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Chapter - I

INTRODUCTION

1.1 Village Panchayat Institution during Pre-Independence Era

Historically every village in the country had a Panchayat, which was responsible for finding the solutions to the local problem within the village itself. Panchayat or the Village Councils are as old as India's history and have been a part of her tradition. In Discovery of India Pandit Nehru has provided a fairly exhaustive idea about the working of the Village Panchayats in ancient India Panchayats had vast powers, both executive and judicial. Its members were treated with great respect by the King's courtiers and the public land was allotted by the Panchayats. They also collected taxes out of agricultural produce and paid the share of the village to the Kings. Over and above the Village Panchayat there was a big Panchayat to supervise and intervene if necessary.

"Panch-Ayat" means a group of five persons selected by the villagers. Indirectly, it denotes the system through which rural people are governed. It indicates that there was some method of self-government. In the Rig-Veda, there is a mention of 'Sabha', 'Samiti' and 'Vidath' as local self units. Subsequently, the Panchayat became a group of any five selected persons of the village to decide village disputes. The concept of 'Panch Parmeshwar' existed in the ancient age. It indicates the pious conscience of panchas. There is a description of 'Sabha' and 'Samiti', which were the democratic bodies at the local level. The King used to get

the approval of the 'Sabha' or 'Samiti' regarding certain functions and decisions.

Epic Era

The study of the Ramayana indicates that administration was divided into two parts 'Put' and 'Janpad' or city and village. Village were 'Janpad' and the village people were called the 'Janpada', 'Gram', 'Maha Gram' and 'Ghosh' (Village, big village, and group of villages) are mentioned in Ramayana. 'Pattan' were towns near villages and served as 'Mandi' or market for the villagers. 'Shreni' and 'Nigam' were there as local bodies but no description regarding their constitution is available in the Ramayana.¹

Self-government of a village finds ample expression in 'Shanti Parva' of Mahabharata as well as Kautilya's Arthashastra. 'Sabha' and 'Samiti' played a part in controlling the decisions of the King. The lower village head would give information about special events to the higher village head. They used to collect local taxes and were responsible for protection of their village. The village heads also protected people against the cruelty of the King.

¹ R. P. Joshi, G. S. Narwani, 'Panchayat Raj in India', p. 21

Ancient Period

"Kautilya in his Arthashastra advised the King to constitute units of village having 100-500 families. Town was termed as 'Pur'. Its chief was 'Nagrik'. Local bodies were free from any interference from the King's side."²

"In Chandragupta Maurya's regime, the policy of decentralization of powers was adopted. The village was the smallest unit of governance. A person elected by the people of the village was the 'Gramik' (Head of village). Magasthenese has described how Patliputra town was administered by six committees consisting of five members each."³

Medieval Period

"During the Sultanate period, the Sultans of Delhi knew that it would be impracticable to govern a vast country like India from the centre directly. Management of finance, collection of taxes and selection of judicial officers were three important officials - makkadam for administration. Patwari for collection of revenues and Choudharie for decision on disputes with the help of the Pancha. A village was the smallest unit where the management was looked after by Lambardar, Patwari and Chowkidar. Village had sufficient powers as regards self-governance in their territory. Panchayats were prevalent in village in the medieval period. Agricultural produce from villages in the medieval

² R. P. Joshi, G. S. Narwani, 'Panchayat Raj in India', p. 23

³ R. P. Joshi, G. S. Narwani, 'Panchayat Raj in India', p. 24

period. Agricultural produce from villages was the main source of the revenue of the state."⁴

Marathas also constituted local self-government institutions in rural and urban areas during the rule of the Peshwas in the Maharashtra area.

British Period

Self-governance was not the objective of the British government. Their main objective was the protection of imperial interests. It was only with such an object that the powers were given at the local level. More attention was paid to urban administration rather than rural areas.

1687-1881

"In 1687, the Madras City Corporation was made responsible for the public service. Besides collection of taxes, civil and criminal matters were also dealt with by it. In 1726, Bombay and Calcutta Municipal bodies were established.

