

An Exploration of the Understanding/Determinants of Own Source Revenue in Gram Panchayats of West Bengal: A case study in the district of Bankura

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ABSTRACT: The Own source Revenue (OSR) of Gram Panchayats has been subject of many studies which have examined the aspect of low OSR collection and reasons for the same. Reluctance on the part of the gram panchayats to mobilize own revenue has been seen as a principal reason for low OSR. The change in political dispensations did not change the situation significantly. Also gram panchayats' involvement in implementation of several developmental schemes of the State and Central Governments is stretching their already scarce resources and thus adversely affecting their capacity to collect own revenues. On the supply side, this study noted that the select village panchayats at the district of Bankura in West Bengal lack requisite personnel capacity in revenue collection and administration compounded by weak enforcement mechanism and fragmented revenue system. Related to this, the study shows that select panchayats lack up to date database of tax bases thus making it difficult to undertake revenue forecasting and monitoring. The relation between Per capita Own Source Revenue (OSR) Funds and Per Capita Grants-in-aid was found to be positive and significant. Thus result (significant positive relation between OSR and Grants-in-aid) supports the earlier findings in the literature of panchayat financing.

Key Words: Panchayati Raj Institutions, Own source revenue, Panel data regression analysis, Politico-socio-economic indicators.

1. Introduction:

West Bengal is one of the forerunners in installing a three-tier Panchayati Raj System (PRI) for rural local governance in India. Ever since their inception, the state has demonstrated strong commitment to rural decentralization by ensuring regular elections to PRIs, entrusting them with increasing responsibility of implementing various rural development programmes and making the development bureaucracy part of PRIs.. The State Government, always open to new ideas, brought about need-based reforms in the Panchayat system from time to time from the very beginning. The PRIs in the state have grown over the years with more spontaneity and has made positive impact in order to achieve economic development and secure social justice for all. However, even now there is a long way to go for the West Bengal Panchayats to really become proper people's institution as vanguard of holistic development of rural people.

The Own source Revenue (OSR) of Gram Panchayats has been subject of many studies which have examined the aspect of low OSR collection and reasons for the same. Reluctance on the part of the GPs to mobilize own revenue has been seen as a principal reason for low OSR. Also gram panchayat's (GPs) involvement in implementation of several developmental schemes of the state and central governments is stretching their already scarce resources and also making them insensitive and irresponsible local body and thus adversely affecting their capacity to collect own revenues. Nonetheless, some GPs seem to do better in collecting revenues than others. Some studies have found a positive correlation between economic development and the level of OSR but studies relating to politico- socio-economic indicators and collection of own source funds are rarely available. The article is divided into five sections.

The first section reviews the literature which studied the discourses on trends and magnitude of local government expenditures and state-local financial transfers as well as the nature and pattern of own source revenue mobilization under panchayati raj institutions across India over time. Materials and Methods (or Database and Methodology) are analyzed in the second section. The third section is about Result and Discussion which throws light on the effectiveness of the own resource of revenue mobilizations and panel data regression analysis of the relationship dealing with (a) Per Capita Own Source Revenue (OSR) Funds and Politico-Socio-Economic Indicators and (b) Per Capita Own Source Revenue (OSR) Funds and Per Capita Grants-in-aid under two ideologically different political regimes of the fifteen select panchayats at the district of Bankura in West Bengal during 2005-06 to 2015-2016. The fourth section deals with concluding

observations with policy recommendations. References are enlisted in the fifth section.

Individual scholars and the Central and State Finance commissions have from time to time examined the state of panchayat finance in general and that of own resource mobilisation by the panchayats, in particular. The important studies are encapsulated below:

