deposits constitute the *'development capital'* of a village and provides *financial security* even to the remotest villages; and

(3) Annual recurring grant-in-aid by the State Government at the rate of Rs. 300/- per household subject to a maximum grant of Rs. 1,50,000/- and a minimum of Rs. 15,000/- per VDB. This grant-in-aid becomes the major component of the *Village Plan size*. This grant-in-aid programme is implemented in accordance with the procedures prescribed by the State Government.

activities

Based on the felt-needs of the village (as reflected by the schemes completed by the VDBs), the State Government have approved 29 works/schemes (in addition to any other experimental activity suggested by a VDB) from which a VDB chooses its own schemes to be included in the *Annual Village Plan* (Annexure II) under the grants-in-aid programme mentioned above.

villages visited

Two villages, namely, JOTSOMA in Kohima district and CHUCHUYIMLANG in Mokokchung

District were visited and detailed discussions with the members of the Village Councils and VDBs were held. I happened to visit *Jotsoma* in 1981 when the VDBs had just been formed. The current visit was after a lapse of seven years. The moment I entered the village, I was startled to discover that the *"village had chosen progress"*. The general description of the two villages is as under:

(1) *JOTSOMA*: Inhabited by the *Angami Nagas*, the village is located at an altitude of about 5000 feet and a distance of 12 Kilometers (north-west) from Kohima, the district and the block headquarters. There are about 300 households (population being about 1800) most of which cultivate paddy in permanent terraces on the hill-slopes. Some of the households also practise 'slash and burn type' of shifting cultivation popularly known as *JHUM* and grow maize, millets, etc. A few households, however, also go for raising crops, such as millets, potatoes and chillies under a permanent forest of *ALDER* trees which are merely pollarded (and not cut down) for this purpose. Besides these cultivator households, there are some who are employed in government jobs. The literacy percentage of the village is little higher than the state's average which is around 40 per cent. There are primary schools right in the village in addition to a Middle-cum-High School located at a distance of about a Kilometer. The village has a church, big community hall, piped water supply facility and is covered by a Health Sub-centre. The village is well connected by an all-weather road.

(2) *CHUCHUYIMLANG*: Inhabited by *Nagas* the village is situated at an altitude of about 4000 feet and is about 32 Kilometers (north) from Mokokchung—the district headquarters. There are about 500 households (about 3000 population) most of which practise 'slash and burn type of shifting cultivation (*JHUM*) and raise crops like paddy, maize, and millets. A few households have, however, taken up coffee cultivation recently: It was gathered that due to the inherent low productivity in *JHUM* cultivation, quite a sizeable number of people of this village have migrated (with linkages in the village for the satisfaction of socio-economic needs) to Mokokchung, Dimapur and Kohima towns for earning their livelihood. The literacy percentage of the village is higher than the state's average. There are primary schools in the village and a Middle-cum-High school located at a distance of about 3 Kilometers. The village has a newly constructed Church, a big community hall, water supply facility, and is covered by a Health sub-centre. Although the village is located by the side of the State Highway, the connecting approach road is still *Katcha*.

VDBs in action

While the VDB of *JOTSOMA* was formed in 1981, that of *CHUCHUYIMLANG* was constituted during 1980. The schemes planned and taken up to completion under the Grants-in-aid programme and the matching grant scheme in both the villages are given below:

(1) *JOTSOMA*: During the period 1980-81 to 1987-88, the VDB received a total grant-in-aid of about Rs. 4.75

lakhs through which about 50 schemes were taken up to completion. Some of the major ones are: a big community (Council) hall, community granary, community rice mills (run by the women), community fishery pond, Women society building, resting-sheds on way to cultivation sites, kitchen garden by the women, suspension bridges over the streams, children's home, social forestry, etcetera and maintenance of assets created. In addition, the VDB also received the maximum permissible matching grant of Rs. 75,000/-. Thus, the *permanent development capital* of the VDB is Rs. 1.5 lakhs in the form of fixed deposits with the Bank. It was gathered that the VDB so far drew a loan of Rs. 1.5 lakhs for the construction of a building at Dimapur (70 Kms. from the village) which is now fetching the community a monthly income of Rs. 5000/-. This is a *significant example where the profits of an urban investment by the villagers themselves are ploughed back to the village community*. The above bank loan has been repaid and the balance income is being reinvested into extending the aforesaid building.

(2) **CHUCHUYIMLANG:** Similarly, from 1980-81 to 1987-88, the VDB received a total amount of about Rs. 6 lakhs under the Grants-in aid programmes of the State Government. With this assistance, the VDB planned and completed 32 schemes. Some of the important ones include community granary, purchase of buffer stock of paddy, *inter-Khel* (like a Mohalla) roads and masonry foot-paths, pit-latrines, link roads between village and cultivation sites, banana farm of the women society, community wells/tanks (on perennial streams around the village), culverts and suspension bridges, etcetera, and maintenance of assets created. During the same period, the VDB also received a matching grant of Rs. 75 thousand enabling the building up of a *permanent development capital* of Rs. 1.5 lakhs. Against this amount as security, the VDB has, so far, taken a loan of Rs. 70,000/- for taking up various development/productive activities in favour of the community as also individual households.

highlights of VDB action

The above discussion reveals that:

(1) A lot of development work directly leading to an improvement in the *Quality of Life* could be taken up to completion because the choice of schemes was strictly in accord with the people's own perception of their problems and needs;

(2) *Left to themselves*, people choose to satisfy their infrastructural and immediate physical needs (security against hunger, for example) first followed by the satisfaction of the needs to diversify/increase production; and

(3) Given an *assured opportunity*, people can create assets of great value and utility with minimum expenditure. This is because people get motivated to contribute labour and material when it comes to the satisfaction of their felt-needs.

significance of the VDB approach

The preceding paragraphs highlight the fact that there has been a *successful cooperative partnership*

between the Government and the people for all round development of the people living in every village irrespective of its location. This dream could become a reality because:

(1) The traditional political village institutions could be appreciated and a happy synthesis between the 'Old' and the 'New' ideas, values, and institutions was harmoniously established. This saved the community from the impending tension and conflict situations since a clash was averted between the traditional village authorities (in the hands of the Village Council elders) which preferred cautious change and the younger educated generation which wanted rapid change. Perhaps, there is no alternative other than a forum like the VDB where the 'Old' and the 'New' can sit together to plan and decide their own course of action for growth and development.

(2) The approach to the people and their problems is one of the fundamental principles enunciated by our late Prime Minister, Pandit Jawaharlal Nehru that *people should develop along the lines of their own genius and we should not impose anything on them*. It appears that, by and large, the Government machinery have internalised this principle as evidenced by their interaction with the people during our visit. Their approach to the people was like a friend, philosopher, and guide and not like an official, elder brother or a preacher;

(3) The development process was undertaken through, *and not in rivalry with*, the traditional socio-cultural and economic institutions. This was accomplished without over-administering the area or overwhelming the people with a multiplicity of schemes. In fact, through a concept of 'joint management', an organic linkage was forged between the 'Old' and the 'New' (or the traditional and the emergent) on the one hand, and between the Village and the Collector as the prime representative of the Government, on the other;

(4) Through a well thought out and *easily comprehensible* system of inter-personal communication, opportunities were afforded to the officials to reorient their way of thinking, on the one hand, and to the village leadership to acquire planning, administrative and managerial competence, on the other. This was effected through the VDBs Secretaries and Village Council Chairmen, Training Camps-cum-Conferences held frequently at the district headquarters. A sense of confidence and determination to accomplish the goal on the part of the people was obvious. One could observe the quality of *human character* that is now emerging; and

(5) *The openness of this system* of funds administration and of undertaking developmental activities at the village level has automatically led to the emergence of an effective inbuilt system of vigilance.

replicability

The question now is whether or not the Nagaland VDB approach can be replicated in other parts of the country, particularly when the levels of development and the socio-cultural factors are so diverse. The reply to this question seems to be in the affirmative. If:

(1) This approach is tried in similar socio-cultural and economic milieus including presence of a traditional political system. Many of our hill/tribal areas may adopt this approach with necessary modifications. Particularly, the tribal areas in the north-east may try out this approach;

(2) The States where *Gram Panchayats* are functioning may also try out this approach. In order to give a practical shape to it, a closer look at the structure of the *Gram Panchayat* may be necessary, particularly with a view to incorporating the concept of *joint management or cooperative partnership*; and

(3) In the states where *Gram Panchayats* are not functioning or are defunct, steps should be first taken to revitalise them quickly so that people are not denied the opportunity to participate in the planning process.

It goes without saying that democracy in our country has come to stay. What is important is that the *relationship between Democracy and Development must be institutionalised at the level of the people* by forging a partnership between the *Gram Panchayats* and the Government machinery. This only can enable a satisfactory and equitable system of sharing the gains and pains of development.

EXTRACTS FROM VILLAGE DEVELOPMENT BOARDS MODEL RULES, 1980

Rules.... Composition

4. The Members of the Village Development Board shall be chosen by the Village Council. The tenure of members shall be 3 years unless decided otherwise by the Village Council by a resolution. The members may include members of the Village Council or those who are ineligible to be chosen as or for being members of the Village Council by virtue of their age; or by virtue of tradition and custom. At least one woman shall be a member of the Board representing all the women in the village. Government servants can be chosen as members with the permission of the Government.

5. A member of the Village Development Board may be replaced by a resolution of the Village Council for reasons to be recorded in the Resolution.

6. The Deputy Commissioner shall be ex-officio Chairman of the Village Development Board.

7. The Village Development Board Members shall select one among themselves as the Secretary who shall be a person who is literate.

20 Whenever the Board passes a resolution authorising the Secretary to withdraw any amount from the Bank Account, 3 copies of such a resolution signed by the VDB Members present in the meeting shall be prepared by the Secretary and he shall personally meet the Chairman with these 3 copies.

When the Chairman receives these 3 copies, he shall examine them. If the Chairman finds nothing wrong, he shall record his approval on all the 3 copies. Thereafter, one copy will be attached to the cheque. The second copy will remain in the Chairman's office and the third copy will be brought back to the village by the Secretary to be read out in the next month's public meeting.

Secondly, if the Chairman has some doubts, but not serious, he shall record his remarks on the copy of the resolution to be kept in his office and record his approval on the other 2 copies. In such an event, the Chairman shall send the copies of his remarks to the VDB Members and the Chairman of the Village Council for their information.

Thirdly, if the Chairman has serious doubts about the propriety of the resolution, he may return the resolution with his remarks for reconsideration or fix a date for an open public meeting in the village and put the matter before the public.

LIST OF APPROVED SCHEMES FOR EXECUTION OF VDBs

1. Fruit Juice Extraction Units.
2. Community Household Electrification
3. Community Piggery.
4. Community Piggings Production
5. Community Poultry.
6. Community Fuelwood Production
7. Community Bakery.
8. Community Charcoal Production
9. Community Granary
10. Community Fishery
11. Community Shawl Weaving.
12. Community Fingerlings Raising
13. Community Silk Worm Production
14. Community Salt Making
15. Community Horticulture
16. Community Vegetable Growing
17. Community Cold Storage.
18. Community Bee Production
19. School Building
20. Dairy
21. Improved Housing
22. Beef Cattle Rearing
23. Fair Price Shops in Feasible Areas.
24. Approach Road only in Backward Areas to link villages to state or National Highways.
25. Community Tree Plantation in Catchment Areas
26. Water Resources.
27. Rice Mill
28. Bio-Gas Plants.
29. Public wells or Reservoirs.

PLUS

ANY EXPERIMENTAL SCHEME THAT WOULD ENHANCE OR IMPROVE THE OVERALL PROCESS OF RURAL DEVELOPMENT.





Panchayati Raj—commitment or cajolery ?

Balraj Mehta

In the opinion of the author, a noted journalist and a prolific writer on economic affairs, the concept of village democracy as envisioned by Mahatma Gandhi has become irrelevant today in the context of the development of socio-economic and political processes at work in the country after gaining independence. He argues that although the five-year development plans were drawn with increasing skill and sophistication, their implementation was not supported by the mobilisation of the vast human resources available in the country, nor by a well-organised people-oriented institutional infrastructure. Hence, he concludes, the desired results could not be achieved, and whatever development has taken place, the gains therefrom have tended to be monopolised by thin upper stratum, leaving the mass of the people in the cold. The author holds the view that basic socio-economic reforms and a structure of popular institutions at district level and below, which are accountable and responsive to the people, have to be introduced first. Otherwise, he says, vested interests would reap larger benefits and enhance the area of their influence in collusion with the beurocratic machinery, thereby depriving the masses of their minimum rights. In dealing with the new approach to management techniques, the author has expressed doubts about their effectiveness and tells that Panchayati Raj does not fit into the frame of such schemes.

The revival of the talk of Panchayati Raj, decentralisation of administration and popular participation in the development process may appear to be very appealing but is as yet hardly enlightening. That this talk started somewhere gingerly and has

become strident in the wake of conflict of interests in society and tension in polity surfacing rather forcefully and dramatically is by itself quite intriguing. This is not an altogether novel phenomenon, however. It has been observed from time to time during similar

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circumstances in the past to simply disappear without leaving behind any noteworthy impression once the entrenched political-power structure was able to manage and regulate the turbulence it might have been facing at any point of time, regain a measure of balance and stability and assert and enforce its authority. The dominant impulse has indeed always tended to be towards greater and greater concentration of power and centralisation of the administrative and repressive apparatus of the State.

distribution of assets

This has not been wholly fortuitous. It is not possible, after all, for the political-power superstructure to be starkly out of alignment with its economic and social base. The political order, in the

"While the exercise of power is duly regulated by some checks and balances enshrined in the Indian Constitution, there can be no infringement of the overriding principle of the right to property which is absolute and is subject to no reservation at all."

final analysis, has to find balance and stability by resting firmly on its material foundations which in India, the empty and deceptive talk of the Indian brand of socialism notwithstanding, is governed by the sanctity of private property and rights of owners of capital and land. While the exercise of political power is duly regulated by some checks and balances enshrined in the Indian Constitution, there can be no infringement of the overriding principle of the right to property which is absolute and is subject to no reservation at all.

This has implications for the political order, the administrative set-up, the management of popular aspirations and respect for the democratic rights of the mass of people in a society where only a small minority enjoys the privilege of owning material assets, above all capital and land. The vast majority of the Indian people with no or little assets have to eke out existence by sale of labour power for wages which are neither adequate nor fair. A system or arrangement under which political and administrative power is proposed to be truly and effectively decentralised to what is romantically but euphemistically called the "grass roots" level would tend to be an anachronism in the prevailing extreme inequity in the distribution of assets and income which is among the most galling in the world. The periodic talk about Panchayati Raj and decentralisation of administration and the excitement that it generates among the elite in these conditions cannot be anything but a ploy which carries neither conviction nor credibility.

Some people talk nostalgically about the scheme of things which the Father of the Nation, Mahatma Gandhi, favoured. His vision of village democracy or Panchayati Raj intertwined with the concept of village self-sufficiency so far at least as satisfaction of the basic needs of the masses of the people in rural society is concerned. This has become totally irrelevant in the context of the development of socio-economic and political processes at work in India after gaining political freedom. The drive for creating a unified all-India market as the basis for gainful economic activity emphasises this position.

The problem got further aggravated, to begin with, not only by the reluctance, after political power had been transferred to Indian hands, to introduce radical reforms in the socio-economic structure, especially feudal land relations, inherited from the colonial era. There has been, in addition, an unreserved reliance on the part of the political authority on the administrative, punitive and security organs and institutions put in place and left behind by the colonial rulers. Combined with the failure to carry out tasks which must receive first priority in the programme of a national liberation movement such as the eradication of illiteracy and organisation of basic health and extension services, investment plans for the development and modernisation of the economy and society, however sophisticated and well-planned, were bound to be vitiated and stunted.

philosophy of gradualism

There are indeed a set of basic reforms of the socio-economic structure and essential programmes of mass welfare which had to be taken up on a crash basis when the triumphant national movement and its

"The growth process in the primary (agriculture), secondary (industrial) and tertiary (services) sectors of the economy in India in contrast to the all-round integrated development of the economy and society, have suffered from large lags and shortfalls as well as distortions not because the successive five year development plans were bad. They were actually drawn up with increasing skill and sophistication."

leadership still enjoyed authority and capacity for mass mobilisation to carry them out without involving high economic and social costs. The carrying out of such tasks is simply not amenable to the philosophy of gradualism and legalistic measures. It is no wonder, therefore, that the priority programmes of social change, cultural renaissance and mass participation in democratic polity still remain unfinished forty years after gaining political freedom and there is no sign on the horizon that they are any nearer completion by investment plans which have been or are being

undertaken both by public authority and private enterprise.

The growth process in the primary (agriculture), secondary (industrial) and tertiary (services) sectors of the economy in India in contrast to the all-round integrated development of the economy and society, have suffered from large lags and shortfalls as well as distortions not because the successive five year development plans were bad. They were actually drawn up with increasing skill and sophistication. What has gone wrong with their implementation is that they were not supported by the mobilisation of the vast human resources in the country and a wellorganised, people-oriented institutional infrastructure. The result, therefore, has been that whatever development has taken, the gains have tended to be monopolised by a thin upper stratum, leaving the mass of the people in the cold. By the mid-sixties, therefore, development planning, as originally conceived was already in disarray. Subsequently, populist measures and gestures were an apology for development planning. The five year plans have since tended to be exercises in window-dressing rather than serious commitments in terms of policy or implementation. No wonder, by early eighties and more so since the mid-eighties, plan priorities have been turned upside down and the public authority has preferred to shed as fast as it could its development role and responsibilities with the fond hope that private enterprise which is facily believed to be more efficient than public enterprise will deliver the goods.

The questions relating to Panchayati Raj, responsive administration and mass participation in the development process have in these circumstances thrown up some rather odd and even disconcerting features. They have come under such contrary pulls and pressures that their thrust and meaning have tended to be fudged and befuddled. It is simply not possible to square the talk for decentralisation with passionate cries for preserving and enhancing the power of the central authority in the management of polity, revamping and streamlining of administration and development planning and process. If Panchayati Raj system is envisaged as the creation of a third tier within the constitutional frame whose essential purpose and objective would be to assist a highly centralised bureaucratic machine, controlled and regulated by the central political authority, in order to by-pass the States and their elected governments which have well-defined status under the Indian constitution, this will not be decentralisation of political power and administrative system but subversive of the federal system and arrangement based on linguistic affinities and regional identities. This is only emphasised by the proposal to hold Panchayat elections in the troubled Punjab under the President rule, imposed after dismissal of the elected

State government, which has been extended and kept in place by special amendments to the Constitution. The very idea that the State governments can be knocked out of the picture even as decentralisation process is set in motion and the constitution may be amended for the purpose is to mock at the philosophy and politics of decentralisation of power and Panchayati Raj. This is not something novel either. Once before, way back in 1959, the then Deputy Chairman of the Planning Commission, the late Dr. D. R. Gadgil, remarked "The present mood is to talk about village democracy but deny real power even to the states"

clash of interests

The starting point for any meaningful design for decentralisation of political as well as administrative power has to be a halt to and reversal of the process of centralisation which has advanced to a point where Centre-State relations, in spite of their clear and definitive delineation under the Constitution, have come under a severe strain on all counts-political, administrative and financial. The position had indeed

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aggravated to an extent where the institutional arrangements governing Centre-State relations are tending to decay and ossify and the contending forces on both sides often take on confrontationist positions with unseemly political rhetoric in order to buttress with mass mobilisation their respective claims and contentions. This position has become all the more ticklish when political parties other than and opposed to the ruling party at the Centre have come to power in several States through democratic electoral process.

A decentralised planning process, which is unquestionably an attractive proposition, is not possible under such a political environment. This is so especially when decentralised planning is supposed to involve participation and reflect the interests and aspirations of the mass of our deprived people at the "grass root level" and ensure that the benefits of planned development reach down to them. Development planning, after all, is not an exercise which is apolitical. It involves a sharp clash of interests - economic, social and political. The growing virulence

of the clash of interests has actually posed the question of the feasibility of meaningful development planning itself. This question has become insistent and outspokenly cynical in recent months when the commitment of the political authority at the Centre to the aim of economic development and social equity as well as discipline of planned development can no longer be taken for granted. The real issues in meaningful development planning are indeed being side-tracked both by the union government as well as many of the State governments. Their record of resource mobilisation for development, for instance, is admittedly dismal. But for some pointless noises and diversionary populist gestures, no firm or serious remedial action is being taken. On the contrary, there is drift into makeshift remedies which appear for the moment more easy but are bound to accentuate the socio-economic and political problems.

The slogan of decentralised planning in the wake of palpably retrogressive developments in the economy and polity, and policy shifts can be no mantra which

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can revive meaningful development process. It is not enough either to assemble helter skelter a mass of data on local conditions by the proposed computer network. Development planning at district level or below is bound to lack operational value outside a macro socio-economic and political policy frame and may well turn into a talking point of the vested interests entrenched at local and district levels. In the absence of basic socio-economic reforms and structure of popular institutions at district level and below, which are accountable and responsive to the people, decentralised planning will be perverted by the vested interests in collusion with the bureaucratic machine to strengthen their social influence, economic power and political clout, deprive the mass of the people of their rights and intensify their exploitation. The pushing through of the so-called centrally-sponsored schemes and technology missions in which the State governments are required to play the second-fiddle cannot be the panacea either. There must be delegation of powers and responsibilities on a wide-front to the State governments, in the first instance, which in turn must enter into similar arrangements with elected local bodies both in urban and rural areas.

training the trainers

The “module on responsive administration” drawn

up by a Ford Foundation Consultant and aimed at inculcating what is called “normative values”, is being followed with great devotion and is proposed to be part of a wider effort for enhancing knowledge and skills of administrators and managers on preferred lines. This effort is proposed to be supported by a variety of foreign inputs such as training of trainers abroad and setting up of institutions in the country which will have what is called “mentor relationship” with management programmes and institutions abroad to put in place standardised curriculum, training material and faculty. The existing training programmes and institutions conducting such programmes in the country have necessarily lost, in the wake of this development, relevance and importance in the union governments scheme of things. In the context of what is called a strategic intervention of the government for revamping the entire gamut of training administrators and managers, the role of academics and institutions which rely on academia is, in particular, being downgraded. The emphasis has been shifted to training the in-service personnel, especially the IAS cadre, to become trainers. Frowned upon especially are tendencies in the training and research institutes in favour of studies in development planning, social cost-benefit analysis, problems of popular participation in the development process and share of the underprivileged in the gains of development.

The World Bank, it might be noted, came out several years ago with a programme based on the philosophy that management and administration provide the solution for the problems of the developing countries, among them India in particular. It made a case for what are called pragmatic policies without ideological and moral hang ups and reliance on good management techniques aided, of course, by computers for achieving desirable objectives of stability and growth without disturbing the established socio-economic and political order. The ruling politicians in the developing countries were expected to accept these propositions as a substitute for the more risky and arduous tasks of institutional reforms and change in social relations. Management of development was elaborated by the World Bank with great finesse. The management capacity of the governments, especially in the developing countries, was overstretched and overloaded, it was argued. It was, therefore, recommended that this load be reduced by sharing the burden of development with private enterprise—both indigenous and foreign. Public authority, it has since been argued, should not overstretch its development role and be content with what is called a “consultative approach” and let things happen by offering incentives to private enterprise and relying on the profit motive in the market economy to achieve results without being unduly concerned with

other considerations such as equity. This view of the development process has come to be accepted gradually and step by step in India during the eighties. The administrative system and structure is being revamped precisely on these lines.

modernising management structure

Lower priority for mobilisation of resources by the State and emphasis on efficiency of investment of resources and higher returns on investment, especially in private sector, have to be the special features of the management of development-new style, according to the World Bank. These propositions are inspired by the axiom that private management is a better vehicle than public enterprise for the efficient use of resources available or mobilised. It is irrelevant in this scheme of things whether socially-oriented priorities of development are embodied in the long-term development process. Efficiency of management has to be given precedence over the policy frame of development. A desirable management culture and work ethics can, however, be neither imposed by administrative fiat nor imported. They have to evolve within a given socio-economic and political milieu and changes that take place in socio-economic relations which impinge on different segments of population and sectional and class interests. It is not, therefore, either fortuitous or surprising, that those who are relying on administrative training and good management tools of their conception do not hesitate to give more rewards for top managers and administrators on a graduated basis and like to rely more on labour-saving technologies and enhanced powers to discipline working people and maintaining law and order. These indeed appear to be the essential parameters of the project for revamping and modernisation of India's management and administration structure. The implications of these trends in the application of technologies and management practices and revamping of administration in that context can only be ominous for a society of mass unemployment and mass poverty in India.