Charles Metcalfe, the Governor General of India (1835-36) called the Indian Village Communities "the little republic". The year 1870 was a landmark when Lord Mayo passed a resolution suggesting the decentralization of powers and the necessity of associating Indians in administration. He suggested the strengthening of the Municipal bodies and making them more powerful."⁵

⁴ R. P. Joshi, G. S. Narwani, 'Panchayat Raj in India', p. 24

⁵ R. P. Joshi, G. S. Narwani, 'Panchayat Raj in India', p. 25

1882-1919

"Lord Ripon came as the Viceroy in 1880. The Local Self-government Resolution, 1882 was the most important act of his tenure. Ripon regarded to start political education of people at the local level. Ripon wanted to develop municipal bodies, local boards were established in rural areas Districts and tehsils were formed functions and sources of revenue were allotted to such local bodies. The number of non-official members was more than the official ones, not less than two third. The government was only to guide them rather than control them. In 1883-85 the local self-government acts were passed in many provinces. Local boards could be superseded in case of abuse of powers. The British bureaucracy did not think of Indians as mature and experienced enough for local self-government. Hence, Lord Curzon subsequently opposed such liberalism and increased government control over such local bodies."⁶

1920-1937

In 1930, evaluation of the implementation of self-government was done by the Simon Commission. It reported that, they did not find any progress in the rural areas. The condition of the local bodies deteriorated between 1919 and 1930. Hence, it was suggested by the Simon Commission to increase the control of the state over these local bodies. During the period between 1920 and 1937, the local boards were elected

⁶ R. P. Joshi, G. S. Narwani, 'Panchayat Raj in India', pp. 25-26

bodies, chairman were non official persons and more administrative and financial powers had been given to local bodies.

1937-1947

The government of India Act 1935 gave powers to the provincial government. Popular elected governments in the provinces got provincial autonomy and they were duly bound to enact legislation for further democratization of the local self-government institutions including the Village Panchayats. Popular governments could arrange more finances; separation between provincial taxes and local taxes was ended. In almost all the provinces, local bodies were given more functions; powers to impose taxes were reduced. Thus, the local bodies were organised properly during the British period. However, during the Second World War in 1939, the popular government vacated the office. However, the position of the local self government institutions remained unchanged until August 1947 when the country attained independence.

Thus, the spirit of democratic decentralisation at the village level was existent right since the ancient period. It became more and more organised and took proper shape by the time India became independent in 1947.

1.2 Village Panchayat Institution during Post-Independence Period

The Village Panchayat were a part of the ideology of Indian National Movement. Gandhiji considered Gram Swaraj to have self-sufficiency in villages where people would be self-dependent and have an autonomous self-government. Acharya Vinoba Bhave organised

the 'Gram Daan' movement. Many villages were donated. People became masters. There was perfect Swarajya. The Gram Sabha exercised all the powers in the village.

"Dr. B. R. Ambedkar opined that villages in India were caste ridden and had little prospects of success as institutions of self-government. Arguments of those who pleaded for inclusion of Village Panchayats in the constitution however finally prevailed and found place in Article 40 of the Indian Constitution, which reads as under:

"The State should take steps to organise Village Panchayats and endow them with such power and authority as may be necessary to enable them to function as units of self-government."⁷

The basic conviction could not be ignored that Village Panchayats could play an important role in the social transformation and the implementation of the development programmes.

Community Development Programme

The Community Development Programme was initiated by the Government of India on 2nd October 1952 (Mahatma Gandhi's Birthday). Community Development Programme sought to motivate the rural people to take community based approach for the improvement of the economic and social condition of their life. The government was expected to provide general guidance and technical cum financial assistance in some blocks in a phased manner. National Extension Service (NES) was also

⁷ R. P. Joshi, G. S. Narwani, 'Panchayat Raj in India', p. 29

introduced in 1953 as a prelude to community development in various blocks. Following are broad aspects of rural community life:

1. Agriculture
2. Animal Husbandry
3. Irrigation and Reclamation
4. Health and Rural Sanitation
5. Education
6. Social Education (Welfare of Woman and Children)
7. Communications
8. Rural Arts, Crafts and Industries
9. Housing

Panchayats at the village level took interest in development schemes. District boards were hardly given any role in implementation of development programmes. There was increasing interest and enthusiasm in the beginning but it was short lived.

Balwantrao Mehta Study Team Report (1957)

In 1957 the Balwantrao 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 team submitted its voluminous report in December 1957. The team went around several parts of the country to investigate and find out what more could be done to make these institutions effective units. The committee recommended

the re-organisation of Panchayat administration into three tier pattern namely Panchayats at the Village level. Panchayat Samities at the Block level and Zilla Parishads at the District level."⁸

The Panchayat Raj Institution was launched in Maharashtra on 1st May 1962.