A book by Sarma and Chakravarty (2018) draws our attention to the lack of integration of the institutions of local self-government in the broader federal system in India. They concluded that in the federal revenue sharing arrangement, the third tier has been excluded. "Local governments are not given any statutory entitlement to a share in Union taxes as in the case of State governments" (p 5). In a study based in Kerala by Oomen et al. (2017) had focused on the extent of decentralisation of revenues, and local governments' response to raising revenues using local capacity. Their findings suggested that the pressure to spend on welfare and development activities had outstripped development of revenue. The study also found that, state and federal government support vis-à-vis intergovernmental grants were not crowding out revenue mobilization. On the other hand a study in West Bengal by Ghosh et.al. (2015) had shown that revenue administration was altogether a neglected task of Panchayats. This was the single most important reason for low level of resource generation at the level of panchayats. Revenue generation at local level was the task of the gram panchayats, but a major responsibility of the state government was to encourage and motivate the panchayats and to create conditions under which they could feel that they needed a measure of fiscal autonomy for their survival and growth. The econometric analysis of the revenue data, however, left large part of the behavior of the own source revenue (OSR) unexplained. The model explained about 45 per cent of the variations in per-capita own source revenue (PCOSR). It seems that there were many other factors which operated at the ground level. A land mark study in the state of Karnataka (January,2013) revealed and confirmed the now generally held position that economic development plays an important part in a GP's ability to rise own source revenues. Thus, it was seen that population, proportion of the SC/ST, proportion of BPL households and proportion of marginal workers significantly influenced OSR collections. It was, however, observed that of all the factors economic development was fundamental.

An article by Oomen (2013) points out that as a multilayered federal system, India needs a comprehensive and coordinated intergovernmental transfer system that includes the third tier as a dynamic component. This is particularly important because of the multiplicity of channels and the bewildering typology of transfer arrangements that exist today.

One of the key tests to real empowerment of panchayats lies in the ability of local self-governing institutions to finance their own expenditures through internal generation of resources. Based on an analysis of three villages in Tamil Nadu, the article by Sahasranam(2012) argued that many gram panchayats are today in a position to substantially finance themselves and build a culture of self-sufficiency, independence and accountability to their citizens by reducing their dependence on devolutions from state governments. It concludes that by incentivizing competition among panchayats and instituting a rural development fund to enable them to access debt capital, the perverse incentives they now face can be mitigated to a large extent, leading to several significant positive outcomes. But if a country wants large expenditures to be carried out responsibly by sub-national governments, then those governments need access to some significant revenues for which they are politically responsible (Bird, 2010).

Another relevant study by Bahl et.al. (2009) made it clear that though voice in fiscal decisions at the community level was a benefit that was given by the constitutional amendments, but it did not appear to have taken on much importance in rural areas. The system of government finance was even more centralized on the financing side of the budget equation: 96 percent of all revenues raised were at the state government level, and rural local governments accounted for less than one percent of all own-source revenues raised. The study by Oommen(2009) concluded that the viability, strength and autonomy of local governments depended on the quantum of own resources they could generate and the size of untied grants they obtained. The study by Gupta and Jena (2008) found that the assigned tax rights were not fully utilized by the panchayats and non-tax revenue was the dominant source of their own revenue.

Thus from the above brief studies we could conclude that however, even among these studies, discourses on trends and magnitude of local government expenditures and state-local financial transfers had dominated the field discussion on own resource mobilization and the important determinants significantly affecting it by the local governments, especially that at the level of panchayats had received comparatively lesser attention so far. Besides the earlier studies as mentioned above covered very short period of time series data not exceeding 5-6 years in most of the cases and also no significant attempt had been made to undertake Panel data regression analysis to explore and explain, if possible, the variations of Own source revenue (OSR) by the Socio-Economic Indicators of the area under study.

Objective:

The objective of the present study is

- (1) To critically analyze, compare and assess the current status of own source revenue (OSR) in between the two ideologically different political dispensations namely the Left Front ruled government and the Trinamool led government of fifteen select GPs in the district of Bankura in West Bengal.
- (2) An Exploration of the understanding of the determinants, if any, of per-capita own source funds separately by the politico-socio-economic indicators or per-capita-grants-in-aid of the select village panchayats is also another important objective of the present study.
- (3) The ultimate objective of the study is to suggest measures to the State Government of West Bengal upon which policy decisions could be based and an environment automatically get promoted for state GPs to generate a critical amount of financial resources through their OSR.

