

ISI-IGC West Bengal Growth Workshop

26-27 December 2013

Indian Statistical Institute, Kolkata

The Sampling and Official Statistics Unit, Indian Statistical Institute (ISI), Kolkata and the International Growth Centre (IGC), India Central Programme jointly organised a workshop on Economic Growth in the state of West Bengal on 26-27 December 2013. This event was the third in a series of workshops, the first of which was held in January 2011. The January 2011 workshop had focused on the challenges and priorities of the new government in West Bengal.

The purpose of the workshop was to bring together international and domestic researchers and academics, policymakers and civil society representatives to present and discuss research on various aspects of the West Bengal economy. It was attended by over 60 participants from the West Bengal Industrial Development Corporation (WBIDC), Centre for Studies in Social Sciences, Kolkata (CSSS), Institute of Development Studies, Kolkata (IDSK), National Institute of Public Finance and Policy (NIPFP), National Institute for Research in Tuberculosis (NIRT), University of Manchester, Calcutta University, Yale University, Warwick University, University of Nottingham, University of Durham, University of California, Boston University, University of British Columbia and Monash University. The workshop programme focused on employment and education, livelihoods, public finance and local government, political change and voter expectations, and education and finance of the state government of West Bengal.

Lecture 1: Structural transformation and the rural-urban divide

Amartya Lahiri (University of British Columbia)

The lecture was chaired by **Satya Ranjan Chakravarty (ISI)**.

Amartya Lahiri (University of British Columbia) presented his work on “**Structural transformation and the Rural-Urban Divide**”. In this paper, the authors seek to analyse whether rural workers lose out in the process of development, which involves structural changes in the form of reallocation of resources from the primarily rural agricultural sector to urban, non-agricultural sectors. Lahiri also explored how different the structural changes in West Bengal are in comparison with other Indian states. Using National Sample Survey (NSS) data from India since the 1980s, it is found that wages have been converging across rural and urban areas. 40% of this wage convergence is accounted by convergence of individual and household characteristics. A large fraction of the rest of the convergence is explained by increase in agricultural productivity, and a relatively greater increase in urban labour supply. Migration and the Mahatma Gandhi Rural Employment Guarantee Act (MNREGA), which may be thought of as possible reasons for the rural-urban wage convergence, are not found to be important factors as the migration flows over the period have been stable, and the trend began before MNREGA. In comparison

to the average national change, the wage convergence is more muted in West Bengal, and is largely explained by slower urbanisation and productivity growth, particularly in the manufacturing sector.

Session 1: Employment and Education

The first session on Employment and Education was chaired by **Sarmila Banerjee (Calcutta University)**.

Subhashis Dey (University of Manchester) presented on **“Workfare programme and household economic security: Findings from household level panel data on world’s largest workfare programme in India, Mahatma Gandhi National Rural Employment Generation Scheme (MNREGS)”**. The MNREGS is a self-targeted workfare programme ensuring at least 100 days of unskilled manual or wage work on demand to each rural household. The programme came in operation in phases: It begun in 2006 with 200 most backward districts, an additional 137 districts were added in 2007, and the remaining 282 districts were covered in 2008. The study seeks to answer the following research questions, firstly, is there any effect of MNREGS days of employment on household economic outcomes (Monthly per capita expenditure, monthly food and non-food consumption, education and health expenditure, saving and credit position), and secondly, whether MNREGS is providing an income insurance benefit that may prevent household from falling into poverty trap. Panel household survey data on 500 households from 49 villages under 13 Gram Panchayats from West Bengal was used. The paper finds that current days of participation in MNREGS have no effect on current period consumption. However, lagged cumulative days of participation have a significant positive effect on current period consumption. Further, there is a positive effect of lagged cumulative days of MNREGS participation on credit worthiness reflected through an increase in the average volume of the household’s monthly transaction at local grocery stores on credit. MNREGS participation has a consumption smoothing effect over the long run. The study concludes that poverty alleviation programmes (or conditional income transfers) like MNREGS can lead to a sustained positive effect on consumption poverty reduction in the following periods, if implemented in a sustained manner and if the participant stays in the programme instead of joining and then quitting.