Ashok Mehta Committee (1977)

"The Government of India appointed the Ashok Mehta Committee in 1977 to study the role and powers of the PRIs in rural development and give suitable suggestions. This committee classified the period of 1962-64 as the establishment era for PRIs, 1964-69 as the period of dormancy and 1969-74 as the period of decline."⁹

The committee was of the view that though the PRIs it suggested measures to strengthen the PRIs so that the system of democratic decentralisation became effective for planning and development.

C. H. Hanumanth Rao Team (1982)

"The Planning Commission wanted effective people's participation through the PRIs in rural development so that plans are more responsive to people's needs and aspirations and there is coordinated as well as accelerated progress. The Planning Commission experts under the leadership of Dr. C. H. Hanumanth Rao were deputed to study as to how to prepare plans at the district level. He suggested that decentralisation of planning should take place. Development plans have remained

⁸ Panchayat Raj and Rural Development (1983), C. Harichandran, p. 18

⁹ R. P. Joshi, G. S. Narwani, 'Panchayat Raj in India', p. 36

centralized, hence participation of local people has been lacking. People should be associated right from the plan formulation stage."¹⁰

G. V. K. Rao Committee (1985)

In 1985 the Union Government also appointed G. V. K. Rao Committee to advise on poverty alleviation programmes and organization of the PRIs. The committee advised for regular elections to the PRIs and formulation of plans at the district level.

73rd Amendment Bill 1992

The 73rd Amendment Bill provides for certain far reaching steps to strengthen Panchayats under Article 243 (G). Thus, recognised Panchayats as institutions of self-government with prime responsibilities of promoting economic development and ensuring social justice with this feature, Panchayats have come to stay as integral part of our constitution polity. The amendment envisages the establishment of uniform three tier system of strong viable and responsive Panchayats at village intermediate and district levels. The salient features of the Act are :

1. To provide three tier system of Panchayat for all state having population of over 20 lakh
2. To hold Panchayat elections regularly every 5 years
3. To provide reservation of seats for scheduled caste, scheduled tribes and woman (not less than 33 percent)

¹⁰ R. P. Joshi, G. S. Narwani, 'Panchayat Raj in India', p. 38

4. To appoint State Finance Commission to make recommendation regarding financial power of the Panchayats
5. To constitute District Planning Committee to prepare draft development plan for the district as a whole

According to the constitution, Panchayats shall be given powers and authority to function as institutions of self-government.

The powers and responsibilities to be delegated to Panchayats to the appropriate level are :

1. Presentation of plan economic development and social justice
2. Implementation of schemes for economic development and social justice in relation to 29 subject given in Eleventh Schedule of the Constitution and
3. To levy collect and appropriate taxes, duties, tolls and fees.

"The 73rd Amendment Act gives constitutional status to the gram sabha. The provisions of the Panchayats under that Act Gram Sabha has been vested with powers for ownership of minor forest produce, development plans approvals programmes, consultation on land acquisition, manage minor water bodies, control mineral leases, regulate/prohibit sale of intoxicants, prevent alienation of land and restore

unlawfully alienated land of STs, manage village markets, control institutions and functionaries in all social sectors."¹¹

The ministry extends limited financial assistance to the state to train and create awareness among the elected members of Panchayats and functionaries the ministry has been providing financial assistance through the Council of Advancement to People's Action and Rural Technology (CAPART) to the non-governmental organisations for Rural Technology and awareness generation programmes on Panchayati Raj. The ministry also commission research and evaluation studies related to Panchayat Raj from voluntary organisations/institutions.

1.3 Meaning of Public Finance

The term Public Finance refers to finances the monetary resources of public authorities or the governmental bodies at all like central, state and regional or local. Public finance is a compound word, comprising of 'Public' and 'Finance'. In public finance, however, the word public is used in the sense of government. Government is political organisation of the people, which can impose its will (Supreme Power) on the people.

The word 'Finance' is necessarily connected with money in public finance, the word 'finance' is used in its widest sense. The finances of government include the raising and disbursement of public funds. Economics of public finance thus studies systematically and scientifically the operations of public revenue and public expenditure. It is the science of income and expenditure of the government. In the real sense,

¹¹ INDIA 2000 A Reference Annual, edited by Research Reference & Training Division, Publications Division, Ministry of Information and Broadcasting, Government of India.

the science of public finance is the science of state finance. In short, public finance is a science, which deals with the financial operations of the government conducted for attaining certain socio-economic objective fixed by the government.

The history of origin of the state shows the functions of the state were limited to the protective functions such as law and order and defending the country from external aggressions. But gradually changing occurred in the functions of the state. In addition to traditional functions, states now perform both developmental and welfare functions.