How does the Panchayati Raj about which so much is being talked about fit in such schemes of things? This may actually be inspired not so much by commitment to the decentralisation of power and responsibility as by the desire to dilute the role of public political authority in the development process even while saddling local bodies in rural and urban areas with accountability sans effective power to carry out the tasks arbitrarily assigned to them. In addition, this may be a ploy to mobilise the local representatives of vested interests in rural and urban areas in support of the bureaucratic administration and law and order machinery to put down social unrest and the struggles of the deprived masses for their rights and claims. It is possible, ofcourse, that popular masses by asserting

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their democratic will may still break through the new shackles that may be attempted to be forged by the vested interests at different levels of society and polity and secure some of their rights and claims. But the Panchayati Raj institutions such as are proposed to be created under the entrenched political - power dispensation and with structural reforms of the property and social relations ruled out may turn out to be a scheme for strengthening shackles on the movements and struggles of popular masses rather than instruments of reform and reconstruction of Indian economy and polity to subserve larger social and development purposes. □ □ □

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Amend Constitution to strengthen Panchayat set-up

Dr. M. Naganathan

The author here surveys the approach of the Government towards the Panchayati Raj system right from the year 1957 when the Balwantrai Mehta Committee was appointed to recommend steps to rejuvenate the grassroots-level institutions. He is of the view that 'economic stability and equality can be achieved only through the Panchayati Raj institutions. However, under the present constitutional and social set-up, Panchayati Raj institutions cannot work successfully'. Giving the example of the Chinese communes as a successful strategy to decentralise powers for rural development, the author strongly recommends amendment of the Constitution to grant more financial powers to both the States and local bodies to enable the grassroots institutions to become viable politically, economically and socially'.

PANCHAYAT RAJ HAS BEEN ACCEPTED as a goal and incorporated in the Article 40 of the Constitution of India largely through the initiative of late K. Santhanam who always stood for economic and financial decentralisation of powers. The resolution on Panchayati Raj was moved by him in the Constituent Assembly.

The Article states that the state shall take steps to

organise village panchayats and endow them with such powers and authority as may be necessary to enable them to function as units of self-government. To fulfil this constitutional obligation, the State Governments in India enacted Panchayat Acts. Panchayat institutions in spite of their many handicaps are still a viable institutional framework for bringing about social, political, cultural and economic changes in India.

PANCHAYATS - ROOTS OF THE REPUBLIC

According to 1981 Census 76 per cent of the Indian population lives in villages. Most of them are under the clutches of poverty and illiteracy. Therefore only through Panchayati Raj institutions it is possible to reach these underprivileged and weaker sections of India. Many attempts had been made from time to time to rejuvenate this grassroots institution. Balwant Rai Mehta Committee appointed by Government of India in 1957 provided a new dimension and approach to rural democracy.

recommendations

The Committee felt that development cannot progress without responsibility and power. Community development can be real only when the community understands its problems, realises its responsibilities, exercises the necessary power through its chosen representatives and maintains a constant and intelligent vigilance on local administration. Based on the broad suggestions of Balwant Rai Mehta Committee, a large part of the country was covered by Panchayat Raj institutions. The total number of village panchayats covered 90 per cent of the rural population. "4974 Blocks had 4033 Samities, since some had opted for districts and Talukas as the key unit. Out of 399 districts, 262 Zilla Parishads were also conceived with varied degrees of actual power."

implementation

The findings and suggestions of the Committee were given serious consideration at the National Development Council meeting held in 1957. Based on these deliberations, various states created Panchayat Raj institutions according to the local conditions. States like U.P., Gujarat, Haryana, Himachal Pradesh, Maharashtra, Punjab, Assam and West Bengal had organised small-sized village panchayats covering a population of 1000.

"As revealed in the Asoka Mehta Committee Report, all political parties in India stand for decentralisation of powers upto the Panchayat Raj institutions. In practice there has not been much serious discussion reflecting the desire for decentralisation on the part of political parties.

State like Tamilnadu and Kerala constituted big village panchayats covering a population of 1200 to 15000. Many state governments like Maharashtra appointed separate committees to make further improvement in the Panchayat Raj scheme. For instance Maharashtra Government appointed V.P. Naik Committee on Panchayat Raj. This Committee suggested that more development programmes and schemes should be entrusted to Panchayat Raj institutions for implementation. The Committee also emphasised that a District Council should be created to monitor and coordinate various rural development schemes.

Madras Panchayat Act was passed in 1958. Panchayat unions were formed in 1960 to frame their own development schemes during the III Five Year Plan period in conformity with the guidelines initiated by the Third Plan. Tamilnadu Government appointed two Committees - Panchayat Education Finance Enquiry Committee (1970) and the Committee on Financial resources of Town Panchayats (1973).

Similarly Committees on Panchayat Raj were appointed by States like Rajasthan, Gujarat etc. In 1984 A.P. Government asked the National Institute of Rural Development to study the resource aspects of Andhra Pradesh Panchayat institutions.

'Economic stability and quality can be achieved only through the strengthening of these Panchayat Raj institutions. However under the present constitution and social set up, Panchayat Raj institutions cannot work successfully.'

Asoka Mehta committee

Another landmark in the Panchayat Raj institutions was the appointment of a Committee by the Government of India on Panchayat Raj institution in 1977 under the chairmanship of Asoka Mehta. The Committee reviewed the working of various Panchayat Raj institutions and made significant recommendations to activate these institutions. As rightly observed by the Committee, "The story of Panchayat has been a story of ups and downs. It seems to have passed through three phases: the phase of ascendancy 1959-64; the phase of stagnation 1965-69; and the phase of decline 1969-77." (Report of the Committee on Panchayat Raj institutions, Govt. of India, 1978.)

new thrust

Between 1977 and 1987, the Panchayat Raj institutions passed through a phase of neglect. However the recent approach of the Prime Minister gives a hope that these grassroots institutions can be strengthened and stabilised in the ensuing VIII Plan period.

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the lacunae

Though many rural development activities have been initiated since independence, these schemes have failed to uplift rural masses. This is because there is no specific constitutional provision regarding the structure, and financial and administrative powers of rural institutions. As observed by many individual research studies as well as expert Committee Reports, these Panchayat Raj institutions have been at the mercy of the State Governments and their bureaucratic systems. The bureaucratic institutions

always like to usurp the powers of the rural institutions.

Another issue relates to the social aspects of the rural society in India. After several years of economic planning, Indian rural scene witnesses feudal tendencies in the land structure. Usury, caste and communal conflicts and social and cultural backwardness are the additional contributing factors responsible for malfunctioning of Panchayat Raj institutions. Even the achievements of Five Year Plans have touched but the fringe of the problem. The Panchayat Raj institutions as evolved in their present form have not provided any tangible solutions to the socio-economic ills of rural India.

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Another issue relates to the lack of political will to share the power with the grassroots institutions of rural India. This has been pointed out by Balwant Rai Committee Report and Ashok Mehta Committee Report. Political parties play a very prominent role in the parliamentary democracy of India. As revealed in the Ashok Mehta Committee, Report, all political parties in India stand for decentralisation of powers upto the Panchayat Raj institutions. In practice there has not been much serious discussion reflecting the desire for decentralisation on the part of political parties. Unless this attitude of political parties changes, there cannot be any hope for the Panchayat Raj institutions.

Another issue relates to the economic development through Panchayat Raj institutions. Though India has accepted growth with justice as one of the goals of development planning, the process of economic growth in India has enriched only the rural rich and urban elite. It is unfortunate that after implementing Six Five Year Plans India has not tackled some basic economic problems of rural India. The provision of minimum needs like drinking water has been highly inadequate and unsatisfactory.

rural uplift schemes

The schemes of rural development adopted by the Government of India since the beginning of the Fifth Five Year Plan to minimise rural poverty are listed below:

- a) Hill Area Development Programme 1975.
- b) Special Livestock Production Programme 1975.
- c) Food for Work Programme 1977.
- d) Desert Development Programme 1977.
- e) Training of Rural Youth for Self-employment 1979.
- f) Integrated Rural Development Programme 1979.

In addition to these programmes some more rural development schemes were initiated during the Sixth Plan period. These were:

- 1) New 20 Point Programme 1980.
- 2) Development of Women and Children.

The achievements of these programmes were far from satisfactory because these programmes were sponsored by Central Agencies. The local Governments like the Village Panchayats are not fully involved in the implementation of Rural Development Programmes.

Many of the rural development programmes assigned to the village panchayats are not effectively implemented due to lack of resources and machinery. Therefore Panchayat Raj institutions are not showing keen interest in the ameliorating programmes mentioned above.

It is the right time for all the socio-economic and political institutions connected with the rural development to evolve a national consensus on a new strategy for rural development during VIII Plan period. This should be done by associating the Panchayat Raj institutions in this task.

other's experience

The experience of other developing countries of Asia especially Chinese experience in the rural development through communes needs special mention. The communes in China are the grassroots level institutions initiating rural development. As observed by Sartaj Aziz, “A Chinese Commune is not a large agricultural cooperative but a composite unit of local government that encompasses the whole range of economic, social, administrative and political functions for the rural community. Its essential purpose is to organise and mobilise the rural population to develop their land and other resources in order to meet their essential needs on the principle of self-reliance while at the same time reducing social inequalities and creating a rural society based on justice and equality. (Sartaj Aziz, Rural Development: Learning from China, 1979). The author had visited China in 1980 and 1982 and personally inspected the Communes and seen their concept of decentralised rural development with the simple philosophy, “from the bottom up and from top down”.

Any economic system based on agriculture should only adopt local level planning because the rural economy could alone provide income for the rural population by integrating national objectives, priorities and policies by having linkages with higher political and administrative levels.

The recent reforms in China regarding rural development also focus the need for further decentralisation of already decentralised commune system. “In handling relations with various mass organisations, the party and government will give full play to them (commun) and to the self-managed

organisations at the grassroots level. The purpose is to let the masses handle their own affairs in accordance with law. China has already gathered some experience in transferring power to lower levels in the course of its rural reforms."

(Peoples' Republic of China - the 13th Party Congress - China Reforms Beijing Review Publication, 1987, p. 36.)

While inaugurating the communes in the early years of socialist reconstruction (1950s), Chairman Mao observed "a new social organisation has appeared fresh as morning sun above the broad horizons of broad East Asia". (Chuhi and Tien Chien— Inside a People's Commune, Foreign Language Press, Beijing, 1975). He further adds, "It is good to set up people's communes. Their advantage is that they combine industry, agriculture, commerce, education and military affairs others making the task of leadership easier." (Ibid., p. 6.)

Though some of the operational and administrative aspects of commune system had been renewed and modified recently, the basic strategy of decentralisation in rural development is still maintained as a component China's rural reforms.

Gandhian concept

In this context it is to be noted that Gandhiji's views were expressed earlier than Mao on decentralisation of rural institutions. Gandhiji said, "my idea of village Swaraj is that it is a complete republic, independent of its neighbours, for its own total wants, yet interdependent for many others in which dependence is a necessity. Thus every village's first concern is to grow its own food crops and cotton for its cloth. It should have a reserve for its cattle and recreation and play grounds for adults and children. If there is more land available, it will grow useful money crops, thus excluding Ganja, tobacco, opium and the like. The village will maintain, a village theatre, school and a public hall. It will have its own water works ensuring clean water supply. Education will be compulsory upto the final basic course. As far as possible every activity will be conducted, on a co-operative basis..... The Government of the village will be conducted by Panchayat of 5 persons annually elected by adult villagers."

Till today we have not achieved the dreams of Gandhiji in creating ideal Panchayat Raj institutions. Presently certain functions are assigned to Panchayat Raj institutions in India. They comprise obligatory, optimal and agency functions. It differs from state to state depending upon the local conditions. Construction, repair, maintenance of all village Panchayat roads and of all bridges, road-dams and cause-ways on such roads, lighting of public roads, construction of drains and disposal of drainage water and sullage, maintenance of sanitary condition of the village or towns, the maintenance of burial and

cremation grounds, maintenance of wells, ponds, tanks, etc. and supply of protected water for drinking purposes, planting and preservation of trees on the sides of public roads, opening and maintenance of public markets in local areas, control of fairs and festivals, maintenance of slaughter houses, reading rooms, play grounds, literacy centres, maintenance of maternity and other hospitals, provision of elementary education, prevention and control epidemic diseases and maintenance of minor irrigation tanks are the functions entrusted to Panchayat Raj institutions. For fulfilling these functions, the Panchayat Raj institutions are given the following financial resources. Property tax, Professional tax and vehicle tax are the major taxes levied by Panchayat Raj Institutions. Licence fees on various commercial and industrial activities are also collected by Panchayat Raj institutions. Proceeds from Land Cess, Stamp Duty and Entertainment tax are transferred by the States to Panchayat Raj institutions. Since the above-mentioned revenue are not substantial for Panchayat Raj Institutions, the State Governments give grants and loans. The Grant Loan component is large in the finances of Panchayat Raj institutions.

Santhanam report

Taxation Enquiry Commission 1953-54 also suggested various measures to strengthen the finance of Panchayat Raj institutions. Santhanam Team suggested that "every State Government should establish a Panchayat Raj Finance Corporation to provide loans to Panchayat Raj bodies, to enable them to take up different type of remunerative enterprises" (Report of the Committee on Panchayat Raj Institutions, Govt. of India, 1978.)

These suggestions were not accepted by the State Governments since they are facing paucity of funds and dependent on the central devolution of funds. The Panchayat Raj institutions are called upon to meet the ever-growing needs of the rural population. They are unable to fulfil this demand because of financial constraints keeping in line with the new strategy to rural development; Asoka Mehta Committee has suggested the assignment of new economic and developmental functions to Panchayat Raj institutions. These recommendations of Asoka Mehta Committee were not implemented by the Government.

The Panchayat Raj institutions do not enjoy constitutional status in raising revenues and discharging developmental functions.

amend constitution

The Constitution of India should be suitably amended in order to grant more financial powers to both the States and Local Bodies. Then only these grass-roots institutions can become politically, economically and socially viable. Otherwise the strategy of VIII Plan to achieve economic development with emphasis on rural development will be a futile exercise. □ □ □



Revitalisation of Panchayati Raj

—its implications

C. Narasimham

The participation of people in running the affairs of state strengthens the democratic process and is an effective instrument for national growth. This is what local self-government is about and this is what we term as Panchayati Raj in our country. The author, Shri Narasimham, who has an extensive experience in the implementation of the Panchayati Raj concept, envisaged by the first Prime Minister of free India, Shri Nehru, traces, with hurt feelings, the gradual decline of the popular system over the years. He laments over the fact that the system, which held great promises, today stands administratively crippled, financially anaemic and caught in the cobwebs of confusing procedures. In his opinion, rural development is inseparably linked with the Panchayati Raj which provides innumerable opportunities of self-help and self-reliance to the vast rural masses, and trains the local leaders in the art of governance. He even goes to the extent of suggesting an amendment to the Constitution in order to fortify the smooth functioning of the Panchayati Raj system.

ADDRESSING THE ANNUAL CONFERENCE of Development Commissioners, Prime Minister Nehru said "there can be no greater or more fascinating adventure than Community Development and Panchayati raj. Those of us, who are partners in this work must therefore have some sense of pride in this vast undertaking and a feeling of exhilaration that we are participating in a historic task. We want good men at the top to guide this great movement. But we want more good men at the village level. We have to train up scores of thousands of village leaders who have a

measure of initiative and pride in their work." Pandit Nehru evinced very keen interest in the working of Panchayati raj till the moment of his death. He kept himself almost in daily touch with its progress. He wrote letters regularly every fortnight to the Chief Ministers requesting them to look after Panchayati raj themselves because of its importance and not to entrust it to any other Minister. He particularly wanted them to keep a close watch over its implementation and give it all possible encouragement. During his visits to States, he gave the highest priority to seeing the movement at its grass-roots level. He came all the way to Shadnagar in

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Andhra Pradesh to inaugurate Panchayati raj in that State. Speaking on that occasion at a huge public gathering he said "I am greatly interested in this great reform. If we succeed in it, and succeed we will, then we shall have done in our generation something worth while and something that will deserve permanent record." Later when he visited Visakhapatnam he addressed a vastly attended public meeting where he observed "the task of our Community Development and Panchayatiraj is to bring the message of hope to the masses of our people, to teach them self-reliance and confidence in themselves and the way to realise our objectives through hard and co-operative effort." In this gigantic effort Prime Minister Nehru received excellent support from Sri S.K. Dey the then Union Minister of State for Community Development who toured the States intensively, met the Chief Ministers, Development Commissioners and People's representatives and greatly helped to solve the local problems then and there. He was the Prime Minister's right hand in chalking out the details of programmes approved by him and he kept him fully informed from time to time of the State-wise progress at the field level. Sri Dey was the most popular Central Minister in those days. Rural people all over the country knew him, they cheered and greeted him on his tours. They used to stop him at unscheduled places and garland him.

Panchayati Raj annihilated

Alas! Panditji's death not only created a great void in the leadership of the Nation but it also dealt a death blow to the great Reform of Panchayatiraj in which the rural masses pinned their faith for the improvement of their lot. Thereafter, Chief Ministers looking after Panchayati raj became lukewarm: gradually they lost all interest in this movement and took various adverse measures which diluted the authority and utility of Panchayatiraj Institutions. The sheet-anchor of Panchayatiraj, Sri S.K. Dey, was no longer a Minister and thus the one leader who could still play a useful role and try to stem the rot was out of their way. Administratively crippled, financially anaemic and caught in the cobwebs of confusing and tangled procedures, Panchayatiraj institutions have been emaciated beyond recognition.

In some States, the Government set up a parallel organisation to Panchayatiraj institutions and diluted their prestige, powers and functions. For example in Andhra Pradesh, they constituted Zilla Development Boards under the Presidentship of District Collectors for the avowed purpose of maximising production and for overseeing the execution of works of Zilla Parishads. These are the main statutory function of Zilla Parishads. The Andhra Pradesh State Chamber of Panchayatiraj stoutly opposed the creation of these unwanted, unnecessary and superfluous bodies and the Zilla Parishads started a vigorous agitation against them. Five Years later, a New Chief Minister saw the futility of the parallel set up and abolished it but not before Panchayatiraj bodies suffered vastly and involved themselves in unending conflicts with the newly imposed development boards.

Several State Governments continued their efforts to obliterate Panchayatiraj all but in name.

The Social Education organiser was a key functionary in the block. He was removed from the Panchayat Samithi, redesignated as Block Assistant Public Relations Officer and attached to the Information and Public Relations Department.

The Extension Officer (Industries) who was meant for promoting Rural arts, crafts and small industries was handed over to the Industries Department and he became independent of the Block Development Officer.

The Extension Officer (Animal Husbandry), a graduate in Animal Husbandry, was in charge of veterinary dispensaries in the block and also extension work. He was replaced by a poorly qualified Live Stock Inspector. He was a low functionary and the essential programmes for upgrading cattle, for increasing milk production, for conserving fodder through construction of silos etc. suffered badly.

The extension Officer (Agriculture) was renamed as Assistant Agricultural Officer and placed under the direct control of the District Agricultural Officer. Agriculture development was the very soul of the block's programme and to have deprived the Samithi and the BDO of all control over this important block functionary shows the limit of the States' unconcern for increased production when the country was and still is in need of more food.

The Extension Officer (Education) who was responsible for over-seeing the village community's efforts for better enrolment of children in schools, for prevention of drop-outs, for proper distribution of free books and slates, for supervising midday meal services and for improving generally the efficiency of schools was not at all available for these important tasks. He was

"Panchayati Raj today exists only in name and that too on paper and perhaps on the lips of those few who struggled hard for years for its success. It is sad that all this has happened when in reality there is no alternative to strengthening our vast rural base."

frequently taken outside the block and entrusted with work wholly unconnected with the block e.g., conduct of Public examinations, spot valuation, inspection of secondary schools, clearance of arrears of work in the D.E.O's office etc. His diversion was nothing short of his actual removal from the block. Consequently Primary education with which the whole of our future as a nation is intricably bound was left to fend for itself.

The Mukhya Sevikas and Gram Sevikas had been transferred to the control of the District Women Welfare Officer and they functioned independently of the block authorities in this essential service relating to the Welfare of Women and children. What could these

women officials achieve without the involvement and assistance of the block personnel? Several State Governments made the Medical Officers of Primary Health Centres almost independent of the Samithi and its B.D.O. Consequently they functioned without any control what so ever at the block level. This naturally led to innumerable complaints against the quality of service rendered in P.H.Cs.

The Village Development Officer (Gram Sevak), a key functionary in his area, was originally conceived as a

"It is not difficult to imagine what the state of mind of the masses today is like. They are frustrated and disgusted with their experience, over the past three decades, with local authorities and will not be taken in easily now or hereafter by promises made by leaders. They want concrete results to justify a change in their attitude."

multipurpose worker for a very good reason. He was the one official who frequently visited the village (his jurisdiction covers only three or four villages) and the villagers knew him and met him frequently and sought his assistance to solve their problems. He functioned as their friend, philosopher and guide. He was the single window through which the people saw the government activities. His multipurpose character was given up and he was made an agricultural extension worker directly responsible to the agriculture department ignoring utterly the block personnel and the people's involvement in agricultural programmes.

The creation of Community Development Blocks has given the country for the first time a uniform unit of area development and teams of officials having the same designations and the same functions and executing the same development programmes. Nothing has tended to bring about so much integration of this country as Community Development has done. But unfortunately the block has been reduced to no more than an incongruous patch in the whole scheme of integrated rural development. It functioned under a leader (B.D.O.) who was totally ignored and effectively deprived of his team of officials. The excellent rapport that existed between him and the extension officers completely disappeared and the B.D.O became a leader without a team, without funds and ignored by the people.

finances of p.r. institutions

No account of the monumental tragedy of Panchayatiraj could be complete without a description of its finances. While the responsibilities of these bodies have multiplied manifold and the demands made on them by the people have spiralled along with galloping inflation, the State Governments showed scant concern for the progressive erosion of their financial viability. The P.R. Institutions reached a state of paralytic stupor. To call them people's institutions for self-government is to make a farce of the entire edifice of democracy.

p.r. exists only in name

Panchayati Raj today exists only in name and that too on paper and perhaps on the lips of those few who struggled hard for years for its success. It is sad that all this has happened when in reality there is no alternative to strengthening our vast rural base. Nearly eighty per cent of our people still live in villages. Self-help and self-reliance are essential for their progress and they could be best inculcated in them by their elected local representatives on Panchayatiraj bodies who should form a cadre of local leaders trained in the art of governance.

prime minister on the scene:

The Nation should be grateful to our Prime Minister Shri Rajiv Gandhi who, at this critical juncture, is giving his personal attention to the woeful state of Panchayatiraj and expressing his unflinching faith in the system of decentralisation of democracy and his strong determination to revitalise Panchayatiraj institutions so as to make them effective instruments in the hands of duly elected people's representatives and thus ensure the local people's effective participation in all schemes, projects and programmes designed for their own development. It remains to be seen how effectively he will be able to translate his intentions into practical action. Unless he accepts fully the implications of Panchayatiraj, develops a political will as strong as steel to fully implement this great reform, it would be difficult to fight successfully vested interests, communal elements, selfish politicians, narrow minded bureaucrats etc. It is not difficult to imagine what the state of mind of the masses today is like. They are frustrated and disgusted with their experience, over the past three decades, with local authorities and will not be taken in easily now or here

"Our experience spread over more than three decades has clearly established that the state Governments all over the country, instead of fostering the growth of local authorities, throttled them and made them totally ineffective to fulfil the aspirations of the rural masses."

after by promises made by leaders. They want concrete results to justify a change in their attitude.

what exactly are the implications of decentralisation (i.e.) panchayatiraj ?