The discussant for the paper, **Sabyasachi Das (Yale University)** remarked that evaluation of large scale programmes like the MNREGS is of vital importance and that the main results of the study are both encouraging and convincing. He raised some pertinent questions for future research, for example, is their persistence in participation in MNREGS over time, and if the Panchayat members exercised discretion in giving households jobs under this Scheme. Further, he noted that the paper has convincingly shown the positive effects of MNREGS employment on the level of income, consumption and credit availability of households. In conclusion, he remarked that the mechanism and dynamics of getting job in the programme need to be spelled out in greater detail, and the channels through which non-MNREGS income is affected should be explored.

Rukmini Thapa (Jawaharlal Nehru University) made a presentation on “**Barriers to education faced by children of unorganised sector workers: A study in north Bengal**”. She started out by noting that the barriers to education are multifaceted. Certain occupations in the unorganised sector do not provide a regular flow of earnings, and hence the opportunity cost of schooling is very high. Moreover, the quality of infrastructure and teaching is often poor. The main objective of the study is to explore the nature of barriers to schooling faced by children belonging to households dependent on the informal sector for their livelihood. Household survey data was collected from two settlements in north Bengal, the first one was situated close to the river bed and had a majority of the households working in the river, the second one had artisans engaged in their caste-based occupation of pottery. A survey of 100 households was done in 2008, which had at least one child in the age group of 6-14 years. Further, a re-survey was conducted in 2013 of the same sampled households to track children who had been attending school in 2008 to know their current schooling status.

The findings of the survey show that, of the children who could be tracked in the re-survey, 70% had continued to be enrolled in an educational institute, and the rest has dropped out for work or marriage (mostly girls). The results also reflect that children usually dropout after fourth grade, as the direct and opportunity costs of schooling increase at the upper primary level.

Finally, the author concludes by saying that work and school do not have a dichotomous relationship; there can be other reasons for dropping out as well. Barriers to schooling are complex, emerging from the combined burden of work, inability to cope in school, costs of schooling and lack of support. In the future, groups vulnerable to dropping out must be identified, attendance and performance of these children must be monitored separately by special bodies and remedial classes in school should be conducted to achieve the goal of universal elementary education.

The discussant for the paper, **Vivekananda Mukherjee (Jadavpur University)** agreed that the possible reasons for dropouts at the upper primary level can be because of their precarious livelihood, the anticipated costs of schooling and marginalisation of these communities. He suggested possible hypotheses for the same; the uncontrolled use of child labour, the number of children in each household (the more number of children, the marginal cost of sending each child to school is higher), and the withdrawal of educational subsidy after four years that results in an increase in the expenditure on education for households.

Lecture 2: Public services in comparative perspective

Jean Drèze (Delhi School of Economics and University of Allahabad)

The lecture was chaired by **Shibdas Bandopadhyay (ISI)**.

Jean Drèze began by emphasising the importance of social security programmes and public services in development and quality of life. Deficiencies in social security programmes in India have been a key cause of the slow progress in Human Development, despite the rapid economic growth experienced by

the country in the past two decades. His talk focused on the achievements of social security programmes in India, despite the problems that plague them, and on drawing lessons from their progress. In this context, he discussed five key social security programmes of India: Mid-Day Meals in primary schools (MDM), Integrated Child Development Scheme (ICDS), MNREGS, Public Distribution System (PDS) and Pensions for the elderly and widows.