J. M. Keynes wrote the famous book entitled 'General Theory of Employment, Interest and Money' demonstrated that it was possible through the fiscal policy of the state to increase employment and to maintain it at a high level. The government is actively engaged in a programme that increases national income and enables the economy to maintain continuous growth. Governments of developed and under developed countries both have to play an increasing role in the economy and their functions have considerably expanded.

Definitions of Public Finance

Hugh Dalton

"Public finance is concerned with the income and expenditure of public authorities and with the adjustment of one to the other."¹³

¹³ Dalton, Hugh, Principles of Public Finance, p. 1

Mrs. Ursula K. Hicks

“The main contents of public finance consists then of the examination and appraisal of the methods, by which governing bodies provide for the collective satisfaction of wants and secure the necessary funds to carry out their purposes.”¹⁴

Richard A. Musgrave

“The complex of problems that centre around the revenue expenditure process of government is referred to traditionally as public finance. (But) the basic problems are not issues of finance. They are problems of resource allocation, the distribution of income, full employment and price level stability and growth.... (It is) an investigation into the principles of public economy, or more precisely into those aspects of economic policy that arise in the operations of the public budget.”¹⁵

Subject Matter of Public Finance

The above definitions throw light on subject matter of public finance. However, it is necessary to streamline the subject matter to get a full grasp at what a public finance. Public finance is divided into five categories of financial activities of the government.

1. Public Revenue
2. Public Expenditure
3. Public Debt

¹⁴ Mrs. Ursula K. Hicks, Public Finance, p. 5

¹⁵ Richard A. Musgrave, The Theory of Public Finance, p. 3

4. Financial Administration and Control
5. Economic Stability and Growth

1. Public Revenue

A study of public finance includes the following on the revenue side.

- 1) Objectives, methods and effects of collecting public revenue.
- 2) Analysis and comparison of the benefits and drawbacks of various methods of raising income by way of taxation, public loans and deficit financing.

Thus, public finance includes the study of problems of incidence of taxation and effects of taxation on production, distribution and employment. It also includes the problem of burden of internal and external public debt and dangers of deficit financing. The study of public finance also includes measures taken to do social justice through taxation and to prevent evasion of taxes.

2) Public Expenditure

Modern governments no more follow laissez-faire policy of absence of government interference in the economic activities of the people. Modern state are welfare states and no more police states. The study of public finance includes the study of various effects of public expenditure on employment, output and distribution. Public expenditure affects macro economic variables, such as aggregate employment,

aggregate income and aggregate investment, general price level etc. Besides the classification of public expenditure, we include these problems while studying the principles of public expenditure.

3) Public Debt

The study of public debt includes –

- i) Methods and objectives of public borrowings
- ii) Management of public debt
- iii) Burden of public debt – internal and external

Methods of public debt are important not from the point of view of raising funds for meeting the increasing government expenditure, but also for securing economic stability, increasing public borrowing during the period of inflation and liquidation of public debt during the period of depression, borrowing from the people during inflation and borrowing from banks during depression and so on. Limitations to raising public loans are also considered in the study of public debt.

4) Financial Administration and Control

Financial administration and control as a part of public finance include the following :

- i) Study of different aspects of annual budget
- ii) Budget as an instrument of securing certain objectives, such as promotion of employment, economic growth with stability, welfare of the weaker sections infrastructural development for promoting private investments, etc.

- iii) Financial and physical controls through different fiscal tools for controlling private expenditure in the economy to avoid the dreadful effects of inflation and deflation, recession and depression etc.

5) Economic Stability and Growth

After the publication of Keynes General Theory of Employment Interest and Money in 1936 the study of public finance has come to include 'fiscal policy of government' in dealing with inflationary and deflationary situations, instability of the price level, promotion of full employment, growth of the economy, welfare of the people etc. Keynes has advocated in his theory government intervention whenever the symptoms of recession and depression are noticed in the economy.

These five parts of public finance are not distinct and separate from each other but intimately related to one another.

1.4 Importance of Public Expenditure

The importance of the public expenditure arises from the fact that these services are provided by the government, which might not otherwise be provided in a significant quantum by the private expenditure. It also arises from the fact that it creates income for various individuals due to the purchase of goods and services from private firms or individuals for undertaking defence, administrative and developmental activities, which involve the use of resources in the public sector use of the country as a whole.

