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CENTRE FOR DEVELOPMENT STUDIES

WORKING PAPER No. 1

**'PLANNING FROM BELOW' WITH REFERENCE  
TO DISTRICT DEVELOPMENT AND  
STATE PLANNING:  
A PRELIMINARY NOTE**

*By*

**K. N, RAJ**

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**CENTRE FOR DEVELOPMENT STUDIES  
'PRASANTHA HILL' AAKULAM ROAD  
ULLOOR, TRIVANDRUM-11  
KERALA STATE (INDIA)**



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DISTRICT DEVELOPMENT AND STATE PLANNING:  
A PRELIMINARY NOTE

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July, 1971



'PLANNING FROM BELOW' WITH REFERENCE TO DISTRICT DEVELOPMENT  
AND STATE PLANNING : A PRELIMINARY NOTE

Though the need for "planning from below", and the potentialities of district development planning from this point of view, have been recognized for a long time the progress made in this direction so far has not been very striking. Some States - such as Maharashtra - have attempted more in this area of planning than most other States. Yet no significant achievements have been reported in any of them.

The case for district development planning is however still a strong one. The kind of centralized planning India has had so far - with its reliance mainly on selected projects for building up the overheads of development and on certain general policies and measures for mobilizing and allocating resources - has had little visible impact on vast areas of the country<sup>1</sup>. Experience upto now also suggests that implementation of land reforms, creation of more employment opportunities for the rural under-employed through programmes of land development, consolidation of holdings, eradication of illiteracy, development of small and medium scale agro-industries, etc. all require to a

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<sup>1</sup> "The almost entire absence of proper planning at the State level has imposed a grave handicap on development of Indian rural economy and is reflected in the relatively slow and patchy progress in agriculture, rural industry and related fields. Problems of planning in agriculture have been discussed by a number of official committees and there has been general emphasis on the need for relating targets and programmes to local circumstances. This, however, cannot be done ad hoc or piecemeal and can only follow appropriate organization of State and District development planning". D.R. Gadgil, District Development Planning, Kale Memorial Lecture, Gokhale Institute of Politics and Economics, 1966, p.13.

considerable degree such developmental effort being planned and executed at the grass-root level. An examination of the reasons for the unimpressive record of district development planning hitherto is therefore now both essential and urgent.

The late Professor Gadgil had reviewed the position five years ago with particular reference to Maharashtra and identified some of the limitations of district development planning.<sup>1</sup>

- (i) "The activities of the district development councils set up from the period of the Second Five Year Plan were entirely of an advisory nature. These councils were composed mostly of local political leaders who had little special knowledge or expertise in any direction. The councils put together a series of more or less popular demands regarding the construction of irrigation works, roads or the setting up of educational institutions, hospitals, etc. These had no relation to a strategy of long-term planning or to any definition of priorities....The situation continues to be similar, at least in Maharashtra, even after the establishment of Zilla Parishads. The preparation of the 4th Five Year Plan by Zilla Parishads was undertaken in most districts on lines which did not differ materially from the operations of the earlier district development councils".
- (ii) "....though the work of planning by the Z.P.s was more elaborate, in the sense that more attention was paid on preparation of plans at the block level and to the co-ordination of plan proposals by subjects, its essential character remained unchanged. This was because the district plan was not looked upon as a realistic document which was part of a long-term development plan framed by the Zilla Parishad and to be implemented by it. It was, as before, a set of proposals sent up to the State Government or more correctly to the Secretaries from which the Secretariat would put together the plan which the Z.P. would in due course have to implement. This was emphasized by the fact that no realistic financial limit as to the size of the plan to be prepared by Zilla Parishads was indicated to them. In fact, they were encouraged to prepare plans of a size very much larger than the most optimistic estimate that could be made of allocation of resources to the district".

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<sup>1</sup> Ibid. District Development Planning, pp.12-15, 32-34.

- (iii) "Zilla Parishads in Maharashtra are endowed by legislation with specific planning powers. However, the proper exercise of these powers has been hampered by a number of factors. The first is finance. The financial resources available to the Z.P.s are chiefly in relation to their specific administrative programmes or schemes which have been transferred to them. They have almost no 'free' resources which they could spend on their own. It has, in fact, been alleged that the budgetary and administrative control of the secretariat and the departments over the Z.P.s. is more stringent and harassing than over the district administration. Therefore, while Z.P.s in Maharashtra have been able to spend more money in a few specific directions they have not been in a position to, and have not been encouraged to apply their mind to local problems of long-term development planning".
- (iv) "Though the Zilla Parishads have been given planning officers and were asked to prepare elaborate documents in relation to the 4th Five Year Plans, the state and district plans were, in fact, compiled in the secretariat and this work was little affected by the Z.P. documents....The departmental officers - State and regional - have usually considerable expertise and have, in many cases, detailed knowledge of particular localities. ~~This expertise and knowledge of particular localities.~~ This expertise and knowledge are, however, not utilized for local development planning because of, at least, two factors. Firstly, the standard departmental schemes themselves are to a large extent derived from above i.e. from the Planning Commission and the Central Ministries, and the state technical officers have rarely subjected them to rigorous scrutiny in relation to particular regional conditions.....This attitude is reinforced by the feeling of estrangement from the district staff created by the establishment of Z.P.s and the transfer of the district staff to them. As the district staff is no longer directly controlled by the State Department, the higher echelons of officers appear to have lost interest in the work of this staff. This has created a number of problems in the formulation and implementation of district development plans".
- (v) "It was expected that with the establishment of the Z.P.s the Collector of the district will lose his importance. This has not happened to any large extent, chiefly because the secretariat and the ministers continue to look upon the Collector and his administrative staff as their own special agency....Within the official hierarchy itself one vestige of colonial administration, viz., I.A.S. the successor service of the I.C.S., exerts great influence.....In colonial times, British personnel of the highest non-specialised service were naturally

put in control of the entire district administration, which in those days were concerned chiefly with collecting revenue and keeping law and order. The central dominant position of members of the non-specialized service in district administration continues to this day and has been carried forward to the Z.P.s which are patterned on the earlier district administration. Consequently, the functioning of the Z.P. has come to depend greatly on a single I.A.S. Officer, the Chief Officer of the Z.P. The relationship with the non-official part of the Z.P. organization, on the one hand, and the effective operation and co-ordination of experts and the departmental officers on the other depend to a large extent on the efficiency and disposition of this non-expert officer".

- (vi) "The approach through compilation of a plan by reference to separate standardized departmental schemes has many other disadvantages also. For example, it leads to unnecessary proliferation of staff and its non-integration on the field. This is because the staff proposals are attached to each scheme and are considered separately as for the scheme and its duration. It also results in there being no coordination or synchronization of action among various departments or different agencies in the same department. This is responsible for the familiar phenomenon of a number of targets, especially related to agriculture, being achieved and yet there being an overall failure to the total development programme".

These features of district development planning are traceable in part to the highly centralized and hierarchical system into which it had to be fitted. But it is also true that there was no systematic analysis of the precise scope for "planning from below" or of the techniques to be adopted for the purpose - and consequently no frame of reference for introducing the necessary changes in organizational structure and procedures. - This will be evident from the brief account - attempted in the following section - of the evolution of the institutions of Panchayati Raj in the course of the last decade and a half and their main features in different parts of the country.

