

PANCHAYATI RAJ AND POVERTY ALLEVIATION IN WEST BENGAL:  
SUMMARY OF RESEARCH FINDINGS

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The experience of West Bengal with respect to *Panchayat Raj* has been unusual in many respects relative to many other Indian states. With the advent of the Left Front dominated government at the state level since 1977, a functioning three level panchayat system with mandated elections every five years was instituted since 1978. Significant responsibilities previously in the domain of the state bureaucracies were devolved *de facto* to these panchayats. These include responsibility in implementing land reforms, identifying beneficiaries for land transfers, IRDP loans, agricultural extension programs, employment programs (such as NREP, RLEGP, JRY), housing and other welfare programs, raising local revenues from taxes and non-tax sources, and administering local infrastructure projects. West Bengal thus has experience with a functioning panchayat system for over a quarter century, well in advance of the 73<sup>rd</sup> and 74<sup>th</sup> Constitutional Amendments passed in 1993. This long experience provides a unique opportunity to study how well the panchayats have implemented programs of poverty alleviation, by measuring targeting (the fraction of resources that were delivered to intended beneficiaries), observing changes in targeting over time within villages, and how these have been associated with changing patterns of inequality of land, literacy and gender, and of political competition in GP elections.

The principal issue in the discussion of many observers, commentators and field studies in India has been the question whether panchayats can be effective instruments of participatory development in villages with entrenched local elites, with high levels of illiteracy and poverty, and absence of effective political competition at the local level. There is a general perception that in some parts of India such as Kerala and West Bengal the panchayats may have played some important roles, but their special experience compared to other Indian states owes to a more egalitarian tradition with respect to distribution of land, literacy, treatment of gender and caste differences, and active political competition at the local level between parties at least one of which has a strong egalitarian ideology. If so, the lack of corresponding effectiveness of panchayats in other states may be explained by their greater underlying local inequality of land, education and political power. In that case the root causes of ineffectiveness of panchayats will themselves have to be addressed (e.g., with suitable land reform, educational reform, and electoral reform).

An alternative hypothesis is that the effectiveness of panchayats depends on the extent of responsibilities and/or finances transferred, since these appear to have been more extensive in Kerala and West Bengal compared with other states. In that case, the solution calls for greater devolution to panchayats along the Kerala-West Bengal pattern.

These considerations raise the following questions that can only be addressed by ground-level empirical research: how successfully do panchayats target development programs to their intended beneficiaries? To what extent does their targeting performance depend on socio-economic inequality, literacy or political competition at the local level? How are they affected by reservations of GP positions for women or SC/ST groups? Or do they depend principally on the mechanism for transferring resources to GPs from upper level bodies?

The purpose of our research project has been to address these questions within the context of the West Bengal experience itself. There is considerable variety across different parts of West Bengal, and across time, with respect to extent of poverty, inequality in landownership, literacy, demographic significance and poverty of SC/ST groups, and in extent of political competition between the Left Front and its principal rivals (Indian National Congress (INC) and the Trinamool Congress(TC)). Our project draws on a sample of 89 villages located in 15 major districts of the state, which exclude only Calcutta and Darjeeling. Data has been collected concerning land reforms implemented since 1971, various programs administered by the gram panchayats (GPs) since 1978 (using data collected from the records of individual GPs and surveys of local villagers), farm management data concerning agricultural activities on samples of farms within these villages, household surveys of landownership, occupation, demographics, literacy and caste for the years 1978 and 1998.

Paper [1] provides answers to some of the basic questions about targeting performance of the West Bengal panchayats. It finds that non-public benefits such as IRDP loan subsidies or agricultural minikits were targeted very successfully *within* villages when recipients are classified according to landownership status: very small proportions of these programs (under 5%) leaked to medium or large landowners owning more than 5 acres of cultivable land. Per household or per unit of land area owned, transfers to poorer and weaker sections of the village population (SC/ST, landless and marginal landowning households) consistently exceeded that for better-off residents. Targeting performance with respect to landless or marginal landowners did not vary much with local land inequality, literacy, political party or electoral competition. The only discernible biases in targeting we found pertained to:

- (a) IRDP subsidies received by SC/ST households: while on average their per capita allotments exceeded those to non-SC/ST households, they worsened significantly with higher land inequality in the village, and
- (b) employment generated per rupee of employment grants approved, which became lower when land inequality rose.

But overall, there seemed to be little evidence in West Bengal for the concern that panchayats may have been 'captured' by local landed elites who diverted resources to their own benefits rather than the intended beneficiaries.