It means, sharing of power by people's elected bodies with the State Government and so it implies the readiness of the Government to part with some of its powers.

It means, the division of State revenues between the Government and Local Authorities and so it implies that the State Government is fully prepared to make over sizeable funds to them.

It means, that no parallel organisation will exist and that the powers and functions entrusted to

Panchayatiraj institutions will not be encroached upon either by any other body or by the bureaucracy and so it implies that government undertake to ensure the functioning of these authorities without any unhealthy competition in the spheres allocated to them.

It means, that the ruling party in the state not only tolerates the capturing of Panchayatiraj bodies by opposition parties through the ballot but also treats them with the same consideration as it does its own party.

It means, that the staff employed in Panchayatiraj institutions would be under their control completely, that they would be wholly responsible to them only and government would not impose dual control at any time.

It means, that the decisions, resolutions, views and opinions of Panchayatiraj bodies would be duly respected and allowed to be implemented.

It means, that the government departments accept, without any reservation, the policy of decentralisation and the consequent big change it ushers in district and rural administration and that they fully co-operate with, support and help Panchayatiraj institutions.

It means, that legislators (M.Ps and M.L.As) accept the reform as a fundamental necessity and would not look upon the office bearers of Panchayatiraj institutions as rivals for power in their own constitutions and try to demigrate them.

It means, that voluntary organisations functioning at village, block and district level would work in unison with the appropriate Panchayatiraj bodies at those levels and not by-pass them.

It means, that the people in whom the sovereignty rests will be allowed to go to polls periodically as envisaged in the statutes and the appropriate statutory provisions would be made to ensure the regular conduct of polls for Panchayatiraj bodies and that postponement would be prohibited except under very justifying circumstances.

It means, that political parties which participate in elections to Panchayatiraj bodies would ensure that their own parties follow the democratic principles scrupulously and ensure the conduct of elections to their party organs at various levels and would not leave room for the government or the people to point their finger at them.

It means, that grass-roots level institutions would become the focal points of change in rural life and that consequently Panchayats, Co-operative Societies, Women's Associations Youth Clubs etc., would play a vital role as instruments of change and that government fully accept this position and encourage them in their efforts.

It means, that for all practical purposes panchayatiraj bodies would be looked upon as the real government at their level of functioning and that the state government would regard them as their own important limbs.

constitutional clout:

Article 12 of our Constitution recognises local government institutions as an integral and essential part of the National Government. The subject of local government figures against entry 5 in the state list of the 7th Schedule.

There is no separate and distinct Chapter on Local Authorities like the Chapters on "the union", "the States", and "the Union Territories". Also there is no separate list of subjects in the 7th Schedule which would come under the purview of Local Authorities. Consequently all units of Local Government are creations of the State Governments and possess such powers and perform such functions as are specifically entrusted to them by Acts of State Legislatures.

Again, the Constitution of India divides the Public Revenues of the Government into two parts, one for the Union and the other for the States and leaves it to the discretion of the State Government to allot suitable resources to local bodies out of the State's share of Public Revenues. Our experience spread over more than three decades has clearly established that the State Governments all over the Country, instead of fostering the growth of local authorities, throttled the aspirations of the rural masses. Democracy can never be effective if the very existence of people's representatives institutions depends upon the political conveniences of the wielders of power. It is, therefore, absolutely necessary to amend our Constitution and add a Chapter VIII-A after Article 242 defining the goals, powers, functions and resources of local authorities and in particular making a specific provision (a) to appoint a State Finance Commission once every five years to apportion the revenues of the state between the state and the local authorities; and (b) to prohibit the postponement of elections to these bodies except under very special circumstances and that for a very brief period.

there is hope

If our Prime Minister accepts fully the implications of Panchayatiraj and implements them, he will succeed in the real decentralisation of district administration about which he is very enthusiastic and earn the gratitude of our millions in rural India. It is the nation's hope that he would prove his world renowned grand father's vision of and faith in Panchayatiraj were fully justified.

world's view on local self-government

The World opinion is veering round the view that local self-government is essential for national growth and for effective people's participation and that it is an integral indispensable part of the entire democratic process. So much so on October 15th, 1985, eleven member countries of the council of Europe signed the European Charter of Local Self-Government. It makes respect for the autonomy of Local Government a binding international obligation. Should our big democracy lag behind?



Rescue Panchayati Raj from 4 devils

Bharat Dogra

The author here points out that the socio-economic conditions as obtaining in our rural areas have given birth to certain conditions of stress which, he fears, will preclude the panchayati Raj from achieving the desired objectives. According to him these stress conditions are four in number, viz., lawlessness, exploitation of the small by the big, family and factional feuds and property disputes. Citing concrete examples, the author calls for urgent steps to tackle these problems, otherwise, he fears, people will lose faith in the Panchayati Raj institution itself.

THE GREATER INVOLVEMENT and activation of village Panchayats and other Panchayati Raj institutions in the implementation of development programmes is almost unanimously accepted as highly desirable for the achievement of better results in rural development. This view is also accepted by the Government. The Seventh Plan Document while lamenting that Panchayati Raj institutions have not been actively and effectively involved in the implementation of rural development programmes except in a few states, went on to say that wherever such an active and effective implementation has been ensured the quality of programme implementation has been decidedly better. The plan document then called for placing more development funds at the disposal of

Panchayati Raj and Community Development bodies. The states would be called upon to activate Panchayati Raj institutions, the Seventh plan document went on to add, particularly at the village and block levels, with a view to ensuring their active involvement in the planning and implementation of the special programmes of rural development particularly those concerned with poverty alleviation and provision of minimum needs.

re-activation

More recently, at the highest level there has been reaffirmation of the government's decision to strengthen the Panchayati Raj institutions and to place higher reliance on them for achieving the objectives of development planning.

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However, while thinking of placing greater reliance on Panchayati Raj institutions, we cannot ignore the larger socioeconomic trends in villages from where, directly or indirectly, the Pradhans, block pramukhs and other Panchayati Raj representatives will be elected and where they will operate. These larger socio-economic conditions will, to a large extent, determine the kind of persons who get elected to these posts and their predominant concerns once they get elected. In this article we intend to examine the problems in achieving the desired objectives of Panchayati Raj under certain conditions of stress.

While several stress-conditions can be identified, we are here taking up four problems which exist over quite large areas: (1) growing lawlessness and influence of criminals; (2) the perpetuations of extreme and influence of criminals; (2) the perpetuations of extreme forms of exploitation and dominance of exploiters over the others; (3) high incidence of family feuds and factional disputes; and (4) high incidence of land or property disputes and the resulting tension. Of course all these problems are not mutually exclusive and two or more of these can exist together in a serious way. Yet we discuss these separately so that their implications for the functioning of Panchayati Raj can be brought out clearly.

lawlessness

It cannot be denied that in certain parts of the country criminals have acquired an important clout in the social and economic life of areas of their functioning—who can deny the influence of the mafia dons of Dhanbad and Gorakhpur, or the dacoits of Bundelkhand and Chambal in the areas of their operations? These are only some of the better known examples; criminals lesser known at the national level but nevertheless notorious in their own areas wield clout over sections of population in other areas. How this situation has been reached need not detain us here; what is important from our immediate point view is that in Panchayat election, having small constituencies, they can exert a very powerful influence. Not only can they influence the election of candidates; they can themselves get elected to the post of pradhans, block pramukhs and more senior posts. In Banda district of Uttar Pradesh (Bundelkhand region) more than half of the candidates who have been recently elected to the posts of block pramukhs have known criminal records. The biggest dacoits that this district has seen in recent times, after serving a prison sentence, has been elected unopposed (who could oppose him?) as a block pramukh:

As for the election of village pradhans, the influence of armed gangsters could be seen clearly in several constituencies, specially in the Patha region. Thus while some of the bigger criminals have been elected as block pramukhs, several of their benchmen have been elected as pradhans. This fact can be confirmed easily, even ignoring unidentified crime, by just looking at the number of recorded serious offences in which several of these pradhans and pramukhs have been already involved.

The implications of this phenomenon on the

functioning of Panchayati Raj can hardly be exaggerated. The persons on whom we will be relying to implement development programmes will be known criminals of the area who have been elected largely because of the fear evoked by them. How much faith can one place in these persons with criminal antecedents before placing development funds and responsibilities in their hands? How much keenness will a B.D.O. have for development work when he has to interact with an ex-dacoit block pramukh? what about the overall scope for people's involvement in development programmes with a notorious ex dacoit sitting in-charge?

exploitation

Secondly, we also know that in several villages, specially in the more remote and backward villages, the exploitative grip of a small number of big landlords-cum-money-lenders-cum-contractors over the majority of the population remains very strong. Such is the extent of this dominance that the exploited persons are not willing to openly speak against this exploitation even when they are informed by well-meaning social workers that what they are enduring is illegal under several laws enacted long ago in country. The dominant sections try their best to secure the collusion of officials in perpetuation and strengthening of their hold over their areas and distorting government schemes intended to benefit the poor towards this end.

How do these dominant sections react to the emergence of Panchayati Raj institutions? They are small in number, so, if the exploited sections, who are clearly in the majority, manage to elect representative who are devoted to fighting for their rights, this would be a blow for the dominant sections. So they try in various ways to influence the election results in such a way that they or their man get elected as pradhans, and their interests continue to be protected even through panchayati Raj institutions. Such is their hold that they often succeed in doing so, and even where one or two pradhans of different leaning somehow manage to get elected, so much pressure is exerted on them from various quarters that they are unable to serve the exploited sections in an effective way.

Let's give another example from recent Panchayat elections in Patha region of Banda district (U.P.). The candidates who belonged to Kol tribals and other weaker sections were terrorised by the dominant persons of this area. In Kota Kandaila village, a harijan candidate was forced to withdraw at gun-point. This person then could not be seen till the elections were held. Similarly a Kol candidate of Chulhi village, Gaon Sabha Barahmafi, with good support among weaker sections, was whisked away. Suadin Kol of Bhaira village was whisked away in a jeep just when he was going to file his election papers.

This is not an extreme situation. In fact, the situation here was somewhat better due to the intervention of some social workers; in fact it was also due to them that these serious irregularities could come to light. In other areas where a few families dominate the life of all others, even more extreme steps may be taken to curb the democratic aspirations of the weaker sections. Due to

this, the dominant families and their henchmen dominate the Panchayati Raj institutions. Can we really expect them to honestly and sincerely implement the government schemes most of which have a bias in favour of the poor?

feuds and disputes

Violence and tensions relating to family and factional feuds are another distressing but important part of the rural life in several areas. Without any important social initiative to curb this social evil, or at least its more aggressive manifestations, the advent of Panchayati Raj elections, whose constituency being much smaller, affects and involves villagers in a more direct way relatively. The elections for state legislatures, has made the factionalism more bitter in several ways. First, the feuds and factionalism came into open at the time of the elections, often in a bitter way, and after the elections, there is an effort by the victorious family or faction to punish its adversary. This is not to say that villagers experiencing such social problems in an acute form should be kept away from this democratic process, but only to stress the importance of foreseeing the adverse unintended implications in the existing setting, and so, if possible, initiating a social process to curb such rivalries and feuds. In the absence of such an effort, there is no doubt that an unintended effect of Panchayati Raj has been a further deterioration in the already distressing social relations in these villages, and in most cases, the injustice done by the dominant faction to its less powerful rival has been accentuated.

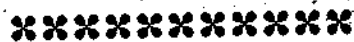
property disputes

Lastly, there is the problem posed by those villages which have reported a very high incidence of property disputes and the resulting tension. This problem is seen in a very acute form in the villages around urban areas where property values have soared very high due to all round urban expansion. This has turned elections to panchayats as a source of quick enrichment. Plots are carved on arbitrarily and sold with impunity, regardless of the illegality of such transactions. This has bitterly divided the villages into a handful who have carved fortunes for themselves and others, mainly from the weaker sections, who feel deprived of their rights as the claimant to the land meant for distribution. Large-scale corruption, illegal transactions, tensions and open violence have been widely reported from such villages, in all of which the elected village pradhan plays a key role. In such areas, unless steps are first taken to curb the very large-scale racketeering in high value land, it is most unlikely that the institution of Panchayati Raj, from election time onwards, will remain uncorrupted by it.

No doubt, experienced persons can add further to this list of 'stress conditions' under which Panchayati Raj will inevitably run into severe problems and distortions unless preventive and ameliorative steps are first taken. Of course, it is not only for the success of Panchayat Raj that these problems need to be tackled, although in this article we've spoken only from this

perspective. These serious problems have to be tackled and fought in any case for the widespread distress and injustice for which these are responsible. The effort to make Panchayati Raj successful is merely an additional reason why these problems should get our urgent attention. The problems are such that these will require a big and concerted effort, combining both government and voluntary action-honest and dedicated.

It is certainly not our intention to bring Panchayati Raj into any disrepute. However, we believe that it helps no one to ignore problems which are there for everyone to see. These problems have led in several areas, to the emergence of a highly distorted version of the idea that was started in the noble name of Panchayati Raj. If the problems persist, the people in these areas will lose faith in the institution itself. Hence the urgent need to tackle these problems to enable Panchayati Raj to play the important role vested on it in the democratic development process. ■■■



(Contd. from page 68)

- whom are resident within those area.
- (2) The State Government may make rules regulating—
 - (a) The constitution of such Courts and the powers to be exercised by them;
 - (b) The procedure to be followed by such courts in the trial of suits and cases;
 - (c) The enforcement of decisions and orders of such courts; and
 - (d) Any other matter connected with or incidental to the matters aforesaid.
 - (1) If at any time Government of a State is satisfied that any Council in the State is not functioning in accordance with law or so grossly abusing its powers or is functioning in a manner which is detrimental to public interest, he may by order, suspend or dissolve the Council and appoint an administrator to exercise the power vested in the Council.
 - (2) Every order made under clause (1) together with reasons thereof shall be laid before the Legislature of the State and shall cease to operate at the expiration of six weeks from the reassembly of the Legislative Assembly of the State, unless before the expiration of that period it has been approved by a resolution of the State Legislative Assembly.
 - (3) An order made under clause (1) may be withdrawn at any time by the Governor.
 - (4) An order so approved under clause (2) shall unless revoked, cease to operate at the expiration of six months from the date of passing the resolution approving the order under clause (2) and an election to constitute the Council shall be completed before expiration of the said period. ■■■



Panchayat Raj—strengthening of swaraj

Vasantha Surya

The author here analyses as to why the Panchayati Raj system could not make much headway. She feels, 'given a proper political perspective, Panchayat Raj could become meaningful'. Giving the example of West Bengal, she says, 'the proper political perspective is clearly thorough-going land reforms and measures to establish social justice. This has a bearing on the membership of and the leadership of Panchayat bodies.' She adds, 'if the Central Government's recent pronouncements on the need for decentralisation are to have any effect, Panchayat Raj must not be looked at any more as a mere administrative question, but as a political and constitutional requirement. In its essence, it is a question of swaraj'.

Local self-government is considered by political theorists and ordinary citizens alike to be what democracy is all about. To participate in decisions concerning one's immediate environment, with a bearing on one's own day-to-day life makes democratic common sense. It is a step that cannot be skipped over, even in the most sophisticated and complex of political systems, as is being realised under *perestroika* in the USSR today, where the *soviets* are being restored to the position of power and responsibility originally envisioned for them. In most western democracies a traditional of local autonomy

exists, and is jealously guarded. It seems obvious that participating and involving oneself in the work of running one's own local community or village is at least as important as taking interest in higher levels of political participation and involvement. Like charity, democracy begins at home.

swaraj

The goal of the Indian freedom struggle was quite clear in this regard: it was self-rule, swaraj. A demand articulated by a people who had been deprived of rightful participation in their own affairs, who had been benumbed and alienated by the experience of

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feudal and colonial domination, swaraj was seen as the birthright not only of the nation as a whole ("India" that is "Bharat" was as yet an unrealised vision), but of every villager and town-dweller. To belong and to take part was to be free. Only swaraj could make growth, or development, possible. "Naam irukkum naadu namadu enbadai arindom!" said Bharati, affirming this spirit. ("We know at last that the land we live in is ours")

directive principles

When the Constitution of India was framed, a commitment was made in the Directive Principles "to

"It seems obvious that participating and involving oneself in the work of running one's own local community or village is at least as important as taking interest in higher levels of political participation and involvement. Like charity, democracy begins at home."

organise village panchayats and endow them with such powers and authority as may be necessary to enable them to function as units of self-government". This was an attempt to graft constitutional government onto the traditional idea of "councils of elders", though not the actually existing old village and caste panchayats. It was hoped that the influence and respect commanded by the old panchayats would flow naturally to the new local institutions to be created in Independent India. But what flowed even more naturally from the old to the new were the old inegalitarian and authoritarian values in Indian society. The new panchayats reflected the power relations in the village, because nothing was done to radically change the basis of the village economy.

It soon became clear that establishing institutions of genuine local self-government and restructuring the economy were not priorities for the Indian State. Its survival, and the survival of the nation as a political entity seemed to demand the maintenance of stability and unity, if not uniformity. Towards this end it exerted pressure all the way down, imposing a pattern of integration which seemed the only possible alternative to fragmentation and chaos. Given the experience of Partition, and the powerful regional and linguistic loyalties striving to assert themselves in the 50's, unity seemed a fragile thing indeed, needing urgent attention.

sharing of power

Granting administrative autonomy and sharing political power all the way down from the Centre through the States down to the district and local level seemed likely to threaten unity in another way: it would have meant coming up sharply against the class configurations in Indian society. In particular it involved taking sides against the rural rich and their supporters, redistributing land, and undertaking

measures for social reconstruction. Half a century of politicisation had produced some expectations, and in the 50's some action, not entirely symbolic, did take place in this direction. Zamindari was abolished, and land reforms were urged upon the States by the Centre. And Community Development was offered as a model for local administration, as conduit for development to flow from the top downwards to the village.

Community Development was essentially a technocratic solution to an economic and political problem. The Panchayat Raj scheme which followed it in the 60's supplied the framework of a possible solution by a three-tier system of representative government from the District downwards. It was left to the States to implement it along with land reforms. Superficially the patterns of land ownership had begun to change, but inequalities continued and multiplied. The elected bodies inevitably reflected these inequalities, and lobbies and pressure groups jostled for accommodation within them. Modulated and regulated by the Block Development Officers and the technocratic hierarchy, development came to some of the villages but not democracy. The panchayats functioned like bazars where the benefits of development were bartered for local influence and power, for the bureaucracy as well as for the State-level politicians. Those who got the best bargains at these bazars were not particularly concerned with the erosion of democratic rights or interested in efficient government at the village level.

Tamilnadu experience

Despite the Janata Government's stated intention to overhaul panchayat raj in the late 70's, it remained

"Granting administrative autonomy and sharing political power all the way down from the Centre through the States down to the district and local level seemed likely to threaten unity as it would have meant coming up sharply against the class configurations in Indian society"

more or less in this condition all over the country with a few important exceptions. Tamil Nadu provides an extreme example of panchayat raj breaking down totally, under the weight of its own corruption and inefficiency. The fake muster rolls of the early 70's exposed extreme vulnerability of local bodies in the existing socio-economic circumstances, and the State Government felt justified in doing away entirely with local self-government. The panchayats were dissolved, or allowed to eke out their terms, and no elections were held for 15 years. The bureaucracy under the direction of the ruling party in the State, and now under the direction of the Governor acting under President's rule, has been running the state, and no

effective constitutional or legal action has been taken to restore the local bodies. The virtual "death" of local self-government in Tamil Nadu put a stop to both development and democracy for almost two decades. The alienation of the people from local affairs, from their immediate political environment, and their mechanical and programmed participation in State and national affairs testify to this political "death".

"Community Development was essentially a technocratic solution to an economic and political problem. The Panchayat Raj scheme which followed it in the 60's supplied the framework of a possible solution by a three-tier system of representative government from the District downwards."

This could be the fate of local institutions anywhere in the country if they are left to the mercy of power brokers. Romanticising the village as an idyllic environment where natural justice and democracy prevail is often done. The facts are different, and village upper classes and castes as well as the oppressed are not characterised by commitment to democratic values in practical affairs. But this does not mean that the village does not deserve power, that decentralisation and devolution are unworkable ideas.

Given a proper political perspective, panchayat raj could become meaningful. Judging from the West Bengal example, the proper political perspective is clearly thoroughgoing land reforms and measures to establish social justice. This has a bearing on the membership and the leadership of panchayat bodies.. All classes are fairly represented, and the poor and the oppressed at last have a voice commensurate with their numerical strength. The effect is salutary on the bureaucracy and the police. Schemes meant for the amelioration of poverty reach those who need them as, for example, the Food for Work Programme. And there is a healthier relationship with the police, with greater sense of security all around.

Whether maximising the involvement and participation of the majority makes for "success" in purely administrative and technocratic terms would depend on many other things—the literacy and awareness level and the availability of funds. But it certainly brings out the vital connection between development and democracy.

If the Central Government's recent pronouncements on the need for decentralisation are to have any effect, panchayat raj must not be looked at any more as a mere administrative question, but as a political and constitutional requirement. In its essence, it is a question of swaraj. □ □ □

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Jawaharlal Nehru

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Today, Republic Day, in the year that we observe the centenary of Jawaharlal Nehru, we remember his words and all those children who have shown exceptional courage, living up to the ideals of service above self.



Make panchayats powerful ...

“Over 80 per cent of our people live in villages. India is poor because the villages of India are poor. India will be rich if the villages of India are rich. Therefore the basic problem of India is to remove the poverty from the Indian villages. Some years ago we abolished the zamindari and the jagirdari systems in various parts of India, because the villages of India could not prosper under a semi-feudal system of land ownership. This is not enough. We have to go ahead further Panchayats should be given greater power. For we want the villager to have a measure of real swaraj in his own village. He should have power and not have to refer everything to big officials. We do not want the officials to interfere too much in the life of the village. We want to build swaraj right from the village up.”

— Jawaharlal Nehru

(Speech at Madurai—April 15, 1959)

What panchayats should be ...

“Independence must begin at the bottom. Thus every village will be a republic or panchayat having full powers. It follows, therefore, that every village has to be self-sustained and capable of managing its affairs This does not exclude dependence on, and willing help from neighbours or from the world. It will be free and voluntary play of mutual forces In this structure, composed of innumerable villages, there will be ever-widening, never-ascending circles. Life will not be a pyramid with the apex sustained by the bottom. But it will be an oceanic circle whose centre will be the individual always ready to perish for the village, the latter ready to perish for the circle of villages, till at last the whole becomes one life composed of individuals, never aggressive in their arrogance but ever humble, sharing the majesty of the economic circle of which they are integral units. Therefore the outermost circumference will not wield power to crush the inner circle but will give strength to all within and derive its own strength from it.”

—Mahatma Gandhi

(Harijan—28 July, 1946)

TAX STRUCTURE



वित्तमन्त्र

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Small saving, a people's movement

National Savings originally conceived to inculcate the habit of thrift has over the years developed into an important financial resource for meeting developmental expenditure. The net small savings collections in each State are shared with the respective State Governments and the States in turn utilise this amount for meeting the expenditure on various projects and schemes. During 1986-89, the State Governments received Rs. 4205 crore as financial assistance from the net small savings collections in the country. This figure was Rs. 3097 crore in 1987-88 and Rs. 2800 crore in 1986-87. In 1985-86, the State Government's share amounted to Rs. 2903 crore. The share of the states in the net small savings collections has been fixed at 75 per cent of the collections. The above amounts are released to the State Governments as a loan repayable in a period of 25 years.