II

The notion of district development planning, it may be recalled, is a by-product of the concept of Panchayati Raj, which was originally advanced as a means of dealing with some of the problems noticed in the implementation of the Community Development Programme formulated in the First Five Year Plan. A Study Team which was appointed to look into these problems of implementation reported in 1957 that "as long as we do not discover or create a representative and democratic institution which will supply the local interest, supervision and care necessary to ensure that expenditure of money upon local objects conforms with the needs and wishes of the locality, invest it with adequate power and assign to it appropriate finances, we will never be able to evoke local interest and excite local initiative in the field of development". The team therefore recommended that, for this purpose, local self-government should be organized in three tiers - village panchayats at the village level, panchayat samitis at the taluk or block level, and zilla parishads at the district level.<sup>1</sup> This recommendation was accepted by the National Development Council and all the States in 1959.

In the course of the subsequent decade the idea gained ground that these institutions of local self-government should be used for not only implementing developmental programmes but for programme-planning as well and for mobilizing local resources as well. This was explicitly stated in the Draft Outline of the

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<sup>1</sup> Report of the Team for the Study of Community Projects and National Extension Service, Vol. I



Fourth Five Year Plan which recommended that "all development and welfare schemes capable of execution at the district level should be transferred to zilla parishads who should be responsible for both programme planning and programme implementation", and that "appropriate schemes of matching incentive grants already in vogue in some States should be introduced in all States so that Panchayati institutions at all levels may exploit their resources of taxation to the full"<sup>1</sup>.

It would appear however that, though the developmental purposes for which these institutions of local government could be used were stated in general terms, this was not accompanied by efforts to determine the appropriate allocation of functions and responsibilities at each level, the administrative machinery and the fiscal and other instruments to be made available for the purpose, and how precisely the development planning work at the District level was to be fitted into the planning at the higher levels (more particularly at the State level). The States were left free to work out individually the details of the system to be set up according to what they considered appropriate to their particular conditions. The result has been that while most States have now in form a three-tier structure of local government (as proposed in 1957) there are important differences in the functions, instruments and powers with which

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Fourth Five Year Plan : A Draft Outline, p.213.



have been entrusted.<sup>1</sup> It is also evident that, though mobilization of local resources and programme planning have been stated to be important functions of the Panchayati Raj institutions, they have not by and large been given the means to carry them out; and that, within the framework erected, they are no more than local bodies to which the responsibility for expenditure for certain purposes has been delegated by the State Government.

The State-wise differences are relatively minor in the case of village panchayats; but they are very much greater at the level of panchayat samitis and zilla parishads, and assume particular significance when considered in the context of the planning and developmental responsibilities which they are supposed to carry out. The main features which these institutions of local government have in common, and the important respects

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<sup>1</sup> There are differences also in the composition of these Panchayati Raj Institutions. Broadly speaking, however, "the village panchayat consist of representatives directly elected by the Gram Sabhas (consisting generally of all those in a village - or group of villages - who are on the electoral rolls). The panchayat samitis are generally composed of representatives of village panchayats, institutions like co-operative societies, nominated members like Members of Legislative Assemblies and Members of Parliament, and some representatives of women, scheduled castes and scheduled tribes. Zilla parishads are in the nature of federal bodies consisting usually of the presidents of the panchayat samitis, government officials, representatives of co-operative societies, scheduled castes, scheduled tribes, etc. and persons co-opted for their interest or experience in the fields of education, administration and rural development; in only a few States is there provision for direct election of members to zilla parishads by all those in the districts who have the right of franchise. Cf. "Panchayati Raj - A General Review", Reserve Bank of India Bulletin, December, 1967.



in which they differ as between the various States, are briefly listed below:-

- (1) The village panchayats have been entrusted mainly with the provision and management of civic amenities and certain social welfare activities; in respect of developmental activities they generally function only as agents of panchayat samitis or zilla parishads and do not undertake any on their own.
- (2) In the majority of States, there is provision for compulsory levy of certain taxes by the village panchayats (e.g. house tax, profession tax) but there are several in which the panchayats have the option whether or not to impose any tax. A few States (e.g. Madras) provide for matching grants against their collections from certain taxes in order to give them incentive for taxation at higher rates, but several States have yet no such provision.
- (3) The jurisdiction of the panchayat samitis is generally co-terminus with the development block in all States (except in a few where they are organized at the taluk level). They are also the most important executive agencies in the entire structure of Panchayati Raj - except in Maharashtra - having among other functions all the executive functions of the Community Development Blocks. The panchayat samitis have been given powers to raise their own resources through tax and non-tax revenues (e.g., surcharge on land revenue, local cess), but they have relied on them only to a limited extent. In general the samitis have acted chiefly as agents of the State Government in channeling funds for various development schemes connected with community development projects or depended on other forms of financial assistance from the State Government (e.g. grants, share of land cess) for carrying out the functions allotted to them.
- (4) Except in a few States, particularly Maharashtra, the zilla parishads are essentially advisory bodies and have no executive role. Their main function in all these cases is regarded as that of co-ordinating the activities of panchayat samitis and of reviewing their work. Many of them have accordingly no power to levy taxes, cesses or fees and some of them have not even any independent funds such as grants, subsidies or a share of specified taxes from the State Government. Among the few States which have entrusted executive functions to zilla parishads, Maharashtra has gone farthest in transferring to them all functions of the State Government at the district level except those relating to law, order, justice, National and State highways, and college and university education.

Detailed data are not available for any recent year on the developmental and non-developmental outlays of village panchayats, panchayat samitis and zilla parishads in the different States. However, since these local bodies have had only limited recourse to taxation on their own, a general idea of the scale of their outlays can be had from budgetary data relating to 1970-1971 on the transfers of tax revenue (including cesses and duties), grants, and loans from State Governments to local bodies (see Table 1).

Local bodies include here municipalities and city corporations; since a part of the grants and almost all the loans given by State Governments to local bodies are to municipalities and city corporations, an allowance of about Rs.30 crores should perhaps be made for such transfers. The total receipts of panchayats, panchayat samitis and zilla parishads from State Governments may then be placed at around Rs.400 crores in 1970-1971. It will be noticed however that over 90 per cent of this amount is accounted for by those in a few States - Maharashtra, Tamil Nadu, Andhra Pradesh, Uttar Pradesh, Bihar and West Bengal - and that, except in Tamil Nadu (and in Andhra Pradesh to a more limited extent), almost the entire transfer of financial resources from the State Governments to these Panchayati Raj institutions is by way of grants.

The extent of dependance of panchayats, panchayat samitis and zilla parishads on grants from State Governments for their developmental activities makes it possible to infer, from the purposes for which these grants are given, the main areas of development entrusted to them (See Table 2).



Table 1: Financial Transfers from State Governments to Local Bodies, 1970-71 (B.E.)

