

**COMPARATIVE ANALYSIS OF FINANCIAL
INSTRUMENTS OF RURAL LOCAL
GOVERNMENTS OF INDIA AND BANGLADESH – A
STUDY**

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Introduction:

Local governments (municipality and panchayat) play crucial roles in the infrastructure development of their country. In basic level, local governments ensure a stable environment in which development can take place. They provide physical as well as economic infrastructure such as, water supply, waste management and building roads and also promote education, employment opportunities, health services etc. local development is a necessary complement to efforts at the national scale. Any development is to measures to strengthen the democratic structure of society to improve income of rural households, health and safety mechanism. After independence state as well as central government consist various committees to increase the importance of these bodies. Rural program entirely depends on panchayat system. Rural development has been massively a government supported process rather than people led process in India. An appropriate structure is wanted to formulate and implement rural development programs. After independence, both central and state governments focused on social, economic and planning policy. This planning policy mainly associated with agriculture and rural development. At present state or central government mainly working on four aspects, there is 1) democratization of panchayats 2) more focused on health, welfare and education systems 3) strengthening of resources of panchayats and 4) transfer more power to the local bodies.

Literature review:

Blair (1978) observed that rural development programs truly benefitted the small farmers. But he also criticizes that bureaucratic factors involvement an existence independent of any class context. In cities farmer's development has been absence.

According to Ramya (2014) highlighted that the democratic structure of a society has strengthen through the Panchayati Raj Institutions (PRI's) system. He focused on several five years plan programs. At last he made an attempt to analyze the role of PRI's in rural development in Arunachal Pradesh.

Mohanty (2014) focused on rural development planning of the Odisha State. He thinks development provide better prospect to the people who living in rural areas. Lastly he observed that local level empowerment strengthen the government process.

Islam (2015) focused on the historical development of local government particularly the growth of municipality and its administration in Bangladesh. He also explains that in Mughal regime, an immense attention has been paid to the growth of rural and urban government institutions.

In their study of Kumari and Alam (2016) observed that rural development improving the quality of life of rural people. Panchayat not only developed the rural area it also developed the rural livelihood. In this article he explained about to improve the livelihood of the rural populace and also manages the social awareness and effective economic conditions.

Vani and Kadam (2017) pointed out that panchayats have been the backbone of the Indian economy. He highlighted that all rural developments have been executing through PRI's. in this article he highlighted that efficient panchayat system reduce the poverty alleviation and promote various government schemes.

Research gap:

Based on the above extensive literature review the author has identified that there is a huge importance to conduct the study on local governments financial instruments. The author has also pointed out that there is not much research work particularly on comparative analysis between two countries local government's financial resources. So the researcher conducts this study defining some objectives which has been discussed next step.

Objectives:

The following objectives are:

- 1) To explain the structure of local governments system in India and Bangladesh region.
- 2) To analyze the sources of revenue collected by the local governments of India and Bangladesh.

Research methodology:

The study is based on secondary sources of information. The researcher has collected various reports which were published by the department of various local governments department India and Bangladesh government. The research has also gone through various reports, case studies, working paper based on the objectives of this study.

History of rural local governments in India:

The panchayati raj is the oldest system of local government in the Indian sub-continent. The dream of 'Gram Swaraj' of Mahatma Gandhi and motto of 'Power to People' are the main concept of panchayati system of India. The Institution of Panchayati Raj is not a new concept in India. During Muslim rule, the system also continued to operate. During the British rule the panchayat system suffered a temporary setback due to adoption of centralization policy. But in 1907 the British realized the importance of this institution and quickly the decentralization commission was recommended. In 1919, under the Montague Chelmsford Reforms a local government institution was transferred to the ministerial law, but due to lack of fund this law has been stand out. In 1920, Mahatma Gandhi made a strong plea for introduction of self-government. After independence the community development programs has been launched. In 1952, where people are more participating in local government functions. As per 73rd constitutional (Amendment) act, 1992 panchayat have the power to planning and implementing programs for economic development and social awareness.

In India local government divided into two parts i.e. urban local government and rural local government. Urban local government divided into two parts such as, municipality and corporation. Rural local government sub divided into several parts i.e. zilla parishad, panchayat samiti and gram panchayat.