The more surprising results concern biases in the allocation of resources *across* villages. Villages with greater proportion of SC/ST households and with greater land inequality (where poverty is greater, owing to lower wage rates) received substantially fewer agricultural minikits, employment program grants, and total grants. The quantitative magnitudes of these shifts were large and dwarfed any corresponding effects on intra-village targeting. For instance the estimates indicate that a 5% rise in proportion of poor (landless or marginal landowning) SC/ST households or a shift of 10% cultivable land in the village from small (owning less than 5 acres) to big (owning more than 12.5 acres) landowners, was associated with a 25% reduction in employment grants, and 70% in all grants received by the GP.

Our interpretation of these results is that they reflect the absence of any equity-based formula for allocation of fiscal grants across different GPs. While there are formulas for fiscal devolution from central to state governments, no corresponding transparent process exists for allocation across panchayats within a state. The actual allocation depends on how vocal and politically powerful GP officials are when negotiating with upper levels of panchayat bodies or state government departments. In West Bengal small and medium landowners are the most vocal and powerful, relative to big landowners, landless and low caste groups. This has resulted in the perverse situation where villages with greater need for anti-poverty programs (i.e., with a weaker middle peasantry, with greater landlessness and incidence of low caste status) have been systematically discriminated against.

In a way, however, the West Bengal results have a silver lining. The difficult problem of implementation has traditionally been thought to be allocation of power and resources *within* local communities, which is difficult to monitor and control owing to problems of lack of information available to outsiders. The easier problem is to ensure equitable allocation *across* local communities, based on publicly available information concerning their relative needs (such as population, infrastructure and demographic composition). Transparent need-based formulae for grants to GPs would substantially reduce the problem identified above in the West Bengal system. In many other developing and middle income countries (such as Bolivia, Indonesia or South Africa) such formula-based transfers to local governments have been instituted in recent years and appear to have improved inter-regional equity substantially (as described in case studies in [2]).

Paper [3] examines how reservations of GP Pradhan positions for SC/ST and women affected targeting in West Bengal. We find that they improved targeting of the IRDP program, principally by increasing the flow of resources secured by villages with a reserved GP (i.e, operating through the process of inter-GP allocation). On the other hand, targeting of the employment grants deteriorated --- the reserved GPs obtained less grants as a whole, and then generated less employment per rupee of grant money received. SC/ST groups received less employment in these programs when the GP Pradhan was reserved for a woman. These reflect a tendency for the reserved GPs to spend less on road-building and school construction programs, and more on water and irrigation (which generate less employment). Reserved GPs were also less successful in raising local tax and non-tax revenues. The evidence is consistent with the hypothesis that

SC/ST or women pradhans filling reserved seats face opposition from landed elites over budgetary issues and village infrastructure programs. The net effect on targeting and poverty alleviation effort of the minority reservations therefore remains unclear. However, these results should be interpreted with caution: they pertain to short term effects of the reservations, and do not address the question of how well they have represented preferences of women.

Paper [4] examines the land reforms implemented in West Bengal. Based on data collected directly from block land records offices, we find that the land (*patta*) distribution program benefited a large fraction (about 15%) of the 1998 household population, and especially large fraction (30%) of households that were otherwise landless in 1998. The sharecropper (*barga*) registration program benefited a smaller section of the population (approximately 5% households). The *patta* program covered 3—4% and the *barga* registration program covered 5-6% of cultivable land. The direct impact of the land distribution on the distribution of landownership was negligible: between 1978 and 1998 the proportion of cultivable non-*patta* land in marginal holdings (less than 2.5 acres) rose from 28% to 46%, with a corresponding decline from 43% to 26% in medium and large holdings (exceeding 5 acres). The latter changes arose from land market transactions and household subdivisions, whose scope thus greatly exceeded those arising through the *patta* distribution program. In that sense the land reforms were not that significant in altering land inequality. We also found that these had negligible effects on subsequent targeting of resources by the panchayats (these results are however not contained in [4] and will be presented in a paper to be written shortly). Hence we have not found evidence to support the hypothesis that the land reform program in West Bengal was instrumental in the targeting success of its panchayats.

Nor do we find evidence to support the hypothesis that political ideology --- at least at the local level --- played an important role. With regard to most indicators of targeting, there was no significant difference between the performance of panchayats dominated by the Left Front and those dominated by either INC or the TC. Indeed, in some cases, such as the land reform program, and allocation of grants, there was significantly less implemented or granted as the Left Front share of GP seats increased from the median of 66% by five or ten percentage points. This suggests that electoral competition rather than political ideology was the key motivator at the GP level.

There is also no evidence to suggest that local levels of illiteracy, either in the village population as a whole, or among the landless and marginal landowners, affected the extent of targeting or land reform effort of the GPs.