<u>State</u>	<u>Transfers of tax revenue</u>	<u>Grants for developmental purposes</u>	<u>Grants for non-developmental purposes</u>	<u>Loans (net)</u>	<u>Total</u>
Andhra Pradesh	10.6	48.4	3.9	-0.6	62.3
Assam	0.1	1.3	1.6	0.6	3.6
Bihar	1.0	30.2	1.8	0.8	33.8
Gujarat	1.0	42.8	8.9	-0.5	52.2
Haryana	-	0.6	0.4	0.5	1.5
Jammu & Kashmir	-	-	-	-0.1	-0.1
Kerala	1.3	1.3	-	0.1	2.7
Madhya Pradesh	-	3.1	2.5	0.5	6.1
Maharashtra	0.2	68.4	20.3	0.5	89.4
Mysore	1.7	4.3	4.3	1.7	12.0
Orissa	0.7	9.6	-1.9	-0.2	12.0
Punjab	-	0.7	0.5	0.8	2.0
Rajasthan	0.5	14.5	0.9	-3.1	12.8
✓ Tamil Nadu	20.0	45.2	5.6	3.4	74.2
Uttar Pradesh	-	37.2	4.9	2.0	44.1
West Bengal	0.4	13.0	5.3	3.8	22.5
<u>All States</u>	37.3	320.5	62.9	10.1	430.8

1. Source: "Finances of State Governments", Reserve Bank of India Bulletin, August 1970.

Table 2: Developmental Grants to Local Bodies according to Purpose, 1970-71 (B.E.)

<u>State</u>	<u>Education</u>	<u>Medical &amp; Public Health</u>	<u>Agriculture, Animal Husbandry, Co-operation, Rural &amp; Community Development and Irrigation (non-commercial)</u>	<u>Others</u>	<u>Total</u>
Andhra Pradesh	30.8	2.6	8.1	6.8	48.4
Assam	0.6	0.3	0.4	-	1.3
Bihar	28.2	0.6	1.3	-	30.2
Gujarat	21.8	4.2	9.4	7.3	42.8
Haryana	negl.	negl.	0.5	0.1	0.6
Jammu & Kashmir	-	-	-	-	-
Kerala	-	0.1	1.3	-	1.3
Madhya Pradesh	0.5	negl.	2.6	-	3.1
Maharashtra	42.6	7.7	11.8	6.2	68.4
Mysore	4.0	0.1	0.3	-	4.3
Orissa	8.1	0.8	-	0.6	9.6
Punjab	0.1	negl.	0.7	-	0.7
Rajasthan	10.2	0.4	3.7	0.2	14.5
Tamil Nadu	37.0	1.9	3.3	2.9	45.2
Uttar Pradesh	35.1	negl.	-	2.0	37.2
West Bengal	12.9	0.1	-	0.1	13.0

All States . . . . . 281.6 13.0 44.0 26.2 320.5

It will be seen that education accounts for nearly three-fourths of the developmental grants received; and that agriculture and rural development secure less than one-sixth of these grants, or fairly negligible amounts, in all States except Gujarat, Maharashtra and Andhra Pradesh.

Thus it is evident that (a) except in a few States such as Maharashtra, Gujarat, Andhra Pradesh and Tamil Nadu there has not been the minimum devolution of functions and powers necessary for any of the Panchayati Raj institutions to be actively involved in the planning of developmental activities at their respective levels; (b) even where such devolution has been effected to some degree they have been entrusted mainly with the provision and management of social services (more particularly education and health) and civic amenities; (c) in only a very limited number of States are these institutions involved in developmental work relating to agriculture and, even in these cases, their role seems to have conceived of mainly as intermediaries for channeling funds in support of scheme proposed and worked out at higher levels<sup>1</sup>; (d) they are heavily dependant on financial assistance from the State Governments and, since such assistance is generally made available in the form of grants for certain approved purposes or schemes, the

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1 Not only is this true even in a State like Maharashtra but the role of the Zilla Parishads in relation to agricultural development appears to be now getting further diminished in importance. Reporting on the working of the Zilla Parishad in Poona it has been brought out that while agriculture accounted for 17 per cent of its expenditure in 1966-67 it claimed only 2 per cent in 1969-70; and that there has been also a sharp fall in the State Government's financial assistance to the Zilla Parishad for agriculture, animal husbandry and community development. Cf. "Unactivated Zilla Parishad", Economic and Political Weekly, August 23, 1969.

scope for local initiative is limited in practice to minor matters such as the determination of the location of a particular activity or scheme (the nature and content of which would have been already determined at higher levels)<sup>1</sup>; and (e) consequently, the decentralization of governmental functions and responsibilities associated with zilla parishads, panchayat samitis, and village panchayats has at best meant only partial association of local representatives with administration at these levels in certain fields and not the setting up of a machinery for planning from below. Indeed it would appear that

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That this is true not only in the case of Zilla Parishads in

Maharashtra (as noted by Professor Gandgil) but in other States as well - including those in which Panchayat Samitis have executive powers and are the most important agency in the Panchayati Raj structure - will be evident from the following account relating to Andhra Pradesh:

"In the Panchayati Raj set-up of Andhra Pradesh, the Samiti is the key unit. It is this agency which plans and implements most of the development programmes. However, in most cases, the areas for which Panchayati Raj bodies should plan are determined by the State Government. The Samiti is concerned with local planning. But even within local planning, the priorities for development programmes and schemes and the pattern of each scheme are worked out in detail at the State level. The Samiti is concerned only with taking decisions regarding the selection of locations and beneficiaries. The Panchayat Samiti functions primarily as an allocating or distributing agency; deciding where a primary school or a primary health centre should be located, or who should get a taccavi loan, while the number of schools and health centres, the details of staff, equipment, buildings for these and the amount of taccavi loans to be sanctioned at these levels, are decided at the State level. The Panchayat Samitis are entrusted with this decision-making power because their knowledge of local conditions and needs is greater than that of a State authority".

G. Ram Reddy, "Some Aspects of Decision-Making in Panchayati Raj", Economic and Political Weekly, October 10, 1970.

in practice these institutions have been designed to function (were) as local bodies of the traditional kind (rather like city corporations and municipal councils in urban areas) than as organizations to be used for planning.

### III

If institutions of local government are to serve as active instruments for decentralized planning - not merely as allocating or distributing agencies within an organizational framework that is otherwise highly centralized - it is essential first to determine what kind of developmental work (including in such work the necessary mobilization of resources for development) can be planned and administered most effectively at which level. One can then decide how the responsibilities <sup>and</sup> powers in respect of developmental activities should be distributed between the Centre, the States, and these institutions of local government; and to what extent autonomy and flexibility at these different levels of decision-making and execution can be built into the system with advantage. It is necessary however to recognize that the scope for more effective planning from below is closely tied up with the entire structure of the organization for planning and with the distribution of functions and powers at each of these levels of administration.

On the general question of the division of developmental responsibilities as between the Centre and the States, Professor Gadgil had deduced a guiding principle from "the actual



operation of the planning process" as he saw it in 1960:

"The fields of action of the Centre and the States are, to a large extent, distinct. The Centre builds up and maintains the overall instrumentalities of national economic life such as the credit and the monetary system, the railways and ports, It also acts in relation to the basic requirements of long-term plan of industrialization, with emphasis on large industry and exploitation of mineral resources. The States are concerned, on the other hand, with acting on the total life of all the people in their charge and on all the diffused, dispersed small-scale units and activities. The Centre is concerned with the most generalised features of the national frame and with highly concentrated action at a few strategic points; the States must affect all areas and localities, all the relevant fields and all units. The Centre is concerned with the strategy of the long-term plan and with initiating the crucial movements; the States have to engage themselves in transmitting the forces impelling economic development to all areas and units, and with concretizing for the individual units the fruits of development. The generalised objectives of a State Plan are, therefore making possible initiating and encouraging economic development in all activities and sectors, and areas and localities, and protecting the standard of living and improving and ameliorating the situation, social and economic, of all individuals within their territories."

