

## **Pattern of Growth and Structural Changes in Own Receipts of Panchayats: A Study of Twelve Gram Panchayats in Purba & Paschim Medinipur Districts in West Bengal**

**Sirsendu Maity**

Assistant Professor Department of Economics Panskura Banamali College, Pandkura RS, Purba Medinipur, West Bengal, India

### **Abstract**

Economic reforms were initiated in 1991 which have led to the gradual withdrawal of state from economic sectors. On the other hand 73<sup>rd</sup> and 74<sup>th</sup> Amendments Acts of the Constitutions, 1992 have recognized Panchayats as institution of self government and assigned the responsibility for planning for rural development. Our study of 12 Gram Panchayats (GPs) in Purba and Paschim Medinipur districts of West Bengal shows that a considerable increase in own receipts in as many as 7 GPs out of 12 sample GPs. GPs in backward blocks performed better in respect of own resource mobilization. Coefficient of variation of own receipts varied substantially across sample GPs. But the relative share of own receipts to total receipts of GPs have not been substantially changed. The proportion of tax receipts to total own receipts has been increasing and non-tax receipts constitutes a negligible share in own receipts. Revenue autonomy and fiscal autonomy of sample GPs are very low these are not increasing substantially over years.

**KEYWORDS:** Economic Reforms, Gram Panchayat, coefficient of variation, tax receipts, non-tax receipts, revenue autonomy, and fiscal autonomy.

### **I Introduction**

Governance in rural India has entered a new phase with the enactment of the 73<sup>rd</sup> Amendment Act, 1992 of the Constitution of India. The responsibility for governing and developing rural India now largely rests with this third tier of the government. Panchayats have been assigned considered powers and responsibility of planning for rural economic growth and social justice. It is axiomatically true, however that no organization can function effectively without having financial resources. Ashok Mehta Committee (1978) observed that “part of the in ability of Panchayati Raj Institution (PRIs) to come up to expectation lay in their weak financial resources.” In this context, devolution of powers and responsibilities for rural development to Panchayats should be accompanied by necessary devolution of resources. Panchayats should also have sufficient own resources for financing their own plans and projects.

It is accepted that after the 73<sup>rd</sup> Constitution Amendment and the consequent recommendations of the Central Finance Commission, a notable change in pattern of the growth and structural changes of own receipts of Panchayats, particularly Gram Panchayats which are endowed with taxation powers would ensue. Besides, it is expected that own receipt differential across the gram Panchayats would narrow down. An in-depth study is needed is examine these issues.

**Objectives of the Study:** Against this backdrop, the present study sets the following objectives for itself:

- (1) To examine the pattern of trend growth of own receipts of Gram Panchayats;
- (2) To analyze structural changes in own receipts of Gram Panchayats;
- (3) To examine the issue of fiscal autonomy of Gram Panchayats; and
- (4) To examine whether per capita own receipt differentials across Gram Panchayats narrow down in recent years.

**Database and Methodology:** The study is based on secondary data collected from the offices of twelve Gram Panchayats - two Gram Panchayats each from six blocks that have been selected on the basis of stratified random sampling. Here the strata constitute relatively advanced and relatively backward blocks judged on the basis of socio-economic criteria like food grains productivity, percentage of non-agricultural workers, literacy rate, and bank office per 1000 population. Six blocks - three each are selected on random sampling basis from among the relatively developed and relatively backward blocks of Purba Medinipur and Paschim Medinipur Districts. Two Gram Panchayats each from selected six blocks are randomly selected. Thus, we have twelve GPs namely, Dhaneswarpur and Jalchak-II of Pingla Block, Narayanbard and Chaulkuri of Sabang Block, Paparara-II and Paparara-I of Kharagpur Local, Itamogra-II and Naikundi of Mahisadal Block, Gopalnagar and Dhalhara of Kola-II Block, and Debra-II and Radhamohanpur-I of Debra Block. Data are collected from the offices of sample Gram Panchayats for the period from 1990-91 to 2011-12. We divide the whole period into two sub-periods - Sub-period I : 1990-91 to 2000-01 and Sub-period - II : 2001-02 to 2011-12 to compare the trends and structure of own receipts of the sample Gram Panchayats. Simple statistical techniques like ratio, percentage, coefficient of variation etc. have been used to analyze the data. Regression analysis is used to estimate the instantaneous growth rate of own receipts and total receipts. Chow test is done to examine whether growth rates between the two sub-periods is statistically significant.