For most of these programmes, the common view was that they can function well in only a few states that have good governance, for example, Tamil Nadu, Kerala etc. However, they have shown a great deal of improvement and are now working well in a number of less developed states. **MDM** illustrates this point well. The programme has shown consistent improvement in terms of increased commitment of resources, better infrastructure, hiring of more cooks, expanded menu and so on. This has been possible on account of public pressure, Supreme Court vigilance and monitoring by the media. The programme has a positive impact on school attendance, achievement, child nutrition and provision of employment to poor, rural women. Today, even the most remote districts of Jharkhand have functioning MDM. **ICDS** has had a somewhat similar experience, but less so than MDM as the former programme is far more complex. However, in the long run, it has the potential to be the most important social programme of the country as it targets children below six years of age, which is a critical age for determining health and nutrition status. In 2004, states such as Rajasthan and Chattisgarh were found to have dormant ICDS programmes, but this has changed in the past decade. Some ICDS centres in Chattisgarh provide a snack in the morning and lunch in the afternoon, and conduct pre-school activities during the gap. With regard to the **PDS**, it was thought that it can never work in northern states as well as it does in states such as Tamil Nadu and Kerala, on account of greater embezzlement in the North. However, the state government of Chattisgarh was successful in deprivatizing ration shops, and handing them over to cooperatives, gram panchayats and Self Help Groups (SHG). The base of the PDS was expanded and prices were reduced such that people have a larger stake in making the PDS work. Drèze stressed the importance of having clear entitlements for beneficiaries, and said that West Bengal is the worst offender in this context. Various other administrative reforms also helped transform the system – door step delivery, computerisation, grievance redressal and action against corruption. The programme has had an impact on rural poverty. Finally, he said that the leakages are more in the Above Poverty Line (APL) quotas, as those are dumping grounds for excess stocks and end up going to the black market as APL do not really take up their entitled food grains. Talking about **MNREGS**, he said that while it worked very well in the first five years, there has been a stagnation since 2009-2010 owing to various, complex reasons. A key factor is that fatigue has set in with respect to the different stakeholder groups: politician fatigue as they see no further opportunities for electoral gains; functionaries' fatigue as they cannot make a lot of money out of it, and it involves a lot of work for small rewards; workers' fatigue because of a decline in wage relative to the private labour market and delay in payment of wages. The programme has also faced a lot of opposition from large farmers, bureaucrats and employers. A potential solution to the problems is activation of the accountability provisions of the Act, which have been purposely sidelined by the central and state governments. For example, the Act provides for compensation for workers in case wage payments are delayed by more than 15 days. Andhra Pradesh has implemented this by computerisation of the process, and automatic transfer of compensation to the bank account or post office account of the worker in case of wage payment delay. In his view, **Pensions** are one of best

social security programmes. It transfers money straight to the poorest, hence, increasing resources available to them and improving their bargaining power. The scheme has low transaction costs and low corruption. There have been some problems of irregularity in payment, which should be corrected because the purpose of pensions is to provide a sense of security, for which they need to be predictable. Also, the procedure to apply for pension is needlessly complicated, bureaucratic and inefficient, and can be improved by undertaking simple measures. He noted that Orissa has a good pension programme – pensions are paid in cash at gram panchayats on the 15th of every month without exception. Rajasthan has almost universal coverage.

Drèze concluded by saying that states are reaping as they sow – the ones that have taken social security programmes and public services seriously, and undertaken constructive initiatives are seeing results; states such as Uttar Pradesh that have neglected their programmes and not taken appropriate action have inefficient programmes, and have failed to take advantage of opportunities. He also noted that West Bengal has not really taken the lead in any of these programmes.

Lecture 3: Agent intermediated lending: A new approach to microfinance

Pushkar Maitra (Monash University)

The lecture was chaired by **Dipankar Dasgupta (ISI)**.

Pushkar Maitra's talk focused on credit delivery in rural areas, and presented a new approach to providing agricultural finance. Rural poor have low access to formal sources of credit, with only 5% of their total credit coming from banks, 15% from cooperatives and 2% from Microfinance Institutions (MFI). Lending to the rural sector by Indian banks is a policy priority, and there is a need for innovative methods to widen the access of farmers and Small and Medium Enterprises (SME) to formal credit. This will help promote growth and reduce poverty.

The key issues in this regard are borrower selection, information on borrowers, and enforcement of repayment. Formal credit institutions address these problems by giving loans against collateral; however, this leads to exclusion of poor borrowers.

MFIs do provide credit to rural poor. Traditional microcredit is based on joint liability, strict repayment schedules and time-intensive meetings between MFIs and borrowers. While these contribute to high repayment rates, consumption smoothing, risk sharing and purchase of consumer durables, they have limited impact on entrepreneurship, risk-taking or incomes of borrowers. Generally speaking, MFIs have not financed agriculture, which is the most important source of livelihood in rural areas. MFIs do not fund diversification into cash crops that are a key mechanism for escaping poverty. This is on account of intensive monitoring by peers and MFI officials, low tolerance for risk-taking, and short loan durations.

Moreover, possible contagion in non-repayment owing to joint liability is threatening the fiscal sustainability of MFIs. Also, high interest rates, partly due to high administrative costs, are a key issue in India's microfinance crisis.

Interviews with Microfinance (MF) clients in West Bengal revealed the following wish list: individual liability loans, Reduced MFI monitoring/ no group meetings, no collateral or savings requirements, lower interest rates, longer loan durations, and loans designed to finance working capital and marketing needs for cash crops. Maitra described an experiment with a version of MF with all the items on the borrowers' wish list, undertaken by him and his co-authors in West Bengal.