2. Materials and Methods:

2.1 Selection of Sample Size and Data Sources

Bankura district has 23 blocks and total 190 gram panchayats. We have selected sample using multi-stage random sampling method. Out of 23 blocks, we have randomly chosen six blocks among which two blocks Bankura-1 and Bankura-2 are close to district town Bankura (BankuraSadar), other two selected blocks, namely, Hirbandh and Khatra belong to Jangalmahal (Khatra Sub-division), and the remaining blocs, are Indpur (Khatra Sub-division) and Gangajalghati (BankuraSadar) respectively. Among six blocks, 15 village panchayats were randomly selected for collecting data. The randomly selected Village Panchayats under different blocks are: (a) Three Village Panchayats from Bankura-I, (b) one from Bankura-II, (c) two from Gangajalghati, (d) six Village Panchayats from Khatra, (e) one from Hirbandh, and (f) two from Indpur. For the purpose of this study, the following sources were tapped to collect data relevant to our study. The annual and periodical reports of the Examiner of Local Audit Report, State Finance Commission's Reports of the State, Central Finance Commission Reports, Annual Administrative Reports, Panchayat and Rural Development, Government of West Bengal, Annual Technical Inspection Report on Local Bodies in the State were used.

2.2 Methodology:

Both desk research and field survey were undertaken to gain insights in the above mentioned issues.

(i) Desk Research: This included the following:

- Study of West Bengal's Act, rules, model by-laws, executive orders, manuals etc. related to revenue generation activities of GPs.
- A study of the state of fiscal decentralization in India, in general, and some selected states including West Bengal in particular.

(ii) Field survey

A questionnaire based survey was conducted in a sample of 15 gram panchayats to collect data on the revenue collection and revenue administration of the panchayats and also on their socio-economic features. Data on revenue administration of the panchayats were also collected from unpublished local audit reports to gain insights on certain aspects of tax administration from the functionaries of the select panchayats offices.

(iii) Interview and Focus Group Discussions were conducted in all GPs with (i) the functionaries (ii) Tax Collectors and (iii) tax payers.

(iv) Application of Econometric Models:

Panel data regression analysis along with suitably chosen model was applied to revenue data of the select fifteen village panchayats for twelve financial years (2005-06 to 2016-2017) in order to unravel, explain and finally to identify the Politico-Socio-Economic determinants, if any, of revenue generation and especially per-capita own source revenue.

3. Results and Discussion:

This section is divided into the following sub-sections:

3.1 Compare and contrast of Own Source Revenue (OSR) mobilization under two different political regimes.

3.2 Panel Data Regression Analysis:

3.1A Distribution of Own Source of Revenue (OSR):

The distribution of Own Source Revenue in sample panchayats is depicted in Table A covering six years period each in between the Left Front (2005-08, 2008-11) and the Trinamool Congress (2011-14 to 2014-17) ruled governments in order to make comparison about the performance in the collection of Own Source Revenue in two political regimes. The whole analysis is divided into following two parts (namely, own tax revenue and

own non-tax revenue)

(a) Own Tax Revenue:

On an average, Own Tax Revenue during the Left Front tenure increases by 74.94 percentage point and the yearly increase of percentage is 12.49. In the period of the TMC ruled government the percentage increase is in between 27.28 to 395.55 (again in Gobindadham). During this tenure, the average and yearly percentage increases are 54.6 and 9.1 respectively which are lower than those during the period of the Left Front ruled Government.

(b) Own Non-Tax Revenue:

During the Left Front ruled government (i.e., during 2005-08 to 2008-11), there are twelve village panchayats (i.e., 80% of select village panchayats) whose non-tax revenue collection increases in the range between 83.33% (Gobindadham) to 1600 % (Raghunathpur). But there are three village panchayats (20%) where this collection actually decreases in this period and the decrease in percentage lies between 24.24 to 60.23 per cent. The average and yearly percentage increases are 279.73 and 46.62 respectively. During the TMC ruled government this situation becomes worse because there are only nine village panchayats (60%) where non-tax revenue collection increases within the minimum and maximum range of 22.79% to 71.09%. For the rest of six village panchayats (40%) non-tax revenue collection actually decreases. During this tenure the average and yearly increases of percentage points are 48.85 and 8.14 respectively.