If the government would use the resources that otherwise would have remained idle, the national income and employment would have remained idle, the national income and employment would increase. However, some public expenditure which is in the nature of transfer expenditure, involves a transfer of purchasing power from one section of the community to another, if the income is transferred to poor people or to the people whose propensity to consume is high, the national income would tend to rise and vice versa, other things being equal. It is, therefore, of vital importance to analyse the impact of public expenditure on the level of employment, production and income as well as on the distribution of the income in the country.

1.5 Importance of Local Government

When people start to live together in a locality, certain problems arise from communal living. These problems relate to provision of civic amenities like supply of water, removal of rubbish, drainage, lighting, prevention of epidemics, health facilities, roads etc. As the population increases and the locality grows more problems like regulations of trade and commerce, facilities for education, public health etc. arise and become more intense. Thus the functions to be performed by a local government continue to increase. All these amenities, which make living better physically, economically, socially and culturally constitute the responsibility of local government.

Local government is today much more important in the daily life of citizen than the state or central government. William A. Robins rightly remarks, "Local authorities have greater opportunities today than ever before if the powers of the central government are increasing. So are the powers of the local government are increasing. So are the powers of the local councils."¹⁶ W. A. Robins writes, "Local government may be said to involve the conception of a territorial, non sovereign community possessing the legal right and the necessary organisation to regulate its own affairs. This in term pre supposes the existence of a local authority with power to act independently of external control as well as the participation of the local community in the administration of its own affairs.

1.6 Structure of Local Government in India

As the present study is concerned with Hupari Village Panchayat in Kolhapur district an attempt is made to describe the structure of local government in India.

Unlike countries such as France where a uniform local government system prevails. India has evolved different structures of local government for rural and urban areas. There are six types of local authorities in India as there are six types of England. These types are designed for six types of areas these six types are divided into two categories. They are –

1. Local Government for Rural Areas
2. Local Government for Urban Areas

¹⁶ Encyclopedia of Social Science, 1993, Vol. IX, p. 574

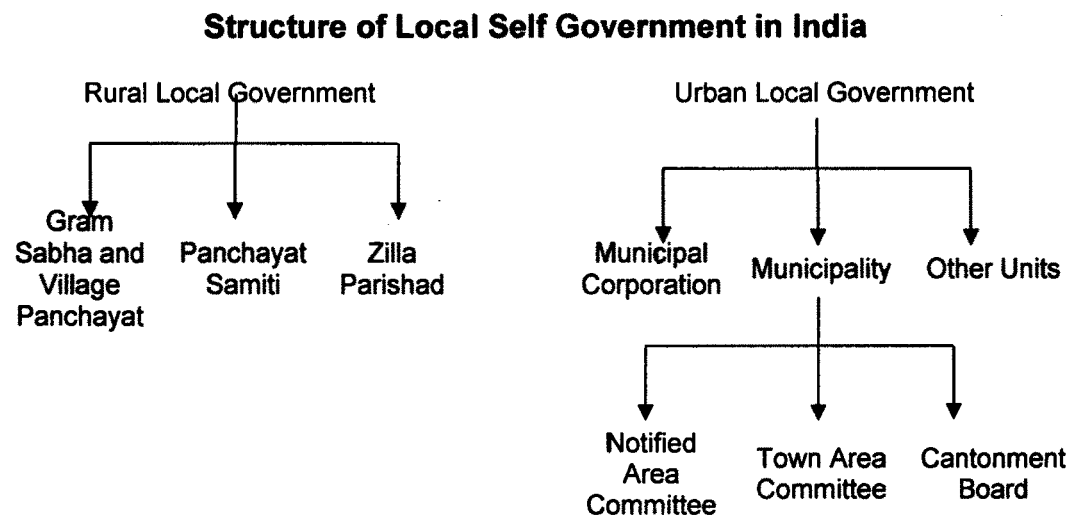
1. Local Government for Rural Areas

In the rural section there is a Village Panchayat at the bottom and a Zilla Parishad at the top. In between there is a Panchayat Samiti.

2. Local Government for Urban Areas

Large cities have what are called Municipal Corporation, middle sized and small towns have Municipalities and at the bottom are notified area communities, which are meant for areas, which have not acquired all the characteristics of a town but have out grown the typical characteristics of a village.