In their MF model, people within the local community with information about and relationship with villagers are appointed to be loan intermediaries or agents that recommend clients eligible to receive loans from the MFI. Agents receive commission that depends on loan repayments, and are terminated if less than 50% loans are repaid in a cycle.

There are two versions of the model depending on who the agents are: (i) Traders/ shopkeepers/ informal lenders (ii) appointed by local government/ village council. The study finds that the former version is more successful than group-based lending in selecting safe borrowers, generating higher take up and repayment rates. Group-based lending is more successful in targeting landless and marginal borrowers. The version with agents appointed by the local government/ village council is more successful in inducing recipients to become cultivator-entrepreneurs, and expand cultivation of profitable cash crops.

Both versions (i) and group-based lending are associated with enhanced social and economic interactions between agents and borrowers. In version (i), the dissimilarity in occupation/ wealth between agent and borrowers helps as agents can provide business advice and help borrowers in times of need. On the other hand, in group-based lending, the similarity between the leader and members in occupation and wealth implies limited capacity for members to help one another. Administrative costs are much lower in version (i) than group-based lending owing to drastic reduction in supervisory personnel.

A key question is why banks charge MFIs very high interest rates when lending to poor farmers is such an important policy goal. Maitra concluded by saying that the next step in terms of research is to experiment with ways to economise on agent commissions by reducing the commission rates and expanding the number of borrowers.

Session 2: Livelihoods

Sreerupa Ray (Goenka College of Commerce & Business Administration) made a presentation on **"The mask and face of tribal development in West Bengal"**. The focus of this presentation is on what the tribal community perceives as 'development', the participation of the community in development programmes, and how development can be initiated for them.

This study is based on primary data on 619 households in West Bengal, collected during October-December 2012. The findings show that for tribals, development as a concept means wage increase (for 21% of the tribals), provision of electricity (18%), provision of educational facilities (16%), increase in agricultural productivity (9%), provision of migrant job opportunities (7%), better road connectivity (7%) and better health facilities (5%). The development requirement of tribals include increase in income (28%), need for irrigation facility (13%), lack of provision of professional training services (10%), and lack of financial services (10%).

Educational indicators among tribals are poor, with a high number of school drop outs. There are various reasons for the tribals' dropping out of school, for example, inability to follow classroom teaching, high transportation costs and lack of incentives to continue schooling. With regard to health, 62% of the households still visit faith healers, 23% go to local unregistered medical practitioners, and 5% visit primary health centres; 69% identified improper communication/ ill behaviour of staff at health centres as a deterrent to them availing facilities.

Finally, the study concludes that tribal people have a unique sense of wellbeing that differs from mainstream planning. Development initiatives in the form of a bundle of welfare activities have hardly been able to render a better quality of life for them. Rather than as a general scheme adopted and implemented by the administration, 'tribal development' needs to be considered as a 'concept'. In summary, expansion of their 'capability' through government interventions that are well tailored and targeted according to their 'felt needs' would benefit the community at the family level. The role of the ethnicity factor in shaping up tribal life and living should be acknowledged. Popular participation should be generated through promotion of local tribal institutions, and planning should be introduced at the grass root level exclusively for the tribals and by the tribals.

The discussant for this paper, **Agnirup Sarkar (Durham University)** began by noting that studying tribals is important and very little work has been done in this area before. He remarked that the choice of sample is very narrow, that is, only women from self-help groups have been studied. Moreover, he said that comparisons with non-tribals in the neighbourhood should be drawn, and data on savings, borrowing, lending, indebtedness and landholding should also be collected. Finally, he noted that the notion of development of tribals is not very clear and that the conclusions presented in the paper are not adequately supported by the data.

Sandip Mitra (ISI) presented his paper on **"Sex workers, stigma and self-belief: Evidence from a psychological training programme in West Bengal"**. He argued that economic decisions are shaped not only by preferences and resource constraints but also by beliefs and expectations; marginalisation can have a negative impact on self-belief and expectation from oneself. The paper examines whether psychological 'empowerment' can mitigate bias in self-beliefs and stimulate investment. The researchers collaborated with a local NGO Durbar to run a randomised experiment to examine the impact of a training programme on sex workers in Kolkata. The programme aims to build self-esteem and increase the sense of agency among participants with regard to self-reported psychological outcomes and their future-orientation. Outcomes for 264 sex workers from 66 households that participated in the training

programme were compared with those of 203 sex workers from 32 households that did not participate in the training programme. The latter group are part of self-help groups in the study are part of self-help groups. The findings suggest a positive and significant impact of psychological training programme on self-reported measures of agency, self-esteem, happiness. The training was also found to gradually increase individual effort towards improving future outcomes, as measured by savings choices and health-seeking behaviour.