Later, when district authorities with specific planning powers had been set up in several States, Professor Gadgil modified this formulation by adding that "the objectives and fields of State Planning activity as described in the extract quoted above may be taken generally to apply to the existing situation in relation to District Development Planning".<sup>2</sup> But this left very vague the basis on which responsibilities and powers were to be distributed between the State Governments and the new authorities constituted at the District Level.

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1. D.R. Gadgil, Planning and Economics Policy in India (3rd edition, 1955), pp.237-38.

2. District Development Planning, p.4.

It is important to recognize that in a country of India's size and diversity there are inevitably wide differences from region to region in resource endowments, in the extent to which the social and economic overheads necessary for further development have already been built up, in the degree of commercialization, in consumption levels, in the nature and magnitude of unemployment, etc. The long-run planning strategy adopted at the national level has therefore to be itself built on a detailed assessment of the developmental needs and potentialities in different parts of the country taking all these factors into account. This makes it imperative to attach a very vital role to planning at the State level. The territory of a State is of course not necessarily - or even usually - co-terminus with a region defined as an area with common economic or geo-physical characteristics. But since it represents an area of administrative authority that might either be part of a larger region or has within it several regions (defined as above) it is only through the direct involvement of States that the problems specific to various regions can be introduced into the planning framework and suitable solutions found for them.

Some of the most serious deficiencies of planning have been nevertheless at this level. In most States, planning has so far amounted to little more than putting together schemes formulated by the different Departments of a State Government on the basis of directives received from the Ministries at the Centre or from the Planning Commission. Even where some kind of a long-term development programme has been framed very little

work has been done by way of relating the proposals to the specific problems facing the State. In fact these efforts have been usually more in the nature of a public relations activity to support general demands for more financial assistance from the Central Government rather than serious exercises undertaken to formulate concrete and meaningful programmes of development suited to the resource endowments and requirements of the States concerned.

This could perhaps to be attributed in part to inadequate recognition at the State level of the importance of such long-term planning and also, in some cases, by the non-availability of personnel with adequate technical expertise. But the main reason can be traced to the techniques of plan formulation and implementation relied upon by the Planning Commission itself and more particularly to the financial arrangements on which they have rested. They have left little scope for flexibility or initiative at the State level (except through exercise of political pressure on the Centre wherever possible)

The main features of the methodology of planning, adopted hitherto, relevant from this point of view are the following

- (a) The strategy of development adopted in successive Five Year Plans has been based largely on certain broad considerations relating to the economy as a whole without taking into account specific regional requirements or even the follow-up measures necessary for the diffusion of the benefits of development in different regions. In principle the States have been expected to introduce these additional dimensions through their own Plans, but the scope for fitting in such supplementary programmes has been governed in practice by the ability of the States to secure the necessary financial resources.



- (b) While the Constitution provided for review of Centre-State financial arrangements at five-year intervals by Finance Commissions appointed for the purpose, the scope of these reviews has been limited in practice to the revenues of State Governments in relation to "Committed" expenditure of a recurring nature and keeping out of the picture the additional resource requirements for the development programmes initiated in each Plan period. The ways and means of meeting these latter requirements, and the related policy decisions, have been left to be determined largely by the Planning Commission and the Ministry of Finance at the Centre in consultation with other concerned Ministries. This has resulted in most of in support of successive Plans getting tied to particular schemes to which the Planning Commission and/or the Ministries of the Central Government attached importance.<sup>1</sup>
- (c) A high proportion of the financial assistance from the Centre to the States in support of their development programmes has taken the form of loans. Consequently the total debt of the State Governments to the Centre is now about three times as high as their total annual tax revenue (including their statutory share of Centrally-levied taxes); moreover, the amount payable by them annually to the Centre by way of interest on these loans and repayments of the principal

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1. ".....it is the Central Government that thought of having a Plan to be put across to State Governments, of inducing them to undertake activities according to a plan and priorities. Because the Central Government did this and because additional activities required additional finances, one of the easiest ways the Central Government thought of for inducing the States to fall in line with their plans or implement their plans was to attract them with financial assistance. So the offer of financial assistance from the Centre to the States for implementing planned development became an extremely important matter, right from the beginning of the Indian planning process. The actual adjustment and administration of that amount was related to particular schemes; so that it was so much assistance given by the Centre separately for individual schemes. Each Union Ministry desired to ensure that particular schemes were implemented." Extract from a speech delivered by Professor D.R.Gadgil at the Gokhale Institute of Public Affairs in June 1970 (reproduced as an article on "Centre-State Finances" in The Hindu, April 5, 1971.).

has begun to exceed their gross receipts from fresh loans (as will be evident from the following table).

	1951- 52	1957- 58	1961- 62	1967- 68	1970- 71 (R.E.)
	----- (in Rs. crores)				
Loans from Centre to States	75	288	452	908	883
Repayment of loans by States to Centre	11	68	134	378	600
Interest payments on loans from Centre to States	5	35	(60)	200	290
<u>Net receipts of States from loan transactions with the Centre</u>	<u>59</u>	<u>185</u>	<u>258</u>	<u>330</u>	<u>-7</u>

- (d) The proportion of grants and loans in the financial assistance given by the Central to the State Governments has not been based on their relative needs or ability to repay; indeed, as the system operated, the burden of indebtedness appears to have been greater on the less developed States with more limited resources.

".... there was no correlation established between grants and the need for them...the system worked exactly the other way round. What you did was to give a whole set of choices to State Governments with all kinds of schemes, with varying proportions of grants and loans attached. That meant that the State Government which had manoeuvrability because it had its own resources could pick and choose. It was able to choose, for getting Central assistance, the most favourable schemes - the schemes which had more grants attached to them and smaller loan proportions attached. On the other hand, States which were backward and with few resources had to finance almost all their plans through Central assistance. This meant that we got varying averages of grants and loans, the difference between States being quite large. It would be as large as 40 per cent or more in the case of a developed State which had resources: it would get 40 per cent as grants. On the other hand an underdeveloped State, which had no resources, could get only 12 per cent as grants, though the average was about 22 per cent".

(e) Though the system of tying Central assistance to particular schemes has been changed since 1968, and assistance to States is now given in the form of a Block Award with grants fixed as a specific percentage of the total, there has been no review (or even re-scheduling) of the debts accumulated earlier and the loan component of Central assistance still remains high at 70 per cent of the total amount given to each State. The burden of debt servicing obligations continues to be heavy for this reason, and this acts as a deterrent to the States mobilizing additional resources for development. To this problem also attention has been drawn by Professor Gadgil:

"A number of States which were in the red, told us: 'You expect us to tax and raise new resources for financing the plan. If these resources are to be used for meeting old deficits, there is no way in which we can persuade our Legislatures. We must be able to say that we will levy these taxes so that we can, with these fresh receipts, add to the Plan size'".

Contrary to the general impression the tax revenue of the State Governments, excluding their statutory share of Central taxes, has grown over the last two decades at about the same rate as the gross tax revenue of the Central Government? Now has their performance in respect of non-developmental expenditure, such as on civil administration, been conspicuously

Ibid., Gadgil, June 1970.