Combining own tax revenue and non-tax revenue we get own source revenue. From Table A, now it becomes clear that during the Left Front rule, out of fifteen select village panchayats there are fourteen panchayats i.e., 93.33 % panchayats for which OSR collection increases within the range of 10.89% (Supur) to 945.09% (Raghunathpur) and there is only one village panchayat, namely, Baidyanathpur for which OSR collection decreases by 52.35 per cent. But during the TMC rule, for eleven panchayats (i.e., 73.33% village panchayats) OSR collection increases within the range of 3.6 % (Jagdalla-2) to 296.07 % (Gobindadham). On average increased percentages for both these periods are 147.83 and 54.03 respectively. The yearly increase percentage point during the Left Front ruled government (24.63%) is also better than that during the TMC ruled government (9.0%). Therefore, we can infer that under OSR head the performance of the Left Front rule is better than the TMC rule and there remains much scope for further improvement.

Table A: Major components of Own Source Revenue (OSR) of 15 select Panchayats during 2005-08, 2008-11, 2011-14, 2014-17(Base Year 2011=100).

Name of GP	Components of OSR (Rs. in lakh)											
	Own Tax Revenue				Own Non-Tax Revenue				Own Source Revenue			
	2005 -08	2008 -11	2011 -14	2014 -17	2005 -08	2008 -11	2011 -14	2014 -17	2005 -08	2008 -11	2011 -14	2014 -17
Baidyanathpur	0.37	0.45	0.33	0.42	3.47	1.38	2.5	6.42	3.84	1.83	2.83	6.84
Ban-Asuria	0.26	0.4	0.64	0.98	1.81	3.05	4.49	4.41	2.08	3.45	5.13	5.39
Bikna	1.54	2.28	4.81	6.05	0.12	0.86	2.02	2.87	1.65	3.14	6.83	8.92
Dhanara	0.72	0.66	1.38	2.87	0.31	1.73	1.93	2.37	1.03	2.39	3.31	5.24
Gangajalghati	1.08	0.8	1.57	2.32	1.4	3.11	2.44	3.62	2.48	3.91	4.01	5.94
Gobindadham	0.9	2.47	1.35	6.69	0.48	0.88	1.2	3.42	1.38	3.35	2.55	10.1
Gorabari	0.39	0.5	0.69	0.8	4.05	7.84	8.44	14	4.44	8.33	9.13	14.8
Hatgram	0.16	0.48	0.75	1.47	0.08	0.39	0.62	0.56	0.24	0.88	1.37	2.03
Jagdalla-2	0.21	1.11	1.47	2.28	1.65	1.25	3.79	3.17	1.86	2.36	5.26	5.45
Khatra-2	0.59	1.14	0.65	1.22	0.38	2.55	17.39	6.17	0.97	3.69	18.05	7.39
Masiara	0.4	0.23	0.33	0.29	1.6	3.39	1.12	2.85	1.99	3.62	1.46	3.14
Purandarpur	1.65	2.16	10.43	5.63	0.48	1.24	5.86	3.55	2.14	3.4	16.3	9.18
Raghunathpur	0.22	0.24	0.2	0.17	0.3	5.1	1.59	3.72	0.51	5.33	1.79	3.89
Sanbandha	0.31	0.3	0.32	0.45	1.75	2.23	6.52	4.15	2.06	2.53	6.84	4.59
Supur	0.68	1.47	2.01	0.79	2.43	1.99	2.26	4.33	3.12	3.46	4.27	5.12
Average Growth Rate over Time	74.94		54.6		279.73		48.85		147.83		54.03	
Average Growth Rate per Panchayat(%)	12.49		9.1		46.62		8.14		24.63		9.00	

Source: Compiled from Unpublished Local Audit Reports and Own Calculations.

3.1B Distribution of Outstanding Cumulative Amount of Taxes out of Own Source Revenue (OSR) Funds (Rs. in Lakh) over Years:

During our field visit to the sample local bodies, we have noticed that Funds collection management process in regard to Own Source Revenue (OSR) was in complete disarray in almost all village panchayats. The fact can

be substantiated by TableB. From this table it is found that there remains huge arrear in tax collection in every year for almost all village panchayats (80%) under study beginning from 2005-06 to 2016-17 with varying amount of below Rs. 20.000 to Rs. 3 Lakhs and above during the Left Front ruled government. This situation was little bit improving during the TMC ruled government.