Further, choices made by the group that received training were similar to the group that did not receive training during the period when early sessions were going on, but diverged midway. In conclusion, these findings suggest that poverty and social exclusion may distort a person's perception of self-worth and sense of agency, resulting in low effort and persistence of marginalisation, and highlight the need to account for psychological factors in the design of anti-poverty programmes.

Pradeep Menon (National Institute for Research in Tuberculosis) noted that the study is commendable, as it is very challenging to work in this area. He also remarked that the quality of life element should have been added to the study. Further, he questioned whether the level of stigma noted in the study was real stigma or perceived stigma. He also noted that it would be worth studying which factor was the most important contributor to the results. Lastly, he suggested having a measure of sadness, as there was one for happiness, to complement the results better.

Lecture 4: Municipal Financing: Some lessons from Kolkata and Bangalore

Sanjay Banerjee (University of Nottingham)

This session was chaired by **Ranjan Ray (Monash University)**.

Sanjay Banerjee (University of Nottingham) presented his IGC project on “**Constraints and prospects of financing via municipal bonds in India: An analysis with case studies in Bangalore and Kolkata**”. In order to meet challenges created by growing urbanisation, municipal corporations in India need to incur huge expenditure to support urban infrastructure. The authors conducted case studies in two major municipal corporations, Kolkata Municipal Corporation (KMC) and Bruhat Bangalore Mahanagar Palike (BBMP) to draw lessons for efficient implementation of infrastructure projects and means to finance such activities via a multitude of platforms including municipal bonds. Their study reveals that in spite of recent revenue augmenting or cost saving reforms (like e-governance or Accrual based accounting at the ward level), constraints on municipal financing in both places emerged due to poor debt capacity, inadequate collection of revenues and presence of multiple decision making bodies that led to project delays and cost over runs.

Based on comparative studies, the authors suggest selecting revenue enhancing and reserving funds for credit enhancement of the infrastructure projects. They further suggest incentive and information based compensations for property tax collections, securitisation of parking and other fees which are stable in nature, for increasing the rating of the bond and lowering costs of financing. Lastly, they suggest

creation of a super Special Purpose Vehicle (SPV) that would address both coordination in planning of projects and financing their expenditure through a combination of bank loans and public debt.

Abhirup Sarkar (ISI) remarked that as far as differential tax rates are concerned, a committee was put in place which suggested different tax rates for different areas in Kolkata. However, this plan was not implemented. He asked how it is possible to give more power to the municipal bodies to ensure implementation.

Dilip Mookherjee (IGC India Central; Boston University) noted that in an IGC Pakistan study, researchers and policymakers worked together to suggest incentive reforms for tax collectors and they have been successful in implementing them. He suggested that it would be good to learn from their experience.

The author responded to the above queries by saying that it is possible to test tax reform in India through a randomized controlled trial (RCT), as done in the Pakistan study.

Session 3: Public Finance and Local Government

The session was chaired by **Ajitava Raychaudhuri (Jadavpur University)**.

Vivekananda Mukherjee (Jadavpur University) made a presentation on “**Impact of VAT on sale tax revenue collection: The West Bengal experience**”. West Bengal introduced Value Added Tax (VAT) on 1st April 2005, along with several other states in India. The method used for collection is the input tax credit method, wherein a firm pays tax to the government on the sale of its final outputs and gets back from the government tax that it has paid on purchase of intermediate inputs used in the production process. There is a view among economists that VAT makes production more efficient by avoiding taxation of intermediate inputs and associated cascading of taxes in the supply chain. VAT is also expected to fetch higher revenue by providing an incentive to producers in declaring their transaction record and thereby creating an audit trail that helps check tax evasion. Also, it spreads the tax liability across the supply chain so that even if revenue is lost at one part of the supply chain due to evasion, the rest of the due revenue on the value of the product can be collected. However, in the presence of imperfect markets and the informal sector, there is no unanimity in support of the efficiency of VAT relative to alternative taxation systems. Evasion may not be completely avoided as it is difficult to detect fake vouchers. Also, if a producer falsely shows to the government that the goods have been exported, then no tax has to be paid.