With a view to maximise the collections to enable larger flow of funds to the State Governments and also with a view to tap the different areas/section of society, various small savings schemes are administered. These schemes are Savings Bank Account, Time Deposit Account, Recurring Deposit Account, National Savings Scheme, Monthly Income Account, National Savings Certificates VIII Issue, Social Security Certificate, Indira Vikas Patra, Kisan Vikas Patra, Public Provident Fund and Deposit Scheme for Retiring Employees. These schemes have been so framed that they can cater to the various needs of the small savers.

The small savings apart from helping inculcate the habit of saving among different sections of society provide insurance cover to a limited extent and also a facility to earn good return on the investment.

The various small savings schemes are administered through the net work of 1.44 lakh post offices spread all over the country. This provides necessary facilities to everyone, whether in urban/semi-urban or rural areas to invest in small savings. The State Governments also associate Gram Panchayats and other volunteer organisations in mobilisation of savings and also provide certain incentives to them.

The small savings which originally started on a small scale, has developed into a people's movement where all, particularly the small savers can participate and thereby indirectly help in nation building. Small savings today therefore provide a better tomorrow. □ □ □

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Rationalisation of corporate tax structure in India

A.K. Tiwari

In this paper, an attempt has been made by the author to examine the present structure of corporate income tax in India. Analysing its shortcomings the author also suggests suitable measures for its rationalisation.

CORPORATE INCOME-TAX IN INDIA had three variants till the assessment year 1987-88 viz. (i) Income-tax on total income; (ii) additional Income-tax on closely-held companies; and (iii) Sur-tax payable under section 4 of the companies (Profits) Sur-tax Act, 1964. The spokesmen of industry have been persistently demanding the abolition of the second and third variants on the following grounds:

- (a) Additional income-tax on closely-held companies had been causing adverse effect on ploughing back of profit by making it obligatory for such companies to distribute dividend according to specified statutory percentages in order to escape the burden of this tax. Besides, this tax tended to interfere with internal financial management of the company.
- (b) Sur-tax had been viewed as a tax on efficiency because this tax was chargeable in respect of only those companies whose chargeable profits exceeded the statutory deduction. Thus the incidence of this tax had been borne by efficient companies earning abnormal profits exceeding the amount of statutory deduction.

As a part of the phased reform of corporate taxation, additional income-tax on closely-held companies and surtax had been abolished with effect from the assessment year 1988-89. The withdrawal of these taxes had been widely welcomed by the protagonists of the corporate sector.

Base of corporate income-tax

Corporate assessee pay income-tax on their total income at a flat rate. The income comprises all incomes accrued or deemed to accrue, arise or deemed to have arisen, and received or deemed to have been received. In case of resident companies, total income is the total world income while in the case of non-resident companies it is the "total Indian income".

The "total income" is very broadly arrived at with reference to the corporations profits which is derived in its profit and loss account in accordance with the method of accounting regularly employed by it. To the book profits (or losses) are then added those expenses which, though actually incurred by company, might be disallowed under the Act either partially or totally. The value of tax concession earned by the company is further deducted to arrive at the base for corporation tax. The base for corporate income-tax is, thus, the commercial profits plus partially and completely disallowed expenses minus tax concessions or incentives.

As a result of the operation of a large number of deduction from the gross total income, certain companies making huge profits had been managing their affairs in such a way as to reduce their tax liability substantially or even make it zero. According to a study conducted by the Economic Times Research Bureau, out of 200 giant companies the number of companies falling within the bracket of zero tax liability stood at 66 and 78 during 1980-81 and 1981-82 respectively. With a view to removing this anomalous situation, the Finance Act 1983 inserted a new section 80 VVA operative from 1st April 1984 in the Income tax Act. This new section provided that the aggregate of deductions admissible to a corporate assessee under various incentive schemes shall be restricted to 70 percent of the pre-incentive total income thereby making it obligatory on the part of a company to pay tax at least on the 30 percent of its income. Following the withdrawal of investment allowance section 80 VVA had been deleted from the statute book with

effect from the assessment year 1988-89 by the Finance Act 1987. This type of fiscal exercise would have given birth again to the same strange old phenomenon referred to earlier i.e., companies earning huge profits and yet paying no tax, had its new variant not been incorporated in section 115 J and made applicable from 1st April 1988. This section provides that in case of any company whose total income computed as per the provisions of the Income Tax Act in respect of any previous year is less than 30 per cent of its book profit; the total income of such company chargeable to tax for the relevant previous year shall be deemed to be an amount equal to 30 per cent of such amount.

Rate structure of income tax on companies

The rate-structure of corporate income-tax in India has been tailored variedly according to the domicile and nature of companies. The tax rates are different for domestic and foreign companies. As among the companies belonging to the former group, there is again differentiation in rates applicable to widely-held companies vis-a-vis closely held companies.

Prior to the assessment year 1984-85 there was some sort of graduation in the rate structure of corporate tax and as such companies having smaller income were subjected to lower rates as compared to those having higher income. However, application of lower rate of tax on small companies had been withdrawn from assessment year 1984-85. The rate-structure of corporate income-tax for the assessment year 1989-90 is given below:

I	In the case of domestic company	Rate of Tax
	(i) Where the company is one in which public are substantially interested	50 per cent
	(ii) Where the company is not a company in which the public are substantially interested.	
	(a) in case of a trading or an investment company	60 per cent
	(b) in any other case	55 per cent
II	In the case of a company other than a domestic company-	
	(i) on so much of the total income as relates to-	
	(a) royalties received from Government or an Indian concern in pursuance of an agreement made by it with the Government or the Indian concern after the 31st day of March, 1961 but before the 1st day of April, 1976, or	
	(b) fees for rendering technical services received from Government or an Indian concern in pursuance of an agreement made by it with the	50 percent

Governments or the Indian concern after the 29th day of February, 1964 but before the 1st day of April, 1976, and where such agreement has, in either case, been approved by the Central Government.

- (ii) On the balance, if any, of the total income 65 percent

The amount of income-tax payable by domestic companies having total income over Rs. 50,000/- shall be increased by a surcharge of 5 percent thereof.

From the above rate-structure it is clear that companies are now subjected to a flat rate of tax on all their total income with least consideration to the size of income. On the other hand, other assessee-individuals, firms and other associations of persons enjoy certain basic exemptions and pay tax at graduated rates, should their total income exceed the basic exemption limit. The following table gives the basic exemption limit, the initial and highest rates of tax applicable to individuals, firms and other associations of persons for the assessment year 1989-90.

It is, thus, clear from the above table that individuals, other associations of persons and firms enjoy certain basic exemption limit and are subjected to a graduated rate-structure whereas corporate assessee are subjected to tax on their total income at a uniform rate. As a result of such discriminatory treatment, corporate assessee bear relatively higher tax burden vis-a-vis other types of assessee, as shown in the following table.

Table showing basic exemption limit, minimum and maximum tax-rates and slab of income subjected to highest rate.

Types of Assesseees	Basic exemption limit	Minimum rate	Maximum rate	Slab of income chargeable to maximum rate
1. Individuals/ Unregistered firms, other associations of persons etc.	18,000/-	25%	50%	Above one Lakh
2. Registered firms (non-professional)	10,000/-	5%	24%	Above one Lakh
3. Registered firms (professional)	10,000/-	4%	22%	Above one Lakh

It is evidently clear from the foregoing table that all types of domestic corporate assessee are bearing higher burden of tax at each level of income than other categories of assessee viz. individuals/AOPS and partnership firms. For example, at the level of total income being Rs. 5 lakh the tax liability of an unregistered firm and registered firm stands at Rs. 2,40,713 and Rs. 2,29,412 respectively for the assessment year 1989-90 as compared to the corresponding tax liability of Rs. 2,62,500 in case of a widely-held

Table showing comparative incidence of tax on various categories of assessee on selected levels of income for the assessment year 1989-90

Income	Income-tax including surcharge payable by					
	Individual/ unregistered firm/AOPS with a determined share of members	Registered firm (Non- professional and its four partners having no other income except the share from the firm	Widely-held domestic company	Closely-held domestic Trading or in- vestment company	Others	
Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
25000	1750	750	12500	15000		13750
50000	9250	2500	25000	30000		27500
100000	30713	14880	52500	63000		57750
200000	83213	61996	105000	126000		115500
300000	135713	116180	157500	189000		173250
400000	188213	172796	210000	252000		231000
500000	240713	229412	262500	315000		288750

domestic company; Rs. 3,15,000 in case of a closely-held domestic trading or investment company and Rs. 2,88,750 in case of other closely-held domestic company.

Corporate tax-rates in other countries

The relatively higher incidence of tax on corporate assessee is chiefly attributable to the fact that the rate of tax applicable to corporate assessee in India is much higher than the corresponding rates prevalent in many developing and developed countries of the world. The rate structure of corporate tax prevalent in certain selected countries of the world is given below:

Table showing income-tax rates of corporate assessee in selected countries

Countries	Rates of corporate Income-Tax
Argentina	33% locally incorporated cc.s
Brazil	35%
Canada	29%
Hong Kong	18.5%
Indonesia	15% on 1st Rp 10 million 25% on amount above Rp. 10 million but not exceeding Rp. 50 million 35% on amount over Rp. 50 million.
Italy	36%
Japan	33% on distributed income. 43.3% on retained income.
Thailand	30% for companies listed on the stock exchange. 40% for others
U.S.A.	Upto U.S.\$ 50,00015% Over U.S.\$ 50,00025% But not over US \$ 75000 Over US \$ 75,00036%

Source-Lakhotia, R.N. "Differential Rates of Income-tax on Companies". Paper presented at 19th All India Conference of Corporate Managers and Tax Executives organised by FICC, New Delhi (1986).

The comparison of the above rates with the corresponding rates of corporate taxation in India clearly shows that the corporation tax in India is relatively higher and as such calls for slashing down of the income-tax rates. There is practically no justification for having different rates of taxes for different types of companies like widely-held companies and closely-held trading and investment companies and other closely-held companies. With the abolition of additional income-tax on closely-held companies from the assessment year 1988-89 such sort of classification of companies for tax purposes has now outlived its utility. All companies should, therefore, be subjected to a uniform progressive rate-structure for the benefit of smaller company on the pattern of the corporate tax structure of the U.S.A. Accordingly following rate-schedule for corporate assessee might be enforced in India in place of the existing flat rate scheduled.

Slab of Income	Rate of tax
On taxable income upto Rs. one lakh	20%
On taxable income exceeding Rs. one lakh but not exceeding Rs. two lakh	30%
On taxable income exceeding Rs. two lakh	40%

Taxation of inter-corporate dividend

The other disquieting feature of corporate tax in India relates to the taxation of inter-corporate dividend. Such dividend is virtually taxed thrice: First, in the hands of the company which earns it; secondly, in the hands of the company which receives it; and thirdly, in the hands of individual shareholders when they receive their respective share of dividends distributed by the recipient company out of inter-corporate earnings. In order to mitigate the inequitable nature of tax on such income under section 80M of the Income-tax Act a domestic company is entitled to a deduction of 60 per cent of

(Contd. on page 20)

YOJANA, January 1-15, 1990

Balance of Payments deficit : Problems and prospects

V Pradeep Kumar & D. Jyoti

India's balance of payments problems and the methods to finance the deficit in the balance of payments are analysed in detail in this article. The gap has widened since the early 80s because ever increasing imports have nullified the gains made by exports. The author, therefore, advocates for a more-serious effort to push up exports and to regulate imports through improvement in agricultural production, petrochemical industries and indigenisation of automobile and electronic industries.

THERE WAS NO SUCH THING AS a Balance of payments problem in the nineteenth century, and indeed it was not acute until the end of Second World War. But come the 1980s, this problem had assumed alarming proportions and the world is now left with a horrendous problem that seems to defy any amicable solution. In the opening paragraphs of this year's Economic Survey, the authors felt that "the major challenges of economic management this year have come from a difficult balance of payments situation and the continuing strain on public finance". Hence, many people and institutions are concerned about the problem of Balance of payments. As of now no entirely satisfactory solution has been found to this problem, although some of the finest minds are at it. In fact, management of the balance of payments in a developing economy is not an easy task. However, to maintain the viability of balance of

payments, it is necessary to keep the BOP under on-going review, so that appropriate and timely corrective measures are taken as and when required.

The Problem

India had faced pressures on the balance of payments from time to time either due to certain domestic compulsions or external factors. The difficulties on the balance of payments front in 1980s have stemmed mainly from the persisting trade gap. The pressures on the balance of payments in 1974-75, 1980-81 and 1981-82 were attributed to the oil shocks. In 1981-82 the current account deficit rose seven-fold from Rs. 234 crores in 1979-80 to Rs. 1,657 crores. Export growth during the period 1974-75 to 1979-80 increased at 8.3 percent per annum mainly due to diversification of the export base, whereas the growth in import volume was confined to only 4.4 percent. Foreign Exchange reserves rose continuously from Rs. 993 crores at the end of March 1974 to Rs. 5,931 crores by March 1980. Therefore, it can be observed that, the BOP position was comfortable till early 1980s.

However, this position changed in early 1980s, as imports recorded a sharp rise under the impact of the second oil shock of 1979 and a deterioration in terms of trade. In 1980-81, due to the oil shock, imports shot up by Rs. 2,968 crores, while exports increased by only Rs. 375 crores. The trade deficit shot up by Rs. 2,593 crores to Rs. 5,967 crores in 1980-81 and further to Rs. 6,121 crores in 1981-82 even though the exports increased sharply by Rs. 1,189 crores as imports also went up by Rs. 1,343 crores. The ratio of current account deficit to GDP went up significantly from 0.2 percent in 1979-80 to 1.2 percent in 1980-81 and further to 1.5 percent in 1981-82. It was 2.3 per cent 1986. In 1986-87, the second year of the Seventh Plan, the balance of payments situation improved

somewhat. The current account deficit narrowed down to 5513 crores in 1986-87 and with the current account deficit GDP ratio fell to 1.9 percent from 2.3 per cent in the previous year. This contraction in current account deficit during 1986-87 was the combined result of a fall in trade deficit and improvement in invisible account. Hence, the trade deficit/GDP ratio came down to 3.2 percent during 1986-87 from 3.7 percent in 1985-86. At the same time, net invisible receipts from invisibles improved by 6 percent to Rs. 3,841 crores which nearly made good the drop in previous year. In 1986-87, foreign exchange reserves declined by Rs. 732 crores as against a fall of Rs. 707 crores in 1985-86. The level of reserves at the end of March 1987 at Rs. 8,151 crores was constituted 4.3 by months of imports and these declined to Rs. 7,686 crores at the end of March 1988 and were equivalent to about 3.5 months of imports.

According to the provisional data released by Directorate General of Commercial Intelligence and Statistics the overall position was said to be better in 1987-88. The trade deficit in 1987-88 was about Rs. 890 crores lower than that in the previous year; there was a rise of 11 percent in imports. Under invisibles, the growth rate in tourist traffic decelerated from 23 percent in 1986-87 to 8 percent in 1987-88 and hence, the rise in earnings from tourism would have been smaller than that in the previous year. Interest payments on foreign borrowings continued to show an increase. Repayments to the IMF were however, higher at Rs. 1,209 crores.

Even after a near doubling of exports to Rs. 20,281 crores in 1988-89 from Rs. 10,895 crores in 1985-86, the trade gap remains at Rs. 7,412 crores as imports have spurted to Rs. 27,693 crores from Rs. 19,658 crores in the same period. The cumulative deficit of Rs. 59,045 crores during 1980-89 has taken the external debt on

the government account alone to Rs. 25,239 crores from Rs. 9,899 crores on March 31, 1980. Repayments against earlier loans and servicing obligations in respect of commercial borrowings also have eaten as much as 24 percent of the export earnings. The debt service ratio has thus been uncomfortably increasing upto 24 percent from about 11 percent and the fear is that it might well be 34 percent by the end of the Eighth Plan. The scheduled repayments of the IMF under EFF would reach a peak of SDR 804 million this year, as against SDR 704 million 1987-88. All these indicators point to a continuation of the pressure on the balance of payments. Since this pressure affects our economy, it is necessary to think as to how to finance the BOP deficit.

How to finance

The need for removing persistent and widening deficit in Balance of Payments is made amply clear. Even though the management of the balance of payments is not an easy task, yet, theoretically, the financing of the deficit is split up into four sources, viz.,

- (1) External assistance (which may take the form of loans or grants. Some assistance was also received in the form of commodity imports from USA under PL 480/665 etc., though it ceased to exist long ago)
- (2) Drawings from I.M.F.
- (3) Allocation of SDRs, and
- (4) Decline in foreign exchange reserves.

A close scrutiny of table-I reveals a few important peculiarities of the manner in which our balance of payments deficit is financed.

Table-I reveals that external assistance forms the most important source of financing the balance of payments deficit. A part of external assistance comes in the form of out right grants, while the rest of it is in

Table I

Financing of B.O.P. Deficit

(Rs. Crores)

year	Total Deficit(-) Surplus (+)	External Assistance		Financed By				
		Loans	Grants	PL 480	Drawings Total from I.M.F.	Allocation of SDR	Decline (+) increase (-)	
1971-72	-749.6	651.9	112.6	8.6	773.1	-	74.7	-98.5
1975-76	-1035.0	1361.0	296.6	-	1657.6	207.1	-	-829.7
1980-81	-3147.9	1184.2	508.4	-	1692.6	818.8	120.5	516.0
1981-82	-4067.4	1367.0	445.3	-	1812.3	636.8	-	1618.3
1982-83	-3428.6	1771.9	385.3	-	2160.2	1892.9	-	-624.5
1983-84	-2867.4	1870.3	379.5	-	2249.8	1410.5	-	-772.9
1984-85	-1782.5	1953.0	538.6	-	2491.6	216.8	-	-925.9
1985-86	-3626.9	2481.2	439.2	-	2920.4	-	-	706.5
1986 (April-Sep)	-2255.4	1020.0	1221.1	-	1142.1	-	-	1113.3

Source: Government of India, Economic Survey, 1987-88, pps. 66-67.

the form of loans. However, it is noteworthy that the amount of external assistance, has no relationship with the balance of payments deficit except that both have tended to increase with the passage of years. It can be seen that in many years, the amount of external assistance even exceeded the deficit in balance of payments. Even in 1977-78 we received an assistance of Rs. 1,346 crores though our balance of payments showed a surplus of Rs. 201 crores.

It may also be added that aid in one year has no relationship even with the deficit of the preceeding year. The world Bank and its affiliates as also other countries decide to extend aid to us based upon the world bank assessment of our needs for foreign exchange and we always accept it irrespective of our immediate requirements. If aid is declined once, it may have the repercussion of smaller offer next year when our need might increase.

As regards the chances of the use of this source for financing of balance of payments deficit in future are not at all bright. We are facing an increasingly hostile international political atmosphere. In future, we have to rely more and more upon commercial borrowings to meet our current payment obligations. Already we have started going in for such borrowings on a modest scale. It should, however, be remembered that commercial borrowings are more burdensome to survive and add to our balance of payments difficulties.

Drawings from I.M.F. refer to our borrowings from this international institution. These loans, unlike those of the world Bank and I.D.A. are of medium term maturity. They are supposed to help the borrowing country tide over balance of payments problems till it is able to increase its export earnings through appropriate policies. However, it is to be remembered that like external aid, drawings from I.M.F. should not be counted as a reliable and

acceptable source for meeting balance of payments deficits.

Allocation of Special Drawing Rights (SDRs) by I.M.F. is a non-continuous practice. It is totally unrelated to the balance of payments difficulties of any individual country. It should be noted that an allocation of SDRs is equivalent to a non-repayable loan from the world community and having used it, we keep paying interest on it. In any case SDR allocation cannot be considered as a regular source of financing our BOP deficit.

Decline in Reserves is another measure by which payment obligations can be met. It is, however clear that this source is to get exhausted very soon unless it is frequently replenished. India's foreign exchange reserves which had declined by Rs. 707 crores during 1985-86, showed a further decline of Rs. 732 crores during 1986-87.

Table-II shows the position of India's Foreign Exchange Reserves.

In their over view of the economy in 1987-88 the central board of the RBI noted that the balance of payments position continued to remain a matter of concern and noted the successive decline in reserves in SDR terms in 1986-87 of SDR 615 million and in 1987-88 of SDR 627 million.

The BOP gap, was bridged only partly with net invisible receipts and net foreign aid, and, ipso facto, there was some depletion of foreign exchange reserves. A massive loan of 3.9 billion SDR had to be obtained from the International Monetary Fund. The drawings against such loans changed the situation, and there was even a modest rise in foreign exchange reserves temporarily, though the external debts were increasing all the time.

Further, with the establishment of IMF, there emerged an entirely new frame work for the balance

Table II
Foreign Exchange Reserves

End of	(Rs. Crores)					
	Gold	Reserves		Transactions with I.M.F.		
		SDRs (in million)	Foreign Exchange	drawings	Repurchases	Outstanding repurchase obligations
1971-72	182.5	247.7	480.4	—	—	—
1975-76	182.5	202.8	1491.7	207.1	—	804.0
1980-81	225.6	490.5	4822.1	636.8	5.1	267.7
1981-82	225.6	425.1	3354.5	1892.8	—	901.0
1982-83	225.6	270.2	4265.3	1413.7	—	2867.0
1983-84	225.6	216.4	5497.9	218.8	72.1	4443.7
1984-85	245.8	146.5	6816.8	—	155.9	4887.7
1985-86	274.3	115.1	7384.4	—	253.0	5285.0
1986-87	274.3	139.4	7645.2	—	672.2	5548.1
1987-88	274.3	69.7	7287.1	—	1208.9	4731.6
1989 January	274.3	76.3	5540.9	—	303.1	3816.7

Source: GOI, Economic Survey, 1988-89, P.S-64

of payments adjustment which became a matter for policy. During a long period of modern economic history, the Gold Standard set the rules of the game for countries' behaviour when they had surpluses or deficits in their foreign trade. The main object of economic policy under the gold standard was to keep the balance of payments in equilibrium. In the gold standard, which was often referred to as the price-specie-flow mechanism, the balance of payments adjustment was to be automatic thus became identified with deflation and unemployment. But Gold-standard collapsed in mid-1930s which was followed by a phenomenon of beggar-thy-neighbour policies. These policies, including currency depreciations and foreign exchange controls, were used in attempts to improve domestic economies at the expense of foreign countries. The attempt by all countries to run a trade surplus by cutting imports led to a breakdown of the entire system of trade. As a result, a system of balance of payments adjustment never existed.

Stability of exchange rates was also one of the major objectives to adjust the balance of payments. Changes in exchange rates were to be made only to correct fundamental disequilibrium. Orderly exchange rate arrangements can be maintained, in the event of an adverse balance of payments, only if a country has adequate foreign exchange resources to meet the deficits.

If the balance of payments is to be in equilibrium with no borrowing, exports are to equal imports, and domestic investment limited to domestic savings. Investment can increase without harm to the balance of payments only if export expand simultaneously in the correct proportion.

Tourism, also generates considerable tax revenue and it augments foreign exchange earnings. Foreign exchange earnings from tourism which amounted to about Rs. 32 crores in 1971-72 have been increasing from year to year and in 1982-83 these amounted to about Rs. 1031 crores. However, the increase in tourist arrivals in India during 1987-88 is estimated to be 7.7 percent only against an increase of 23 percent in 1986-87.