2.	1951-	1957-	1961-	1967-	1970-71
	52	58	62	68	
	(in Rs. crores)				
Tax revenue (prior to statutory transfers of divisible taxes between centre and the States)					
Centre	5.7 (100.0)	692 (133.9)	1057 (207.7)	2353 (455.1)	3135 (606.4)
States	226 (100.)	351 (155.3)	485 (214.6)	1079 (477.4)	1418 (627.4)

3. The expenditure of the State Governments on civil administration worse.

If nevertheless the former have shown large deficits on revenue account, and they have had to be helped by successive Finance Commissions to cover them through sizeable statutory grants and transfers of tax revenue from the Centre, it has been mainly on account of growth in recurring expenditure under developmental heads such as education, health, agriculture, co-operation, and rural development (apart from the increase in interest payments on their rapidly expanding debt). The total expenditure of the State Governments under these developmental heads has risen from Rs.116 crores in 1951-52 to Rs.1223 crores in 1970-71; and, if the grants given by them to local bodies for these purposes is also included, the total outlay in 1970-71 would exceed Rs.1500 crores.

The additional finances made available to State Governments through more statutory grants and transfers of tax revenue from the Centre have been in the nature of retrospective adjustments after the seriousness of their budgetary position had been demonstrated each time to the Finance Commissions. The manner in which this has been done has not helped the State Governments either to anticipate what they could reasonably expect to receive on the basis of objective and generally

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(footnote 3 contd. from p.20)

increased four-fold between 1951-52 and 1970-71 (from Rs.107 crores to Rs.420 crores); the expenditure of the Central Government rose during the same period to nearly five times its level in 1951-52 (from around Rs.24 crores to Rs.118 crores).



acceptable criteria or to develop a sense of responsibility in managing their finances.<sup>1</sup>

Any significant progress towards more systematic and realistic planning at the State level is therefore dependant now, among other things, on a comprehensive review of a whole range of issues concerning the distribution of developmental functions and responsibilities as between the Centre and the States and the related financial arrangements. The scope and functions of district development planning, and the organizational arrangements to be made in support of it, are best considered within this larger context.

#### IV

It is evident that the States should have, within the framework of national planning, greater scope for framing development programmes appropriate to their particular conditions and for exercising initiative in mobilizing resources for the purpose. This will require in most cases a substantial reduction in the burden now imposed on their finances by debts.

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" Since the Commission has to take only the revenue from the existing level of taxation into account, the varying strictness of State tax systems is not a matter to be gone into by the Finance Commission. This is justified on the presumption that the Planning Commission presses sufficiently hard for uniformity in taxation or take tax variations into account in determining planning grants - a presumption not in strict accordance with reality. Only the non-developmental expenditure and some smaller matters can be a matter of scrutiny and investigation by the Finance Commission . . . But it (the Fourth Finance Commission) has not gone into the level and expensiveness of the security services and the legitimate expenses on the standard of social service reached in the earlier plan. . . . the State deficits even due to under-taxing or extravagance were underwritten by the Finance Commissions". D.T.Lakdawala, "The Four Finance Commissions in India", The Indian Economic Journal, Vol.XIII, No.4, January-March 1966.



accumulated in the past and, more generally, some changes in the devolution of tax powers, in the system of distribution of tax revenues and grants from the Centre to the States in the criterion applied and in the institutional arrangements made for channeling loans to States for capital expenditure, and in the terms and conditions of such loans. The implications of these steps will need to be carefully examined in detail.

It is necessary however to determine first what developmental functions and responsibilities the State Governments might be expected to carry within a system of decentralized planning and what could be entrusted to the authorities at the lower levels (more particularly at the District level). The following considerations are relevant in this connection:-

- (1) Given the resource endowments and the specific objectives that different States may have, there are certain developmental policies and programmes which will necessarily have to be formulated and executed at the level of the respective State Governments. These may be connected with the development of communications, transport and power in support of agricultural and/or industrial expansion over extensive regions; with the supply of water through irrigation projects having a large command area; with the exploitation of mineral; forest or marine resources in which wider considerations (such as the need for conservation of such resources) have to be taken into account; or with the development of industrial complexes which require financial and

other resources being organized on an extensive scale. These can be regarded as the minimum developmental functions and responsibilities which would need to be placed on the State Governments.

(2) There are other areas of development, such as social services, in which there are some advantages in having a unified policy and programme within a State but where there are no compelling reasons for centralized control and management. In States which have gone furthest in decentralization (such as Maharashtra, Gujarat, and Tamil Nadu) the responsibility and powers in respect of both administration and development in these areas has been largely transferred to zilla parishads and/or panchayat samitis. It is not clear, however, how much has been gained thereby from a functional point of view. Undoubtedly the scope for interference and patronage in day-to-day administration has increased, which has also perhaps had the effect of diverting the attention of political representatives at these levels from matters of greater importance and delaying the processes of decision making.<sup>1</sup> While such interference cannot be prevented altogether at any

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1 "there are other barriers to decision-making relating to problems such as transfers and postings of teachers and the VLWs. This barrier mainly takes the shape of political interference in administration. The decision-making is so greatly conditioned by political forces that the BDO (Block Development Officer) has to take several factors into account before either transferring or taking disciplinary action against a subordinate... As a result, the officers in the block are reluctant to take decisions for fear that their decisions might be reversed by higher authorities and put them in a humiliating situation. They would rather not take a decision than face humiliation". Op. cit. G. Ram Reddy.

level of administration it is a matter for consideration whether the gains of decentralization in some of these fields are large enough to offset the disadvantages.

(3) It is in respect of the necessary local infra-structure for the development of agriculture and small and medium-scale industry that the scope for and the advantages of planning at the grass-roots are likely to be greatest. The case for transferring to Panchayati Raj institutions wide areas of responsibility and power in these two important spheres of development is therefore *prima facie* very strong.

(4) One has however to take into account also the balance of social and political forces at this level and make sure that the powers so transferred are not likely to be used in practice by the upper strata of rural society to appropriate to themselves most of the benefits of development. For it might be easier for them to gain control over these institutions of local government than over administration at the State or Central level. At the same time one has to recognize that no broad based social or economic transformation in the countryside can be brought about unless the balance of power is changed in favour of the less privileged social groups; that this is necessarily a political process in which institutions of local government could play an important role; and



that changes in the balance of forces should not only get reflected in but be promoted, to the extent possible, by the means adopted for mobilizing resources and the used to which they are put. This kind of change can perhaps be accomplished only over a period of time—though here too the conditions differ, and speedier progress can perhaps be achieved in some States than in others. The transfer of developmental functions and powers to Panchayati Raj institutions in the spheres of agriculture and small and medium-scale industry needs therefore to be phased with reference to the circumstances of each State. One might also take particular care to choose in the first instance types of activity at this level which, while helping to promote rural development, will be weighted by their very nature in favour of the poorest sections of the population; build into the system methods of resource mobilization whose impact is likely to be more on those who are relatively prosperous; and widen the developmental functions and powers at this level only after a clear direction has been given to the social and political processes set moving by decentralisation of authority.