Table B: Distribution of outstanding amount of taxes out of Own Source Fund (Rs in lakh) over years (Base Year 2011=100).

PR	Financial Years	Distribution of outstanding amount of taxes out of OSR (Rs. in lakh) over years in percentage term in between two political regimes (PR)											
		Below 0.2	0.2-0.29	0.30-0.39	0.40-0.49	0.50-0.79	0.80-0.99	1.00-1.49	1.50-1.99	2.00-2.49	2.50-2.99	3.0 & above	Total
Left front ruled Government	2005-06	16.67	0.00	8.33	0.00	33.33	16.67	16.67	8.33	0.00	0.00	0.00	100.0
	2006-07	0.00	0.00	0.00	16.67	41.67	0.00	33.33	0.00	8.33	0.00	0.00	100.0
	2007-08	0.00	0.00	7.69	0.00	53.85	0.00	7.69	15.38	0.00	15.38	0.00	100.0
	2008-09	0.00	0.00	0.00	16.67	16.67	33.33	8.33	16.67	0.00	8.33	0.00	100.0
	2009-10	0.00	0.00	0.00	8.33	33.33	16.67	25.00	8.33	0.00	8.33	0.00	100.0
	2010-11	0.00	0.00	14.29	7.14	14.29	14.29	35.71	7.14	0.00	7.14	0.00	100.0
	Till 2011	2.78	0.00	5.05	8.13	32.19	13.49	21.12	9.31	1.39	6.53	0.00	100.0
TMC-ruled Government	2011-12	7.14	7.14	7.14	0.00	28.57	7.14	28.57	0.00	7.14	7.14	0.00	100.0
	2012-13	7.69	7.69	0.00	7.69	30.77	0.00	15.38	15.38	0.00	15.38	0.00	100.0
	2013-14	22.22	0.00	11.11	22.22	0.00	0.00	11.11	22.22	0.00	0.00	11.11	100.0
	2014-15	25.00	8.33	16.67	0.00	0.00	0.00	16.67	16.67	8.33	0.00	8.33	100.0
	Till 2016	11.11	0.00	11.11	11.11	0.00	0.00	33.33	11.11	11.11	0.00	11.11	100.0

Source: Compiled from Unpublished Local Audit Reports and Own Calculations.

3.1C Distribution of Major Components of Total Revenue:

Other revenues of the Panchayats consist of

(a) State Tax share on Entertainment and Profession,
 (b) Central and State Finance commission Grants and (c) other Grants-in aid comprising Central Government funds for implementation of Centrally sponsored programmes and State shares thereof which are routed through the State Budget, (d) Central Government Funds released directly through DRDC, (e) State Government Funds for Salary and Allowances and State sponsored programmes which are also routed through the State Budget. In a brief, the fund flows under this head to the village panchayats are:

1. Central Funds through State Budget;
2. State Funds;
3. Central Funds Directly to the District Rural Development Cell (DRDC);

Other component of Total Revenue is Own Source Revenue which was explained above.

Other Revenue :

From Table C it is clear that (a) out of Total revenue other revenue comprises the highest share, (b) during the Left Front ruled government other revenue on an average increased by 55.73 per cent and per year increase percentage was 9.23, (c) during the TMC ruled government this average and yearly percentage increase became almost insignificant which were only 0.01 and 0.003 percentage points, respectively , (d) in Total Revenue (whose significant part is Other Revenue) average and yearly increases during the Left Front Ruled government were 56.46 and 9.41 respectively whereas during the TMC rule those wer respectively 0.08 and 0.01 percentage points.

Table C : Major components of Total Revenue (TR) of 15 select Panchayats during 2005-08, 2008-11, 2011-14, 2014-17 (Base Year 2011=100)