## II Results

### Pattern of Growth of Own Receipts of Gram Panchayats

**Own Receipts:** Sample gram Panchayats vary in amounts of total as well as per capita own receipts and also in the pattern of their growth. We examine first total and per capita own receipts of sample gram Panchayats and then trend growth rates of own receipts across sample gram Panchayats. In 1996-97, 3 GPs have own receipts in the range of Rs. 10 to 20 thousands at constant prices (1990-91=100) in the relatively backward blocks while only one GP in that range in the relatively developed blocks. But in 1998-99, all the GPs in the relatively backward blocks have own receipts in the range of Rs. 20 to 30 thousands, while only one GP is there in that range in the relatively developed blocks.

**Trends in per capita own receipts:** GPs vary in sizes and population. Variation in total own receipts across GPs does not reflect real variation in efforts for own resources mobilisation. Hence, we calculate per capita own receipts of gram Panchayats to facilitate inter Panchayat comparison. We analyze the trends in per capita own receipts (at constant prices) of Panchayats in the two sub- periods. During 1990-91 six sample gram Panchayats, namely Itamogra, Naikundi, Dhalhara, Gopalnagar, Debra II, Radhamohanpur II in the relatively developed blocks registered per capita own receipts below Re.1 and during 1998-99 Naikundi, Gopalnagar, Dhalhara and Radhamohanpur II stagnated at that

Table 1 Per Capita Own Receipts of Sample Gram Panchayats At Constant Prices (1990-91=100) (In Rs.)

Gram Panchayat	1990-91	1994-95	1998-99	2000-01	2004-05	2006-07	2008-09	2011-12
<b>Backward</b>								
Dhaneswarpur	1.21	0.08	1.21	0.30	1.17	2.67	2.38	2.37
Jalchak – II	-	0.56	0.47	0.24	0.23	2.21	0.23	2.02
Narayanbard	1.71	1.84	0.96	1.27	0.80	0.98	3.40	3.74
Chaulkuri	-	1.03	0.79	0.54	0.55	3.17	1.86	1.10
Paparara – II	-	1.24	1.02	1.05	2.04	2.66	9.68	9.77
Paparara – I	1.30	1.38	1.51	0.22	3.39	1.57	2.40	3.40
<b>Developed</b>								
Itamogra – II	0.85	0.88	0.83	0.93	1.26	0.82	1.58	2.38
Naikundi	1.55	0.03	0.51	0.15	0.32	0.39	0.66	0.78
Gopalnagar	0.69	0.72	0.37	0.39	0.41	1.65	0.53	0.98
Dhalhara	0.06	0.47	0.40	0.40	0.65	0.48	0.69	0.48
Debra – II	-	0.97	0.88	0.75	0.24	0.76	1.26	1.20
Radhamohanpur - I	-	0.87	0.89	0.55	2.24	1.87	0.91	1.41

Source: *Offices of the Gram Panchayats*

level while Itamogra II and Debra II recorded some increase in per capita own receipts but did not exceed Rs. 2. In contrast in 1990-91 four relatively backward gram Panchayats, namely Paparara I, Dhaneswarpur, Jalchak II and Chalkuri registered per capita own receipts but in 2008-09 only Jalchak II stagnated at below Re 1 and five other gram Panchayats, namely Chalkuri, Paparara II, Dhanswarpur, Paparara I and Narayanbarh recorded per capita own receipt varying between Rs. 2 and Rs 5.

**Stability of Own Receipts over Years:** As is apparent from tables per capita own receipts of sample GPs at constant prices fluctuate over years. The fluctuations in per capita own receipts were higher in period-II as compared to period-I in case backward GPs. The estimated coefficient of variations for two sub periods is shown in table. So far as the trend equations of the coefficient of variation of per capita own receipts of the relatively backward and relatively developed gram Panchayats are concerned, we see that the growth rates of coefficient of variation of per capita own receipts were negative and statistically significant in period-I in both advanced and backward blocks, but those, though remained negative, were not statistically significant in period-II and also during two whole periods for two sets of GPs. This implies that per capita own receipts have tended to stabilize over years in both the relatively developed and backward blocks (table 2).