These different considerations taken together suggest that, in correcting the bias towards centralization evident in Indian planning hitherto, care has to be taken in working out the precise manner in which decentralization is effected. Analytically - though not necessarily in terms of time

sequence - the first important step that has to be taken towards more meaningful planning from below is a strengthening of planning at the State level. This would require, apart from the changes in Centre-State financial arrangements referred to earlier, improvements in the methodology of planning at this level and efforts to frame realistic development programmes suited to the needs of each State which it can expect to implement with the resources likely to be available to it. In fact the changes to be made in respect of Centre-State financial relations are important and significant for planning only if the other necessary supporting measures are taken at the State level. The experiments attempted in District Development Planning have to be viewed as a part of the effort for framing meaningful and realistic programmes related to the conditions of each area within a State.

V.

In those States where (as in Maharashtra, Gujarat, Tamil Nadu, and Andhra Pradesh) Planning from below has been conceived in terms of transferring to zilla parishads and/or panchayati samitis the executive powers and developmental responsibilities in respect of certain broad developmental heads like education, health, etc., and the activities in these fields are supported mainly by grants from the State Governments concerned, it may be difficult now to reverse the changes already made. In States where no steps of this kind have been taken so far it may be worthwhile experimenting with planning from below along somewhat different lines.

There is a strong case in these States to concentrate initially - at the District, Taluk (or Block), and Village level--on a few types of activity which would help to strengthen the production base for agriculture and small and medium-scale industry; make fuller use of unemployed and under-employed labour; and indirectly encourage methods of domestic resource mobilisation which would be less inequitable than those relied upon hitherto (which in reality have taken the form of indirect taxes whose incidence has been to a large extent on the lower income groups). We shall first outline briefly the logic of the more specific proposals to be set out later.

It is evident that such development as has taken place so far in India has raised land values both in rural and urban areas at a very much faster rate than the rate of growth of income in general. In urban areas land values have increased by 5 to 10 times in many cities between 1950 and 1965 and by very much more in some.<sup>1</sup> They have risen sharply in rural areas also where the potentialities for rapid agricultural growth have been demonstrated.

"Land values in Punjab have been rising over the years, but it is the steady penetration of the green revolution that has pushed them up to new peaks.....Land sold five years ago at Rs 2,000 to 3,000 per acre sells

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1 In undeveloped areas within municipal limits, the increase has been reported to be as high as 18 times in Hyderabad, 10 times in Cuttack, 8 times in Calcutta and over 5 times in Patna. Similar rates of increase have apparently taken place also in "surrounding areas outside municipal limits". Of. Jayant Madhab, "Controlling Urban Land Values", Economic and Political Weekly, Special Number, July 1969.

Presently at Rs 10,000 to 12,000 or 15,000. Instances are not lacking of prices doubling within the last two years".<sup>1</sup>

Such rise has partly been a reflection of actual increase in rental value, partly due to speculation in anticipation of rise in value. In the overwhelming majority of cases, rise in land values of this order reflect the external economies created by the larger developmental process and can be attributed only to a limited extent to the investment undertaken by those in possession of the property in each case. The gains in capital value can therefore be legitimately described as mostly "unearned".

Apart from political impediments, there has been however considerable difficulty in devising a system of taxation of urban (or rural) property which could curb speculation and help in a significant way to raise from those who have gained from development the finance necessary for further developmental outlays. The nature of the problem has been drawn attention to by earlier writers in the context of the need to control the rise in urban property values<sup>2</sup>. Similar considerations apply in relation to

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1. Wolf Ladejinsky, "The Green Revolution in Punjab: A Field Trip", Economic and Political Weekly, June 28, 1969. Review of Agriculture.
  2. "A high tax rate on vacant land in urban areas or urbanisable areas would act as a disincentive to hold on to it for a long time. The tax rate has to be high enough to cancel out the possible gains from holding the land vacant for the speculative premium. At the same time the tax rate must not impinge on those who have not been able to build for different reasons. A general tax cannot, however, really discriminate between two persons holding land vacant for different reasons...."

"High tax rates on all urban lands including the built-up  
(contd.. on page 30)

taxation of rural land also.

There is indeed only one way of meeting this problem effectively and that is by direct intervention in the market for land. Some specific suggestions have already been offered in this regard:

"Land values could be fully controlled and speculation of land completely avoided only through public ownership of land..... Several ways can be ..... suggested for public acquisition of land paying compensation which is both within the means of public authorities and acceptable to the public in general..... Ideally speaking, public authorities could acquire land in urban areas by simply extending the jurisdiction of the Estate Acquisition Acts which were passed in the fifties by the different States in order to abolish the Zamindari system. ....If the Estates Acquisition Act is suitably amended, the control of urban ~~urban~~ land by public authorities will not be a problem..... By paying the market value of land to private sellers on the one hand and by imposing a stiff capital gains tax on all realized gains on transfer of real properties on the other hand, public authorities will be able to cut down the net cost of public acquisition of land to make large-scale acquisition relatively easy. The Centre does impose a tax now on capital gains from transfer of real properties but the rate is not enough to bring down the net cost of land acquisition. Second, the revenue from this tax goes to the Central Government as it is a tax on the Central List....If the tax on real estate properties is transferred to the State List, the States can impose this tax to their advantage not only as a means to yield revenue and appropriate part of the 'unearned increment' but also to cut down the total cost of land acquisition. Since the taxes will be on all sales, no one will be discriminated against".<sup>1</sup>

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(footnote 2 contd, from page 29)

land might act as a disincentive to the building industry. The taxing authority has to see, therefore, that in order to curb speculation, the high rate thus imposed is not so harsh as to affect building activities. Here again it is difficult to design a tax rate to serve the twin purposes."

"Capital gains tax....could act as a disincentive to speculation. This tax is, again, on the realized gains on transfers of property..... suffice it to say that this tax, as administered presently, does not have much effect on land speculation." Op.cit., Jayanta Madhab.

<sup>1</sup> Op.cit., Jayanta Madhab.



There are other variants within this over-all approach which too could be considered.<sup>1</sup>

The main point to be underlined in the present context is the desirability of setting up initially a public authority at the State level (e.g. a Land Commission as in the United Kingdom) for acquiring land both in rural and urban areas and for generally undertaking operations in the land market.<sup>2</sup> Programmes can then be framed deploying unemployed and under-employed labour for the intensive development of the land so acquired and for the related construction activities. Arrangements can also be made for redistributing the land and other facilities so developed, partly at concessional rates to the poorer sections of the population (so that they can have a homestead or workshop of their own) and partly to others at market prices through public auctioneering. If acquisition of land for these purposes is supported by legislative measures to expedite the process, and by a capital gains tax levied by State Governments, the programme can be expanded rapidly and perhaps made self-supporting to a considerable degree over a period of time.

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- 1 The paper of Jayanta Madhab referred to above has itself several alternative suggestions to offer. The cost of acquisition of land could also be reduced, in appropriate cases, by amendment of the provisions in the Constitution regarding compensation for property acquired.
  - 2 As has been pointed out by Madhab, countries like Sweden, Norway, Holland and Denmark have had a long tradition of public ownership of land. In India itself, the Delhi Development Authority has been able to show significant results using the provisions of the Delhi Development Act of 1957 for acquiring land and re-selling it after development.

Once this general strategy is accepted it would be possible to devise within the framework of such a land development cum employment programme<sup>1</sup> an important role for the institutions of local government set up at the District, Taluk (or Block), and Village levels. They could be expected to identify and propose to the Land Commission the land that might be acquired by it; take the initiative in working out programmes of development that would enhance the value of such land; devise ways and mobilizing idle labour for executing them (such as through labour co-operatives to whom construction work might be contracted out on a piece-rate basis); and meet, where required, part of the expenditures involved from its own finances.