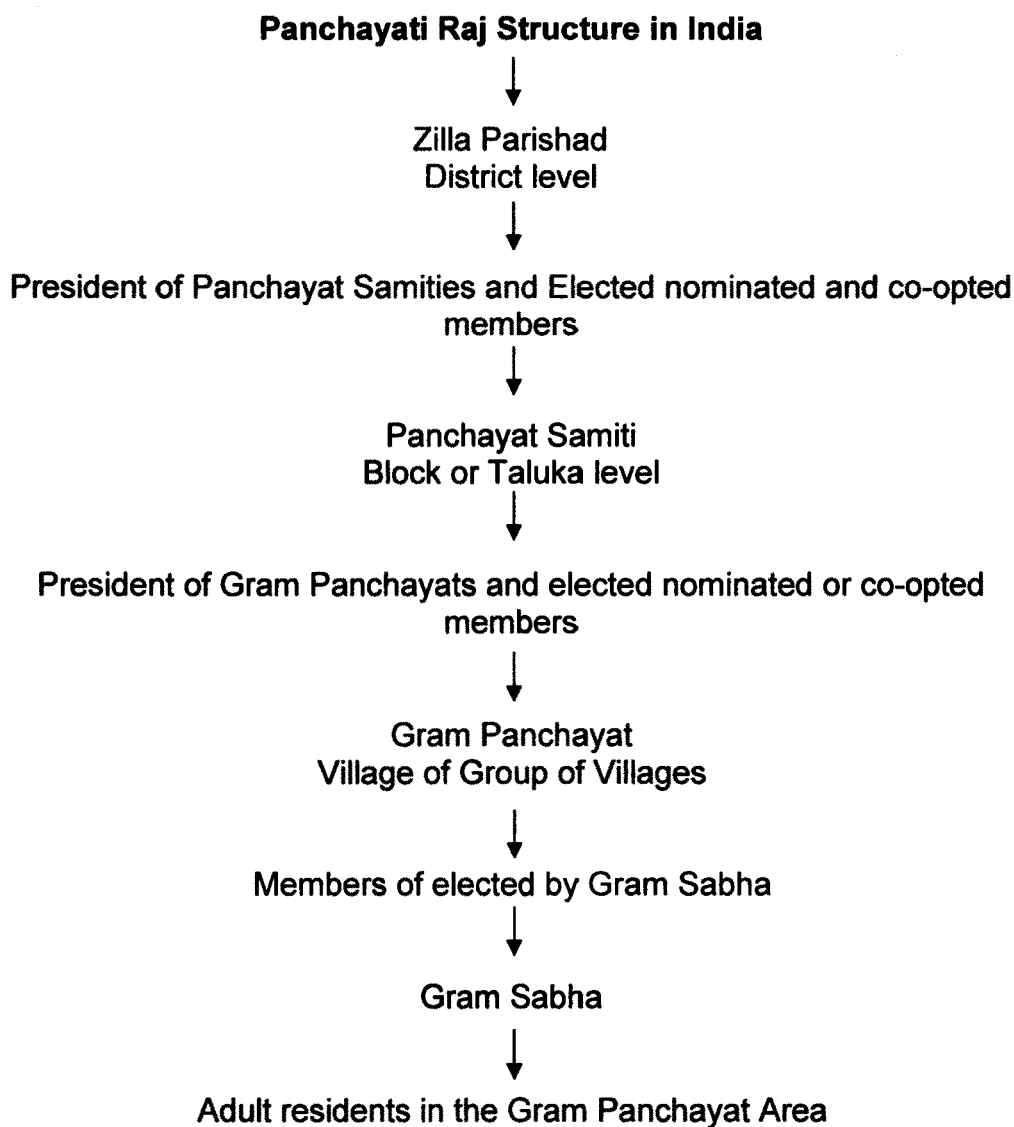
Structure of Local Self Government in India



1.7 Panchayati Raj System in India

Panchayati Raj system in India has been established in three tiers with the institutions, namely Gram Panchayat at the village level, Panchayat Samiti at Tahsil level and Zilla Parishad at district level.

The structure of the Panchayati Raj in India can be shown as follows:



At the block or tahsil level or at the second tier of the Panchayati Raj in India, there are Panchayat Samities. A Panchayat Samiti constitutes of a Sabhapati and members of the Samiti. A Panchayat Samiti has been assigned the responsibility to execute the development plans of Zilla Parishad at taluka level.

At the top or at the apex tier of Panchayati Raj there are Zilla Parishads. Zilla Parishads are the important link between the state and the actual rural community via Panchayat Samities institutions at the apex of Panchayati Raj system in India.

The term democratic decentralisation suggested by Mehta Study Team was given up and the term 'Panchayat Raj' was given to these institutions.