Table 2: Coefficient of Variation of Per Capita Own Receipts of Sample Gram Panchayats over Years

Gram Panchayat	Period - I	Period - II
<b>Backward:</b>		
Dhaneswarpur	69.2	74.3
Jalchak – II	65.4	94.9
Narayanbard	44.9	89.5
Chaulkuri	37.0	72.5

Paparara – II	37.2	127.4
Paparara - I	40.3	44.6
<b>Developed:</b>		
Itamogra - II	80.1	64.1
Naikundi	81.3	40.4
Gopalnagar	28.8	53.6
Dhalhara	45.9	23.8
Debra – II	11.9	38.9
Radhamohanpur - I	25.8	51.2

Note: *Period – I: 1990-91 to 2000-01, Period – II: 2001-02 to 2011-12.*

Table 3 Trends of Overall Coefficient of Variation of Per Capita Own Receipts of advanced and backward gram panchayats, Period I, Period II and Overall

Fitted Equation	Period	Adjusted R <sup>2</sup>	F	D.W
<b>Advanced:</b>				
CVOR=95.31 - 14.19t (7.48) (-4.34)	I	0.78	18.83	1.99
CVOR=49.25 - 1.12t (3.41) (-.302)	II	-0.22	0.09	2.15
CVOR=73.33 - 5.79t (4.67) (-1.43)	Whole	0.17	2.06	1.98
<b>Backward:</b>				
CVOR=72.7 - 6.77t (9.87) (-3.58)	I	0.70	12.83	1.38
CVOR=28.49 - 1.94t (3.18) (-27)	II	-0.23	0.07	2.81
CVOR=84.19 - 1.78t (1.90) (-0.16)	Whole	-0.24	0.024	2.78

Note: *CVOR: Coefficient of Variation of Per Capita Own Receipts. Figures in parentheses represent t-value*

**Pattern of Growth of Own Receipts:** Table 4 shows growth rates of own receipts of sample GPs in the two periods. The results of semi-logarithmic trend equations fitted to own receipts for the period as a whole were statistically significant at 5% probability level in 4 GPs under the relatively backward blocks and in only 2 gram GPs under the relatively developed blocks. This implies that over this period of 20 years, there was a significant growth own receipts in the relatively backward gram Panchayats. But no significant change took place in relatively developed GPs. Also during the two sub-periods, a significant change could be noticed except in one GP (Chaulkuri) in the relatively backward blocks and in two GPs (Itamogra - II and Radhamohanpur - I) in the relatively developed blocks. This table also shows that there was a decline in growth rate of own receipts in one GP (Dalhara). Other 8 GPs have a positive and significant growth in the period-II and the rest 3 GPs have the positive growth rates but they are not statistically significant. The results presented in the table show that all the GPs except Chaulkuri in the backward blocks have recorded accelerations in the growth rates of own receipts. This was statistically significant in 4 GPs in the developed blocks. So, the performance of Gram Panchayats

in respect of own resources generation is higher in backward blocks than that in developed blocks.

Table 4 Growth Rates of Own Receipts 1980-81 to 2000-01

Gram Panchayat	Period - I	Period - II	Whole Period	F -Value (Chow Test)
<b>Backward:</b>				
Dhaneswarpur	-7.3 (-2.54)	17.5 (2.27)	6.3 (2.63)	10.15
Jalchak – II	-15.3 (-6.37)	50.0 (6.15)	9.7 (2.06)	58.02
Narayanbard	-9.9 (-5.09)	32.6 (12.4)	17.66 (0.70)	85.93
Chaulkuri	0.3 (0.06)	26.2 (3.98)	14.44 (4.49)	1.50
Paparara – II	10.4 (4.42)	41.1 (6.65)	24.8 (9.30)	13.02
Paparara – I	-5.6 (-4.87)	6.2 (2.50)	2.8 (2.49)	29.18
<b>Developed:</b>				
Itamogra – II	-3.3 (-0.76)	3.6 (0.079)	3.8 (2.05)	2.73
Naikundi	-12.0 (-5.43)	13.6 (4.11)	-0.6 (-0.31)	36.73
Gopalnagar	-3.0 (-1.75)	13.2 (+2.53)	2.8 (2.08)	9.00
Dhalhara	8.6 (3.96)	-3.5 (-2.53)	4.9 (4.940)	7.58
Debra – II	2.0 (1.15)	10.7 (2.84)	0.5 (0.29)	8.52
Radhamohanpur - I	4.0 (2.10)	10.0 (1.32)	11.5 (5.28)	0.86

Notes: *Figures in parentheses represent t-ratios.* Period-I : 1990-91 to 2000-01, Period-II: 2001-02 to 2011-12