The impact of such programmes would be naturally increased to the extent that these institutions of local government are given sources of revenue for financing the employment of labour and for meeting the other related expenditures. One source could be the capital gains tax itself, if the revenue from this source is earmarked for these institutions. This would also give them some incentive to take active interest in and promote the acquisition of land for developmental purposes. The revenue from this tax may however not be adequate to support

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<sup>1</sup> A somewhat similar proposal has been suggested by Professor B.S.Minhas. (Cf. "Rural Poverty, Land Redistribution and Developmental Strategy: Facts and Policy", Indian Economic Review, Vol. V, New Series, No.1, April, 1975). There are however some differences. Professor Minhas's scheme is closely tied up with a proposal for compulsory consolidation and development is based on valuation of land arrived at through a process which depends wholly on the market mechanism; and the programme is not linked with any fiscal device such as taxation of capital gains.



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a large enough employment programme -- particularly if the local authorities have to spend part of their revenue on assisting the poorer sections of the population in other ways such as for acquiring the developed land at concessional rates or for building houses (or Workshops) of their own. Other sources have therefore also to be explored if the programmes devised at this level are to have a significant employment impact.

**To suggest that additional finances should be made available by the Central Government in support of employment programmes organized by local authorities would not by itself be very useful unless one is able to indicate how this additional finance could be raised. One promising possibility here is a re-structuring of the taxation of wealth such that its coverage is extended simultaneously with a lowering of the rates of tax.**

As in the case of income-tax the statutory rates of wealth tax are now steeply progressive (and have been made more so in the latest Central Government budget).. There are however several permissible tax deductions and exemptions, and quite a few legally valid methods of evasion such as through formation of companies and trusts, declaration of individual property as the property of Hindu Undivided Families, etc. Consequently -- apart from the premium on illegal evasion placed by steeply progressive rates of taxation -- such rates when levied on only one category of assessee (e.g. individuals) promote only some changes in the forms of organization (particularly in the legal forms of property ownership) for taking

advantage of the lower rates leviable on other categories (e.g. companies and trusts). In the case of income-tax the results have been only all too evident: the total assessed income of all individuals in the income group of Rs.1 lakh and above recorded only very slight increase in the period 1950-51 to 1963-64 (in fact the total income on which tax was assessed for those in this income-group declined from Rs.48 crores in 1954-55 to Rs.45 crores in 1963-64!).<sup>1</sup> There is no reason to assume that the experience would be any different in the case of wealth-tax.

It would appear that if the exemption limit for wealth tax is lowered in order to widen its coverage, agricultural property brought within its purview (by amendment of the Constitution if necessary), and the rates of tax lowered sufficiently not to make it so compulsive to resort to various forms of evasion, the yield from wealth tax could be raised to a very much higher level than is expected from it now. In view of the obvious ineffectiveness of the high rates of progression that have been in operation in the case of income-tax, no harm is likely to be done if extension in the coverage of the wealth tax (along the lines indicated) is accompanied by similar

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<sup>1</sup> Ved P. Gandhi, Some Aspects of India's Tax Structure: An Economic Analysis (1970), Ch.3. Dr. Gandhi makes the observation, from his analysis of the data for the period 1950-51 to 1963-64, that "income-tax has been regressive and inequitable inter-temporally".

reform of income-tax.<sup>1</sup> The usual argument made against lowering of the exemption limits -- namely that the costs of collection would absorb most of the additional revenue -- could be met if, in the lower ranges of wealth and income, the checking done of the declarations made by assesseees is based on random samples but such checking is made intensive and heavy penalties enforced wherever evasion or under-reporting is detected. The potential revenue from wealth-tax, if re-structured now along the lines indicated, has been estimated at nearly Rs.275 crores per annum.<sup>2</sup> This venue can be earmarked for projects with a high employment potential undertaken by local authorities.

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1. This approach to wealth and income taxation was suggested first, more than a decade and a half ago, by Professor Kaldor. Unfortunately, while some of his proposals have been implemented, the logic underlying them has been accepted only in part and the results shown have consequently suffered. It may be said in criticism of the approach suggested here that it would go against the policies for reducing the range of economic inequalities by setting ceilings on income and wealth. Such ceilings can however be made effective only through more fundamental changes in regard to the economic system and the role of the private sector within it, not by fiscal devices alone within a system which is expected to function as a mixed economy with a large component of productive activity based on private ownership of property. Attempts to set ceilings on wealth and income within this kind of framework can result only in setting ceilings on honesty and integrity all around to a greater degree than is required in such an economy.

2. The details of this estimate, and the assumptions on which it is based, can be found in a paper by Professor T.N. Krishnan on taxation of wealth (Working Paper No.2, Centre for Development Studies, Trivandrum.)



VI

The approach to developmental planning at the District level (and at lower levels within a District) outlined in the earlier section limits it largely to schemes for the development of land and related facilities<sup>1</sup> and the expenditure on which would be almost wholly of a non-recurring nature. There is considerable advantage in adopting such an approach to begin with, as rapid decentralization of activities in which there is a large element of recurring expenditure can lead to proliferation of staff and loss of efficiency. However, this approach by itself would not be adequate to exploit all the potentialities for district development planning or for "planning from below" in general. So it can be regarded as only a starting point, with the intention to widen the scope of activity over a period of time.

It is therefore worth considering briefly how the planning of a district might be developed such that the full potentialities of "planning from below" can be realized over a period. In principle there is no reason why the planning of a district should not be conceived of in the same way as the planning of a national economy. It is true that several elements in the organization and functioning of an economy which could be regarded as amenable to change by policy-makers at the national level will have to be taken as given within the framework of district planning since the functions and powers of policy-makers within the districts will be inevitably more restricted. However, the basic variables in terms of which the operation

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<sup>1</sup> They could however include schemes not only for minor irrigation, soil conservation and the like but also for construction of godowns, warehouses, residential houses, roads, workshops, market-centres and buildings for providing community facilities, etc.

of an economy is usually judged and to which consequently most of the planning targets and policies are generally related directly or indirectly (e.g. production, prices, income, distribution, consumption levels, rate of saving, and size and composition of the capital stock) are no different whether one has in mind the economy of a district, of a State, or of a whole country composed of several States. (Indeed several countries -- more particularly in Africa -- which have sovereign status and whose development programmes are therefore considered to be national in character are, in terms of population, no bigger than districts in India.)

Moreover, while several elements which are amenable to change at the national level may have to be taken as given data at the district level, one must not assume that district planning is necessarily subject to more serious constraints than planning at the national level. That there are no legal or administrative restrictions on the mobility of labour as between districts; that the 'domestic' market for their products is not limited to their own boundaries; and that the existence of a common currency and banking system makes possible free movements of capital unchecked by balance of payments considerations of the usual kind -- could all make the constraints on development planning less serious at the district level if their full potential is exploited through appropriate policies and programmes.

It would appear therefore that, as for national planning, it would be useful -- and indeed necessary -- to construct an appropriate set of macro-estimates for each district on

the basis of which the implications of setting alternative targets in respect of income, consumption, etc. could be quantitatively assessed. The data requirements of such an exercise are however likely to be very large and difficult to satisfy.