We are therefore inclined to agree with those who argue that the system of devolution of finances and responsibility to GPs were the most important determinant of targeting of anti-poverty programs, compared with considerations of 'elite capture' within local communities. It is possible of course that these findings apply only to West Bengal and do not generalize to other states.

### *Comparisons with International Experience*

[2] is a collection of country case studies of decentralization elsewhere in the developing world. In comparison with the experiences of most other countries, the West Bengal panchayats differ strikingly in certain respects:

- (a) They have very little control over the provision of education and health facilities, which remain mostly under the state government ministries. The only exceptions are the adult literacy centers, and the para-statal Shiksha Kendras at the primary and secondary levels. Given problems of chronic absenteeism in the state schools and clinics, and the lack of supervisory personnel at the state levels, it would seem natural to consider extending the role of the panchayats to managing local schools and clinics (or at least monitoring the availability of state-employed personnel and of resources in these facilities, with adequate powers to ensure better discipline from state employees). In almost every other country with a system of local governance, responsibility for managing health and educational services is granted to local governments. It is recognized, of course, that supply-side measures are often insufficient to ensure desired standards of human development, and may have to be supplemented by measures to increase the demand for education and preventive health services among local households.
- (b) Low capacity and/or incentives of panchayats to collect local taxes. Local taxes amounted to only about 4-5% of GP incomes. We were told of numerous restrictions on the ability of panchayats to collect land taxes from those liable to pay these taxes (i.e., medium and big landowners). The statistical evidence also shows that increased land shares of big landowners lowered tax collections significantly, whereas with the progressivity of the tax schedule they should have increased instead. The average GP in West Bengal raised much more from other non-tax sources: about 15—16% of their income were raised through various cooperative schemes, auctions and fees. We found no evidence that higher grants from upper level government bodies resulted in any 'crowding out' of local revenue collections.

In many other developing countries, local governments play a more significant role in collecting taxes, and in some cases have the principal role in collecting taxes (so they transfer a portion of the collections to upper level governments according to pre-determined formulae). The structuring of these fiscal transfers between local and upper level governments have been observed to have significant implications for efforts of local governments to collect taxes, and to develop the local economy.

- (c) In our field experience we have been struck by the weakness of oversight mechanisms over the accounts and activities of GPs. In many instances panchayat accounts were not properly audited. Many village residents do not have access to information about the accounts and activities of their own panchayats. In some

countries (such as Bolivia) independent citizen bodies have veto power over budgetary actions of local governments.

- (d) Reports of delays in grant disbursements from upper level governments are common, with consequent adverse consequences on their ability to utilize them effectively. Many GPs do not know how much resources they can expect to receive until late in the fiscal year. These limit the capacity of the GPs to plan investments and implement them with any long-term vision.
- (e) Compared to some other contexts (such as China, or parts of Brazil or Kerala) local governments have rarely taken a strong leadership role in planning development of local infrastructure, or of local businesses. They have played a largely passive role in handing out benefits from various development programs flowing from above. This is related partly to the limited extent of financial devolution discussed above, which restrict motivation and learning among local government officials

### *Policy Recommendations*

These considerations suggest the need for:

- (i) Reforms in fiscal devolution, specifically the need for formula-based and direct transfers to panchayats at all levels. The transparency and predictability of transfers will promote both equity across different regions, as well as allow panchayats to plan multiyear investment projects in advance. Information about resource entitlements of each panchayat should be in the public domain. Transfers to panchayats at all levels should be made directly, rather than made to flow through upper levels of the system (which create delays and corresponding scope for manipulation). State governments should commit to these transfer formulae for a few years in advance, with the formula adjusted by state Finance Commissions every five years.
- (ii) Development of tax collection capacity of panchayats, and design of resource sharing formulae between panchayats at different levels and the state government are needed to generate incentives for panchayat officials to plan and develop local infrastructure.
- (iii) Greater devolution of responsibilities of panchayats with regard to oversight and management of schools and health clinics. These should be complemented with systems of stimulating demand for these services among local population. An example of the latter is the Mexican PROGRESA program of cash transfers to poor households conditional on school attendance of their children, preventive medical checkups and immunizations. Such programs can create a demand for educational and health services, and put pressure on government bodies to ensure accountable service provision.
- (iv) Associated with the devolution of wider responsibilities also arises the need for closer oversight and accountability mechanisms. Accordingly, there is the

need to strengthen audit systems and create the checks and balances (such as local citizen committees with the right to information about panchayat accounts and activities, and possibly with veto power over panchayat budget proposals) that are essential for the successful functioning of any democracy.

## References

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