Name of GP	Components of TR (Rs. in lakh)											
	Own Source Revenue				Other Revenue				Total Revenue			
	2005-08	2008-11	2011-14	2014-17	2005-08	2008-11	2011-14	2014-17	2005-08	2008-11	2011-14	2014-17
Baidyanathpur	3.84	1.83	2.83	6.84	321.89	257.85	188.54	197.9	325.73	259.68	191.36	204.73
Ban-Asuria	2.08	3.45	5.13	5.39	80.86	122.57	149.63	148.18	82.94	126.01	154.75	153.58
Bikna	1.65	3.14	6.83	8.92	112.42	120.5	135.26	144.02	114.07	123.64	142.09	152.94
Dhanara	1.03	2.39	3.31	5.24	119.44	202.62	193.77	217.36	120.47	205.01	197.08	222.6
Gangajalghati	2.48	3.91	4.01	5.94	108.72	160.9	110.35	151.55	111.2	164.81	114.36	157.49
Gobindadham	1.38	3.35	2.55	10.1	110.81	148.29	107.28	145	112.19	151.64	109.83	155.11
Gorabari	4.44	8.33	9.13	14.8	92.5	148.69	221.65	197	96.93	157.03	230.78	211.8
Hatgram	0.24	0.88	1.37	2.03	70.13	151.04	163.41	134.55	70.37	151.92	164.78	136.58
Jagdalla-2	1.86	2.36	5.26	5.45	69.23	103.35	124.34	134.04	71.09	105.72	129.6	139.49
Khatra-2	0.97	3.69	18.05	7.39	81.54	223.1	199.47	211.33	82.51	226.79	217.51	218.72
Masiara	1.99	3.62	1.46	3.14	152.47	238.48	208.26	108.71	154.46	242.1	209.72	111.85
Purandarpur	2.14	3.4	16.3	9.18	72.14	115.14	105.2	142.45	74.28	118.53	121.5	151.63
Raghunathpur	0.51	5.33	1.79	3.89	75.92	135.52	154.98	123.52	76.43	140.85	156.77	127.41
Sanbandha	2.06	2.53	6.84	4.59	73.07	114.34	158.06	120.63	75.13	116.87	164.9	125.23
Supur	3.12	3.46	4.27	5.12	343.8	328.76	251.66	192.61	346.92	332.22	255.94	197.72
Average Growth Rate overtime (%)	147.83		54.03		55.73		0.01		56.46		0.08	
Average Growth Rate per Panchayat (%)	24.63		9.00		9.23		0.003		9.41		0.01	

Source: Compiled from Unpublished Local Audit Reports and Own Calculations.

3.2A Panel Data Regression Analysis of Collection of Per Capita Own Source Revenue (OSR) Funds and Politico-Socio-Economic Indicators of the Sample Village Panchayat:

From the data analysis on fifteen select village panchayats, we found that there is diversity in the mix of Own Source Revenue (OSR) and also revenue growth over time. However, based on aggregate trend analysis, we cannot decisively argue whether the OSR or per capita OSR of gram panchayats is related to underlying economic capacity or per capita grants-in-aid or any other socio-economic attributes of the study area. Therefore, here we pose a simple empirical question: what might be the possible factors explaining the variations in the OSR per capita as reported by the select village panchayats?

For getting answer to the above mentioned research question we are dividing the whole analysis into two parts: Firstly, we apply panel data regression analysis to examine relationship between per capita OSR and socio-economic indicators of the select village panchayats and secondly, apply the same technique to examine the relation, if any, in between OSR per capita and per capita grants-in-aid.

For model selection in Panel data regression analysis we have applied, as before, two tests, namely, Breusch-Pagan Test and Hausman Test. The estimated value of the Breusch-Pagan test statistics is 0.91 which is found to be statistically insignificant. So from Breusch-Pagan test it can be concluded that the suitable model for Panel data regression analysis is Pooled Model. Further we have carried out the Hausman test whose estimated value of the test statistic is 0.32 which is again found to be statistically insignificant.

Thus combining the results of Hausman and Breusch-Pagan Tests it can be concluded that the appropriate model would be here Pooled Model and the estimated results of the Pooled Model are noted below:

$$Y_{it} = -77.004 + 0.001X_{1it} + 0.064X_{2it} + 0.984X_{3it} - 0.468X_{4it} - 0.011X_{5it} + 34.343X_{6it}$$

(-0.550) (0.102) (0.464) (2.379) (1.339) (-0.022) (3.615)

Notes: [t values are given in the parentheses *, ** imply significance at 1%, 5% level respectively]

Where Y_{it} is the Per-capita Own Source Revenue (OSR) for the i-th individual village panchayat (i can take value from 1 to 15), at time t (t can take value from 1 to 12) and the other explanatory variables are same as mentioned above. Here the estimated t values for both X_{3it} and X_{6it} are statistically significant at 5% and 1% levels respectively. Thus we can conclude that Per-capita Own Source Revenue Funds are positively influenced by the percentage of SC and ST population and also by the Political Regimes. Thus, change in demographic composition in favor of SC and ST population and also change in political regime from the Left Front to the TMC rule lead to increase in collection of per capita own source revenue.