1.8 Organs of Panchayat Raj System

1. Gram Sabha

Gram Sabha as "a body consisting of persons registered in the electoral rolls relating to a village comprised within the areas of Panchayat at the village level." Accordingly a Gram Sabha is established for a village or a group of villages and serves as an Assembly of Villagers. Every registered voter in a village becomes a member of the Gram Sabha. Gram Sabha may exercise such powers and perform such functions at the village level as the legislature of state may provide –

It is mandatory for Gram Panchayat to conduct Gram Sabha once in six months and thereby twice in a year to review all developmental activities of the village.

2. Gram Panchayat

The Gram Panchayat is the first tier in the Panchayat Raj system the size of the membership of the Gram Panchayat varies from seven to thirty one.

The Gram Panchayat is an execution organ of the village government. Its main functions are managing the local affairs and promoting village development with the help of available local resources and with the government assistance.

The Balwantrai Mehta Study Team recommended that the compulsory duties of the Village Panchayats should be –

1. Minor irrigation water management and watershed development
2. The lighting of public roads and public places
3. The construction, repair and maintenance of all public roads of village
4. Sanitation
5. Supervision of primary schools
6. Land management (improvement of agriculture)
7. Woman's and children's organisation and welfare
8. Preparation, maintenance and up keep of panchayat records
9. Relief of the crippled, destitute and the sick
10. Welfare of backward class people's.

The list of functions of the Panchayats enumerated above seems to be large, compared to their financial resources. There are some variation in the powers and functions of the Gram Panchayats

as prescribed by the Panchayat Raj Act passed by different states. But it is widely accepted that the Panchayats in addition to carrying out civic functions should actively be involved in the process of socio-economic development of the village. In this regard they are intended of function not merely as agencies of the Panchayat Samities or Zilla Parishads but to plan and implement on their own certain development programmes, particularly those related to agriculture.

3) Panchayat Samiti

The Panchayat Samiti is the intermediate tier in the Panchayat Raj system of rural local government in India. It is the pivot as the area of Panchayat is neither too large as of a district nor too small as that of Panchayat. All the programmes of development can be executed efficiently and economically with the cooperation of officials and non officials.

The term of Panchayat Samiti is five years in Maharashtra. The Panchayat Samiti operates through its Statutory Committee. Generally speaking they deal with --

1. Construction, maintenance and augmentation of water supply
2. health and Rural Sanitation
3. Education
4. Social Welfare
5. Co-operatives Cottage Industries etc.

6. Production Programmes
7. Communication and other allied subjects
8. Collection and revision of taxes, finances and administration.

4. Zilla Parishad

The Zilla Parishad has come to occupy a very prominent and honoured place in the Panchayati Raj system, as it is the apex institution of PRI system. The Zilla Parishad is in a position to communicate effectively with the state administration above and Gram Panchayat level. Hence, leadership of Zilla Parishad can transform the PRI system and make the life of people in village happier, healthier and economically resurgent.

The term of the Zilla Parishad is five years in all the states.

1.9 Reservation

"The provision of reservation of seats for ordinary membership as well as to offices has been hailed as radical step. Through this constitutional guarantee, persons belonging to SC/ST, backward classes and woman have access of weaker section to rural power structure has been ensured legally thereby enlarging the social base of the system field experiences prior to the amendment revealed that the Panchayat Raj power structure was controlled by the members belonging to dominant communities like lingayats and vakkaligs in Karnataka, reddy and kmmas in Andhra Pradesh. The members of the weaker section hardly made any dent into the power structure. The present policy of reservation

has empowered them to air their grievances and get them cleared through participatory decision making process in fact reservation has Panchayat's more representative of the village community."¹⁷

1.10 Devolution of Financial Powers to Panchayats

Constitution Provision

"Article 243 G of the Constitution of India provides that the states may by law endow the Panchayats with such powers and authority as may be necessary to enable them to function as institutions of self government and to prepare plans for economic development and social justice and their implementation including those in relation to the matters listed in the Eleventh Schedule."¹⁸

243 H of the Constitution as reproduced below specified the powers to impose taxes by the funds to the Panchayats.

The legislature of a state may by law –

- a) authorise a Panchayat to levy, collect and appropriate such taxes, duties, tolls and fees in accordance with such procedure and subject to such limits.
- b) assign to a Panchayat such taxes, duties, tolls and fees levied and collected by the state government for such purposes and subject to such conditions and limits.
- c) provide for making such grants-in-aid to the Panchayats from the consolidated fund of the state.