Table 5 Growth Rates of Overall Per Capita Own Receipts of Sample Gram Panchayats

G.P	Fitted Equation	Adjusted R <sup>2</sup>	F	D.W
<b>Backward</b>	Log PCOR <sub>W</sub> = 0.708 - 0.119t (-2.59) (-3.69)	0.49	13.63	0.71
	Log PCOR <sub>I</sub> = 0.09 - 0.082t (0.517) (-2.10)	0.36	4.42	2.178
	Log PCOR <sub>II</sub> = 0.65 + 0.313t (-2.65) (5.70)	0.84	32.53	2.75
<b>Developed</b>	Log PCOR <sub>W</sub> = 0.69 + 0.053t (-5.46) (3.54)	0.47	12.57	2.19
	Log PCOR <sub>I</sub> = 0.606 - 0.020t (-3.87) (-0.58)	-0.124	0.34	1.93
	Log PCOR <sub>II</sub> = 0.12 + 0.013t (-0.55) (0.25)	-0.185	0.065	2.40

Note: PCOR<sub>W</sub> : Per Capita Own Receipts (Whole Period), PCOR<sub>I</sub> : Per Capita Own Receipts (Period-I), PCOR<sub>II</sub> : Per Capita Own Receipts (Period-II), Figures in parentheses represent t-ratio

We consider next the growth of per capita own receipts. The growth rates of per capita own receipts for the period from 1990-91 to 2000-01 tended to decline significantly in the relatively backward GPs, but it was increasing significantly in the

relatively developed GPs during that period. In this period, the growth rates were also negative and statically significant in the relatively backward GPs while the growth rates also negative, although not significant, in the relatively developed GPs. In period-II (2001-02 to 201-12), the growth rates of per capita own receipts were positive and statically significant in backward G.Ps where as in developed G.Ps, these were positive but not statistically significant. But if we consider the distribution of G.Ps by per capita own receipts at constant prices (1990-91=100), we see that the performances of backward GPs were higher than those in developed GPs especially after period-II. For example, in 1996-97, out of 6 GPs, 4GPs have the per capita own receipts above Rs. 2 (constant prices) in the relatively backward blocks while no one GP has crossed this limit in the relatively developed blocks.

**Disparity in Own Receipts:** We now examine whether per capita own receipts differentials across sample gram panchayats show a declining trend over years. Coefficient of variation is used for this purpose. The results presented in table 6 shows that the coefficient of variation of per capita own receipts across the relatively backward and developed gram panchayats fluctuates over years. The measure tends to increase across the two sets of gram panchayats, more sharply in the backward gram panchayats and generally for all gram panchayats taken together. In other words, it tends to increase in period-II as compared to period-I.

Table 6 Coefficient of Variation of Per capita Own Receipts of Sample Gram panchayats

Gram Panchayat	Period - I	Period - II
<b>Backward:</b>		
Dhaneswarpur	69.2	74.3
Jalchak – II	65.4	94.9
Narayanbard	44.9	89.5
Chaulkuri	37.0	72.5
Paparara – II	37.2	127.4
Paparara - I	40.3	44.6
<b>Developed:</b>		
Itamogra - II	80.1	64.1
Naikundi	81.3	40.4
Gopalnagar	28.8	53.6
Dhalhara	45.9	23.8
Debra – II	11.9	38.9
Radhamohanpur - I	25.8	51.2

Note: Period – I: 1990-91 to 2000-01, Period – II: 2001-02 to 2011-12.

**Share of Own Receipts in Total Receipts:** It is observed that the proportion of own receipts in total receipts was above 18% in Dhaneswarpur , Jalchak-II and Narayanbard G.Ps in 1993-94 but after that, it was fluctuating over the range 1.6% to 26.1% in the GPs of relatively backward blocks. So the proportion of own receipts in total receipts could not increase substantially even in period-II in case of backward GPs. The same results are seen for the GPs of relatively developed blocks. It varied from 0.4% to 13.4%v in period-I and in period-II this varied from 1.9% to 24.3%. From the frequency distribution table it is seen that the proportion of own receipts in total receipts had been increasing over years in GPs of relatively backward blocks whereas it had been decreasing in GPs of relatively developed blocks.