3.2B Panel Data Regression Analysis of Collection of Per Capita Own Source Revenue (OSR) Funds and Per Capita Grants-in-aid in the Sample Village Panchayats:

Here the estimated value of the Breusch-Pagan test statistic is 106.06 which is found to be statistically significant at 1% level. So from Bruesch-Pagan test it can be concluded that the suitable model for Panel data regression analysis is Random Effect Model. Further we have carried out the Hausman Test whose estimated

value of the test statistic is 0.00 which is statistically insignificant. Therefore, on the basis of Hausman Test we see that again Random Effect Model is appropriate. Thus on the basis of both tests we can conclude that the suitable model is here the Random Effect Model and the estimated results of the Random Effect Model are as follows:

$$Y_{it} = 93.660^* + 18.073^* X_{it}$$

(-3.18) (4.21)

Notes: [t values are given in the parentheses, * implies significance at 1% level]

Where Y_{it} is the Per capita Own Source Revenue (OSR) Funds and X_{it} is the Per Capita Grants-in-aid for the i-th individual at time t (i can take value from 1 to 15 and t is from 1 to 12).

The relation between Per capita Own Source Revenue (OSR) Funds and Per Capita Grants-in-aid is found to be positive and significant. Thus result (significant positive relation between OSR and Grants-in-aid) supports the earlier findings in the literature of panchayat financing.

4. Conclusion:

From the above discussion and analysis we can draw the following main concluding observations:

Under the head of own tax revenue collection (a) the Left Front ruled government's performance, though not satisfactory at all, was a shed better compared to the TMC ruled Government , (b) no political establishment was seriously willing to augment own tax revenue and strengthened the base of tax revenue, (c) present method of assessment of taxes did not appear to be realistic and scientific, (d) very little or no attention , i.e ., tokenism attitude was paid by the gram panchayats to verify the authenticity of the self-declaration forms containing the details of actual land and building possessed by the owners, if at all submitted by the declarants voluntarily, and also market rates of the land or building in question .

Under the head of Non-tax revenue (a) performance during the Left Front rule, though not over all satisfactory, was better than that of the TMC rule, (b) existing trend in collection on Non-tax revenue showed that select village panchayats were not serious enough in collecting user charges, which the villagers would be willing to pay (information obtained from most of the respondents in field survey), if proper services were given to them and rates and fees collected as per the Statute. Finally, it was noticed that there was sharp decline in funds under the head of Other Revenue during the TMC rule compared to the Left Front Rule.

The relation between Per capita Own Source Revenue (OSR) Funds and Per Capita Grants-in-aid was found to be positive and significant. Thus result (significant positive relation between OSR and Grants-in-aid) supports the earlier findings in the literature of panchayat financing. Per-capita Own Source Revenue Funds were positively influenced by the percentage of SC and ST population and also by the Political Regimes. Thus, change in demographic composition in favor of SC and ST population and also change in political regime from the Left Front to the TMC rule led to increase in collection of per capita own source revenue.

To conclude we suggest one innovative effective idea in case of own tax revenue which would be to explore the possibilities of engaging eligible local youths without political consideration to make actual field survey first for the assessment of tax on land and building. Only through this humble beginning, participatory planning can avoid political bickering at the grassroots level and finally it could be heralded as a new success which we are witnessing now-a-days in other cases, as for example in the distribution and collection of electric bills on behalf of West Bengal State Electricity Board. Our suggestion is also to introduce at least specific Demand Registers for all village panchayats on pre-identified and recurring sources of Non-Tax revenue. Every panchayat should at least endeavour to explore all avenues to realize untapped revenues and also make a pledge to introduce something new generating revenue items every year , may be the amount is very small, to chart a path of self-reliant.

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