Conclusion

The time has now come to wind up the discussion about financing the balance of payments deficit. As discussed earlier, the trade gap has to be bridged with a more serious effort to push up exports and to regulate imports through a well thought out process of elimination of redundant or substitutable items. The improvement in agricultural production, the increase in the stature of petrochemical industries and the greater accent on the indigenisation programme of the automobile and electronic industries should help moderate the growth in imports and secure a greater benefit from the rising exports. It is now for exporters to respond positively to the array of incentives and build upon their effort with renewed vigour. In an

expanding phase of the economy, it is idle to expect that a net reduction in imports can take place. If in these circumstances, the rupee is allowed to be devalued, the import bill is bound to swell beyond the limits that can be afforded. Hence, it is necessary, that there should be a correct fixation of the external parity of the rupee. Then, it would be quite proper to work for exports to grow in real terms, by 10 percent and more annually, so that foreign trade can be conducted comfortably at a higher level. The government has to formulate the strategy for boosting exports on a perspective basis even as imports are scrutinised carefully although it would not be wise to clampdown. However, if we want to achieve a break-through in the export market, we must introduce greater competitiveness within the domestic market and ensure adequate production and the emergence of a buyer's market. Then only our products will be able to withstand international competition.

Also, the viability of the external payments position has far-reaching implications for the economy and its growth. The measures like acquiring foreign aid or disposing of foreign exchange reserves can be used only as a stop gap arrangement. Some of these so called measures only aggravate the problem later on. Moreover, the scope for getting foreign aid is under cloud for various reasons including international political atmosphere.

The management of the balance of payments will require improvement in domestic fiscal imbalances. During the Bretton woods era of fixed exchange rates, we devalued rupee twice, in september 1949 and in June 1966. But both times, we could not reap the expected advantage and our balance of payments position continued to be as difficult as ever. The efforts to promote the image of India abroad must be vigorously pursued, in order that our share of the tourist trade may grow at a fair pace. Non-resident deposits have been a source of considerable support to the balance of payments in recent years and such inflows should be encouraged through appropriate incentives which are in line with movements in international interest rates.

It is necessary to encourage foreign investment, both from NRIs and others, without, however, jeopardising our national priorities. The major hurdle in the Eighth Plan can be overcome to some extent with the use of aid in the pipeline which is estimated at over Rs. 28,000 crores. If there is a brisker execution of the projects involved and a relaxation of the restrictions on the use of earlier credit, an awkward rise in the external debt can be avoided and a stage reached where the balance of payments gap can be bridged with net invisible receipts. A combination of expenditure reducing and expenditure switching policies is called for. □ □ □



Exports and economic growth in India

M. Sujatha & Dr. G. Nancharaiah

In the light of the developments in the trade policy during the years, the author attempts a study of the change in the growth rate of Indian exports vis-a-vis the economic growth during 1951 to 1983. The study according to the author confirms the positive co-relation between exports and economic growth. The author, therefore, calls for more measures to improve export performance in India.

INTERNATIONAL TRADE IS AN activity of strategic importance in the development process of a developing economy. As Adam Smith pointed out the development of industry of an economy is severely handicapped if it is deprived of the ability to trade widely. The division of labour is limited by the size of the market, and the division of labour is the key to increased productivity. Competition from abroad forces firms to cut costs and improve quality of their goods. Also contacts through trade ease the flow of capital and speed the acquisition of new technology. J.S. Mill discussed the indirect gains from trade and stated that 'the opening of foreign trade, by making people acquainted with new objects or tempting them by the easier acquisition of things which they have not previously thought attainable, sometimes work as a sort of industrial revolution in a country whose resources were previously undeveloped for want of energy and ambition in people; inducing them to work harder for the gratification of their new tastes, and even to save and accumulate capital for the still more complete satisfaction of those tastes at a future time. Empirically there is considerable evidence that when free trade policies have been followed the process of development has indeed been export led growth in the most rapidly developed/Less Developed countries. (Eg. South-Korea, Taiwan, Hong Kong).

But the optimistic view of development through trade has been denied by many critics who argued for protection to promote national industries. The main

reasons for this are the ability of LDCs to exploit their comparative advantage in world market is limited by the imperfections in their domestic market mechanism and the inelastic demand for primary commodities, which form the basis of most LDCs export earnings, limits the capacity to import various inputs which are needed for their economic development. It has often been argued that the early expansion of exports left LDCs with a degree of export dependence which makes them extremely vulnerable to external fluctuations in supply and demand. Thus continuous participation in world trade may be harmful to the extent that they can neither control nor easily adjust to such fluctuations and that instability has an adverse effect on investment and hence growth. According to some economists LDCs opportunities for participating in international trade are so limited that their main hope for development lies in an import substitution strategy. This view was put forward by Gunnar Myrdal, Raul Prebisch, Hans Singer and others.

Most of the governments of the developing countries have adopted import substitution policies for the reasons such as achieving objective of industrialisation and balance of payments support since it was believed that it helps to save foreign exchange. But this type of industrialisation strategy has proven costly in many developing countries. A number of empirical studies confirm that the import substitution policies have not succeeded in fulfilling the above said objectives. On the other hand the dramatic economic success of countries pursuing export oriented policies viz., South Korea, Taiwan, Singapore and Hong Kong along with dramatic failure of some countries pursuing import substitution policies like Argentina, Brazil, and Chile proved that export oriented economic growth is not only feasible but can be very rapid as well.

The Indian experience

When India acquired independence she had adopted an import substitution strategy of economic growth believing that the vast size of the country and the availability of several types of resources can support it. The factor that dominated export policy has been the small share of exports in total national income. Exports have averaged 6% in

the fifties while imports were about 10%. Then over a period of time with rising national income, the size of the export sector came down further to 4.7% on an average. This small size of export sector influenced the government scheme of things. In the First Plan it was stated that "in view of the urgent need for investment in basic development diversion of resources on any large scale to trade must, in an underdeveloped economy, be regarded as a misdirection of resources. In the Second Plan emphasis was laid on rapid industrialisation of the economy on the basis of heavy and basic industries. This strategy has been formulated in the framework of the Mahalanobis Model", who placed a considerable emphasis on import substitution. It was stated that "while every effort has to be made to promote export of new items and to develop and diversify the markets for the country's major exports it has to be recognised that only after industrialisation has proceeded in some way that increased production at home will be reflected on larger export earnings. But the impact of this strategy was felt on the foreign exchange reserves of the country which declined from Rs. 902.4 crores to Rs. 303.6 crores in 1960-61 (DGCI&S data). This came as a shock to the planners and in the Third Plan they explored the possibility of supplementing the export earnings with external assistance. Greater emphasis on exports was placed and subsidisation was introduced covering a wide range of exports. These subsidisation policies essentially took two forms (i) Fiscal measures such as exemption from and refund of indirect taxes, drawback on import duties for raw materials and rebate on excise duties, direct tax concessions. Also there was provision for supply of key inputs at international prices for exporters and freight concessions on movement of merchandise. (2) Import entitlement scheme under which eligible exporters receive import licences fetching high import premia, pro-rata, to the value of exports effected. But the import and exchange control measures including high nominal tariff and quota restrictions accompanied by tougher regulations on industrial licensing was continued.

Indian rupee was devalued on June 6, 1966 to less than two-thirds of its current exchange rate to make exports beneficial and imports costlier. At the time of devaluation export promotional measures were removed, since devaluation envisaged that export products would become competitive in the international market without incentives. But the net result was that it exercised adverse effect on India's exports. The value of imports was much higher than that of exports causing a huge trade deficit. (Rs. 921 crores). This led to adoption of three annual plans instead of a five year plan after the completion of Third Five Year Plan. During this period some of the export promotional measures were restored. They include cash subsidies and import replenishment scheme.

From the Fourth Plan onwards a series of policy innovations were introduced to increase the

industrial capacity destined for export production. A Trade Development Authority was set up to provide a comprehensive range of services covering marketing, finance, and product adoption to exporters particularly those in the small scale sector. In 1974-75 Export processing zone was created for electronic equipment and components near Santa Cruz airport at Bombay. An Export Import bank was established in 1981-82 with an authorised capital of Rs. 200/- crores. It provides financial assistance to exporters and importers and function as the principal institution for coordinating the working of institutions engaged in financing foreign trade.

Besides these measures the Government of India pointed three committees to review the structure of trade policies and performance of India's foreign trade. they were Alexander committee (Jan, 1978); Tandon committee (Jan, 1980); and Abid Hussain committee (December, 1984). Based on the recommendations of these committees import licensing procedures were simplified and import of capital goods, intermediate goods and computer systems have been liberalised. A scheme has been initiated to enable hundred percent export oriented units to be set up anywhere in India with facilities similar to those normally available only in free trade zones to encourage the export of non-traditional manufactured items. The government announced a long term import-export policy in April 1985, for a period of three years, upto March 1988 with the objective of imparting continuity and stability to the policy regime. The policy seeks to reduce the licensing by abolishing the category of automatic licences and most of the items of automatic permissible list have been shifted to Open General Licence. An import-export pass book scheme was announced for the manufacture exporters, for the duty free import of inputs required for export production subject to actual user condition. The new long term import export policy was issued by the Commerce Ministry on march 30th 1988. Main features of this policy are Open General Licence list was enlarged to remove customs problems so that necessary raw materials could be imported without any difficulty. Under the import policy exporters are entitled to get import replenishment licences to replenish the raw materials and components used in the manufacture of products exported. The coverage of the import export pass book scheme is being extended to bring within its purview manufacturers who are well established in the domestic market. Consequently manufacturers who are having three years average turnover of Rs. 15 crores and above, would be given the facility of pass book upto an extent of ten percent the average turnover. This will be subject to production of bank guarantee equivalent to the full customs duty leviable.

Export policy has been made simpler and easy to operate. In restructuring the policy, a system of having various categories of controlled commodities has been introduced; the system of quota licensing and fee licensing has been abolished. Similarly licensing on first-come-first-serve basis has also been

abolished. The scope of export of free trade samples has been enlarged and rationalised.

For the first time an export licensing committee under the chairmanship of CCI&E has been constituted. This committee will consider applications for items placed 'on merits' list, export of samples over and above the value laid down in OGL and attend to clarification on export policy and procedures, etc.

Thus there is a change in the industrialisation strategy of India from import substitution to neutral to export oriented Trade policy liberalised while promoting import substitution in the economy.

Objective

In the light of these developments in the trade policy the present study is an attempt to examine,

1. Change in the growth rate of exports and that of GNP during 1951 to 1983 and
2. the relationship between growth of exports and that of GNP.

Liberalisation of foreign trade leads to promotion of exports and promotion of exports will have effect on economic growth.

Methodology

The methodology used in this study is to compile the annual data relating to gross national product at factor cost and exports for the period 1951-52 to 1982-83. The year 1951-52 is chosen as the base year because it is during this year that India's First Five Year Plan was started. The current year is dictated by the availability of comparable data. Since the GNP figures were adjusted to price changes, exports were deflated by using unit value index numbers of exports.

The unit value index numbers of exports for different period are given at different base years. Hence all the figures were adjusted to the same base year 1970-71 by using the formula:

$$PX = \frac{\text{Current year index number of exports}}{\text{Base year index number of exports}} \times 100$$

where Px is unit value index number of exports. By using these index numbers (base 1970-71 = 100) export figures are adjusted to 1970-71 prices so that GNP data and export data could be comparable.

Using the GNP data and deflated exports data, Karl Pearson's correlation coefficient and Regression equations are calculated for the whole period and for the two subperiods i.e.,

1. from 1951-52 to 1965-66 and (2) from 1969-70 to 1982-83. The total period is so divided on the basis of major changes that occurred in India's foreign trade policy. In the first subperiod considerable emphasis has been

placed on import substitution and stringent import control measures were imposed. The second sub-period has witnessed a continuous liberalisation of the economy. The years from 1966-67 to 1968-69 were not included because of the extreme conditions prevailing in the country. There was severe agricultural drought situation for the two successive years 1966-67 and 1967-68. These affected the values of GNP and exports adversely.

Annual average compound growth rates of GNP for the first five Year plan and from 1978-79 to 1982-83, and for the two subperiods are estimated using the following formula:

$$Y = ae^{bt}$$

where

Y = GNP at factor cost

a = Constant

t = time period and

b = estimated growth rate

Results showed that while the growth rate of GNP for the two sub periods is 3.7 percent, it fluctuated in the first five five year plans and in 1978-79 to 1982-83 period between 5.8 and 2.2. The growth rate steadily declined from 4 percent in the first plan to 2.2 percent in the fourth plan. The main reasons for this decline were unfavourable weather conditions, industrial stagnation and Wars with Pakistan and China. It increased to 5.8 percent in the Fifth plan but again declined to 3.2 percent during 1978-79 to 1982-83 period. But on the whole there was no improvement in the growth rate of GNP, over the total 32 years period, which remained constant at 3.7 percent.

Table 1

Annual Average Compound Growth Rates of GNP

Period	annual average compound growth rate (percentage)
First Plan (1951-52 to 1955-56)	4
Second Plan (1956-57 to 1960-61)	3.9
Third Plan (1961-62 to 1965-66)	3.1
Fourth Plan (1969-70 to 1973-74)	2.2
Fifth Plan (1974-75 to 1977-78)	5.8
1978-79 to 1982-83	3.2
1951-52 to 1965-66	3.7
1969-70 to 1982-83	3.7

The annual average compound growth rate of exports for the six five year sub periods and for the two sub periods are estimated by using the formula:

$$Y_x = ae^{bt}$$

where Yx = value of exports.

It is observed that the rate of growth of exports decreased very rapidly and became negative by second plan period from 6.2 per cent to 1.5 percent.

This steep fall in the rate of growth of exports can be attributed to the indifferent attitude of the planners towards exports.

But from the third plan onwards explicit export promotional measures were taken and the growth rate increased to 5.1 percent. It further

Table 2

Annual Average Compound growth Rate of Exports

Period	annual average compound growth rate (percentage)
First Plan	6.2
Second Plan	1.5
Third Plan	5.1
Fourth Plan	6.2
Fifth Plan	8.6
1978-79 to 1982-83	3.2
1951-52 to 1965-66	2.6
1969-70 to 1982-83	6.6

increased to 6.2 percent in the fourth plan period and to 8.6 per cent in the fifth plan period. But in the period 1978-79 to 1982-83, the growth rate declined to 3.2 percent. This fall could be partly explained by the falling shares of Engineering goods, chemicals and allied products, leather manufacturing and other fast growing commodities which are considered to be the dynamic exports in India. When the average growth is estimated for the two sub periods, it is found that the growth rate increased from 2.6 percent to 6.6 percent. This improvement in India's export performance greatly enhanced the export promotional measures adopted by the Government.

Exports and economic growth

When Karl Pearson's correlation coefficient between exports and GNP is estimated for the two sub periods separately, it is found that it increased from 0.86 in the first sub period to 0.91 in the second sub period indicating that the relationship is stronger in the second sub period. But by this method we can not get a numerical value describing the extent to which one variable influences the other and to find it regression analysis is used.

The specific hypothesis to be tested is that 'there is a positive relationship between exports and economic growth i.e., a rise in exports stimulates increase in aggregate economic growth.'

Linear Regression equation

$$Y = a + bX + cT$$

where Y = GNP, X = exports, both at constant prices

T = Time a = Y- intercept

b and c = partial regression coefficients.

has been fitted to the data for the years 1951-52 to 1982-83. Time is introduced as a variable, taking values T = 1,2,3,...., in order to capture the effect of tall factors changing over time and influencing the GNP other than exports in the functional relation.

The estimated regression equation is:

$$Y = 10047.6 + 3.479 X + 994.09T$$

(10.17) (4.764)* (22.20)*

$$R^2 = 0.98$$

$$R^2 = 0.98$$

$$F (2.29) = 768.62$$

$$Y_x = 0.2 Y_t = 0.5$$

Figures in parenthesis are t-values.

* Significant at 1 percent level.

The short run elasticity of GNP with respect to exports is 0.20. This means that a 100 percent increase in exports leads to 20 percent increase in GNP as an instantaneous effect. The elasticity of GNP with respect to trend variable is 0.5 which means that a 100 percent increase in all other dynamic factors other than exports would increase GNP by 50 percent. The long-run elasticity is compounded by adding the above two components i.e., 0.2 + 0.5 = 0.70.

The trend variable seem to explain larger variation in GNP than exports variable as the former has larger t-value than the latter.

In order to test whether trade liberalisation policies brought into force from 1969-70 onwards has any significant impact on GNP, a dummy variable is introduced into the regression equation and put in the form of;

$$Y = a + bX + cT + dD$$

where D is dummy variable.

The value of dummy variable is given 'one for 1951-52 to 1968-69 and zero for 1969-70 to 1982-83 in order to differentiate between pre-liberalisation period and liberalisation period. The estimated regression equation is:

$$Y = 12408.5 + 3.64X + 898.24T - 1918.160$$

(5.441)* (13.259)* (1.833)**

$$R^2 = 0.98$$

$$R^2 = 0.98$$

$$F (3.28) = 555.204$$

*indicates significant at 10 percent level.

The estimated results showed that the coefficient of dummy variable is statistically significant at 10 percent level and therefore, liberalisation policy as conceived here is found to be significantly affecting the GNP variable and the regression analysis confirmed the positive relationship between exports and economic growth and hence the hypothesis tested is found to be true.

The results confirm the positive correlation between exports and economic growth and hence it would be desirable to undertake more measures to improve the export performance in India. □ □ □

Growth of India's export and import: An analysis

R.P. Singh, R.K. Pandey, B.K. Singh

In this article the author attempts an analysis of the growth of India's export and import during 1960-89. The analysis reveals that India's export increased significantly during 1960-61 1988-89; but increase in import was faster than exports. The export earnings varied from item to item during the period and today handicrafts and engineering goods bring maximum export earnings. More efforts are needed to raise the earnings through exports, say the authors.

EXPANSION OF EXPORTS PLAYS a vital role in the development process of developing/under developed countries. It provides the necessary means to meet ever increasing demand for imports. But the process of development itself increases the home demand for consumption of food and food materials, which, in the absence of increase in the domestic output, will have the tendency either to reduce the exports or increase the imports of these commodities. The extent to which this may happen depends on elasticity of home and foreign demand for the products and the elasticity of home and foreign supply.

For the purpose of this study, secondary data for a period of 29 years from 1960-61 1988-89, were divided into three decades. The data used in the study were obtained from Economic Survey published by Govt. of India and various monthly bulletins. The growth rates of exports and imports were worked out by making use an exponential function. Of the two types of trend equation tried i.e. linear and exponential, the later gave a better fit to the data in all cases. As such, only exponential trend equations were taken up for the further economic analysis. When expressed in logarithmic forms this function transforms into linear function.

The following compound growth model was used for the purpose:

$$Y = A(1+r)^T$$

where Y = Quantities of exports and imports of commodities in year.

r = Compound growth rate

T = Time

The equation shown above can be reduced to linear in logarithmic forms that is,

$$\log Y_t = \log A + T \log (1+r)$$

or $Y = a + bT$

where $Y = \log Y_t$

$a = \log A$

$b = \log (1+r)$

The compound growth rate 'r' thus be obtained as $1+r = \text{antilog } b$.

or $r = (\text{antilog } b - 1)$

or in percentage term $r = (\text{antilog } b - 1) \times 100$

The critical examination of all the three decades of exports and imports presented in Table No. 1 revealed that increase in Indian export was significant during 1960-61 to 1988-89. The growth rate of export was highest in 1970-71 to 1979-80 (19.25 percent) followed by the period of 1980-81 to 1988-89 (12.90 percent) and 9.80 percent during 1960-61 to 1969-70. The overall increase in export was 11.87 percent during the period of 1960-61 to 1988-89.

Similarly increase in India's imports was significant during 1960-61 to 1988-89. The growth rate of imports was highest in 1970-71 to 1979-80 (21.62 percent) followed by the period of 1980-81 to 1988-89 the figures being 9.53 percent and lowest being 7.20 percent during the period of 1960-61 to 1969-70 respectively. The overall increase in import was 13.44 percent during the period of 1960-61 to 1988-89.

It is clear from the table that India's export has increased, no doubt, but increase in India's import was faster than exports over the periods.

Composition of Exports:

The composition of exports is presented in Table No. 3. Following results obtained from this table.

- (1) The most important export item in 1960-61 was jute and it contributed Rs. 212.9 crores in the form of the export earning. This amounted to 20.5 percent (or a little more than one fifth) of total export earnings. Since then its share has continuously declined (to 12.4 percent in 1970-71 and 2.4 percent in 1985-86).
- (2) The second most important export item after jute was tea in 1960-61 and it contributed Rs. 194.7 Crores (which amounts to 18.7 percent of total export earning). Its share has also declined consistently to 9.6 per cent in 1970-71 and 5.6 percent in 1985-86. During the last few years it has yielded more export earnings as compared to jute.
- (3) The third most important item in 1960-61 was cotton fabrics yielding Rs. 90.6 crores in the form of earning which was 8.7 percent of total export earnings. This has declined to 4.9 percent and 3.4 percent in 1970-71 and 1985-86 respectively.
- (4) As is clear from Table 2, the most spectacular increase had been recorded by handicrafts (from Rs. 69.9 Crores in 1970-71 to Rs. 1850.10 Crores in 1985-86). In fact, during recent years they have occupied the first place in India's export earnings.
- (5) An event of considerable importance was the emergence of crude petroleum as a significant item of export during the last few years. In fact, during 1982-83 and 1983-84 exports of crude petroleum occupied second place after handicrafts. In 1984-85 they occupied first place with exports worth Rs. 1563.2 Crores. However, they slumped to only Rs. 135.1 Crores in 1985-86.
- (6) Consequent upon the programmes of industrialization indicated during the planning period, the exports of engineering goods rose substantially. As a result, their share in India's export earnings rose from 1.3 percent in 1960-61 to 6.4 percent in 1984-85. Engineering goods occupied the third place behind handicrafts and cotton in 1985-86.
- (7) The results of industrialization were also expressed through increase in the exports of chemicals and allied products. From Rs. 5.4 Crores in 1960-61, the exports of this item increased to Rs. 482.9 Crores in 1984-85. In percentage terms, the share of chemicals and allied products in total export earning increased from 0.5 percent in 1960-61 to 2.6 percent in 1985-86.
- (8) Exports of leather and leather manufactures including footwear had shown impressive increase during the last few years. They contributed Rs. 743.2 Crores in 1984-85 and Rs. 520.90 Crores in 1985-86.
- (9) The commodities showing wide fluctuation in earnings were 'Sugar', 'Iron' and 'Steel'. Earnings from sugar were meagre in 1960-61 and 1970-71 but all of a sudden shot up to Rs. 472.3 Crores in 1975-76 seizing the first place in export earning commodities. Thereafter they slipped to inordinately low level of Rs. 36.1 Crores in 1984-85 and 11.00 Crores in 1985-86. Earnings from iron and steel also show similar trends.
- (10) Jute and mica export earning stagnated over the year. The stagnation of export earnings from jute was attributable mainly to the stagnation of jute consumption in the importing countries. This, in turn, was due to: (i) Substitution of papers in place of jute as the packaging material. (ii) Growth of new techniques in distributive trades, dispensing with the use of large traditional containers, and (iii) Introduction of "Back Handing" techniques in transportation of commodities. Mica also faced a similar fate. Despite the fact that India was a leading producer of mica, exports of this commodity had failed to increase. This could be attributed to various causes, the most important being (i) growing use of synthetic mica, and (ii) the ever increasing possibilities of making use of scrap mica in place of high trade mica. During recent years, high temperature-

Table No. 1

Compound Growth Rate of India's Export and Import (1960-1985)

year	Equation	Compound growth rate	Standard Error	R ²
1960-69	$Y_t = 6.30 (0.0938)t$	9.80***	0.067	0.96
1970-79	$Y_t = 7.13 (0.176)t$	19.25***	0.026	0.85
1980-88	$Y_t = 8.67 (0.122)t$	12.90**	0.052	0.81
Overall (1960-88)	$Y_t = 6.32 (0.112)t$	11.87***	0.0195	0.73
IMPORT				
1960-69	$Y_t = 7.27 (0.0069)t$	7.70***	0.005	0.74
1970-79	$Y_t = 7.26 (0.196)t$	21.62**	0.69	0.94
1980-88	$Y_t = 8.33 (0.09)t$	9.53**	0.037	0.81
Overall (1960-88)	$Y_t = 6.49 (0.126)t$	13.44***	0.023	0.98

*** Shows significant at 1 percent level of probability level.

** Shows significant at 5 percent level of probability level.

resistant plastics with good insulation properties have made progress and have successfully replaced the use of mica in electrical and electronic industries.