A major problem would be to estimate a district's "income" (i.e. corresponding to the national income) as distinct from its "domestic product" (i.e. the value added by production within the district). For this would require quantifying the factor incomes transferred outside and into each district, after locating the permanent residence of those to whom such factor incomes accrue out of the value added both within and outside the territory of each; this will not be easy when (as is the case) there is unrestricted mobility of labour and capital between districts and there are no political or administrative reasons (as in the case of national states) for recording systematically income transfers of this nature. For determining comparative levels of productivity, and measuring changes in them over time, estimates of the domestic product would do; but if the purpose is to use the estimates as a measure of the relative levels of welfare of the different districts or for assessing their saving potential, what is really relevant are estimates of district income and here one would run into the kind of problem mentioned above.

For this same reason it would be difficult to construct for each district a set of accounts relating to its balance of payments with "the rest of the world". And if neither the magnitude nor the sources of saving for the investment outlay within a district can be quantified with reasonable precision



there is not much point in attempting to construct macro-estimates for individual districts as a tool for planning.

Such estimates can perhaps be attempted more meaningfully on a State-wide basis, though here too a great deal of exploratory statistical work will be needed to determine the magnitude of the transfers of factor incomes into and outside each State. Inter-state movements of labour for short periods are likely to be relatively small, and so -- except perhaps in the case of a few States like Rajasthan from where seasonal migration of labour on a large scale appears to take place -- there would be no need to make any significant adjustments for income originating within one State being transferred through such migrant labour to another. However there are substantial inter-State movements of capital, and adjustments will therefore have to be made for the resulting transfers of interest, rent and profits into and out of each State before estimating State incomes. The "unilateral transfers" made by the more permanent migrants "domiciled" in a State to their relatives in their home States will also have to be taken into account (particularly in States such as Kerala). The estimates of State incomes now available are not being made on this basis -- they measure only their domestic product (i.e., the value added by production within each State) -- but this is a task that can and should be attempted. It is an essential first step towards systematic planning at the State level.

At the district level one has to be satisfied with proxies or "indicators" of the relevant macro-magnitudes. Despite their limitations, estimates of district 'domestic Product'

(i.e. of the value added by production in each district) could be used as indices of the relative levels of productivity in different districts; and, if one can judge the direction and rough magnitude of the net transfer to factor incomes, they could be used even as indices of their levels of income. An attempt to estimate the domestic product district-wise has been made for Andhra Pradesh by its Bureau of Economics and Statistics<sup>1</sup>, and the results -- though tentative and no more than rough approximations -- indicate what kind of use can be made of them. For instance, it would appear from these estimates that the average per capita output in the Telengana Region has been only about 12-15 per cent lower than in the rest of Andhra Pradesh. However, the per capita output in several districts of Coastal Andhra has been nearly 50 per cent higher than in some of the districts of the Telengana Region. Such estimates of productivity levels in different districts, if supplemented by other information such as on the extent of the agricultural land in the Telengana Region owned by the residents in Coastal Andhra and on the amount of the revenue collected and expenditure incurred in each region by the Government<sup>2</sup>, can give some clues to the reasons (if any) for grievances about regional imbalances and help in determining what needs to be done about them.

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<sup>1</sup> Cf. S. Sasirekha, "Regional Income Estimation -- A Study", paper presented at the Seventh Indian Conference on Research in National Income held at Hyderabad in January 1970.

<sup>2</sup> Cf. C.H. Hanumantha Rao, "Budgetary Surpluses of Telengana", Economic and Political Weekly, October 18, 1969.

Attempts could also be made to collect systematically data for each district relating to the industry-wise distribution of the labour force, the literacy rate and levels of educational attainment, the scale of marketing operations (derived from, say, sales tax collections in the district), the wage-rates paid to casual agricultural labourers for different farm operations month by month, the wages paid to workers in small artisan enterprises in rural areas, and the monthly or weekly incomes of those engaged in services such as transport (separately for human-drawn, animal-drawn and mechanized transport), loading operations, assistance in shops and restaurants, and clerical work in moderate-sized private establishments. Further, it should be possible to organize the collation of data on the deposits received and the loans advanced by the branches of banks in each district<sup>1</sup>; the amounts received and paid by the government treasuries at the district and taluk levels; and the remittances made to and from each district through post-offices. Together with sample surveys conducted from time to time on the composition and quantity of food in-take among different strata of the population; on the percentage of "employees" among those who are engaged in work (and of women

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It is interesting to observe from the data available on bank deposits and the credits advanced by banks as at the end of 1967 that the ratio of the deposits collected to credits advanced was much lower in some of the less commercially-advanced districts of Kerala than in the other districts -- reflecting an outflow of funds through the banking system. For instance, it was as low as 24.2 in the Palghat District compared to 91.9 in the Quilon District. The average for the State was 60.0 (compared to 69.3 for the country as a whole). Cf. Economic and Political Weekly, November 8, 1969. Such data reflect of course only a part of the total picture and need to be interpreted with caution.

among such "employees"); on the percentage of the adult population in the rural areas who have on the average less than 4 hours work a day and would be willing to offer themselves for more work if available at the prevailing wage rates, etc., it would be possible to gain some idea of the essential economic characteristics of a district, its comparative level of development, and at least the more important problems which from the welfare point of view call for particular attention in its development planning.

Such identification of problems district-wise, if not taluk-wise, would help to adapt the strategy and content of the local development programmes wherever possible to the more urgent needs of each area. The data collected for this purpose -- and such indices as are constructed therefrom -- would also help in assessing the trends in each district over a period. Information of this kind is therefore vital both for plan formulation and evaluation.

Simultaneously the resource endowments of each district and the scope for their exploitation and development would also need to be investigated. This has to be essentially an exercise in techno-economic analysis in which the costs and returns of the available alternatives are studied along with the exploration of all the possibilities open from the purely technical point of view.

These are aspects of district development planning to which Professor Gadgil had attached considerable importance<sup>1</sup>,

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<sup>1</sup> "Planning in its technical and economic aspect is closely related to relevant knowledge and information. Unless there is a minimum base of such knowledge and information, a plan of development for an area like the district cannot be built up". Op. cit. District Development Planning, p.16.

and rightly so. The necessary preparatory work is however very considerable and, even though it can be taken up in stages, one should not assume that the informational basis of district development planning will be adequate to begin with. But a start can be made on the basis of such data and informed judgments as are available and the rest of the necessary knowledge and information collected over a period of time. This too will need planning and, given the limited technical personnel available, it is evident that it will have to be organized at the State level.

Still another aspect of district development planning to which attention has to be given is the mode of organization of the available administrative and technical personnel necessary for the formulation and execution of programmes initiated at this level. This might require very considerable changes in the existing pattern and structure of district administration -- more specifically with a view to strengthening the technical staff available at this level, and for more scope being given to them for initiative and action without unnecessary control exercised over them by the authorities at the State level or by the non-technical bureaucracy within the Districts. A minimum of change in these directions will be a necessary pre-condition for any significant progress towards planning from below.

VII

This note has left several loose ends to be tied up later. It has been done deliberately, since (a) the working out of the details will take time and require co-operative effort on the part of persons with different backgrounds, and (b) the most thing is to agree first on some of the basic considerations in the approach to "planning from below". The analysis and the suggestions made here are therefore to be regarded as an exercise in "loud thinking" to stimulate further examination of the issues involved, rather than as a presentation of settled conclusions.

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