¹⁷ Prof. B. K. Chandrashekar, Panchayati Raj in India, Status Report, 1999, pp. 8-11

¹⁸ S. L. Goel,, Shalini Rajneesh, Panchayat Raj in India, Theory and Practice, p. 189

- d) provide for constitution of such funds for crediting all moneys received, respectively by or on behalf of the Panchayats and also for the withdrawal of such moneys there from, as may be specified in the law.

The various taxes assigned to the Gram Panchayats by different states some are given in the following table.

Taxes Assigned to Gram Panchayats by the States

Sr. No.	States	Taxes assigned to Gram Panchayats
1.	Karnataka	Tax on building and lands, water rate, tax on entertainments other than cinematographic shows, tax on non-motor vehicle, and tax on advertisement and hoardings
2.	Madhya Pradesh	Cess on land revenue, property tax on lands or building or both, tax on private latrine, lighting tax, profession tax, tax on animals and vehicles and water rate
3.	Kerala	Building tax, profession tax, land conversion cess and land cess
4.	Maharashtra	Tax on building and land, betterment charge on lands, water rate and octroi

Source : Standing Committee on Urban and Rural Development, 2002

However, the Panchayats have not been able to collect revenue. In a report of the Task Force on Devolution of Power, Ministry of Rural Development, Government of India, New Delhi (2001) suggested the imperative need to augment the natural resources of the Panchayats due to the following reasons.

1. Absence of meagre mobilisation of local resources will not permit the Panchayats to provide at least the minimum basic services to the people.

2. In utilising the resources mobilised through their own effort, Panchayats will be more careful in choosing the items on which funds will be spent.
3. Unless Panchayats mobilise their own resources they may not be able to make any matching contribution for the Finance Commission grants or other matching grants of state government.
4. Greater dependence on government grants will increase the control of the state government over them, and reduce their functional autonomy. They would not be able to enjoy any decision making power.
5. Non exercise of their revenue powers or absence of revenue collection by the Panchayats will not create any awareness among the people regarding local governance.
6. People's involvement and participation in Panchayat activities of Panchayats and development projects will be greater if they pay taxes and non taxes revenue to the Panchayats.
7. Panchayats may not be able to appoint any staff if they do not have own resources mobilised from their localities.
8. The goal of becoming institutions of self government will not be achieved by the Panchayats if they do not raise their own resource.

The same report suggests the method to augment the PRIs resources.

- i) Transfer of functions and schemes
- ii) Transfer of funds and autonomy, and
- iii) Transfer of functionaries.

In the broader interests of local autonomy and democratic decentralisation at the grass roots level, the state government may have to strengthen the powers and authority of the Panchayats in mobilising larger revenue from their localities. This requires enlarging the revenue base and territorial jurisdiction of the Panchayats, offer of revenue matching grants, and framing appropriate guidelines on financial management, offering greater freedom to the Panchayats.

As the Panchayats may find it difficult to raise sufficient revenue from their taxes, they must make serious efforts to increase their own resources through other revenue powers granted them. These powers relate to levy of fees, fines, rents from their properties and tolls. For instance, in most states, Panchayats have powers to own or use or let out common property resources like vacant lands, roads, tanks, markets, etc. Panchayats can earn substantial revenue by turning these common property resources into remunerative enterprise. These remunerative enterprises take some of the following forms.

1. Leasing out fishery rights of Panchayat tanks

2. Leasing out the grasses grown on tank bunds and other areas in the Panchayat
3. Leasing out the grazing grounds for grazing cattle
4. Fees for encroachments on Panchayat land and other public places
5. Fees for conversion of agricultural land into non-agricultural land
6. Fees on markets, registration of cattle sold in markets, and the bazari from shop keepers in fairs
7. User charges for the supply of safe drinking water, and provision of street lights, drainage and sanitation facilities
8. Fees for registration of vehicles and boats
9. Tolls on vehicles, ferries and animals
10. Fees for temporary occupation or use of village sites, roads and other public places
11. Fees on carts, auto and tonga stands
12. Registration fees for births, deaths and marriages.

Intermediate and District Panchayats can construct industrial estates, market sheds, slaughter houses, shopping complexes, community halls, etc. for which they can borrow funds from their state

government or banks. These remunerative enterprises can be leased out by the Panchayats to earn additional revenue.

In the long run, Panchayats can improve their own resources only through non tax resources and may not depend only on state or central government grants.