Table 2
India's Exports and Imports

Sl.No.	Year	(Crores)	
		Exports	Imports
1.	1960-61	660.70	1139.70
2	1961-62	669.70	1107.10
3	1962-63	713.60	1135.60
4	1963-64	793.20	1229.90
5	1964-65	816.30	1349.00
6	1965-66	805.60	1408.50
7	1966-67	1156.60	2078.40
8	1967-68	1198.70	2007.00
9	1968-69	1357.90	1908.60
10	1969-70	1413.36	1582.10
11	1970-71	1535.16	1634.20
12	1971-72	1608.20	1824.50
13	1972-73	1970.80	1867.40
14	1973-74	2523.40	2956.40
15	1974-75	3330.60	4518.80
16	1975-76	4036.28	5264.78
17	1976-77	5142.25	5073.79
18	1977-78	5407.87	6020.23
19	1978-79	5726.30	6814.30
20	1979-80	6418.43	9142.58
21	1980-81	6710.70	12549.15
22	1981-82	7805.90	13607.56
23	1982-83	8803.31	14292.74
24	1983-84	9872.10	15762.95
25	1984-85	11554.78	17682.12
26	1985-86	11012.00	19746.08
27	1986-87	12569.33	20200.65
28	1987-88	15719.36	22343.02
29	1988-89	18449.93	26760.41

Source: (i) Economic Service, Govt. of India 1987-88. (ii) Book "Indian Economy" Mishra and Puri, fifth revised edition 1987.

Direction of export

Direction of India's exports is presented in Table 3. The table indicated that still the U.S.A. took first place in India's exports. The share of exports to the U.S.A. exports was more or less constant during 1960-61 to 1984-85 and increased in 1985-86 over the period of 1984-85. The second important country was the U.S.S.R who captured second place in 1985-86 and contributed 17.35 per cent in India's total exports against only 1.83 per cent in 1950-51 and 4.52 per cent in 1960-61. Japan stood next with about 11 per cent in 1985-86 as against 1.60 per cent in the base year of 1950-51 and 5.45 per cent in 1960-61 respectively. During the period of 1950-51 and 1960-61, U.K. was in the first place in the share of exports and contributed 23.30 per cent and 26.95 per cent in the total India's export. From 1970-71 share of U.K. declined continuously, the figure being 11.08 per cent in 1970-71, 5.22 per cent in 1984-85 and 4.88 per cent in 1985-86. There was no marked changes of the share of Iran, West Germany and France in India's total export during the period of 1950-51 to 1985-86.

India's Export to World Exports

From an analysis of share of India's export to world export was observed that the percentage share of India's exports in the world exports was one per cent and above till 1966-67. It gradually declined and has never been able to pick up. Similarly India's share in developing country's export was more or less constant till 1966-67 and after that had rapidly declined since 1963-64. This was contrary to the trend of percentage share of developing countries in world export which gradually decreased from 1960-61 to 1972-73 and picked up to attain a new level in 1980-81.

Table 3
Composition of Indian Exports

Sl. Commodities	1960-61	1970-71	1975-76	1978-79	1979-80	1984-85	1985-86
1. Jute manufactures	212.9	190.4	248.3	166.9	336.1	341.3	269.6
2. Tea	194.7	148.3	236.8	340.5	367.8	766.7	611.9
3. Cotton fabrics	90.6	75.3	158.7	224.3	287.4	450.5	371.6
4. Iron ore	26.8	117.3	213.8	232.9	285.2	459.4	554.6
5. Leather and leather manufactures	39.3	72.2	201.3	327.7	485.6	743.2	520.9
6. Cashewcarvel	29.8	837.1	96.1	80.2	118.1	179.7	215.3
7. Tobacco	24.8						
8. Engineering goods	13.4	130.4	408.7	700.7	739.1	880.2	760.3
9. Handicrafts	Nil	69.9	224.1	956.7	832.5	1665.3	1850.1
10. Coffee	11.4	25.1	66.5	144.00	163.3	210.2	235.6
11. Mica	16.0	15.6	14.6	18.9	20.6	19.6	20.9
12. Sugar	3.8	27.6	472.3	131.0	128.9	36.1	11.0
13. Raw cotton	13.7	14.0	39.2	16.0	75.1	59.7	65.8
14. Iron and Steel	8.7	67.2	68.2	118.0	32.7	75.7	48.1
15. Chemical and allied products	5.4	29.4	84.4	148.1	197.8	487.9	285.9
16. Fish and fish preparation	7.3	30.5	126.6	226.3	253.4	381.4	388.6
17. Others	-	432.3	1278.3	1777.6	1981.3	4823.5	4655.1
Total	1039.8	1535.2	4036.3	5726.1	6418.4	11743.7	11012.0

Source: Govt of India, Economic Survey 1971-72, 1985-86 and 1986-87.

(Contd. on page 31)

Tax system of India

Dr. K. Sham Bhat

In this article the author attempts an analysis of the composition of various taxes in total tax revenue and elasticity and buoyancy of the tax structure of the Government of India for the period 1980-81 to 1987-88. Tax revenue according to the author forms only about 20 per cent of national income in India. There are, however, possibilities to increase the revenue by increasing national income and by expanding productive sectors of the economy, the author feels.

THE ATTAINMENT OF RAPID economic development is the most important objective of all developing countries. To achieve economic development capital accumulation is necessary. In this connection the basic question will be how to raise the required finance for development. There are two sources for a government to raise resources—internal and external sources. Although taxation may have a large share in promoting a country's development, its actual efficiency will depend on the choice of various types of taxes. The government should take into account the legal system, political and social power and administrative ability before making its choice.

The economy of India has some unique features when compared to other countries of the world. Low literacy rate i.e. 37 per cent according to 1981 census and higher level of unemployment, characterise the peculiar feature of the economy. In terms of the ratio of tax revenue to the state income, India is far behind other countries. For instance tax revenue forms about 20 per cent of national income in India whereas in other countries such as Australia, Belgium, Denmark, West Germany, Sweden, the United Kingdom, the USA, the tax revenue ranges between 25 per cent and 30 per cent of the national income.

Composition of tax revenue

The government of India could mobilise most of its revenue requirement from tax revenue i.e. nearly 80.8 per cent of its total revenue which accounted for Rs. 19,844 crores (Rs. 198,440 million) out of Rs. 24,563 crores (Rs. 245,630 million) in 1980-81 (Table I). This level has been maintained during the eight years of study with little fluctuation. The tax structure has been dominated by indirect taxes. Out of the total tax revenue of Rs. 19,844 crores (Rs. 198,440 million) in 1980-81, a sum of Rs. 16,576 crores (165,760 million) have been from indirect taxes. This accounts nearly 83.5 per cent of the total tax revenue. In 1987-88, Rs. 49,268 crores (Rs. 492,680 million) is the contribution of indirect taxes which accounts for nearly 87.1 per cent of the total tax revenue. This increase of 3.6 per cent i.e. from 83.5 per cent to 87.1 per cent has been achieved with a fluctuation during eight year period.

Union excise duties is the major source of tax revenue for the government. Nearly 33 per cent i.e. Rs. 6500 crores (Rs. 65,000 million) have been contributed by union excise duties alone to the total tax revenue in 1980-81. Though the actual amount of contribution of union excise duties has increased from Rs. 6500 crores (Rs. 65,000 million) in 1980-81 to Rs. 16,826 crores (Rs. 168,260 million) in 1987-88, its share in total tax revenue declined to 29.7 per cent. The share of custom duties in the total tax revenue has increased significantly from 17.2 per cent in 1980-81 to 22.7 per cent in 1987-88. During the same year the share of income and corporation tax in the total tax revenue declined from 14.2 per cent to 11.3 per cent. The share of sales tax in the total tax revenue remained around 20 per cent during the period of study. In absolute terms custom duties have increased from Rs. 3409 crores (Rs. 34,090 million) to Rs. 12,867 crores (Rs. 128,670 million), income from corporation Tax increased from Rs. 2817 crores (Rs. 28,170 million) to Rs. 6382 crores (Rs. 63,820 million) and sales tax increased from Rs. 4018 crores (Rs. 40,180 million) in 1980-81 to Rs. 11,908 crores (Rs. 119,080 million) in 1987-88.

Elasticity and buoyancy of tax system

Tax elasticity or built-in flexibility refers to the coefficient obtainable by relating the changes in net tax yields with state or national income. This quantifies what would have happened to the tax revenues had no tax law changes been attempted over a time period. Tax buoyancy refers to the coefficient obtainable by relating the changes in historical tax receipts to change in national income and it measures what has happened actually. The former measure can, therefore, be viewed as a partial account of tax responsiveness to changes in national income and the latter as an account of total responsiveness. Sometimes these are also viewed as indicator of static and dynamic characteristics of a system. Tax elasticity or built-in-flexibility is interpreted as a static function, for it measures the growth of the revenues over a Constant tax base' and tax buoyancy as a dynamic function, for it measures growth of tax revenues unadjusted for any changes in rates, bases, etc.

Elasticity and buoyancy have been estimated by using the following equation:

$$\text{Log } T = \text{Log } L + B \text{ Log } Y$$

Where T : Tax revenue

Y : National income

L : Intercept or regression constant

B : Regression coefficient.

The regression coefficient 'B' will represent elasticity of tax structure if the tax revenue is adjusted for discretionary changes otherwise it will represent tax buoyancy. The data have been obtained from various issues of Economic Survey of India. The model has been estimated by using ordinary least square method by assuming its usual assumption.

The estimated result shows that buoyancy of the tax structure of India is about 0.9987 i.e., the total

Estimated Equation for Tax Buoyance.

$$\text{Log } T = \text{Log } (-0.5981) + (0.9987) \text{ Log } Y$$

$$(-4.165) * (3.5716)^*$$

*represents 't' values.

responsiveness of the tax system of India with respect to national income is about 0.9987 units. It implies that one unit change in the national income will increase the total tax revenue by 0.9987 units. The 't' statistics of buoyancy coefficient (B) implies that the 'B' is statistically significant at five per cent level. The model also emerged significant by assuming higher value of R^2 i.e. around 79.4 per cent.

Estimated Equation for Tax Elasticity:

$$\text{Log } T = \text{Log } (-1.9709) + (1.2426) \text{ Log } Y$$

$$(-25.0751)^* (12.8767)^*$$

* represents 't' values

The estimated tax elasticity coefficient (B) assumed a value 1.2426 units and emerged statistically significant at one per cent value. Its validity has been supported by higher 't' statistic value. The elasticity coefficient (B) implies that the net tax revenue i.e. after deducting the discretionary changes it will increase by 1.2426 units when there is a unit increase in national income and also implies that the tax system is highly responsive to the national income. The model estimated is capable of explaining variation in the tax revenue to an extent of 99.6 per cent with the help of national income. It is given by the explanatory power (R^2) of the model and it is statistically significant at one per cent level. The statistical significance has been confirmed by higher 'F' statistic value.

Table I

Sources of revenue of Government of India During 1980-81 Through 1987-88

Items	(Rs. in million)							
	1980-81	1981-82	1982-83	1983-84	1984-85	1985-86	1986-87	1987-88
Tax Revenue	98,440 (80.8)*	241,430 (79.3)	272,420 (76.1)*	315,250 (76.9)	318,130 (76)*	432,670 (76.2)*	495,220 (75.2)*	565,660 (75.8)*
Income & Corporation tax	28,170 (14.2)	34,450 (14.3)	37,540 (13.8)	41,920 (13.3)	44,840 (12.5)	53,750 (12.4)	60,940 (12.3)	63,820 (11.3)
Customs	34,090 (17.2)	43,000 (17.8)	51,190 (18.8)	55,830 (17.7)	70,410 (19.7)	95,260 (22)	115,000 (23.2)	128,670 (22.7)
Union excise duties	65,000 (32.8)	74,210 (30.7)	80,590 (29.6)	102,220 (32.4)	11,510 (31.1)	129,560 (29.9)	143,470 (29)	168,260 (29.7)
Sales Tax	40,180 (20.2)	50,630 (21.0)	56,670 (20.8)	65,070 (20.6)	73,260 (20.5)	87,420 (20.2)	100,400 (20.3)	119,080 (20.1)
Others	31,000 (15.6)	39,130 (16.2)	46,430 (17)	50,210 (15.9)	58,110 (16.2)	66,680 (15.4)	75,410 (15.2)	85,830 (15.2)
Non-tax Revenue	47,190 (19.2)*	62,830 (20.7)*	85,530 (23.9)*	94,640 (23.1)*	112,850 (24.0)*	135,060 (23.8)*	163,620 (24.8)*	180,840 (24.25)*
Total	245,630	304,250	357,950	409,890	470,980	567,730	658,440	746,500

Source: Government of India: Economic Survey 1987-88 PP. S-36-S. 37

(*) Percentage of total Revenue

() Percentage of tax revenue.

Table II**Direct and Indirect Tax Revenue of Government of India During 1980-81 Through 1987-88.**

Year	Direct tax	Indirect tax	Total
1980-81	3,268 (16.5)	16,576 (83.5)	19,844
1981-82	4,133 (17.1)	20,009 (82.9)	24,142
1982-83	4,492 (16.5)	22,750 (83.5)	27,242
1983-84	4,907 (15.6)	30,484 (84.4)	31,525
1984-85	5,329 (14.9)	30,484 (85.1)	35,813
1986-87	6,912 (14)	42,610 (86)	49,522
1987-88	7,298 (12.9)	42,268 (87.1)	56,566

Source: Government of India: Economic Survey 1987-88.
Note: Parenthesis shows percentage of total tax revenue.

Table III**national income of India During 1980-81 Through 1987-88**

Year	National Income (Rs. million)
1980-81	1,104,840
1981-82*	1,284,570
1982-83*	1,413,310
1983-84*	1,661,400
1984-85*	1,830,510
1985-86*	2,054,360
1986-87*	2,290,350
1987-88*	2,553,740

Source: Government of India: Economic Survey 1987-88
* Provisional

In brief the economy of India is depending more on its indirect taxes for revenue. The direct taxes are contributing only around 13 per cent to the total tax revenue. Union excise duties is contributing nearly 30 per cent of the total tax revenue of the government. There are possibilities to increase the revenue by increasing national income and by expanding productive sectors of the economy. □ □ □

(Contd. from page 6)

dividend received by it from another domestic company. However, during the assessment years 1976-77 to 1984-85 such dividend was fully deductible from total income if it was received from a domestic company engaged in the manufacture of certain high priority items e.g., fertilizers, pesticides, paper and cement. The rationale behind this exemption was to encourage inter-corporate investments in the priority industries. The withdrawal of this incentive by the Finance Act 1984 with effect from the assessment year 1985-86 is a retrograde step in the history of corporate taxation in India on account of its adverse effects on expansion of corporate sector. It might be

mentioned in this context that inter-corporate dividends are totally exempt from tax in countries like Brazil, Canada, Ireland, Israel, Malaysia and New Zealand. There exists, thus a plausible ground for total exemption of inter-corporate dividend in India also. The impending fear of concentration of economic power in the hands of big corporate giants through inter-corporate holdings is adequately dealt with in the companies Act (1956), the MRTP Act (1969) and as such there is no further need for any provision under the Income-tax Act designed to tax inter-corporate earnings even at a concessional rate.

Conclusion

In the end, it might be concluded that the burden of tax on corporate assesseees in India is relatively higher as compared to the corresponding tax burden being borne by other types of assesseees such as individuals, HUF, AOPS and Firms. In order to rationalise the existing structure of corporate tax and lessen the burden of tax on companies following suggestions are put forward:

- (i) The existing classification of domestic companies into widely-held and closely-held should be scrapped and all domestic companies be subjected to a uniform rate schedule.
- (ii) The existing flat rate of tax should be replaced by a graduated rate-schedule comprising 20% on income upto Rs. 1 lakh; 30% on income over Rs. 1 lakh but not exceeding Rs. 2 lakh and 40% on the balancing part of the income. The maximum rate of corporate tax would, thus, be 10 percentage points lower than the highest rate of tax applicable to individuals. This proposal is in consonance with the rate-structure of individual and corporate income-tax prevalent in many other countries
- (iii) Inter-corporate dividends should qualify for 100 per cent deduction u/s 80 M in order to give a boost to the programme of diversification and expansion of corporate entities. □ □ □

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Venture Capital in India

Dr. H. Sadhak

Venture capital, an important instrument used in industrialised countries to encourage specialists and technocrats to set up high risk industries is of recent origin in India. Though there are many potential innovative entrepreneurs in Indian society, lack of proper support hindered their growth. Venture capital initiatives are bound to remove these bottlenecks and help innovative technocrats entrepreneurs to come up, the author feels.

INDIAN ECONOMY HAS ALREADY witnessed emergence of several financial Institutions and a growing capital market during the post independent period. Latest arrival in the scene is venture capital institutions to cater to the need of industrial ventures involving high risks e.g. technology development. The need for emergence of such capital is primarily due to lack of encouragement of existing financial institutions (Development Banks, Investment Banks and other financial Institutions) to finance such enterprises which take longer period for realisation of commercial returns. The necessity of venture capital institutions was echoed by the Finance Minister in his Budget speech 1988-89. "We have one of largest pools of scientific and Technical Manpower. Yet many of our young and new entrepreneurs find it difficult to raise equity capital because of the risk involved. This problem can be solved by allowing venture capital companies, in anticipation of future capital gains". The emphasis on venture capital by finance minister acted as a booster and many of the institutions have started providing venture capital and many new institutions in Public as well as private sector have been established for this purpose. However, IFCI had already established Risk Capital Foundation (RCF) in 1975 to provide capital, in the

form of risk capital. IDBI has started its venture capital fund (VCF) in 1987 and ICICI launched its venture capital scheme (VCS) in 1987. Some private venture capital organisations have also come up.

What is Venture Capital

Venture Capital is fundamentally the risk capital needed by entrepreneurs. A Venture Capital Institution joins the entrepreneur as a co-promoter in project and shares the risk and rewards of the enterprise. Usually the venture capital company contribute equity in the projects. Generally the venture capital can be classified into 4 categories:

- Seed Capital : For translating the business idea into proposition.
- Start up capital : For undertaking production.
- Beginners Capital: For developing marketing infrastructure and improving competitiveness over the rivals through extended distribution chains.
- Establishment Capital : For expansion, diversification etc.

Earliest attempt to establish venture capital institutions for providing finance to new ventures involving very high degree of risks was made in U.S.A. when the American Research and Development Corporation (A.R.D.) in Boston was incorporated in 1946. Another important Venture Capital Company (in U.S.A), the Small Business Investment Companies (SIBCs) and Minority Enterprise Small Business Investment Companies (MESBICs) started providing Venture Capital since 1958. These are privately organised and managed firms in U.S.A. After 1960, several of such firms came up and during 1960 and 1962, 585 firms were registered. In the United Kingdom, the first venture capital company was established in late 40's by the Bank of England.

The investment in industry by venture capital companies in U.S.A. and European Countries has been estimated by Venture Economics Institutions.

According to this organisation the size of venture capital in U.S.A. was \$ 20 billion in 1985, and \$ 17 billion in Europe.

Growth of venture capital in U.S.A., U.K. and other developed countries is primarily due to rapid growth and extensive potential of commercialisation of science and technology. These opportunities lured the venture capital institutions to invest in high-tech projects under condition of extreme uncertainty. These projects otherwise neglected by the traditional financing institutions. Since risk involved is very high, a very selective and sophisticated method is used to select the projects. The venture capital companies in U.S.A., U.K. and other developed countries are assisted to offload their shares in assisted units through the unlisted markets (USM) in the U.K. and over the counter (OTC) in USA.

Venture Capital in India

In India, Financial Institutions-Development Banks, Investment Banks and other Financial Institutions-are too much risk conscious. They are primarily interested in sanctioning loans to projects with low risk easy returns. They are usually shy of the new projects with suspectable returns. There is also a tendency among Indian Investing Institutions to invest in traditional industries promoted by established industrial houses. New units supported by high-tech innovation and promoted by first generation young entrepreneurs very often fail to get necessary financial support from these institutions. Therefore, in order to encourage and promote such technological projects, new products and to take scientific innovation from labs to life and to make R&D efforts commercialised, I.F.C.I. I.D.B.I., I.C.I.C. and some other Institutions namely S.B.I. capital market Canara Bank etc. have started providing risk/Venture Capital in India.

The first step to provide risk capital to entrepreneurs was taken by Risk Capital Foundation (RCF)- a subsidiary of IFCL. RCF was established in 1975 to provide loans on soft terms to entrepreneurs, particularly technologists and professionals who do not have adequate resources of their own. R.C.F. has been converted into RCTC (Risk Capital & Technology Finance Corporation Ltd.) in 1988 to provide risk/venture capital to technologists and professional entrepreneur. The RCTC, in addition to providing assistance in the form of risk capital is providing finance for high tech projects in the form of venture capital to viable proposals and projects which are capable of completion within a short period emanating from units in the corporate and co-operative sector, industrial association and trust, with proven record in innovation and having requisite technological and Managerial strength. Finance will be provided for innovative technologies, products, process, markets services research energy conservation complex technology development, for meeting expenditure of National/ International

Consultants and for sponsoring commercial R & D Programme.

Industrial Development Bank of India (IDBI) established its venture Capital Fund in 1986-87, with the objectives to

- a. Encouraging the commercial application of indigenously developed technology.
- b. Adopting imported technology to wider domestic applications &
- c. All matters connected with or incidental to the above.

IDBI venture capital scheme states "The VCF would be concerned with proposals relating to development of technology from the level of lab or bench scale onwards till the stage where it is mature for commercial application. IDBI scheme covers the proposals for ;

- a Setting up Pilot plant based on laboratory process.
- b Upscaling of Pilot to demonstration scale capable of commercial operations.
- c Technological innovation leading to quality upgradation etc.
- d Adaptations/Modification to imported process.
- e Cost of studies surveys etc.

IDBI provides assistance ranging Rs. 5 lakhs to Rs. 250 lakhs at 6% during development process/product is accepted in the market. IDBI assistance is available for financing cost of fixed assets as well as for operating expenditure. A minimum contribution of 10% by the promoters for venture costing Rs. 50 lakhs is required. This contribution increases to 15% for venture costing more than 50 lakhs.

Another important step towards venture capital has been taken by ICICI by setting up Technology Development and Information Company of India Ltd. (TDICI) "in order to broad-base technology development oriented activities". The major function of IDICI would be technology financing and technology information. Technology financing will include financing of commercial R&D Schemes through grants and conditional loans, venture capital financing and Technology upgradation financing. ICICI is shortly launching first tranche of Rs. 200 million. The second Venture Capital Fund of Rs. 400 million will be launched in middle of 1989 which would invite subscription from large number of financial institutions and banks. ICICI has completed a survey to determine market segments. Accordingly the segments are: "mission areas of Government where spin off technology from defence and space Research Organisations could be commercialised; process and product develop in the Central Laboratory, tapping the universities and technological institutions, research and development by various industry associations and private initiatives by small units and corporations etc.

Other important Institutions promoting Venture Funds are S.B.I. Capital Market (SBI Cap), which at present finances through its bought out deals. Grindlays Bank has launched its India Investment Funds and Financing Projects which need venture Funds. Canara Bank is also establishing its venture capital fund. The first private sector venture capital fund will have credit capital with 10 crore fund.

Operational data

Venture Capital is a totally new initiative in India and all the companies except R.C.T. are in the formative young stage. Therefore, only limited information about financing is available. It has been observed from the available data that as on June'88. RCTC has assisted 156 Projects involving 264 promoters. Cumulative sanction and disbursement of RCTC was Rs. 1861.48 lakhs and 1322.48 lakhs respectively. An important feature of RCTC assistance is that about 70% of the RCTC assisted projects are located in notified backward/less developed areas.

