

Own Resource Mobilization of Panchayats: An analysis with special reference to Howrah District of West Bengal

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V.U. Ph.D. Reg: No. 0262/2010

Synopsis

The issue of own resource mobilisation of Panchayats have assumed importance in recent years, particularly after two landmark developments, namely the structural adjustment programme that began in a comprehensive way since 1991 and the 73rd amendment to the Constitution of India. Great emphasis is made on mobilization of own resources of Panchayats that are formalized as third tier of government, local self-government, with the constitutional responsibility of 'planning for economic development and social justice' in the rural areas.

Own source revenue of Panchayats varied widely across the selected states of India including West Bengal. The compound annual growth rate of own source revenue was statistically significant for states like Haryana, West Bengal, Andhra Pradesh, Punjab, and Tamil Nadu.

Percentage share of non-tax revenue to total own source revenue was higher than that of tax revenue. The ratio between per capita tax revenue and per capita non-tax revenue was declining over years. Thus the structure of own source revenue changed in favour of non-tax revenue.

There was differential growth rate of per capita own source revenue across the states. Per capita non-tax revenue and per capita own source revenue significantly increased in 2006-07 compared to 1995-96. Per capita non-tax revenue was not, however, significantly higher than per capita tax revenue during 1995-96 and 2006-07.

The variation in per capita own source revenue across selected states including West Bengal was significantly explained by that in development indicators like Human Development Index and percentage of non-farm workers to total workers.

Both revenue autonomy and fiscal autonomy of Panchayats were very low in almost all the selected states of India and it varied substantially across the states and also over years. West Bengal was among the low revenue autonomy and fiscal autonomy states. During 2006-07 six states, namely Gujarat, Assam, Orissa, Uttar Pradesh, Madhya Pradesh and West Bengal belonged to the group below 5 per cent of revenue autonomy and fiscal autonomy. The revenue autonomy and fiscal autonomy of Panchayats of states of India did not significantly increase in recent years. Thus the Panchayats in most of the states including West Bengal were much dependent on external grant, which created a dependency syndrome for them.

Percentage of collection to demand of own revenue in the districts of West Bengal registered an increasing trend during 2005-06 to 2012-13. The structure of own source revenue changed in favour of non-tax revenue. There were also differential growth rates of own source revenue, tax revenue and non-tax revenue of Panchayats across the districts. The compound annual growth rate of own source revenue of Panchayats of the districts, namely Nadia, Purulia, Paschim Medinipur, Uttar Dinajpur, Coochbehar, Murshidabad, Bankura, Jalpaiguri, Howrah and Dakhsin Dinajpur was below 11% during 2002-03 to 2012-13 and they were statistically significant.

Growth rates of own tax revenue of Panchayats of the districts, namely Paschim Medinipur, Murshidabad, Malda, Howrah and Dakhsin Dinajpur were statistically significant during 2002-03 to 2012-13.

Per capita tax, per capita non-tax and per capita own source revenue of Panchayats varied across the districts and also over years. The variation in per capita own source revenue of Panchayats across the districts was significantly explained by that in Human Development Index and percentage of non-agricultural land to total land, and the model was significant at 1% level.

Fiscal autonomy of Panchayats was very low in almost all the selected districts and it varied substantially across the districts. This was relatively high in districts like Howrah, Birbhum and Darjeeling.

Revenue and expenditure of Howrah Zilla Parishad varied substantially over the years. The Entropy measure indicated an increasing trend of own revenue diversification during 2005-06 to 2010-11. Utilization of own fund of Howrah Zilla Parishad was high. Its revenue autonomy varied from 1.91 per cent to 6.13 per cent during this period.

Percentage of collection to demand of revenue witnessed an increasing trend for the Panchayats (two-tier) of selected blocks of Howrah district during 2008-09 to 2012-13. The structure of own source revenue of Panchayats of most of the Panchayats at the block level changed in favour of non-tax revenue. The compound annual growth rate of own source revenue, own tax revenue and non-tax revenue of Panchayats of the blocks was not encouraging.

Panchayats of blocks Shayampur I, Panchla, Domjur and Bagnan I recorded compound annual growth rate of own tax revenue varying between 5 per cent and 9.99 per cent. This growth rate of own tax revenue of Panchayats of blocks Bally-Jagacha, Sankrail, Shayampur I, Panchla, Domjur and Bagnan I were statistically significant at 1 % level.

Panchayats of blocks Amta II, Sankrail, Bagnan I and Shayampur I belonged to the highest group of growth rate of own non-tax revenue of 10 per cent and above while those of Amta II and Sankrail were statistically significant at 1% level. Panchayats of two blocks, Amta I and Panchla, witnessed negative growth of own non-tax revenue. Panchayats of Bagnan I block belonged to the highest group of this growth rate above 10 per cent. Panchayats of four blocks, namely Sankrail, Amta II, Shayampur I and Shayampur II witnessed varying growth rates. The growth rates of Panchayats of Sankrail, Amta II, and Shayampur I were statistically significant.