Mukherjee focused on two key research questions: (i) Has the adoption of VAT in West Bengal helped improve the efficiency of the tax revenue collection system with respect to commodities? (ii) How does West Bengal's experience compare with other Indian states?

In the study, other explanatory factors for state revenue that have been considered are the share of agriculture and unregulated manufacturing, share of service sector, trade openness index, share of exports in Gross Domestic Product (GDP), and share of transfers from the Centre in the total revenue of states. Looking at data on West Bengal between 1980-1981 and 2009-2010, it is found that the share of the informal sector has fallen, while the share of the service sector has increased. A substantial part (40-50%) of the revenue of the state comes from the Centre.

Mukherjee's main conclusion was that the introduction of VAT in West Bengal has had a negative impact on state revenue, and it has had no significant impact at the all-India level. The proportion of transfers from the Centre in state revenue in West Bengal has gone up, which has reduced own revenue collection efforts on part of the state – that is, the state is free riding. A similar trend was seen in other states. The reduction in revenue in West Bengal is not on account of the inability of the state government to tax agriculture or the informal manufacturing sector. Also, the state has been unable to capitalise on the growth of the service sector, while other states have been able to do so.

India has not been able to realise the potential of VAT in the absence of Goods and Services Tax (GST). There is a need to improve administrative efficiency in tax collection, increase regulatory threshold from the current level of Rs. 5 lakhs annual turnover of firms, and rationalise the existing rate structure.

The discussant for the paper, **Tapas Sen (National Institute of Public Finance and Policy)** said that around the time VAT was introduced in Indian states (2003-2008), there was also an increase in the economic growth rate. Conceptually, it is difficult to separate the effect of VAT and growth rates on tax revenues, and this should be carefully dealt with in empirical analysis. Some casual empiricism undertaken by Sen had not produced a clear conclusion regarding the impact of VAT on state revenues – it seems that, in general, revenues increased both for states that introduced VAT and those that did not. In his view, one should not expect much impact in the short run. When VAT was introduced at the state-level, most states deliberately made it a revenue-neutral change. Regarding the result that VAT had a negative impact on state revenue collection, he said that it is likely this negative relationship is seen in the short run, immediately after the introduction of VAT. However, over the years, with an increase in buoyancy, the initial negative impact will get neutralised, and eventually, we will see a positive effect. Finally, he said that the result that central transfers have had a negative effect on state revenue efforts is surprising. According to him, it may simply be on account of the way these variables have been defined in the analysis.

Sabyasachi Das (Yale University) made a presentation on “**Efficacy of public meeting: Theory and evidence from Indian village councils**”. Das began by saying that although the modern conception of democracy is primarily electoral, there has been a resurgence in its participatory nature in recent times. In this context, it becomes important to classify the different types of public meetings. The focus of his presentation was his work on “post-election” meetings. Two competing stories explain the importance of meetings: (i) *Enforcement story*: According to this line of thought, meetings have formal or informal enforcement power. Apart from policy, people care about the ability or competence of the leader. Even if policy is uni-dimensional, the election platform may be multi-dimensional. In the absence of any

alternative preference aggregation mechanism, the ability-preference trade-off is real, and meetings may help reduce this trade-off. (ii) *Information story*: This theory says that meetings are purely information aggregation platforms. Elected leaders care about this information as they have re-election motives. Hence, it makes election more effective in disciplining leaders. There needs to be retrospective voting for this story to work.

Das examines which story fits the Indian gram sabha/ village council better. According to him, both stories could be at work but the enforcement story is likely to be more important. This is because state governments conceive gram sabhas as an institution to enforce people's demand on the leader. Since preferences over public goods do not change much in the short run, there is not much to reveal every year. Moreover, if the information story were to be true, minority reserved villages should have much lower meeting attendance rates compared to unreserved ones, but this is not seen in the data.

The paper analyses data from the Rural Economic and Demographic Survey, 2006, which covers 8,600 households spread across 242 villages in 17 states of India. It finds that people take gram sabhas seriously and are strategic about their attendance. Secondly, both women and Scheduled Caste (SC) reservation improves the relative attendance of their group at the gram sabha. Thirdly, wider preference divergence in men preferred goods brings more men to the meeting only in unreserved Panchayats, but brings more women in women reserved villages. Finally, Das concluded by saying that these systematic changes in attendance should translate into changes in actual policy choice.