A study conducted by RCTC shows that 57% assistance (sanction) went to technocrat entrepreneurs, 55% promoters were technician entrepreneurs, and 47% promoters were from service background:

Table 1

Risk Assistance provided by R.C.T.C. (1976-1988)

Year Jan. Dec.	Sanction			Disbursement		
	Amount (Rs. lacs)	No. of Prom- oters	No. of Project	Amount (Rs. lacs)	No. of Prom- oters	No. of Projects
1976	25.90	9	5	6.75	1	1
1977	27.50	4	4	21.55	6	4
1978	28.39	10	5	16.75	4	3
1979	67.20	16	9	49.39	14	8
1980	63.85	14	8	52.20	14	7
1981	82.50	13	10	76.85	15	10
1982	65.00	10	7	66.35	12	7
1983	83.14	14	7	59.74	8	7
1984	239.49	34	20	102.39	16	10
1985	217.87	31	18	173.50	25	30
1986	290.44	36	19	267.77	37	20
1987	406.20	43	25	350.94	42	25
1988	264.60	30	19	78.30	8	5
	1861.48	264	156	1322.48	202	120

During the year 1987-88, IDBI sanctioned Rs. 687 lakhs to 10 projects under Venture Capital Fund as against Rs. 13.5 lakhs to one Project in 1986-87. The TDICI's target for venture capital during 1988-89 is about Rs. 20 crores and about Rs. 100 crores by 1989-90. Venture investment by other Institutions is not readily available.

Cautions needed

Venture Capital initiatives are long awaited steps in Indian Capital Market which would provide much needed support to technocrat entrepreneurs. This type of entrepreneurs who are called innovative

entrepreneurs have brought so many revolutionary ventures in industrialised world. Though there are many such potential entrepreneurs in Indian Society, yet lack of proper support hindered their growth. Venture Capital would remove these bottlenecks and help the innovative technocrat entrepreneurs to come up.

However, venture capital needed a cautious approach particularly in respect of supporting the technological projects. Our educational system very often fails to match laboratory research with commercial application and many of the projects are not commercially viable. Therefore, a very high standard is required to establish maintain and to scrutinise the projects while those are accepted for financing. This would require a close co-ordination between venture capital company Research and Educational Institutions. A suitable appraisal measures appropriate for Indian condition need to be developed for assessing risk and commercial viability of the technological project. Adopting the existing appraisal technique of Indian Financial Institutions which rely more on objective judgement may not suit the objective of venture financing. More reliance is needed to be put on subjective assessment of the venture.

Secondly, the existing security market which has been proved insecure for investors due to several malpractices at various quarters would not be able to render necessary support to rights of investors in new and technology ventures. It is therefore necessary to promote a second fire stock exchange (U.S.M. in U.K. and O.T.C. in U.S.) to help venture companies to offload their shares in assisted units, since these are very high risk shares which cannot be traded, in ordinary stock exchange.

Suitable measures should also be taken to give tax relief to venture capital companies. This relief can be extended to initial equity investment by them in high technology industries and industries promoted by first generation entrepreneurs, which are otherwise high risk ventures. Moreover, suitable amendment of 43 (A) of companies rule is necessary to remove apprehension of promoters to declare their units as public units. There are several other minor problems which need to be attended for healthy growth of venture funds in India for not only healthy growth of capital market but also to extend necessary support to the growing technocrats/professional entrepreneurs in India. □ □ □



VAT- How to Administer ?

Dr. Kishore C. Samal

THE VALUE ADDED TAX (VAT) HAS spread rapidly in the last 25 years. Some 45 countries mostly in Europe and Latin America are now employing the comprehensive V A T (see Table-I). Around 20 countries mainly in Africa are using the restricted form of V A T.

In 1967, the comprehensive VAT first appeared in Brazil to replace the turn-over tax and in Denmark to replace a wholesale sales tax. The VAT was introduced by major industrialised countries like France and FRG in 1968, and U.K. and Italy in 1973.

Though there is much talk about V A T and now MODVAT in India, there is some confusion about the concept, more so due to different forms of VAT in practice in different countries.

The value added tax (VAT) is a tax on the value that a business firm adds to the things it buys from other firms in producing its own product. The VAT is added to the sales price but is separately stated except on the final sale to the consumer. Each seller in the chain collects the VAT from the purchaser at the time of sale, deducts any VAT paid by him on his purchases from this amount and remits the balance to the Government. Thus, the burden of VAT falls on the final consumer.

In short, VAT is imposed only on valued added-on the incremental value added. VAT can be introduced either as a substitute to the corporation income tax, sales tax and excise duties or as supplement to them. Mainly there are three types of VAT, (i) GNP type, (ii) Income type and (iii) Consumption type.

In India the concept of VAT has its origin first in Kaldor Committee's recommendations, and then in the Dutta Committee, Jha Committee, FICCI study and Sarvane's study. In these reports of the committees and studies, the VAT was treated as a device to neutralise the cascading effects of indirect taxes.

MODVAT

The idea of Modified Value Added Tax (MODVAT) scheme was first introduced in the Long-term Fiscal Policy (LTFP) document. The LTFP had stated to extend the system of proforma credit to all excisable commodities except few sectors as a solution to the problem of taxation of inputs and the cascading effects of this on the value of final products.

On the basis of the LTFP guideline, the then Finance Minister introduced MODVAT in 1986-87 budget with the hope that it will decrease the cost of final product considerably through availability of instant credit of duties paid on inputs and consequent reduction of interest costs, thus benefitting the consumers. In 1986-87 budget the MODVAT scheme covered 37 specified chapters of the Central Excise Tariff Act 1985. In 1987-88 budget it was extended to all sectors except textiles, tobacco and petroleum.

Under the MODVAT scheme, the proforma credit given, covers only excise duty and additional duty of custom. The scheme which has been in force from 1st March 1986 is not a new innovation. The MODVAT scheme only extended the existing system of proforma credit which was in force since 1962 to most of the excisable commodities. The proforma credit scheme permits adjustments of central excise duty paid on a material when that material and the product made out of it are both covered by the same tariff heading. Under the MODVAT scheme, this benefit is wider as adjustment is provided even when the material and the products made out are not covered by the same heading. Under this scheme manufacturers are allowed to get complete reimbursement of excise duty paid on the inputs.

MODVAT has been introduced in India to reduce the cost of final product to benefit the consumer, but the VAT has been neither introduced for this purpose nor to add to a country's tax revenue. Of-course, the

VAT over the years, has become a major source of tax revenue in some countries.

The VAT has mainly replaced other types of sales tax supposed to have serious defects. The turn-over tax levied as a percentage of sales is one of these defective taxes.

So, the VAT has replaced a general turn-over tax in several countries including Brazil. But in developing countries at an early stage of development where most business activity is fragmented among small firms, a turn-over tax may be preferred only on administrative grounds.

In more advanced developing countries, it is difficult to prefer between retail sales tax and the V.A.T. However, the V.A.T. has replaced a retail sales tax in Sweden and Norway. It has also replaced manufacturing sales tax, a wholesale sales tax in some countries. It has been substituted for corporate and personal income tax in the State of Michigan in U.S.A.

The V.A.T. is more popular in most of the developing countries due to their dissatisfaction with their existing tax structure which results from unsatisfactory sales tax system, need for elimination of discriminatory border taxes in a custom union, desire for reduction of other taxes and others.

Of-course, the V.A.T. is not suitable for all developing countries. It will be better to depend on a simpler turn-over tax or a single-stage tax than on the V.A.T. on the part of some developing countries where there are (i) minor role of foreign trade, (ii) importance of small-scale agriculture, (iii) fragmentation of retail trade among very small sellers and (iv) lack of knowledge of basic accounts and others.

Though, there is wide international acceptance of V.A.T. particularly in countries with large public sector in need of a broad-based and buoyant general sales tax, there is no VAT in Australia, Canada, Japan and U.S.A. These industrialized countries have resisted the introduction of the V.A.T. due to various reasons. These are: (i) regressivity of V.A.T, (ii) fear of excessive growth of public sector since it offers policy makers a temptation to expand their influence, (iii) satisfaction with the existing sales tax structure, (iv) high administrative compliance cost. (v) its potential inflationary effects, (vi) potential evasion through false invoices, (vii) registration system (viii) political considerations and others.

There is a controversial misconception that VAT is expensive to administer since the administration of the VAT requires (i) comparatively large administrative staff, (ii) computerized system and (iii) greater compliance cost for traders. The first requirement is some what true. But the number of administrative staff required for the VAT administration depends on various factors such as (i) exemption turn-over limit, (ii) exempted goods and services, (iii) the use of staff transferred from work on taxes that have been replaced, (iv) frequency of returns, (v) complexity of the rates of the VAT and others.

If there is the problem of complex administration particularly in case of small firms, such firms may be exempted from the VAT, but the products in which they deal should not be fully free from the VAT at all stages. Exemption provides that a trader pay the VAT on his inputs without being able to claim any credit for these taxes. It simplifies tax administration but can result in cascading tax.

Another device to simplify VAT administration is zero-rating by freeing certain goods from the VAT. When zero rating is used, a trader is compensated for any VAT that he pays on inputs and is being freed from tax liability.

Thus it is difficult to presume that the VAT is relatively easy to administer, because it contains some self-enforcing features. The VAT certainly contains an element of self-enforcement that is lacking in other types of general sales tax. Thus, theoretically evasion of the VAT is not possible since one trader's purchase is some other traders' sale. However, like other taxes, the VAT can be evaded. The forms of evasion of the VAT are : (i) non-registration of traders who are liable to VAT, (ii) exaggerated refund claims by inflating the claims for deductions of VAT paid at earlier stages simply by fabricating fake invoices for purchases never made, (iii) under-reported sales, (iv) deliberate misclassification and incorrect description due to multiple rates, (v) false export claims since VAT is rebated on export, (vi) unrecorded cash purchases, (vii) credit claims for invoices from unregistered suppliers, (viii) credit notes on purchases including VAT not shown on returns, (ix) credit claims for purchases that are not creditable, (x) omission of self-deliveries, (xi) bogus traders, and (xii) barter arrangements.

Like VAT, the MODVAT introduced in India puts additional burden on tax department and producers since it involves maintenance of tax records at every stage. After one year of operation of the MODVAT in India, some operational problems were realised. So four important procedural changes were introduced in 1987-88 budget to simplify the operation of the MODVAT.

As in the case of VAT, it is claimed that the MODVAT scheme may check evasion and avoidance of duties to some extent. In case of components required for further processing for producing an excisable product, a manufacturer may not resort to mal-practices of suppressing production figures and hence input intakes since he will lose the MODVAT credit to the extent of duty paid on the quantity of raw materials and inputs suppressed from his accounts and secondly his products which are used as component of another product may not be purchased by other producers who use it for further processing as that transaction would not entitle them to take their MODVAT credit.

But tax evasion is possible under the MODVAT as in the case of VAT. A big manufacturer unit can inflate

Table I

VAT Rates throughout the World

Sl. No.	Country	Year VAT introduced/proposed.	Standard Rate of VAT At Introduction.	January 1, 1988.
1.	2.	3.	4.	5.
1.	Argentina	1975	16	18
2.	Austria	1973	8	20
3.	Belgium	1971	18	10
4.	Bolivia	1973	10	10
5.	Brazil	1967	15	17
6.	Canada*	-	-	-
7.	Chile	1975	20	16
8.	Colombia	1975	10	10
9.	Costa Rica	1975	10	8
10.	Coted 'Ivoire	1960	8	25
11.	Denmark	1967	10	22
12.	Dominican Rep.	1983	6	6
13.	Ecuador	1970	4	6
14.	France	1968	13.6	18.6
15.	F R G	1968	10	14
16.	Greece	1987	18	18
17.	Guatemala	1983	7	7
18.	Haiti	1982	7	10
19.	Honduras	1976	3	5
20.	Hungary	1988	25	-
21.	Iceland*	1989	24	-
22.	Indonesia	1985	10	10
23.	Ireland	1972	16.37	25
24.	Israel	1976	8	15
25.	Italy	1973	12	18
26.	Japan *	-	3	-
27.	Korea	1977	10	10
28.	Luxembourg	1970	8	12
29.	Madagascar	1969	12	15
30.	Mexico	1980	10	15
31.	Morroco	1986	19	19
32.	Netherlands	1969	12	20
33.	Newzealand	1986	10	10
34.	Nicaragua	1975	6	10
35.	Niger	1986	12	25
36.	Norway	1970	20	20
37.	Panama	1977	5	5
38.	Peru	1976	20	18
39.	Phillippines	1988	10	-
40.	Poland *	-	-	-
41.	Portugal	1986	16	16
42.	Senegal	1961	-	20
43.	South Africa	1989	-	-
44.	Spain	1986	12	12
45.	Sweden	1969	11.1	23.46
46.	Taiwan	1986	5	5
47.	Thailand*	1989	-	-
48.	Tunisia	1988	17	-
49.	Turkey	1985	10	15
50.	United Kingdom	1973	10	15
51.	Uruguay	1988	14	21

Note: * Proposed or under discussion

** Rates are so-called standard rates applied to goods and services not covered by other especially high or low rates. Most countries use a zero rate for a few goods.

Source: I M F Survey Vol. 17, No. 21 p. 358

its sales turn-over to get an increased deduction under the system. The seller may also falsify invoices

showing a forged tax content which he can claim as tax credit.

The evasion of VAT or MODVAT may be minimized if there is a strict enforcement system with provision of penalties and criminal prosecution for tax evader. And to minimize administration and compliance cost the standard of tax administration should be improved.

There is also fear of potential inflation due to introduction of the VAT. But the effect of the introduction of the VAT on prices depends on whether it is a new tax or whether it replaces another tax, and on the stance of wage and monetary policies. After examining the operation of VAT in 35 countries; Alan A. Tait identified seven countries where there was acceleration in inflation when the VAT was introduced. So to him, the VAT is not generally inflationary.

In India, the hope of the Government that the MODVAT scheme will help in reducing the consumer prices of product covered by the scheme may not be realised. In 1986-87 budget, in order to ensure revenue neutrality the introduction of the MODVAT was accompanied by an increase in the duty on the final products to balance the set-off being given of the duty paid on inputs. That is, to retain the collection of excise duties at earlier level, the rates of duties on final products under the MODVAT scheme was suitably adjusted in 1986-87 budget. Even in 1987-88 budget, the duty on final products was being increased in some cases to maintain revenue neutrality. Thus, in view of this, the prices have not been reduced in case of products under the MODVAT scheme where revenue neutrality is maintained.

Even in case of products under the MODVAT scheme where duty on final product is not being raised, if the manufacturers maintain the rate of profit on the net cost of production as lowered by the MODVAT and accept a reduction in the absolute size of the profit from a given volume of output, the prices of final products covered under the MODVAT may fall. But, in fact, the manufacturers are not bound to maintain the rate of profit. To keep prices of final products covered under the scheme around the level prevailing before the introduction of the MODVAT, the Government should lower the rate of the MODVAT when producers raise the price of these products, that is, both producers and the Government should adjust the rate of profit and the MODVAT respectively. □ □ □

Octroi : Can we replace it

Sandhya Rani Panda

Octroi is the main source of revenue of urban local bodies. What can be the implication of the abolition of this on urban local bodies? What are the possible alternatives? These issues are examined by the author in this article.

FINANCIAL POWERS ARE DISTRIBUTED in the Indian Constitution between Union and State Governments. At the same time, some financial powers are given to urban local bodies by each State government. The State and local governments usually provide a number of public services for public welfare purposes to raise the standard of living of the people and for growth of the economy. Public services include basic health and education, construction and maintenance of local road, the provision of water, street lighting, cleaning and sanitation, public markets and land development for business and residential purposes. Public services are provided in accordance with the preferences and needs of the citizens of the locality. Large scale revenue is necessary for smooth and effective performances of the public services by the local authorities which include Municipalities, Municipal Corporations and Notified Area Council. Financially stronger local government can improve the efficiency of local authorities for the maintenance of the public services.

sources of revenue

The main sources of revenue of the local bodies are taxation, grant-in-aid from the State government and shares of taxes levied and collected by the State government and non-tax revenue from enterprises of the local bodies. Taxes mainly include, taxes on property; taxes on goods like Octroi, and terminal taxes, personal taxes as taxes on profession and business, terminal tax or passanger taxes on vehicle and animals etc. Among these taxes, property tax and Octroi are larger sources of revenue for most of the Urban local bodies.

The property tax is imposed on the income derived by the owner from his property and its uses. Property tax includes (i) taxes on building including the open land which may be utilised to build houses (ii) taxes on unearned increment in relation to town development scheme (iii) taxes such as stamp duty on transfer of properties. The first two categories of taxes are levied by local bodies and the third category of taxes are mainly levied by the state government.

Next major source of revenue for the local bodies is Octroi. Octroi is a tax on the entry of goods into the local areas from other areas, for consumption, use or sale. It is one of the oldest taxes in India, which was known as "Chungi" in Moghul period. It is included in entry-52 of the state list.

Octroi has been criticised from various quarters, as it has some harmful effects. Local bodies raise much revenue out of octroi, but octroi has created many administrative and other problems which affects a large section of people and retard the growth of trade and commerce. There has been a controversy on introduction of some appropriate suitable alternatives in place of octroi. Almost all the alternatives suggested are defective. To remove the unfavourable impacts of Octroi, octroi should be replaced by some suitable alternatives.

Several central level and state level committees which are appointed by the Government of India and various state government have criticized octroi and suggested alternative sources of revenue to replace octroi. The committees are : the Indian Taxation Enquiry Committee (1924), the Local Finance Enquiry Committee (1949), Motor Vehicle Taxation Enquiry Committee (1950) the Taxation Enquiry Commission (1953), the Road Transport Reorganisation Committee (1959), the Committee on Augmentation of Financial Resources of Urban Local Bodies (1963) Rural-Urban Relationship Committee (1968), Committee on Transport Policy and co-ordination (1966), Zakaria Committee (1965), Road Transport Taxation Committee (1967).

Octroi

The defects of octroi, according to these committees are (i) it is regressive in nature (ii) it

(Contd. on page 34)

Nehru as an educational thinker

Dr. Man Mohan Lal

The author here presents a critical appreciation of Pandit Jawaharlal Nehru's ideas about education mostly contained in letters written by him to his daughter-Indira Priyadarshani. The wide range of thoughts he offers on education the vast experience he reveals and the concern he shows for modern knowledge convince us that Pandit Ji was no less important an educational thinker, the author feels.

NEHRU WAS NEVER A TEACHER, NOR WAS education his chief concern. He viewed education with a parent's eye. The education of his daughter Indira remained one of the important preoccupations during the Thirties. At times he availed himself of the opportunities of addressing students and inculcating in them an awareness which was needed for the awakening of a nation. His views on education are limited only to these two situations. However Nehru's hypothesis of education is important and worth studying as it affected the Indian academia before and after the Independence. As a builder of modern India Nehru was the most sensitive and receptive mind who did not leave any relevant aspect of Indian milieu untouched in his works and letters. Although there is, in his views, undoubtedly an evident imprint of western pedagogical movements and innovations, his concern for Indian education was original and genuine. We do not find any confusion or immaturity in his conception. Sometimes he appears prophetic in his visions. Perhaps this quality makes his educational conception further more valuable. This is true that he could not get his dreams fulfilled in his life time; now the question is -how far have we been successful in realizing his dreams in the field of education? There can't be any political answer to this question, nor should we bury our heads in sand to evade it. Hence a greater need to analyse his views on education.

What Nehru meant by education

According to Nehru: "Right education must be an all round development of the human being, a harmonising of our internal conflicts and a capacity to co-operate with others." Nehru attached a great importance to the practical aspect of education. He hated such scholars as lived a cloistered life. Education to him was a means to an end and that too the social and national end: "All round us we see people who have had brilliant academical careers and yet who are somehow unable to fit in any-where. Partly the fault is theirs, but certainly there is something seriously lacking in such a one-sided education. Examination oriented education was never favoured by Nehru. Real education is not bound up with examination. He attached more and more importance to real education, and by that he did not mean examinations and the like. In his opinion a proper intellectual training is essential to do any job efficiently; but far more important is the background of this training-the habits, ideals, ideas, objectives, the internal harmony, the capacity for co-operation, the strength to be true to what one considers to be right, the absence of fear. Real education, according to Nehru, aims at, "internal freedom and fearlessness." Time and again he reiterated that education divorced from life can never be of any use. "After all education is meant to fit you for life, that is to say, not only in your narrow spheres but you will have later on to understand the big problems of life."

Values in education

Of late a lot of fuss has been made about value-oriented education. However, only a vague idea is conveyed through this phrase. It is interesting to note that Nehru was fairly free from doubts as to the values education aimed at. There is not a great difference between his and Gandhi's conception. Both insist on the individual virtues to be inculcated, however the former gives no less importance to the social aspect. He hates an education system that reduces a human being to a bookworm or an island by himself. The greatest value one can expect from academic training is the feeling of co-operation and equality. Nehru did not like the idea of keeping his daughter in a separate building at Shantiniketan "apart from the 'common herd' and requiring all manner of special attention." His advice to his daughter can be further generalised:

"This seems to me to savour of vulgarity and snobbery...No this kind of thing will never do. Wherever we go we must keep on a level with our surroundings and not imagine that we are better or superior. It is better not to go a place than to go as a superior person. If you ever desire to work among village folk or for factory workers, how do you think you would live with them or visit them? As a society lady with a scented handkerchief to keep off the bad smells, occasionally patronising them or doling out charity to them?"

Nehru always warned us against inaction and indolence. 'Aram haram hai' was his ever-echoing watchword. In his opinion, the greatest feat of education would be to make people shrug their lethargy off and work ceaselessly for the welfare of society. Dignity of labour was considered by him much greater than higher intellectual pursuits. There remained always a sort of wistfulness in his heart to see Indians up and doing. He set his own example to preach the gospel of work. No wonder he imbibed all ethics from contemporary literature and philosophy that inspired action and incessant work. His ideal was not the individualistic philosophy of Samuel Smiles; rather he seems to share with Kropotkin whose *A Word to Youngmen* shook the aristocratic ambitions of the contemporary educated youth. Nehru's educational ideals were meant for his daughter as well as all youngmen of India:

"I think I have told you that it has long been my desire that a part of your education and every boy's and girl's education should consist of real honest work in a factory or in the fields. Unfortunately this cannot be arranged in India under present conditions but this idea of mine will give you some notion of what I think of education. If you want to work in a factory, do you think you could do so as a superior person living apart and in a much better way than the others? The idea is absurd. The very object of going there is to learn from the sufferings, discomforts and misery which surround and wrap up the great majority of people; to see the drama of real; to become akin to a small extent at least with the masses; to understand their viewpoint; and get to know how to work so as to raise them and get them out of their misery. This cannot be done by people who live in cotton wool but by those who can face the sun and the air and hard living."

Education and nationalism

Nehru's nationalism was free from all bigotry and narrowmindedness. He had evolved so healthy an outlook that it was impossible for him to confine his interests to his own nation. Humanity, love and justice were the values he was all for. However, he was like any other nationalist against the British rule in India. He could never condescend to the unjust laws and administration of the British. His love for India was deeply romantic and emotional. At the same time he was seriously

concerned about the well being of the nation. And to this cause he was fully dedicated. All sufferings and troubles he sustained for this very cause. Naturally his ideal of education is closely associated with nationalism. Nationalistic education, he thought must come from the national genius.

"...I do not mean the teaching of aggressive and blind nationalism. But I do feel that a person who cuts himself off from the cultural genius of the country he lives in, creates a barrier which makes it difficult for him to function there effectively. Even the breaker of old customs must approach his job as an insider, not an outsider."

To Nehru, devotion to learning was meaningless in the absence of devotion to the nation. The immediate and recognisable unit of society is nation and therefore nation and society are synonymous:

"What I wanted to tell you was that we are all members of a huge living thing called society, which consists of all manner of men women and children. We cannot ignore this and go our way doing just what we please. This would be as if one of our legs decided to walk away regardless of the rest of the body! So we have to fit in our work so as to help society in functioning. Being Indians we shall have to work in India."