Ratio of per capita tax and per capita non-tax revenue of Panchayats of the blocks was declining. But the per capita non-tax revenue was not significantly higher than per capita tax revenue. The means of per capita own source revenue, per capita tax revenue and per capita non-tax revenue did not significantly increase in 2012-13 compared to 2008-09. The variation in per capita own source revenue was significantly explained by literacy rate and percentage of non-farm employment. Fiscal autonomy of Panchayats of most of the blocks was very poor and did not significantly increase over years.

Both own source revenue and per capita own source revenue varied across the Panchayat Samitis. Four Panchayat Samitis, namely Amta II, Shyampur I, Bally-Jagacha and Sankrail recorded significant compound annual growth rate. Only Panchayat samiti Bagnan I belonged to the highest group of per capita own source revenue in 2012-13. The Entropy measure showed an increasing trend of diversification of own source revenue at the Panchayat Samiti level during the period from 2008-09 to 2012-13. Revenue autonomy and fiscal autonomy substantially varied across the Panchayat Samitis during 2012-13.

Own tax, non-tax and own source revenue substantially varied across the 144 Gram Panchayats and over the period from 2006-07 to 2012-13. The structure of own source revenue for most of these Gram Panchayats changed in favour of non-tax revenue during this period. The growth rates of own source revenue, own tax revenue and own non-tax revenue of Gram Panchayats, namely Jagadishpur, Amta, Bargachia I, Bargachia II , Bagnan I and Khalore were statistically significant. The ratio of per capita tax revenue to per capita non-tax revenue declined during this period. Per capita non-tax revenue was not significantly higher than per capita tax revenue of the Panchayats. Fiscal autonomy of most of the 144 Gram Panchayats was very poor and it continuously declined due to tiny amount of own source revenue compared to total expenditure of these Panchayats.

Percentage of total collection to demand of own revenue of selected 20 Gram Panchayats witnessed an increasing trend. The Entropy measure indicated an increasing trend of diversification of own source revenue of these Gram Panchayats. The ratio of per capita tax revenue to per capita non-tax revenue was increasing but per capita tax revenue was not significantly higher than per capita non-tax revenue of these Panchayats.

Regression equation concerning per capita own source revenue shows that the variation in PCOSR was significantly explained by that in the ratio of utilization (UTR) of total revenue.

The ratio of own source revenue to external development receipts continuously declined for the selected Gram Panchayats of Howrah district, which represented their dependency syndrome (on external receipts).

Various issues relating to participation of people in own resource mobilization of Gram Panchayats were discussed at the disaggregate level involving 300 sample households randomly selected from 6 sample villages of 3 Gram Panchayats of Bagnan1 block of Howrah district. The amounts of tax paid were low and largely varied across the sample households. The low amount paid in the form of tax on land and buildings was, according to the sample households, mainly due to the lack of proper assessment on the value of land and buildings, irregularity in collection of tax by the Panchayats and lack of political will of Panchayat members. There were some institutional constraints on mobilization of tax revenue by the Gram Panchayat (GP). The estimated tax per household as per Panchayat Rules was several times higher than actual amount realized at the Gram Panchayat level. The relatively low performance of GPs in tax revenue mobilization was attributed to their unwillingness in optimally applying the tax instrument for fear of unpopularity at the

Panchayat level. Besides, in the absence of any post of tax assessor Gram Panchayat found it difficult to properly assess the present value of land and buildings on which the tax amount had to be scientifically assessed.

Amount of fees paid by the sample households to Gram Panchayats was also low. Voluntary contribution of the sample households for completion of development projects in terms of payment in kind or money had been either zero or very meager. Their contributions mainly related to the projects like sinking and repair of tube-wells and construction of morum roads. Here the households of GP Bagnan I, the relatively developed one, only contributed significantly to the Panchayats.

Per capita payment (PCP) in the form of tax and fees etc. varied widely across the selected households of the sample villages. Correlation Matrix concerning PCP of Gram Panchayat, per capita income of sample households, percentage of non-farm workers and per capita landholding showed that all the correlation coefficients were statistically significant. The variation in PCP was positively and significantly explained by per capita income, percentage of non-farm workers to total workers and per capita landholding.

Most of the household respondents of sample villages of the two relatively developed GPs, Bagnan I and Bagnan II, expressed their satisfaction more or less with Panchayats' development initiatives and own resource mobilization whereas the sample households of economically not advanced GP Bainan were not so much pleased with Panchayats' performance. Most of the household respondents stressed on the proper assessment of tax and fees, utilization of own fund and the creation of revenue building assets.

The empirical analysis of households' willingness to pay tax to Gram Panchayat was made on the basis of the theoretical background of Probit model. The households' willingness of tax payment to Gram Panchayat depended on awareness of activity of Panchayats, literacy rate, quality of work of Panchayats, proper assessment of tax, utilization of total fund, and also distance of households from town. The analysis of the Probit model exhibited that Panchayat revenue from tax was positively and significantly related with quality work of Panchayat, proper assessment of tax, awareness of people about Panchayat activities and literacy rate while the distance of households from town was inversely and significantly related with tax payment because the long distance from town indicated the high incidence of poverty in the region. Thus the tax revenue of Panchayats was significantly related to the economic conditions of the households.