Finance of local governments in India:

Without proper financial resources a public institution cannot successfully implement their project and programs. Even the government cannot achieve its socio-economic goals in the absence of ample financial resources. Thus, it can be stated that finances are principle thing for the success of Panchayati Raj institutions. Under a decentralized set-up, Grama Panchayats enjoys most of the tax powers. However the pattern of devolution of fiscal powers and mobilizing revenue differs from state to state in India. But generally, the sources of revenue of Panchayati Raj Institutions can be grouped under:

- a) Tax Revenue,
- b) Non-Tax Revenue,
- c) Grants-in-aid,
- d) Program-specific allocation under Centrally Sponsored Schemes and Additional Central Assistance
- e) Loans,
- f) Share of State Taxes, and
- g) Donations and Contributions.

Tax Revenue:

In the Indian context, each level of Panchayati Raj institutions is empowered to impose obligatory or discretionary taxes under the law established. A Gram Panchayat may collect tax on trades, animals, vehicles, buildings and lands within its local jurisdiction. Besides, Pilgrimage Tax, Tax on public entertainments, Toll (on new bridges), Lighting Tax, and Water Tax can be collected by Panchayat.

Non-tax revenue:

Panchayati raj institutions may charge the following fees and rates subject to discussion with the State Government, namely-

- (i) Fees on the registration of vehicles;
- (ii) Fees regarding petitions, cases and complaints, submitted before the Nyaya Panchayat concerned;
- (iii) Fees for making sanitary arrangements at such places of fairs , political gathering, worship or pilgrimage within its jurisdiction,
- (iv) Water rate, where Gram Panchayat makes water supply arrangements for drinking, irrigation or any other purpose within its jurisdiction,
- (vi) A conservancy rate, where arrangement for clearing private latrines, urinals and cesspools is made by the Gram Panchayat within its jurisdiction,
- vii) Rents accruing from property managed by Panchayati Raj Institutions.

Grants-in-aid:

Article 243(I) of the Constitution of India which was incorporated by 73rd Amendment Acts created a new era in the history of the Local Bodies. According to the act, the Governor of a State shall constitute a Finance Commission to review the financial position of the Panchayats and to make recommendations to the Governor the distribution between the State and the Panchayats of the net earnings of the taxes, tolls, duties and fees leviable by the State. A recommendation shall be given by the commission regarding the grants in aid to the Panchayats from the

Consolidated Fund of the State. Presently, grants from the Central Finance Commission are one of the most significant sources of funds for Gram panchayats. Recently, during 2015–2020 an amount of Rs. 2.12Lakh crores have been given to approximately 2.28Lakh Gram Panchayats in the country. PRIs also get grants from state finance commissions.

Funds for Centrally Sponsored Schemes:

There are other funds which panchayats can influence the utilization process regarding the program under Centrally Sponsored Schemes such as- Member of Parliament Local Area Development Scheme (MPLADS), Indira Awaas Yojana (IAY), Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS), Swachh Bharath Mission, Pradhan Mantri Gram Sadak Yojana (PMGSY), Backward Regions Grant Fund (BRGF), National Project on Bio-gas Development, Socio Economic Caste Census (SECC) etc.

Share of State Taxes:

State governments support the rural governments with devolution of funds to the Local Bodies on the basis of the recommendations of the State Finance Commission. The Shared revenues are those which are accumulated by state government but transferred or shared with rural local bodies. The most important sources of such revenues to the Panchayati Raj Institutions are entertainment tax, lease amount of mines and minerals, local cess, local cess surcharge, surcharge on stamp duty, etc.

Donations and Contributions:

Panchayati Raj institutions can claim donations and contributions from educational trusts, NGO's, religious institutions, international agencies for comprehensive development of a village area. In an emergency situation, the district magistrate can assign funds. Zila parishad (third tier of PRIs) is actively involved in this process. In recent times, programme like 'Sansad Adarsh Yojana' (SAGY) has been creating a lot of enthusiasm in developing 'model villages'. Under this program, each Member of Parliament adopts a Gram Panchayat and guides its overall development with infrastructure. The 'Adarsh Grams' are intended to serve as model Gram Panchayats for local development and governance.