The discussant for the paper, **Nachiketa Chattopadhyay (ISI)** remarked that the issue is very interesting and of importance. Not a lot of studies have looked at participation in deliberative democracy in a game theory framework. He suggested looking at relative divergence in preferences between the leader and individuals, rather than absolute divergence. Further, he said that it is not merely numbers, but the quality of attendance that matters. How well informed the participants are will have a bearing on the manner of deliberations in meetings and decisions taken. If participants do not have a lot of information, leaders may influence proceedings.

Session 4: Understanding Political Change and Voter Expectations in Rural West Bengal

The Session was chaired by **Abhirup Sarkar (Indian Statistical Institute)**.

Dilip Mookherjee (IGC India Central; Boston University) made a presentation on “**Understanding Voting Patterns in Rural West Bengal: Role of Clientelism and Local Public Good Provision**”. In 2011, the Left Front coalition lost its majority in the West Bengal state legislature to the Trinamool Congress (TMC) for the first time in 35 years. After having won six successive elections due to core and durable support from landless and small landowners, and scheduled castes and tribes, the 2011 election saw a notable erosion of support to the Left from these groups. This paper, based on surveys of 2,400 households from 89 villages between August and December 2011, following the state legislature election in April-May 2011, studies the possible factors underlying changes in attitudes of voters in rural

areas, the traditional stronghold of the Left Front. The study finds no evidence of any role played by changes in voter characteristics such as changing age distribution or media exposure of voters. It also found that the electoral reversal of the Left cannot be accounted by changes in flows or targeting of benefit programmes administered by local governments since 2004. While the vote-generating effectiveness of clientelistic distribution patterns declined for the Left ruled local bodies and rose for the TMC between 2004 and 2011, these changes accounted for a negligible fraction of the observed decline in the Left's vote share. Instead, the key factor that caused the electoral reversal was rising voter dissatisfaction with local Left leaders with respect to corruption and education quality. Anti-Left votes in 2011 mainly reflected voter concerns regarding governance, such as dissatisfaction with local corruption, public goods provision, attitudes towards women, and relations with citizens and local communities.

The discussant for the paper **Diganta Mukherjee (ISI)** said that the effects of the changing voter characteristics, particularly the effect of the new young voters, might not have been captured well in the study. This is because the study interviewed household heads who might not share the same aspirations as the youth, due to the age gap. He also noted that the instruments used in the study to capture satisfaction level could be misleading due to difficulty in quantifying the question.

Manabi Mazumdar (Centre for Studies in Social Sciences) made a presentation on “**Interrogating Political Change in Rural Bengal: A Re-Survey**”. The paper is based on a study that analyses micro-level political changes in two Gram Panchayats in rural West Bengal using ethnographic examination method. The paper tries to answer questions such as: (i) what type of relationship is there between the state and citizens? (ii) Is the citizen-state relationship deepening over the time? (iii) How does the state view its citizens, and (iv) How do the citizens view the state?

The study finds that there is still a patron-client relationship within political parties, where the higher-ups or seniors in the party have authority and networks and the lower cadre obey the seniors in order to benefit from their influence. The study, however, finds that the citizen-state relationship is changing and it is deepening with time. Citizens are becoming more aware of their citizenship rights, and are becoming more active citizens. Increasing awareness of rights among citizens and their more active participation in local governance are the reasons behind deepening state-citizen relationship.

The discussant for the paper, **Molly Chattopadhyay (ISI)** said that it will be useful if the author mentions the number of group discussions held in each village for the purpose of the study. At the same time, details about the participants, such as their gender, caste, class etc. will also be useful. Further, Chattopadhyay said that quantifying the “more active citizen” variable will also be useful. She suggested using number of Right to Information (RTI) applications, participation in village council meetings and discussions in village meetings as indicators for “more active citizen”.

Policy Session: Education and Finance of Government of West Bengal

The session was chaired by **Pranab Bardhan (University of California, Berkeley)**. **Sugata Marjit (ISI)** and **Abhirup Sarkar (ISI)** introduced the education and finance topics respectively. **Smritikumar Sarkar (Burdwan University)**, **N. Bhanduri (Sanskrit Collage)** and **Achin Chakraborty (IDSK)** comprised the education panel and **Tapas Sen (NIPFP)**, **Dilip Ghosh (State Finance Commission)** and **Ashok Das (WBIDC)** comprised the finance panel.