### III

#### Structural Changes of Own Receipts of Gram Panchayats

Own receipts consist of tax on land and buildings, fees, sale of trees, lease out of ponds, etc. Although tax receipts at constant prices (1990-91=100) had been increasing over years in almost all the GPs, non-tax receipts did not. Non-tax receipts constitute hardly 20% to 25%. But the flow of non-tax receipts had been very irregular in nature. Table 8 shows that the percentage share of tax in own receipts had been decreasing over years in both relatively developed and backward GPs except Dhaneswarpur GP. The proportion of tax in own receipts was very low. The fall in the share may be attributed to the sudden increase in non-tax receipts, particularly from the sale of trees during those years.

### IV

#### Fiscal Autonomy of Sample Gram Panchayats

This section examines the fiscal autonomy of the sample GPs. Following Hunter (1977), Anwar Shah (1991), and Anwar Shah and Zia Qureshi (1994), fiscal autonomy is measured as a proportion of own receipts in total expenditures. A value

of 1 means complete autonomy and a value of 0 means complete dependency to higher tier of governments. Our analysis of data shows that, in relatively backward two GPs, namely Chalkuri and Paparara-II, the instantaneous growth rate of the coefficient of the measure of fiscal autonomy for the whole period has increased, although that was not statistically significant. Other 4 GPs registered the negative and statistically insignificant growth rates for the same. But (belonging to relatively developed blocks), the entire sample G.Ps recorded negative and statistically insignificant growth rates of the measure of fiscal autonomy except Itamogra-II.

Now, if we consider the trends in fiscal autonomy of sample GPs in the two sub-periods, we see that the measure of fiscal autonomy has increased in the period-II (except Paparara-II) in backward G.Ps, but those are not statistically significant. Naikundi and Dhalhara G.Ps (belonging to developed blocks) registered negative and statistically significant growth rate in the measure of fiscal autonomy. Other 4 GPs recorded insignificant growth in the period-II. This implies that the measure of fiscal autonomy of sample GPs has not significantly improved over the period under study.

## VI

### Conclusions

Our study of 12 gram panchayats in Purba and Paschim Medinipur Districts of West Bengal shows that a significant change in own receipts is noticed in five sample gram panchayats out of six in the relatively backward blocks and in two gram panchayats in developed blocks. The performance of gram panchayats in backward blocks in respect of own receipts generation (over years) has been high relative to that in relatively developed blocks. Per capita own receipts have been fluctuating over years in developed gram panchayats, but the fluctuations have tended to decline and stagnate over years in backward gram panchayats. Per capita own receipts have been increasing in almost all the GPs but they have not been statistically significant. The growth rates have been negative and insignificant for the same. Relative importance of own receipts in total receipts has not substantially changed. The share of tax in own receipts has been increasing at constant prices, but non-tax receipts constitute a negligible share in total own receipts even after economic reforms. Rate of growth of the measure of fiscal autonomy in most the sample GPs has been positive although it has not been statistically significant.

**Reference:**

1. Aziz, Abdul and David Arnold (eds) (1996), Decentralised Governance in Asian Countries, Sage Publications, New Delhi.
2. Government of West Bengal, Department of Panchayats & Rural Development, Annual Administrative Report, 1997-1998 to 2001-2002.
3. Jha, Shikha (2002) 'Strengthening Local Governments Rural Fiscal Decentralization in India', EPW, June 29
4. Kothari, Rajni (1999): 'Issues in Decentralised Governance in S.N Jha and P.C Mathur (eds), Decentralization and Local Politics Sage Publications, New Delhi.
5. Mathew, George, Buddhadeb Ghosh and Ranjan Soni, Report on the Scoping Study on Decentralization and Convergence Issues in West Bengal, Institute of Social Science, New Delhi.
6. Pillai, G. Karunakaran (1986), Local Finance in a Developing Economy A Study of Panchayat Finance, B.R. Publications, Delhi.
7. Raja Raman, I and G Vaishtha (2000): 'Impact of Grants on Tax Effort of Local Government, Economy and Political weekly August 12, pp 2943-2948.
8. Thimmaiah, G (1998) 'Local Government Finance: Some Issues' in Konard Adenauer Foundation, Local Government Finances in India, Manohar Publishers and distributor New Delhi.
9. United Nations Asian and Pacific Development Institute (1986), Local level planning and Rural development alternative strategies, concept publishing company, New Delhi.
10. Vithal, C.P and M Sarumathi (1996) " Panchayati Raj Finances in Andhra Pradesh and Karnataka: An Analysis," Journal of Rural Development 15(2), 215-248.