History of rural local governments of Bangladesh:

Bangladesh emerged as an independent nation in 1971. Bangladesh is an old country with a long recorded history of panchayat system. From 1765 to 1947 Bangladesh was part of British ruler. From 1947 to 1971 it was the part of Pakistan and Known as East-Pakistan. Before the several years Mughal and other rulers ruled in Bangladesh territory. Bangladesh has had a long and complex history since its independence. After independence, in 1973 Bangladesh government declare an emergency period, that time economic as well as political situation was deteriorating. After 1973, several times Bangladesh political condition was unstable. The political history of local governments in Bangladesh can be summed up under the four stages: the Pre-British period, British period (1726-1947), East Pakistan period (1947-1971) and Post independence period (Since 1971).

In Bangladesh local governments mainly divided into two forms i.e. the headman and panchayats. The village's headman was not an elected official, but he hailed from the village's most powerful family. The main factor of headman system is to contact of surrounding political and administrative persons. The other form was panchayat system; it was an elected body with executive and judicial functions. In 1976, local government ordinance was enacted and established an elected Union parishad and also administrative Thana parishad. Another amendment was passed in 1980 and introducing Swanirvar Gram Sarkar. The most significant changes are done in 1982 where the Upazilla parishad was introduced as an intermediate tier of local governments. Several times the local government system changes as per the political situation enhance. In Bangladesh local government now mainly consist in two parts i.e. urban local governments and rural local governments. Urban local governments sub divided into two parts such as: Pourashavas (municipality) and City Corporations. At present there are 6 city corporations and 309 pourashavas. Rural local governments also subdivided into two parts i.e. Upazila Parishad (Sub-district councils) and Union Parishad. At current there are 508 Upazila Parishad and 4498 Union Parishad.

Finance of local governments in Bangladesh:

From a fiscal perspective, Bangladesh is a highly centralized state and there source of revenue and expenditure allocation media are not wide. There local governments collected revenues in two ways i.e. local revenues and intergovernmental transfer.

Local revenues:

Own revenue collections are differing across the various kinds of local governments and its territory. Each local government generally has a wide list of revenue instruments. Such revenues are business and entertainment tax, rentals of local government properties, fees on various licenses and services, lease of markets and ferry terminals and also income from other miscellaneous services.

Intergovernmental transfers:

Intergovernmental transfers mainly on the basis of Annual Development Program (ADP). The ADP allocation mainly divided into four broad categories i.e. sector/program allocation; self finance allocation, food assistance and block allocation. Another some central assistance also received by the local governments in the form of rural infrastructure maintenance program and old age pensions and allowances for widows and Muktijoddhas.

Food aid:

Grants of food assistance is one of sectors where local governments received from central government. The food assisted projects are channeled through Local Government Engineering Department (LGED) and the Ministry of Disaster Management Relief (MDMR). The UNO has an indirect monitoring role for food assisted project implementation.

Grants from various projects of Bangladesh Governments: In addition to the food aid and other grants, various ministries implement some of their projects in selected local governments.

Such projects are designed by the relevant planning agencies of such ministries. In general such projects are implemented with the assistance and collaboration of national or local NGO's.

The other sources of incomes of local governments are –

- 1) Profit from investments.
- 2) Receipts from trusts.
- 3) Rent from properties.
- 4) Individual subscriptions and
- 5) Receipts from other government sources.

Conclusion:

Local development mainly depends on some issues like time, space and culture. The term rural or urban development connotes overall development of rural areas to improve the quality of life of rural as well as urban people. The strategy for rural or urban development in the state can be seen in the allocation of expenditure for various development schemes. Local governments can discharge their functions efficiently only if they have sufficient financial resources. For resources, local governments depend mainly on grants from central or state governments. They may get a share in taxes, duties, tolls and fees that are levied and collected by the state government. Both Indian and Bangladesh local government can collect their revenues in two ways i.e. government grants and own sources of revenue. As we earlier discussed that own source of revenues mainly collected in the form of different taxes and fees in local level. So the concept of local government idea is not much different in the view point of both the Country like India and Bangladesh.

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