Sugata Marjit (ISI) spoke about the state of public education in West Bengal. He discussed the problems in school education in the state such as the quality difference between public and private primary schools, high drop-out and failure rates, poor learning outcomes in public schools, poor quality of teachers and the burden of heavy syllabus in early years. He said that while the solutions to these problems are not easy to find, the state should work on enforcing institutional accountability for all stakeholders, downsizing the syllabus at the early stage, and conducting reorientation programmes for teachers.

He then discussed problems in higher education in the state. The exodus of good students, teachers and researchers from state-aided institutions to national institutions, quality deficit with respect to global standards, and lower enrolment rate in higher education (14% against the national average of 18%) are the major issues pertaining to higher education in the state. He further notes that there is huge demand for higher education in West Bengal and the state needs more higher education institutes and universities. The state expenditure on higher education as proportion of Gross State Domestic Product (GSDP) is lower in West Bengal than the national average; the state needs to spend more on higher education. He concluded by suggesting key measures that could improve the condition of higher education in the state: (i) A series of legislative amendments for recruitment of vice-chancellors, deans and faculty members (ii) Amendments in the Private University Act, and (iii) Cleaning up of legal issues pertaining to the College Service Commission.

Abhirup Sarkar (ISI) spoke about the finance of the West Bengal state government. He said that only one state (Jharkhand) had a higher Gross Fiscal Deficit (GFD) to GSPD ratio than West Bengal during 2004-2008 and in 2010-2011. But the situation in West Bengal has been improving for past few years; in 2012-2013, 10 out of 17 states had higher GFD to GSDP ratio as compared to West Bengal. The revenue deficit of the state has fallen, primary deficit has become negative and both the revenue deficit and fiscal deficit are well within the targets of the 13th Finance Commission. However, he noted that revenue generation in the state is still low. Although the own tax revenue of the state has slightly improved from 4.5% to 4.9% in last three years, it is still much lower than the all India average of 6.3%.

Sarkar then discussed the expenditure and debt scenario in the state and said that both development and social sector expenditure have increased, and state indebtedness is on decline. However, indebtedness of West Bengal is still much higher than the national average. He then said that both own tax revenue and own non-tax revenue of the state have further scope for improvement.

Sarkar concluded his remarks by listing the major issues facing the 4th State Finance Commission: (i) Identifying core (obligatory) services of local self-governments and constructing a formula for fund distribution, taking account of core services (ii) Identifying leakages in funds and improving accountability, and (iii) Identifying own tax generating capacity of local bodies.

Discussion: Finance Panel

Panelists on the finance panel, **Tapas Sen (NIPFP)**, **Dilip Ghosh (SFC)** and **Ashok Das (WBIDC)**, said that the equilibrium of low revenue, low expenditure and high indebtedness is the biggest issue in the state finance, and the state has to get out of this equilibrium. The only solution to the low level equilibrium problem is to increase own tax revenues of the state. The panel also discussed the issue of low urban and local body revenue generation and said that one challenge before the State Finance Commission is to find a way to identify needs of different local bodies and allocate funds based on these identified needs. The panel also discussed the issue of financial exclusion in the state and said that a recent study shows that West Bengal is one of the three lowest ranked states in terms of financial inclusion. The state needs to have more policies such as the recent policy of allocating 300 to 400 square feet land in each village to post offices and bank branches in order to increase financial inclusion.

Discussion: Educational Panel

Panelists on the education panel **Smritikumar Sarkar (Burdwan University)**, **N. Bhanduri (Sanskrit Collage)** and **Achin Chakraborty (IDSK)** agreed with speaker **Sugata Marjit's** points about quality issues in primary as well as higher education in West Bengal. They also said that while speaking about quality issues, we should not presume that all infrastructure issues pertaining to education in the state have been solved. For example, the ratio of primary schools to higher primary schools in West Bengal is the lowest in the country, and the gross enrolment ratio in higher education is also one of the lowest in the country. So, before moving to quality issues completely, they said, the state need to solve the infrastructural problems in education. They also said that the quality of education is a major issue, which is very complex; the state need to give a lot of thought to addressing the quality challenge.

Prasanta Pathak (ISI) thanked everyone for participating in the conference and closed the conference.