Though the first job of a student is to train himself for future, his indifference to politics is undesirable. 'The pressure of political circumstances' and 'the stranglehold of economic conditions' deny the opportunity of education to vast masses of people. A national awareness, as such, was necessary in order to create a favourable atmosphere for proper education.

"Our educational system, inspite of the ideals which it may profess, is itself an outcome of and a part of this environment. It seeks sustenance from it and, consciously or unconsciously, supports it. Yet if there is anything clear in the world today, it is this: that this environment is the cause of most of our troubles, and to leave it as it is, is to head straight for disaster."

But it does not mean only politicians are the builders of India's destiny. The academia including students and teachers also have an important rather seminal, role to play in the reconstruction of the nation. Politicians and statesmen may strive for political and economic changes but they can't play the part of foundation layers. 'The real basis' of that society must be laid in the teaching of our schools and colleges.

Choice of career and courses

Abstract aims tend to make education pointless to the immediate need of life. The so-called practical minded men remain indifferent to the ethical aspect; for them education is only a lucrative investment. Nehru warns us against such a limited application of intellectual and vocational training. He never thought in terms of financial returns. he hated the idea of

minting money through abilities obtained from education. In his age the profession of a lawyer was very profitable. It was as coveted a career in those times as medicine and engineering are today:

"But this is just a way to earn money although in our present world some money has to be earned. What is far more important is to do something that is worthwhile and that does good to the larger society we live in."

Any such profession as aims at exploiting others can never be good for the society. It does not create anything or add to the good things of the world. A lawyer for example, "merely takes a part of other people's belongings." Nehru was strongly in favour of scientific pursuits and technical training. "I am", he says, "rather partial to science as the modern world is based on science". It was Nehru's long cherished vision that wanted the youth of India to become scientists, engineers, doctors and education agriculturists. India's future, he believed, lay in these educated youth:

"We may be scientists for science today is at the back of everything; or we may be engineers or those who apply science to man's everyday needs; or doctors who apply science to lessen human suffering and root out diseases by hygiene and sanitation and other preventive measures; or teachers and educationists training all ages from babies up to grown men and women; or upto-date modern farmers on the land increasing the yield of the land by new scientific devices and thus adding to the wealth of the country and so on."

Art and culture, though not so important as science and technology are very essential for the general refinement of a people's attitudes and ways of life. Nehru never undermined the value of art. In his opinion art and culture are very necessary to make a complete man or a woman. They give us a grace of life and broaden our viewpoint. However too much concentration on the artistic side does not let us keep with the fast progressing world. We cannot go on living and reliving our past. Nehru's progressive thoughts, though deeply influenced by the industrial world of the west, were not very different from those of Gandhiji. The latter believed in small scale technology with a special weight on individual effort, while Nehru insisted on socialistic pattern of industrialism. This is the reason that Nehru put art and culture in the second place:

"...art and general culture without anything else are apt to make us rather helpless persons in the present day world. To understand it we have to possess technical knowledge, for the modern world is based on science and technical appliances. No person can call himself educated today unless he or she knows something of science and economics and technology."

Like any modern educationist, Nehru did not believe in imposing ideals on the student. He has to

decide for himself what his life-philosophy should be. Parents should not forcibly mould their children. After their own fashion and impress them with their own ideas. According to Nehru each individual stands out by himself or herself as 'a new experiment' which life is working out. When we force the student, we check his growth. Once his daughter expressed her wish to become a teacher Nehru did not object to it, rather he threw light on the relevant aspects of the job of teaching; at the same time he did not leave other careers unsuggested and the choice was left open to her.

Education for women

Nehru's views on women's education are reflected specially in his letters to his daughter. He was directly related to this problem. Though he never imposed his ideas on her, he expressed frankly what he thought of and meant by education for women. He disliked the education which prepared a girl to play a part in the drawing room and nowhere else. Women had an equal role to play in the making of the nation. He saw women on par with men in every walk of life:

"Personally, if I had the chance I would like to have my daughter work in a factory for a year, just as any other worker, as a part of her education."

Nehru seems to be much influenced by the unpopular thoughts of Bertrand Russell. He always accepted all what was logical and progressive. While Nehru was fighting for the freedom of India, Russell and Shaw were disseminating the ideas that shook up the roots of the Victorian moral of male superiority. Though Carlyle and Ruskin had already raised their voice against the secondary position of women in society, Russell was bolder to argue in logical terms. He was surprised to see even the most advanced scientists propagate baseless and false proofs in favour of man's superiority over women: "Each of the arguments in turn was proved to be fallacious... For my part, I see no evidence of this."

Classroom teaching

Again like Bertrand Russell Nehru did not see any sense in compulsory classroom instruction. Russell regards it unnecessary and time wasting:

"In the newer universities in this country there is a regrettable tendency to insist upon attendance at innumerable lectures. The arguments in favour of individual work, which are allowed to be strong in the case of infants in Montessori school, are very much stronger in the case of young people of twenty, particularly when, as we are assuming, they are keen and exceptionally able. When I was an undergraduate, my feeling and that of most of my friends, was that lectures were a pure waste of time. No doubt we exaggerated, but not much."

Perhaps Nehru shares the views of Bertrand Russell completely. In a university, students are not expected to remain depending too much on their

professors. They must learn to pursue higher studies only with a slight hint from their teachers. Nehru was well acquainted with the western style of higher education. He wanted his daughter to follow all those valuable habits of education that were prevalent in England. He saw the nexus of teacher and taught as the healthy relationship of two friends. A professor is supposed to help his pupil pursue higher studies without imposing his awful authority:

"Usually when one goes from school to college, the actual classtime is reduced and more work has to be done by the student by herself. As one goes up in the university more and more work has to be done privately with just an occasional tip from the professor."

His daughter's education at Santhiniketan was Nehru's tentative experiment. He was in favour of informal education. Pursuit of knowledge and culture under the able and benign guidance of Gurudev was a fantastic idea. However casually he went on giving instructions to his daughter as to the ways and methods of study. He warned her against too much importance of classroom study:

"Classes are really far less important than *this* personal guidance from good professors. Indeed at

Cambridge we attached little importance to the university lectures; as they are called. This really applies to every subject-literature, politics, economics."

Towards secular education

Nehru was deeply secular in his thoughts. He was worried about growing fanaticism and communal lunacy specially among students. Education to him was free from any race or community. Institutions run by religious sects were not so dangerous as the demagogues who wanted to make them centres of communal hatred and violence. He had, no doubt, a special penchant for variety and was pleased to see different cultures and philosophies thrive in the fertile soil of India but he could never stoop to the communal narrowmindedness, nor was he ever afraid of pointing out the evil.

These views of Nehru on education, though scattered and casual bear out at least one thing that he was no less important an education thinker. His importance as an educationist further gets strengthened as he was a successful man of action. Being the most popular leader of the Indian people he expressed the representative views on education cherished by the whole nation. □ □ □

(Contd. from page 17)

Conclusion

It may be concluded from the foregoing study that India's exports during 1960-61 to 1988-89 has increased

significantly, no doubt, but increase in India's import was faster than exports over the periods. More attention is needed to increase the export earning in general and in particular earning through handicraft by utilizing rural population. ■ ■ ■

Table 4

Direction of India's Exports

Sl. No.	Country	(Rs. Crores)				
		1950-51	1960-61*	1970-71	1984-85	1985-86
1	U.S.S.R	11 (1.83)	29 (4.52)	1210 (13.68)	1880 (16.00)	1937 (17.58)
2.	U.S.A	116 (19.30)	103 (16.04)	207 (13.48)	1766 (15.04)	1994
3	Japan	10 (1.66)	35 (5.45)	204 (13.30)	1029 (8.70)	1191 (10.82)
4.	U.K.	140 (23.30)	173 (26.95)	170 (11.08)	613 (5.22)	538 (4.88)
5	Iran	— (0.62)	04 (1.75)	27 (1.15)	134 (0.87)	095
6	Wst Germany	—	20 (3.12)	32 (2.12)	488 (4.16)	507 (4.60)
7	France	09 (1.50)	09 (1.40)	18 (1.17)	191 (1.62)	200 (1.82)
8.	Others	315 (52.41)	269 (41.90)	667 (56.55)	5643 (48.05)	4550 (41.33)
Total		601 (100.0)	642 (100.0)	1535 (100.0)	11744 (100.0)	11012 (100.0)

* At pre-devaluation rate.

Figures in parantheses indicate percentage.

Source: (i) For column (2) Govt. of India, India-A reference annual 1982, Table 20.5, p. 349.

(ii) For column (3) Reserve Bank of India, Report on Currency and Finance-1972-73, statement 84, pp S-132 and S-133, and

(iii) For others column, Govt. of India, Economic Survey, 1986-87, Table 6.8, pp S-64 and S-65.

Regional rural banks and rural development

Krishnan C.

The RRBs which have completed more than a decade in interior India have succeeded in mobilising rural savings; thereby aiding the growth and development of rural India. The increased flow of money to rural areas through these banks has made them act as a lever of rural development, says the author.

NATIONAL PLANNERS OF OUR country have strategically decided to use the organised part of Indian banking system as an instrument for accelerating rural development. Co-operatives and commercial banks had its own limitations in the process of rural transformation and rural development. It was, therefore, considered expedient to have a special type of institution which could be responsive to the over all requirements of rural credit. This resulted in the establishment of Regional Rural Banks (RRBs).

Setting up of Regional Rural Banks

The idea of setting up of some sort of rural banks was first mooted by the Banking Commission in its Report in 1972. But, the Government of India didn't take any action with respect to the recommendations of the Banking Commission till June 1975. It was the announcement of the "Twenty Point Economic Programme" on July 1, 1975, that led to a re-thinking on rural banks among the policy makers in India. Accordingly, the Government of India appointed a Working Group on rural banks under the chairmanship of Sri. Narasimhan in 1975. The Working Group recommended the setting up of the state-sponsored, regionally based and rural oriented banks to be known as Regional Rural Banks. They were set up under the Regional Rural Banks Ordinance 1975, later replaced by Regional Rural Banks Act, 1976.

Purpose of RRBs

According to the RRBs Act, RRBs are set up mainly "with a view to develop rural economy by providing

for the purpose of development of agriculture, trade, commerce, industry and other productive activities in rural areas, credit and other facilities, particularly, to the small and marginal farmers, agricultural labourers, artisans and small entrepreneurs for matter connected there with and incidental there to." More over, RRBs were meant to combine the, "local feel and familiarity with several problems which the co-operatives possess and the degree of business acquisition, ability to mobilise deposits, access to central money markets and a modernised outlook which the commercial banks have". Thus, RRBs have the status of scheduled commercial banks and are set up under low-cost banking principle.

Capital structure

The authorised capital of each RRB is Rs. one (1) crore. The issued capital is Rs. 25 lakhs, which is subscribed by the Central Government, State Government and 'Sponsoring Banks' on 50:15:35 ratio asis. Moreover all RRBs are eligible for re-finance facility from NABARD (National Bank for Agriculture and Rural Development).

By now, RRBs have completed a little more than one decade of functioning in the interior parts of our economy. Now, let us have a look on the different aspects of the working of RRBs ever since its establishment. The Table-1, gives a clear exposition of the functioning of RRBs in India.

Branch expansion

After the establishment of RRBs, Indian banking witnessed an all round development in banking. The most important development has been the opening of more and more branches in the unbanked and under banked areas. Rapid expansion of banking is a prerequisite for rapid economic development. In 1975, there were only 6 (six) RRBs with branch net work of only 17. But, by June 1988, the number of RRBs rose to 196 and the number of branches to 13,586. In other words, there has been 32-fold increase in the number of branches during the same period.

Districts covered

Each RRB operate within specified districts in a state. Generally, the RRB for its operation will have a

compact area of one to five districts with homogeneity in agro-climatic conditions and rural clientele. From table-1, it is seen that, during the time of inception, RRBs covered only 12 districts in the country. But, within a period of little more than one decade, RRBs covered 365 districts in the country. With this, 83 per cent of total districts (440) in the country have been covered by RRBs.

Deposit mobilisation

Regional Rural Banks have contributed greatly to the development of banking habits among the people through extensive branch banking and better service to the customers. Table 1, shows that, the deposits of RRBs have been increasing continuously. It increased from Rs. 20 lakhs in 1975 to Rs. 2,42,864 lakhs by June 1988. The average deposits per RRB have increased from Rs. 3.33 lakhs in 1975 to Rs. 1,253.01 lakhs by June 1988. Similarly, the average per branch deposits also increased from Rs. 1.17 lakhs to Rs. 18.07 lakhs during the same period. All these show that, RRBs have succeeded in mobilising the rural savings to a great extent.

Loans and advances

Every RRB is authorised to carry on and transact the

business of banking as defined in Section 5 (b) of the Banking Regulation Act 1949 and may also engage in other business specified in Section 6 (i) of the said Act. Accordingly, RRBs grant loans and advances to small and marginal farmers, agricultural labourers, artisans and other weaker sections. From the table, it is seen that, the total outstanding advances of RRBs have increased from Rs 10 lakhs in 1975 to Rs. 2,42,864 lakhs by June 1988. Similarly, the average outstanding advance per RRB also increased from Rs. 1.60 lakhs to Rs. 1,239.10 lakhs by June 1988. The average advance per branch increased from Rs. 0.85 lakhs to Rs. 17.87 lakhs during the same period. When we consider the multiplier effects of these increasing flow of money to the rural areas we can infer that, RRBs are acting as a lever of rural development.

Credit-deposit ratio

Another important indicator for evaluating the performance of commercial banks is credit-deposit ratio. The Credit-deposit ratio of RRBs was 50 per cent in 1975, it increased to 176 by June 1979, but declined subsequently and reached to 99 by June 1988. Though, the ratio shows a declining trend, comparing with the commercial banks, the present credit-deposit ratio of RRBs is commendable. In

Table 1
Progress of regional rural banks
(As at the end of June 1988)

(Amount in lakhs of Rupees)

Sr. No.	At the end of	No. of RRBs	Districts covered	No. of Branches	Deposits (Amount)	Outstanding Advances (Amount)	C.D. Ratio	Average per RRB		Average per branch	
								Deposits (Amount)	Outstanding Advances (Amount)	Deposits (Amount)	Outstanding Advances (Amount)
1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11.	12.
1.	Dec. 75	6	12	17	20	10	50	3.33	1.60	1.17	0.58
2.	Jun. 76	19	NA	NA	NA	NA	NA	NA	NA	NA	NA
3.	Dec. 76	40	84	489	772	702	91	19.30	17.55	1.57	1.43
4.	Jun. 77	48	99	767	1566	1958	125	32.62	40.79	2.04	2.55
5.	Dec. 77	48	99	1187	3304	4235	128	68.83	88.22	2.78	3.56
6.	June 78	48	99	1424	6597	6597	145	94.29	137.43	3.17	4.63
7.	Dec. 78	51	102	1753	7411	12202	165	145.31	239.25	4.22	6.96
8.	June. 79	56	107	1990	9825	17305	176	175.44	309.01	4.93	8.69
9.	Dec. 79	60	111	2420	12322	16741	136	205.36	279.01	5.09	6.91
10.	June. 80	73	130	2735	16367	18116	111	224.21	248.16	5.98	6.62
11.	Dec. 80	85	144	3279	19983	24338	122	235.09	286.33	6.09	7.42
12.	Jun.81	102	167	3784	25285	30245	120	247.89	296.52	6.68	7.99
13.	Dec.81	107	182	4795	33600	40659	121	314.02	379.99	7.01	8.48
14.	Jun.82	121	207	5393	38223	46259	121	315.89	382.31	7.09	8.58
15.	Dec.82	124	214	6191	50226	57711	115	405.05	465.41	8.11	9.32
16.	Jun.83	142	249	6812	53487	62370	117	376.67	339.23	7.85	9.16
17.	Dec. 83	150	265	7795	67785	75084	111	415.19	500.56	8.70	9.63
18.	Jun.84	162	286	8727	77434	85997	111	477.99	530.85	8.87	9.85
19.	Dec.84	173	307	10245	95997	108077	113	554.88	624.72	9.37	10.55
20.	Jun.85	183	322	12139	105704	118835	113	577.60	649.35	8.71	9.97
21.	Dec.85	188	333	12606	128582	140767	109	683.95	748.76	10.22	11.17
22.	Jun. 86	194	343	12755	144351	154034	107	744.08	793.08	11.32	12.08
23.	Dec. 86	194	361	12838	171494	178484	104	883.98	920.02	13.36	13.90
24.	Jun. 87	196	362	13076	190968	193353	101	974.32	986.49	14.60	14.78
25.	Dec. 87	196	363 @	13353	230582	223226	97	1176.44	1138.90	17.27	16.72
26.	Jun.88	196	365	13586	245591	242864	99	1253.01	1239.10	18.07	17.87

- Consequent upon bifurcation of existing districts.

Source: National Bank News Review, Feb. 1989

commercial banks, the credit-deposit ratio was only 61 per cent during, December, 1987.

The problem of overdues

Though there has been tremendous developments in the field of branch expansion, deposits and advances in RRBs, the problem of overdues is very serious. One study pointed out that, out of the 194 RRBs functioning in the country at the end of June 1986, the overdues of all these RRBs had been to the tune of Rs. 412.87 crores constituting 51 per cent of the total demand. The state-wise position of overdues indicates that the percentage of overdues to demand was the highest in the state of Nagaland (78%), followed by Tripura (71%), West Bengal (61%), Orissa (60%), Bihar (59%), Madhya Pradesh (51%) etc.,... and the lowest was observed in the RRBs functioning in Punjab. Thus, RRBs are no better than the commercial banks in respect of overdues.

Conclusion

From the study, it is evident that, RRBs have kept up the pace in branch expansion coverage of districts, deposits, and advances ever since the beginning. The credit-deposit ratio is also commendable. Barring the overdue problem, the present study reveals that, RRBs have succeeded in taking the banking services to the doorsteps of rural masses to a great extent. □ □ □

(Contd. from page 27)

breeds corruption and other malpractices (iii) it encourages tax evasion (iv) it retards industrial growth (v) it causes delay by obstructing free movement of vehicles. Some of these committees have suggested few alternatives to replace octroi such as: Surcharge on Sales Tax or additional Sales Tax, Municipal Sales Tax or Municipal Surcharge on Sales Tax and Municipal turnover tax. The State level committee like the Wankhede report (study Group, 1970) of Maharashtra has suggested multi-point additional Sales tax as an alternative to Octroi. The Odedra report/Report of the Octroi Inquiry Committee (1972) in Gujarat recommended turnover tax at differential rate to be collected at a single point or at two points. The suggestion of the Municipal Finance Enquiry Committee (1975) of Karnataka is for Municipal turnover tax. In May 1976 Govt. of Madhya Pradesh adopted entry tax and turnover tax to replace Octroi in the State.

It is found that some of the economists have argued for retention of octroi. Their main argument is that Octroi is the only one major source of revenue for most of the local bodies including local bodies of metropolitan cities like Bombay, Calcutta and Delhi. Octroi is also more flexible and productive than other kind of taxes of the local bodies. To them octroi only can provide enough revenue to finance the different kinds of public services. It is argued that though octroi is regressive, it is beneficial for all the

individuals of the region through welfare activities undertaken by the urban local bodies out of revenue collected from octroi. Further, burden of octroi is invisible as it is one kind of indirect tax and the burden is borne by wider section of population. It is further argued that Octroi only does not create delay in movement of vehicles, but there are other post like Police Post, forest department check post etc. which are responsible for 70 per cent delays.

To some others octroi is "obnoxious and vexitious". Others say it is not obnoxious, but administration of Octroi is defective in nature. Introduction of proper, simple, easy and perfect administrative methods can remove almost all the problems of octroi. By reforming octroi administration, octroi may be retained with the urban local bodies.

Though urban local bodies may hesitate to abolish octroi, there is greater need for abolishing octroi. The loss of revenue may be compensated by some alternative source of revenue. The alternatives suggested and recommended by different committees, commission and scholars are defective in nature and may not provide enough revenue to compensate the loss of Octroi. Introduction of any kind of Sales Tax has almost all the defects of indirect taxation as it encourages tax evasion, breeds corruption and is regressive in nature. Contribution of taxes on services, including local income tax or profession tax is inadequate to finance the public services, for a local body. Entry tax has also problems like obstruction of movement of vehicles at State boundary.

Possible alternatives

It may be difficult to find appropriate and suitable alternatives to replace Octroi. Still we can think of some sources of revenue which can replace octroi, contributing large amount of revenue to urban local bodies. Some direct and progressive taxes may be adopted to replace octroi, which will be simple and easy in connection with its collection and administration and which will have favourable impact on the society and also provide adequate revenues to compensate the loss of revenue due to octroi abolition. The possible alternatives are: Business property tax, user fees and development charges, transfer of some state government taxes like entertainment tax, tax on ownership and use of vehicles and vehicle registration tax to local bodies. Business property tax is more progressive than octroi and also can provide enough revenue to local bodies. User fees and development charges can provide larger income with the growing urbanisation in different urban areas. Imposition of motor vehicle tax will be a profitable source of revenue for the urban local bodies as the rate of growth of number of vehicles has been rising and it will be borne by the richer section of the urban population. Effective administration and use of business property tax and user charges as well as motor vehicle tax and entertainment tax will probably serve as a suitable source of revenue to replace octroi. □ □ □

Better water utilization

With the introduction of modern irrigation systems in the country, farmer's participation has become a critical factor for optimum utilisation of water. Efficient management of irrigation water for maximising productivity requires proper application methods. With the addition to 11.5 million hectares of irrigation potential after the Sixth Plan, agricultural productivity will depend largely on the proper utilisation of this created potential.

Aimed towards achievement of this objective, the Command Area Development Programme was launched in 1974. At present it covers 131 major and medium projects. Under this programme construction of field channels, land levelling and warabandi have been taken up to ensure timely and adequate supply of water to farmers. Adaptive trials are encouraged by the CADA authorities to evolve suitable cropping patterns and farming practices. Pilot projects have been initiated to involve beneficiaries irrigation water distribution below the minor or outlet. It has been estimated that there is an increase in production of crops such as paddy, jowar, wheat, ground nut and gram in certain CADA projects.

An irrigation management and training project (IMT) has also been taken up with USAID to help train farmers and provide extension services for better water utilisation. Training is also provided by the Water and Land Management Institutes (WALMI) in 11 States. Besides these training programmes workshops and demonstrations are conducted at the project sites for direct transfer of technology to farmers and also to provide feed-back to the irrigation professionals. □ □ □

Improvement of quality standards

Improvement of quality standards is necessary both from the view point of national consumers as well as from that of exports.

Externally the world economy is under-going a transformation leading to greater inter-dependence amongst nations with increased interchange of products and services. If we have to sustain a faster rate of growth of our economy to solve the myriads of problems of millions of our country-men, it is necessary that we have a greater share in this interchange and world trade. Exports, therefore, are crucial and for exports the most crucial attribute is quality.

The GNP of the country had been rising at a satisfactory rate having gone up from 3.5% in the first three decades of planning and well over 5% in the 80's with a highly diversified industrial structure covering full range of consumer intermediate and capital goods. But the concept of quality assurance management had yet to percolate to our industry both in the public and private sector.

Apart from large enterprises, small scale and cottage industries also contribute significantly to the GNP and the concept of quality assurance is even weaker in these industries though no less necessary. As the ultimate quality of products and services of large industries depended on the quality of raw materials, components, services, assemblies etc. which are the output of the small sector and inputs of the large sector, it is equally necessary that the quality consciousness seeped down to small scale and cottage industries level also to the same extent to which it should pervade the industrial culture of the larger enterprises.

Quality improvement holds the key both to the enrichment of our vast human potential and improvement of their skills, as also to a larger export effort, "withoug which we will not be able to progress as fast as we have to". □ □ □
